Corporate Strategy of Indian Organisations[1]

The 'Root – Branch' Framework

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ABSTRACT

Indian organisations need rigorous and clear corporate strategy approaches to be successful in the globalising and complex business environment. This paper argues that none of the strategy frameworks and responses evolved in the American context is appropriate and adequate. Based on the imperatives in evolutionary and emerging contexts, a 'root – branch' framework is evolved. In the coming decade, corporate strategy of Indian organisations needs to be built around the root of being honest and being world-class and one of the three branches or strategic directions – India focused, India diversified, and Global focused.

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EXECUTIVE SUMMARY

Corporate strategy questions relating to the appropriate measures of performance, the rate of growth and extent of diversification, and the ways to mobilise resources and develop requisite competencies, are of current and high importance to Indian organisations. In the coming decade, as they face a complex, fast changing and globalising business environment, they need to adopt rigorous and appropriate corporate strategy approaches.

Since the beginning of strategic management discipline, the four major corporate strategy frameworks that have emerged are – SWOT in 1960s, Strategic Planning Matrix in 1970s, Competitiveness in 1980s, and Core Competency in 1990s. Based on assessment of framework, corporate strategy is considered as a response to imperatives in evolutionary and emerging contexts and the perspective of coming one decade is taken, to explore the Indian business situation. The imperatives for corporate strategy of Indian organisations in the coming decade are –

- From the evolutionary context – Correcting the mindset of dependency on government; Going beyond rationalisation of businesses; Establishing tight linkages between corporate and business strategies with operations; Venturing into new areas; and, Building on success against multinational corporations.
- From the emerging context – Large, growing and internationalising Indian economy; Globally integrated capital markets; Information and communication technologies; Tenets of governance; and, Management resource and capability.

As these imperatives are different and variegated and do not match with any single period of American business, the existing frameworks are inadequate in terms of patterns responded and inappropriate in terms of analytical approaches and prescriptions.

A 'root – branch' corporate strategy framework addresses the contextual patterns and imperatives of an organisation. It conceptualises corporate strategy of an organisation, as a gestalt of three sets of components – 'Root' as first level response to the commonalities in the context shared by all the organisations; a 'Branch' or type of strategic directions, depending on its match with requirements and characteristics of a type; and components based on its industry and company specific factors. The framework can be applied to any geographical or sectoral situation, and root and branch components can be delineated based on the analysis of imperatives in evolutionary and emerging contexts.

For Indian organisations in the coming decade, corporate strategy should be built around:

1. The root of "Being Honest" and "Being World-class"
2. One of three branch or type of strategic direction – "India focused", "India diversified" and "Global focused"

The branch or types of strategic direction are mutually exclusive, and the choice will depend on four characteristics – presence of India based global advantages in business; relative gap between resources required and available for realising the business potential in a single business, in domestic market or globally; characteristics of the existing organisational framework, whether suited for managing single or multiple businesses; and orientation and capability of the top management, whether tuned to domestic market or outward looking.

To be viable and successful, the agenda of an organisation is to consistency among the various components and with the requirements and characteristics of chosen strategic direction. And corporate strategy will get translated into a well-designed sequence of business and organisational initiatives.

Strategic behaviour of corporations is a reflection and a response, to the prevailing socio-economic trends and patterns. Corporate strategy questions, which have been central to the strategic management discipline, relate to the appropriate measures of corporate performance, the rate of growth and extent of diversification, and the ways to mobilise resources and develop requisite competencies. These questions are of current and high importance for Indian organisations as they prepare to navigate the competitive, fast changing and globalising business environment. They need to adopt rigorous and appropriate corporate strategy approaches, to realise their potential in the coming decade.

Since the emergence of strategic management as a discipline in early 1960s, the corporate strategy questions have been addressed at two levels – one, through development of frameworks and tools for outlining the relevant factors and for analysing them in a holistic manner, and two, through conclusions and generalisations of research on what are the characteristics of successful strategies of corporations. The discipline with its roots in case based teaching and in contingency theory of organisational behaviour, have largely depended on inductive and empirical research methodologies and have tried to be practitioner oriented by focusing on issues of interest to the top management of corporations.

Strategic management is currently in pre-paradigmatic stage, and many propositions and theoretical constructs on superior strategic behaviour exist simultaneously. However the need to evolve and sustain "fit", between requirements of a corporation's business environment and its organisational competencies, has remained a guiding premise since the beginning. The concept of fit is multi-faceted and complex to operationalise, and over the years various corporate strategy frameworks were evolved to elaborate on the ways to analyse a corporate situation and to define characteristics of a superior fit. Among the frameworks, there are differences in perspectives and emphases, whether on internal or external factors or on current versus future scenarios. Therefore the paper has two objectives – one, to assess the major corporate strategy frameworks and draw relevant insights for corporate strategy of Indian organisations, and two, to incorporate insights and analysis of Indian business situation for evolving appropriate strategy approaches in coming years.

MAJOR CORPORATE STRATEGY FRAMEWORKS: An Assessment

Taking a long sweep, four major corporate strategy frameworks that have emerged are – 'SWOT' during 1960s, 'Strategic Planning Matrix' in 1970s, 'Competitiveness' in 1980s, and 'Core Competency' in the 1990s. These frameworks distinguish themselves in terms of their high impact on the research, learning and practise of strategic management, and each one provided a definitive response to the corporate strategy questions. Interestingly they emerged about a decade apace and all of them originated in the United States.

Each framework was influential during their respective decades, and following the suggested corporate response became the popular way. As these were extensively discussed and referred to in the media and investment circles, the American corporations often felt compelled to follow the prevailing trend. On the other hand the latter frameworks did not disprove or subsume the earlier ones, and it was more of supplanting the influence, somewhat akin to the 'fashion of the decade'. Building on an earlier paper[2], major features of the four corporate strategy frameworks are outlined in Table 1.

Table 1: Major Corporate Strategy Frameworks over the Years[3]

	1960s	1970s	1980s	1990s
Framework	SWOT[4]	Strategic Planning Matrix	Competitiveness	Core Competency[5]
Proponent	Kenneth A Andrews	Boston Consulting Group	Michael E Porter	C K Prahalad & Gary Hamel
Theme and Suggested response	Match opportunities and risks in the environment with the internal capabilities and orientation, and be in businesses that pass through the screens of what a company 'might do', 'can do' and 'like to do'	Have a balanced portfolio in terms of the growth through entry into emerging areas and the profitability through high market share and learning curve effects	Achieve and sustain competitiveness in the businesses individually, based on five-force industry attractiveness analysis and on following one of the three generic strategies i.e. cost, differentiation or focus	Find a few basic activities the corporation is good at, and build the business and organisation around harnessing this core(s) competency and also to exit from businesses that don't relate to it
Perspective	Inside-out and current	Inside-out and future	Outside-in and current	Inside-out and future
Key contextual patterns for American business	- Continuation of post-world war boom - Emergence of new industries like chemicals and electronics - Opening of opportunities in overseas markets	- Sobering influence of oil price shocks - Emerging evidence on differing profitability levels and linkages with market share - Realisation that industries go through 'S' type lifecycle curve	- Challenge from Japanese companies - Disappointing results of earlier merger and acquisitions wave - Diverse and unwieldy business portfolio of corporations	- Continued success of Japanese companies, and their expansion into multiple product-markets - Below par profitability and market capitalisation of US conglomerates

2 Refer Karki (2002)

3 There is a vast body of research and publication on each of the frameworks, and the representative references are Andrews et al (1965), Boston Consulting Group (1975), Porter (1980) and Prahalad & Hamel (1990) respectively

4 Though Andrews didn't explicitly used SWOT in writings, the framework was generally known and referred to by this term

5 Refer Karki (2003) for detailed critique of the 'core competency' framework and the proposition of Khanna & Palepu (1997)

Few conclusions that can be drawn are:

- **Dramatic shifts in the analytical emphasis of frameworks** While SWOT emphasises growth during the 1960s, there is a shift to profitability in 1970s and 1980s, and further on to market capitalisation during the 1990s. The shifts relate closely with the changes in the business requirements and the expectations from corporations, and the respective frameworks provided a tool appropriate to the times. Therefore no framework can be taken as intrinsically superior and each one can be the most appropriate for a particular situation, whether at an overall national business level or an individual corporate level.

- **Shift in recommended response from entry into new areas to withdrawal** The corporate strategy response favoured is opportunity lead diversification in 1960s and calibrated diversification in 1970s, and the suggested response swings to other side with considered withdrawal in 1980s and aggressive focus in the 1990s. This too relates closely with the American business context during the years, leading to a definitive conclusion on the temporal nature of corporate strategy responses. It is the context that makes for right corporate strategy responses, and neither diversification nor focus is appropriate for all the corporations and all the times.

- **Influence and popularity result from effective linking-up with the prevailing issues** A new framework rose to prominence and supplanted the previous one, when there was a shift in the nature of corporate aspirations and issues. The strategic planning matrix as well as the competitiveness framework were decidedly better tools to analyse and design corporate responses, in the changed and different operating contexts of American business in the 1970s and 1980s respectively.

- **Issues fall into two sets – consequences of earlier responses and of new forces and patterns** The competitiveness framework addressed two types of issues – one, related to excessive diversification of corporations in the earlier decades of 1960s and 1970s, and two, related to challenge of Japanese competitors especially in automobile and electronics industries in the 1980s. This was broadly true for other frameworks as well. Therefore issues that corporations' need to response in a period is a concatenation of those rooted in the evolutionary past and those in newly emerging forces and considerations.

It is evident from the analysis that it is inappropriate to wholly transplant the latest, or for that matter any, corporate strategy framework to another decade in even the same country. Indian corporate situation is vastly different, and an appropriate framework needs to be rooted upon and evolved from the contextual factors prevailing therein. However some useful generalisation can be made for Indian corporate strategy framework – it is desirable to take a perspective of about a decade, rather than aiming for and suggesting universality; one should delineate the issues from the evolutionary context, especially the intended and un-intended consequences of corporate strategy responses earlier; it is useful to outline new forces and patterns in the emerging context, which needs to be addressed while evolving corporate strategy in coming years; and, each of the frameworks developed in American context could have important learnings, due to some underlying similarities in the context or desired responses.

The corporate strategy issues faced by Indian organisations in the coming decade, due to the ways and the reasons therein of their evolution till now, are deliberated upon in the next section. Thereafter the major new forces, which will impact on the strategic choices during the coming decade, are outlined. An original corporate strategy framework for Indian organisations is developed, through juxtaposition of the issues and forces of evolutionary and emerging contexts, in the section prior to 'conclusions'. Primary focus is on private sector organisations, predominantly owned and managed by domestic promoters or investors and institutions, as the sector is likely to be the largest component and be the principal driver of Indian business in the coming decade. However the issues and forces as well as the corporate strategy framework, will be broadly applicable to the other two sectors of corporate India – public sector organisations and the multinational subsidiaries.

EVOLUTIONARY CONTEXT: Issues and Imperatives

Since independence, the business environment and the corporate responses in India were very different from the premises and assumptions of strategic management literature. Primary reason was the adoption of a 'nationally planned – self-reliance' based economic thinking in India. The thinking pervasively and tightly defined the dos and don'ts for Indian business organisations. It was operationalised through licences and controls and was administered through an elaborate mechanism of planning bodies at the top to factory inspectors at the bottom. After some sporadic and industry specific loosening-up during 1980s, the turning point was the economic reforms initiated in 1991. This marked a deliberate shift towards 'market oriented – globally integrated' economic thinking, and the process became irreversible and covered considerable ground by the late 1990s.

Evolution of business environment and corporate strategy responses of Indian organisations fall into two distinct stages – first, during the 'planned – self-reliance' oriented economy till the 1980s, and second, during the transition decade of 1990s and after. Various aspects of these stages, documented in an earlier article[6], have left a distinct imprint on the business profile and the mindsets and behavioural characteristics of Indian organisations. The key corporate strategy issues and imperatives in coming decade, as consequences of the approaches followed by Indian organisations in earlier two stages, are:

[6] Refer Karki (2001)

- **Correcting the mindset of dependency on government** While the discretionary and direct control is now considerably reduced, Indian corporations often carry a hangover from 'license – control' era of high dependence on government for directions. This orientation is counter-productive, as corporate strategy will be primarily dependent on market opportunities and organisational capabilities for most of the Indian organisations. It is inappropriate too, as in market-oriented economy it is the corporations that generally set the relevant agenda for governments. However the government moves on dis-investment could throw exceedingly good opportunities to diversify, as in case of entry of Reliance into power, and the ability to anticipate and influence policies can be a source of significant advantage in areas where the policy framework is still evolving e.g. banking, retail, and infrastructure.

- **Going beyond rationalisation of businesses** As a consequence of strategic approaches during the in 'license – control' era, majority of Indian organisations had unwieldy business portfolios, outdated technologies, and low scale and operating efficiencies. The rationalisation phase undertaken in 1990s is nearing completion in case of most of the organisations, and the corporate portfolios are now relatively balanced and individual businesses operating at currently viable cost levels. Now they need to go further and build long-term sustainability, especially in terms of creating product and process innovation capabilities and evolving an organisation culture of continuous efficiency improvements.

- **Establishing tight linkages between corporate and business strategies with operations** Before 1990s, the growth and diversification of Indian organisations was almost de-linked from the performance and efficiencies in existing businesses. The de-linking was further manifested during stock market surges of early and late 1990s. The orientation of business success being determined by fundamentals that lead to superior market valuations, and not the other way round, has yet to be fully internalised. The aspects that need to be worked upon are – ability to make calibrated investments in technology development and operating infrastructure, that will pay over a longer horizon; processes to review market developments and current performance, in terms of long-term implications; and, organisational framework to balance dynamics at individual business level with the corporate portfolio currently and in future.

- **Venturing into new areas** Since economic reforms many new industries with high business potential emerged. The successful players in these industries came from two stocks – who came into significance with the industry themselves and who are diversification initiative of existing corporations i.e. Infosys and Wipro in software development, Bharti and Reliance in telecom, Pantaloon and RPG in retail, etc. Therefore the fundamental corporate strategy questions of 'whether being diversified or being focused is better' cannot be definitively answered at a basic level, and it should be extended and be instead framed, as 'under what conditions, one or the other is better'. This question is of relevance to even the currently focused Indian organisations, as they may need to exercise the choice in coming decade.

- **Building on success against foreign corporations** In early 1990s, there were widespread fears that Indian organisations will wilt under the onslaught of existing and newly entering multinational corporations. This has not happened, and Indian companies generally didn't loose market share or regained it by late 1990s in most of the industries. No major domestic company went out of business, and in the highly competitive pharmaceuticals industry, they acquired multinational subsidiaries and increased market share by over 15% during 1990s. On the whole, Indian organisations have shown the capability to compete with best of multinational corporations. Strategically there could be two ways to build over the success – entering overseas markets themselves or entering new industries in the domestic market that may have presence of MNC players currently or in future.

These corporate strategy issues and imperatives are different and more variegated, to any comparable period in the case of American corporations. The evolutionary context will be a major influence, with respect to the corporate strategy choices as well as the efficacy of processes or framework adopted, by the Indian organisations in the coming decade.

EMERGING CONTEXT: Major Forces and Implications

Five forces that broadly capture the emerging context of Indian organisations in the coming decade, are – Large, growing and internationalising Indian economy, Globally integrated capital markets, Information and communication technologies, Tenets of governance, and Management resource and capability. These forces are relatively independent and can be analysed for implications separately.

Force 1: Large, growing and internationalising Indian economy In terms of purchasing power parity India is the fourth largest economy in the world. Given the growth record of last two decades, strong macroeconomic fundamentals, favourable social and demographic factors, and diverse but sizeable product-market segments, make India along with China the most attractive place to do business in. Continuing the trend since economic reforms, Indian economy will become highly integrated with the international economy, in terms of both supply and demand side factors. Domestic market will be one of the fastest growing the world, and any significant global corporation will look to carve a presence here. Therefore Indian organisations have the business opportunity – to achieve adequate size and scale economies in domestic market itself, potential to grow and diversify at perhaps the highest rates in the world, and to engage with overseas markets at terms and time of their choosing.

Force 2: Globally integrated capital markets Since late 1990s Indian capital markets have been closely influenced by overseas trends, and with gradual liberalisation of two way capital flows, the integration will be completed in the coming decade. Venture capital has come of age and will become pervasive, promoting entrepreneurship, especially among conventionally less business oriented social groups. This all leads to capital ceasing to be a constraint for a sound idea and for a well managed Indian organisation. On the other hand, integration has brought in exogenous considerations to Indian capital markets and has lead to greater pressure for performance and transparency on organisations. In the coming decade, there will be – obliteration of distinction between overseas and domestic capital both in primary or secondary markets and in terms of availability and costs, and convergence with global trends and patterns related to market expectations, volatility and discipline

Force 3: Information and communication technologies At its essence, a business activity is exchange of goods and services for money, which is made possible, by the exchange of information at various points and stages. The efficiency and efficacy of information exchange is a powerful explanation for creation and for determination of boundaries of organised entities. The developments in information and communication technologies, especially since the coming of internet in 1990s, have revolutionalised the scope and costs of capturing, processing and exchanging information. These developments have the potential to alter the concept of business and organisation, in corporations around the world. With proven capabilities of Indian IT companies and fast creation of relevant infrastructure in the country, the impact on Indian organisations will be equally strong and almost at the same time. The impact of IT on operational tasks and efficiencies has been fairly dramatic, and the implication for corporate strategy will be equally profound and has started being visible. For Indian organisations, this force will lead to – opening out of hitherto inconceivable business opportunities ex. business process outsourcing; redefinition of the boundaries of industries and scope of companies by breaking-up or integrating value chains; and making feasible new organisational concepts and designs.

Force 4: Tenets of governance In spite of several initiatives in the last few years, corporate governance is an Achilles' heel of Indian organisations. There are infirmities at procedural levels, but more germane are the orientation and behavioural level issues. On the one hand, promoters in a large proportion of Indian organisations continue to have proprietary attitude towards publicly owned companies, leading to biased business decisions and in-discretionary handling of company funds. On the other, some promoters thrive on access to privileged information and company resources, to exploit situation for personal benefits. Inculcating appropriate corporate governance standards and orientations, will be a sine qua non for Indian organisations to realise their potential. In the coming decade, they will need to – clearly outline roles, rights and boundaries of various stakeholders, evolve adequate check and balances, and realise the unequivocal need and show the will to enforce high governance standards.

Force 5: Management resources and capability Capital that was central to the growth and evolution of Indian organisations, is increasingly being replaced by the management capability. It is a complex outcome of the knowledge and orientation of members and the efficacy of organisational framework and culture. Owing to proliferation of career options and socio-cultural changes, there is a shift among potential employees from a 'loyal and lifetime company man' to being a 'professional executive' looking to use and develop their knowledge and skills, at the right place and often for a few years. Attracting and usefully deploying such personnel will require organisational approaches to be transparent, demanding and well integrated. To aid responsiveness to the customer and market dynamics, the organisations will also need to enable decision-making at lowest possible levels and then to evolve symbiotic linkages with strategic direction and policies. For Indian organisations, this force will lead to – shift of power towards professionals; need for greater decentralisation and openness in organisations; adoption of institutionalised organisational structures and processes; and, need for calibrated approaches for developing and honing managerial resources.

As in the case of evolutionary context, the forces shaping the emerging context of Indian organisations are very different, as compared to any period outlined earlier. The forces are unique to Indian situation, either by the very presence e.g. 'large, growing and internationalising economy' and 'management resources and capability', or by the nature, intensity and zone of impact e.g. 'globally integrated capital markets', 'information and communication technology' and 'tenets of governance'. The forces are not only relatively independent but also represent powerful imperatives, which need to be suitably incorporated in the corporate strategy of Indian organisations in the coming decade.

THE "ROOT – BRANCH" FRAMEWORK

As the contextual patterns and imperatives influencing corporate strategy of Indian organisations in the coming decade, are not only more diverse and variegated but also do not match with any particular period of American business (Table 1), the existing frameworks are inadequate in terms of patterns responded and inappropriate in terms of analytical approaches and prescriptions. Therefore a new corporate strategy framework rooted in the Indian business situation, and which adequately and appropriately addresses the contextual imperatives, is needed and necessary.

A 'root – branch' framework, based on the concept of configuration[7], incorporates the contextual patterns and imperatives for evolving corporate strategy in a business environment. The framework is based on three premises – effective corporate strategy is a configuration like 'fit' between business environment and competencies of an organisation; more than one configurations could be equally viable and successful in a business environment over a period; and, agenda of an organisation is to undertake business and organisational initiatives that create and sustain the fit. It conceptualises strategic behaviour of organisations as a response to complex and multi-faceted interplay of imperatives from evolutionary and emerging contexts and that effective configurations or corporate strategies comprise of few components that interact and reinforce each other in a gestalt like phenomenon.[8] The corporate strategy components fall into three categories -

1. 'Root' components, as first level response to the commonalities in the evolutionary and emerging contexts, and which are pervasive and essential components of all the organisation
2. 'Branch' or types of strategic directions as second level response to the contextual imperatives, and an organisation adopts the appropriate type depending on its match with requirements and characteristics
3. Components based on an organisation's industry and company specific factors

The components of root and the types of viable branch or strategic directions would tend to become different, as the evolutionary and emerging context of organisations change significantly, though over protracted periods of about a decade. To operationalise the framework, an organisation will need to start with the first-cut choice of a branch or type of strategic direction and the laying out of the suggested base level agenda for the root and branch components, for further debate and discussion. This will set in motion an iterative process, involving – asking questions, identifying major industry and company specific factors, validating assumptions, developing responses, and finally fitting the details together.

For Indian organisations in the coming decade, the two components of root are 'being honest' and 'being world-class' and the three mutually exclusive branch or strategic directions are 'India focused', 'India diversified' and 'Global focused'. A possible strategic direction "Global diversified" is ruled out, as no Indian organisation is likely to have more than one business global in scale and scope, in the coming decade. The three strategic directions along with the components of root are three viable and effective corporate configurations, which Indian organisations can adopt to successfully navigate the coming decade. They can evolve their specific corporate strategy and agenda, by overlaying and integrating the components of root and the chosen strategic direction with industry and

[7] Configuration is an advancement of the concept of 'fit' in contingency theory and is elaborated upon in Mintzberg (1980) and Morgan (1997)
[8] Refer Siggelkow (2002) for how the configurations components interact and evolve in case of an organisation

company specific factors. Table 3 at the end of section outlines linkages between the imperatives in evolutionary and emerging contexts and the root and branch components of the corporate strategy of Indian organisations in coming decade.

The components of root, though seemingly conventional wisdom for corporations, are relevant and discriminating for Indian organisations in the coming decade – in terms of the temporal urgency, emphasis and priority and in terms of the need for sustained and multi-dimensional initiatives. For instance, 'being honest' relates to reorienting business practices, top management mindsets and organisation patterns acquired in the license – control and transition decades, which remain influential currently, to the market oriented and globalising Indian business context. Similarly 'being world-class' relates to the requirements of successfully countering competition from global players, existing or imminent, in most of the product – market segments in India and to the realisation of potential in domestic and overseas markets. The two components of root are necessary, while not sufficient, responses to the ten imperatives identified – five each in evolutionary and in emerging contexts – of Indian organisations. And all the Indian organisation need to not only take definitive and critical initiatives, but also institutionalise appropriate practices and orientation in their being, in the coming decade.

The branch or types of strategic directions have two dimensions. One, whether presence in single and tightly related or 'focused' business activities, or in multiple and unrelated or 'diversified' businesses. Two, whether targeted market is domestic and whatever engagement with overseas markets happen through exports and progressive expansion into neighbouring and similar markets or 'India' with internationalisation, or targeted market is worldwide or 'global' with concomitantly integrated business, organisation and financial approaches. It will not be possible to simultaneously follow more than one strategic direction, as the requirements and characteristics for a stable configuration, are different and mutually exclusive. The characteristics determining the choice of branch or type of strategic direction for an organisation, are – presence of India based global advantages in business; relative gap between resources required and available for realising the business potential in a single business, in domestic market or globally; characteristics of the existing organisational framework, whether suited for managing single or multiple businesses; and orientation and capability of the top management, whether tuned to domestic market or outward looking. Table 2 outlines the 'fit' between the characteristics and the type of strategic direction. Organisations will need to align all the characteristics with chosen direction, to be viable and successful, often through a well-defined agenda of initiatives. For instance, an organisation adopting 'global focused' strategic direction may need top management to develop orientation and capabilities to do business internationally; and an organisation following 'India diversified' direction may need to rectify the organisational framework.

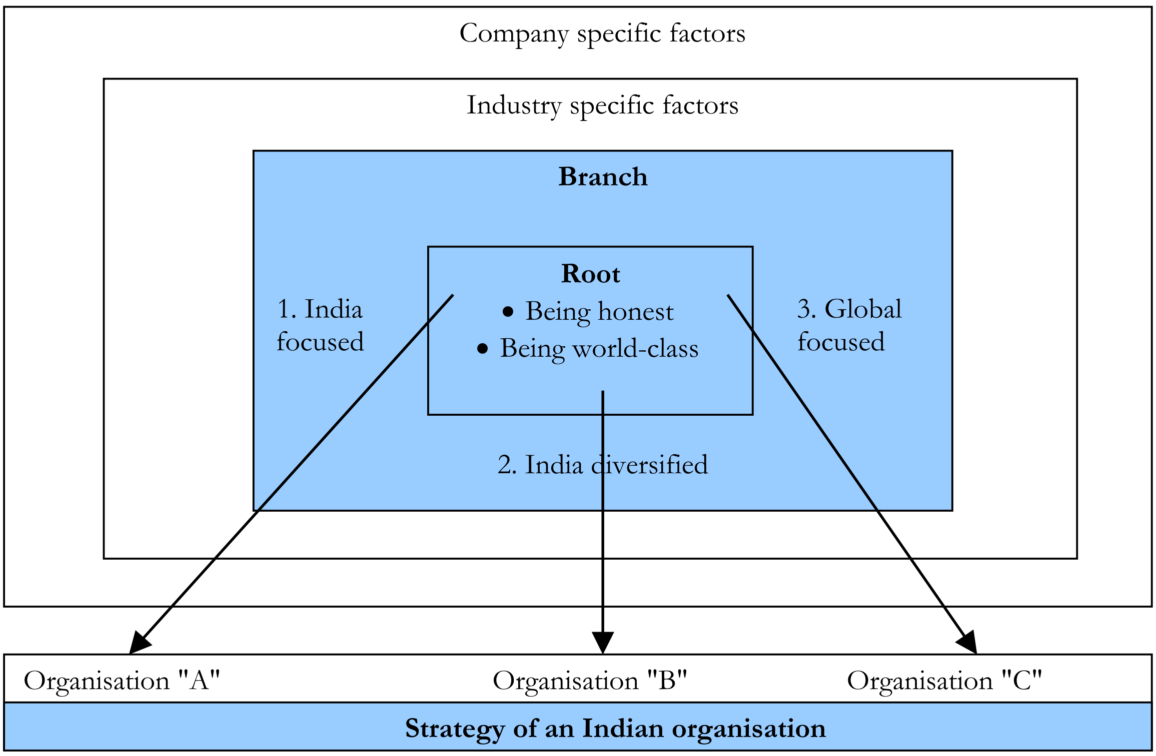
Table 2: Branch or Type of Strategic Direction and the Characteristics

Characteristics	India Focused	India Diversified	Global Focused
India based global advantages	No	No	Yes
Resources outweigh single-business potential	No	Yes	No
Framework to manage multiple businesses	No	Yes	No
Top management orientation and capability	Domestic	Domestic	International

An organisation can switch from one branch or strategic direction to another, when there is a dramatic change with respect of one or more reasons and there is willingness and determination to change the remaining. And for switch to be successful, it will need to transform fully into the new configuration, with change in business profile and direction accompanied by concomitant changes in organisational characteristics. Given the excruciating nature and the uncertainty and risks of transformational change, the natural tendency would be to continue on the chosen strategic direction. The switch will generally happen when there are – extraordinary changes in attractiveness of existing and potential businesses, dramatic shifts in resource situation, or taking charge by a new leader and top management having significantly different orientation, e.g. Ranbaxy in mid-1990s.

The “root – branch” framework, as applicable to Indian organisations in the coming decade, is illustrated in Figure 1. Various aspects of the root and the branch along with an example and ‘what’ and ‘how’ of agenda, are elaborated upon subsequently.

Figure: The “Root – Branch” Corporate Strategy Framework



The Root: Being Honest

The root of 'being honest' is a truism for conduct of any business transaction or organisation, but the approaches demonstrated and internalised during license – control decades, 1990s and turn of century 'new economy' exuberance, still need to be worked upon and corrected. Now with fairly robust regulatory framework for market economy in place and under the forcible impact of globally integrated capital markets, IT & Internet, governance and management resources, 'being honest' to all the stakeholders would need to be essential strategy component and agenda item, of all Indian organisations in the current decade. Being honest to customers, means delivering what is being stated, and in a timely and sustained manner. Being honest to employees, means giving fair base compensation, rewarding achievements and contribution, and meeting legitimate career aspirations. Being honest to investors, means providing superior returns and sharing material information on performance and plans. Share price and market capitalisation cannot be a management objective, but best seen as an outcome of current and future profitability to which a company strives for.

"Being honest" doesn't mean in any way handing out sensitive information, and blunting of aggressiveness or not exercising bargaining power with the stakeholders. If anything, this 'root' strategy component builds robustness in the organisation and conviction at the senior management levels, to forcefully and ruthlessly deal with competition and move towards objectives. 'Being honest' from being a necessary condition for survival in the current decade, could be a source of competitive advantage for early movers. As shown by Wipro, Infosys and some Tata companies, organisations that in reality and perception are honest, are rewarded with higher market capitalisation, greater employee loyalty and commitment and better customer preferences. Transaction costs and uncertainty levels are lower in a higher trust based 'honest' organisation. Individual organisations will need to first define what 'being honest' specifically translates into with respect to the three key constituencies. Secondly, they need to define the path from the current to the desired level. The issues are likely to be sensitive – often relating to functioning of top management and promoters, complex – disentangling various past actions, and difficult – concerning well entrenched mindsets and behavioural approaches. Many companies like Aditya Birla Group have shown that it is possible, if there is adequate commitment and relentless focus at the top.

The Root: Being World-class

This strategy component is a response to the existing and emerging competitive reality and to the business potential of a growing and internationalising Indian economy. Over 40% of Fortune 500 companies are already operating in the country, and given the size and potential of Indian economy many more can be expected to enter, and Indian organisations will need to achieve world-class levels to survive even in the domestic market. The experience and self-confidence of facing up to best of global competition and the scale economies resulting from large domestic market will facilitate forceful entry of Indian companies into international markets. "Being world-class" has two aspects – the costs and the responsiveness. Indian companies would need to match or come superior to global corporations, in terms of both operating and capital costs. However cost levels is a moving goalpost, and competitiveness once achieved will need to be sustained by building suitable monitoring systems and by building efficiency orientation in the organisation. While they would need to match responsiveness at operating level to customer complaints etc., they could garner some advantages built on responsiveness – if they can bring to bear superior knowledge of Indian customer' needs and market behaviour towards more appropriate design of product and services and if they can effectively play on the rigidities and assumptions of global players.

Majority, if not most, of Indian companies have undertaken benchmarking and business process reengineering initiatives, to find where they stand and set efficiency expectations. The cost improvement will need to become institutionalised, by being part of annual planning and monitoring mechanisms and of organisation culture. From not being aware or concerned about the customer in license – control era, Indian organisations have progressed but they need to reach much higher levels. The routine areas relating of effective and speedily handling of customer complaints can be programmed, and enabling organisational approaches be created for translating customer feedbacks to make refinements and fresh designs in products and services ex. Indica car of Telco and OTC products Itchguard and Krack of Paras Pharmaceuticals.

Branch 1: India Focused

This strategic direction is appropriate for Indian organisations that are in high growth industries or have enough ground to cover in terms of market share and entry into closely related product-market segments and geographical areas. The opportunity in domestic market is often disproportionately higher than their financial and organisational resources, and they generally operate in industries in which India based companies do not have significant advantages or face serious handicaps in the global market. However as they exhaust domestic market opportunity, they could go for expansion into neighbouring and similar developing countries – taking advantage of scale economies and of branding, technology and organisational skills.

Bharti

It is India's private sector leader in telecommunications industry. Bharti Telecom was incorporated in 1985 to manufacture electronic push button phones. Subsequently, Bharti Cellular was formed in 1992 to offer cellular services, and in 1998 it became the first private fixed-line service provider in India. Bharti currently provides mobile services in most of the telecom circles; basic services in few states; and National long distance (NLD) and International long distance (ILD) data and voice services. In the 1990s, Bharti energetically focused on the deregulated telecommunications sector; and formed joint ventures with foreign firms for finances and technology but got out of all of them over the years, and then mobilised finances from international investors like Singtel, Warburg Pincus, New York Life, etc. in late 1990s onwards and from IPO in mid-2002. In the coming decade, Bharti will continue on focus on telecom, as there is a lot of ground yet to be covered. And from being driven by entrepreneurs, it will move further in its efforts to build an organisation and institution.

The organisations following this branch or strategic direction, will need to balance the growth and profitability objectives, by fortifying competitive position in existing segments and generate profits and cash flows and by expanding into new geographical, product and customer segments at the fastest possible manner. The primary agenda will be to – develop understanding of consumer and market trends and respond with new product, marketing and selling approaches; build competencies to sustain position in existing areas while being able to enter new segments; and, create management systems and management depth. Organisation structures will preferably be functional; though in some cases where number of product segments is high and each segment is of sufficient size, limited divisionalisation of sales and production activities will be more appropriate. Organisation ethos and culture will need to be tuned to attracting and nurturing managerial talent. They need to aim for good governance standards, in order to create a culture of excellence and to meet generally large fund requirements from domestic and international sources.

Branch 2: India Diversified

This strategic direction is appropriate for Indian organisations that possess and can mobilise financial and managerial resources far higher than required for a single business area. Generally the current operations of these companies tend to cover entire geography of the country, and their businesses either do not enjoy India based advantages or face many handicaps in international markets. They have strengths in domestic market, with closely aligned top management orientation. The strategies at corporate level and for each of the business could have different degrees of integration and consistency, and internationalisation efforts will generally happen at individual business level rather than at corporate level. In the coming decade, organisations following this strategic direction will fall into two classes – one, who inherited unrelated businesses from controlled economy era and have retained competitive position in multiple businesses afterwards e.g. Aditya Birla; and two, who generate or leverage resources in excess of what is required for exhausting opportunities and for enhancing competitiveness in existing business, and diversified into new areas e.g. Nirma.

Reliance

It became the first 'Fortune Global 500' Indian private sector company in 2002. The company started as a manufacturer of synthetic textiles in 1966, and integrated backward first into yarn and fibre manufacture and then into input materials like PTA and MEG. All the capacities were of globally efficient scale, and the trend continued with facilities for commodity plastics like PVC, polypropylene and polyethylene; petrochemical cracker complex; and finally the 27 million tonne oil refinery. Besides, it has a large stake in oil and gas exploration, presence in financial services, presence and major plans in power, and has made large investments in telecom covering all areas of communication services and across the country. In addition to its ability to influence the regulatory environment, Reliance developed competencies in large-scale project management and in funds mobilisation through the 1980s and 1990s, with founder Dhirubhai Ambani being the visionary and strategist. From earlier strategy of backward integration till mid 1990s, Reliance started moving into related and unrelated areas in newly opened sectors, and will continue to diversify in the coming decade by leveraging its standing and resources. It continues to be more of a task based organisation, an anomaly given the size, and will need to evolve into a role based organisation and further on into an institution.

Given the size and growth rate of Indian economy and the emergence of new sectors, the 'India diversified' strategic direction will be viable and robust in the coming decade. At the corporate level, organisations could leverage on the advantages such as – greater ability to avoid crippling effect of downturns in a business and to manage financial risks; better support acquisition attempts, especially during lower points of industry cycle when valuations of potential targets are attractive; and, be well-positioned to enter newly emerging, deregulated and privatised areas, as they have the resources and orientation to manage multiple businesses. The primary agenda will be to – assess in how many and in which business they can achieve and sustain world-class levels; create organisation design that develops total 'focus' at individual business level and develops 'check and balance' mechanisms and 'new opportunity seeking skills' at corporate level; follow high corporate governance standards, for taking care of any conglomerate type market discount; and, transfer learnings and resources across businesses. Organisation structures would need to be sophisticatedly divisional, often with multiple levels of divisions and overlaid with many legal forms. A corporate centre having specialised functions like human resources and having initiatives group dealing with corporate wide issues and new ventures, will be necessary.

Branch 3: Global Focused

This strategic direction is appropriate in industry sectors where India has certain advantages at global level, and for organisations that have achieved size and capability levels that can be deployed in international markets i.e. textiles, tea, diamond cutting, information technology, pharmaceuticals, etc. The global advantages could be rooted either singly or a combination of natural, cost and skill factors. Indian organisation may initially base their global business on a single advantage, but will tend to build second order advantages like technological and managerial skills or product and institutional brands over a period, to strengthen and create sustainable positions in global markets. However Indian organisations can either be born global e.g. Infosys, acquire into e.g. Tata Tea or grow into one e.g. Ranbaxy and Aptech. Top management of these companies will have a global mindset or international orientation, and are able to outline a global positioning based vision and objectives and are able to accordingly commit and focus their organisations.

Ranbaxy

It is India's largest pharmaceutical company and ranks among world's top 100, with overseas sales more than 70%. Ranbaxy was incorporated in 1961, and its initial technology orientation was born out of necessity, when its long-term distributor agreement for an Italian pharmaceuticals company was cancelled, and it was forced to manufacture its own products and developed process expertise. In 1993, under the initiative of then CEO Parvinder Singh, a Ph.D. in pharmacology, it committed itself to becoming a truly international research-based pharmaceutical company, and started to focus on international markets and on developing new chemical entities. This commitment was manifested in the large investment in research infrastructure, recruitment of over 250 scientists, and establishment of overseas sales network and a global territory based organisation structure. Ranbaxy had started expanding abroad during the 1980s when price controls in India limited local growth and profit opportunities, and the new organisation structure helped set strategic direction and intent – by giving each of three international territories same stature as the domestic one, even if domestic sales was four times the entire international sales in 1993. The vision and approach of now deceased founder continue to guide the company, and Ranbaxy will continue its globalisation process in the coming decade. It proposes to have a presence in all the dozen major global pharmaceutical markets in the world by 2005, make acquisitions to facilitate entry, increase percentage sales of dosages to over 80% in FY05, and, license or launch self-discovered new drugs or delivery systems.

This branch or type of strategic direction will become pervasive among Indian organisations, as many more organisations and industries will develop world-class capabilities and look to exploit business potential in overseas markets. The primary agenda will be – to continue to aim higher, maintain focus and set world-class standards, and to develop sustainable technology or brand based advantages. The structure is likely to be functional or geographical divisions, and in some case global product divisions – where they have reached certain size and managerial depth. The organisations will need to institute dynamic reward systems, and create a culture of organisational innovation and excellence.

The Table 3 puts together and illustrates the intensity of linkage between specific evolutionary and emerging imperatives and the components of 'root – branch' corporate strategy framework, for Indian organisations in the coming decade.

Table 3: Intensity* of Linkage between Contextual Imperatives and Corporate Strategy Components

Imperatives	**The 'Root'**		**The 'Branch' or type of strategic direction**		
	Being honest	**Being world-class**	**India focused**	**India diversified**	**Global focused**
Correcting the mindset of dependency on government	Medium	Medium	Medium	High	Low
Going beyond rationalisation of businesses	Medium	High	Medium	High	Low
Establishing tight linkages between strategies & operations	Low	High	High	High	High
Venturing into new areas	Low	Medium	Medium	High	Low
Building on success against foreign corporations	Low	Medium	High	High	Medium
Large, growing & internationalising Indian economy	Medium	High	High	High	Medium
Globally integrated capital markets	High	Medium	High	High	High
Information and communication technologies	Medium	Medium	Medium	Medium	High
Tenets of governance	High	Medium	Medium	High	High
Management resources and capability	Medium	High	High	High	High

* High – Strong, direct and at multiple levels, Medium – Moderate and at one or two levels, and Low – Weak and indirect.

The imperatives from evolutionary and emerging contexts, while representing fairly independent and separate influences for corporate strategy, are closely linked to more than one root or branch components of Indian organisations. Each imperative influences at one or more levels, leading to variations in intensity of impact, on a specific root component and on branch or type of strategic direction, e.g. tenets of governance will have multi-dimensional impact on various aspects of 'being honest' and will have higher impact on 'India diversified' strategic direction for reasons of market capitalisation. Given the impact of an imperative on more than one components and the impact of many imperatives at variety of levels on a single component, the configurations are true gestalts. And the three viable and effective corporate strategies for Indian organisations in the coming decade, are – "Being honest + Being world-class + India focused", "Being honest + Being world-class + India diversified", and "Being honest + Being world-class + Global focused".

CONCLUSION

The 'root – branch' framework can be used as an enabler and a tool, for formulating, elaborating and validating the corporate strategy of organisations. In comparison to other frameworks (Table 1), it balances the current and future imperatives and the internal and external aspects of an organisation. At a conceptual level, it can be applied to any geographical, sectoral or industry contexts, through delineation of suitable root and branch components. The framework evolves the concept of organisational configuration to the footings and specifics of corporate strategy, and provides the logic and agenda for existence of more than one viable and effective corporate strategy in a context – in the process shedding new light and extending the premises and propositions of strategic management discipline.

The framework fulfils a deeply felt need of strategic management practitioners and researchers in India. Especially since early 1990s, they have been subjected to cacophony of prescriptions, based on what is the latest thinking and what is currently fashionable in the developed countries. Unlike technology, the latest is not distinctly superior and appropriate in case of management concepts. As shown in the first section, while there are useful insights in corporate strategy evolved in the American contexts, there are serious contextual and temporal limitations in transplanting them to Indian organisations. And in essence, the 'root – branch' framework builds the theoretical conviction and clarity for a different approach in the Indian context.

The approach of evolving corporate strategy, by identifying the patterns and imperatives in the evolutionary and emerging context of an organisation, has been successfully used in about a dozen medium and large Indian organisations, over the last ten years by the author. This experience, while giving confidence on the efficacy of the approach in real-life corporate strategy situations, is generalised into the overall Indian business situation and is evolved into an analytical tool, with this framework. The 'root – branch' framework will help focus on the relevant issues and cutout the conceptually inconsequential, thereby enabling Indian organisations to evolve clear, conviction laden and rigorous corporate strategies in the coming decade.

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