

Strategic Management
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Lecture No. 03
Case Study- Group Presentation on Case-I (Baddi's Solvent)

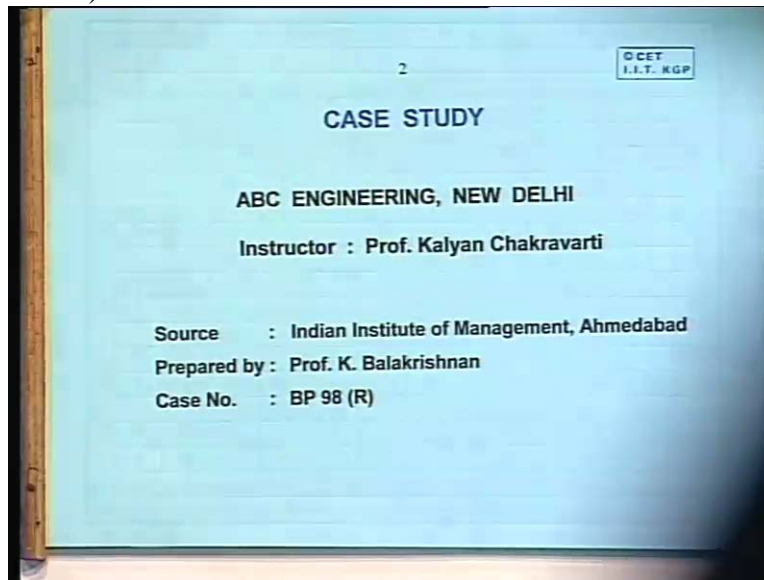
So, as I said, this class is going to be a group case presentation by six teams. Already there has been a email sent to all of you. There is a slight error, which I am correcting right now. Hereby correcting each team will not be credited with five marks. I repeat, each team will not be credited with five marks but this group presentation will carry a maximum of five marks on which I will evaluate, all right? And whatever marks is evaluated to the groups, exactly the same marks will be allotted to each member of the group, clear? Before we start the case presentations, let me lay down a few ground rules.

We have two sessions today, one hour each. In the first one hour, we will spend roughly ten minutes per group. That gives us sixty minutes. For sixty, for six groups we then have a break for five minutes. Come back and then we do a discussion, all right? How do we do the discussion? What I would like to do is each group will keep notes of the other five groups when they are making presentation and you will critique the other five presentations very briefly.

So, that means you have to be awake when the other groups are presenting. Each would have to and I suggest the group leader does that. During the five minutes break you can consult the group leader with five members of the group to see whether you have got all the points which each of the group members has noted. And then, you do the presentation and the presentation again will be, let us say five to six minutes and then we will have a summing up on what we have learnt and what we have missed. Clear? Any questions? No. Okay.

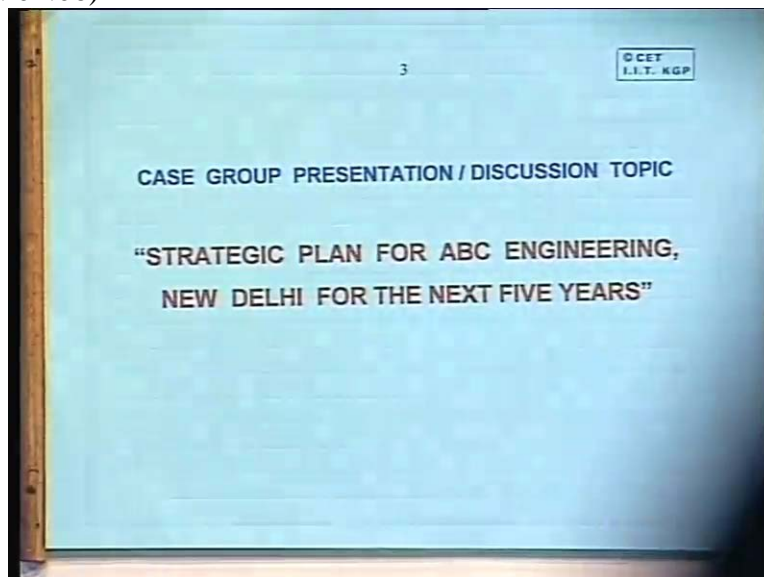
Today, the case, which I have sent to you in advance, is a case from Indian institute of Management, Ahmedabad prepared by Professor K Balakrishnan. This is case number, business policy BP ninety eight R. Okay?

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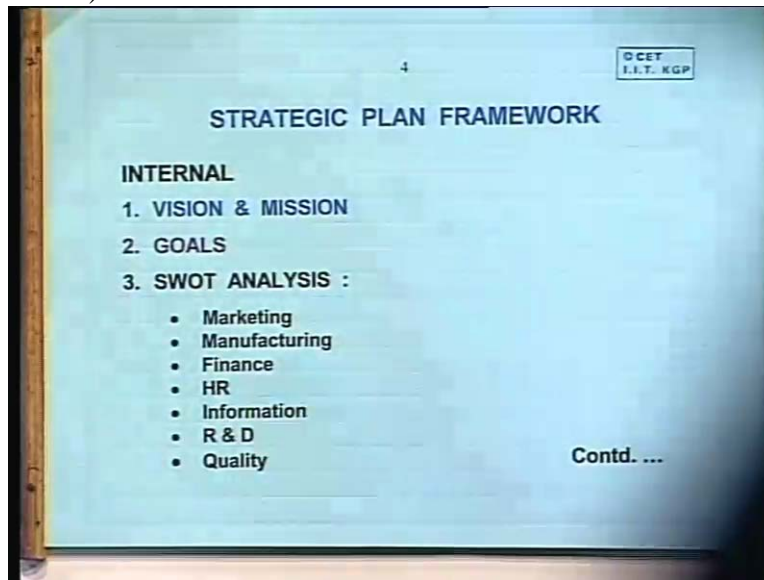
I think it is a very interesting case -ABC engineering New Delhi. And we will see what kind of a plan you have prepared for Mr. AK Kapoor, ICS retired.

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Strategic plan for ABC engineering, New Delhi for the first, for the next five years.

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I had also said in my email that your plan must follow a framework, and you must clearly delineate it that framework on which you are building the plan. In the, in the classes which Professor Dey has taken. Can you, can you hear me?

Yes sir.

Huh? Let us let us pay attention because cross talk is is unfair to the other people, no because they can't hear you. So let us all listen to, , what the instructor is saying and any question we will discuss. So, Professor Dey has taken a number of classes already giving you a basic theoretical framework, all right, for strategic planning. I had also, in the first session, this is my second, first session, I had given you basically Porter's model and talked a little bit about the history of strategy and strategic, strategy as practiced in business. And Porter's seminal work, which provides a very very fundamental framework for strategy. Basically here what I have done strategic plan framework for this case-internal vision and mission. When I may say internal, I mean internal to the company. All right? When I say external, external to the company. So, vision and mission, this is primary. Second is 'goals', third is SWOT analysis. Everyone knows what is the SWOT analysis, right? Anyone who doesn't know? Everyone knows. So, strengths weakness opportunity and threats, right? And broken down for ease of analysis into various functional areas of the company. Each area, like marketing, what are the strengths of marketing of this company, , what are the weaknesses in the marketing area, what are the opportunities to the marketing within the environment and what are the threats even from competition and so on.

Similarly, manufacturing, finance, human resource, information, R and D quality, okay? You can add. This is indicative, it is not exhaustive but it is a framework, okay? Any questions?

Sir, there is not enough data given in the case to make such a, is there rather enough data to make such a detailed strategic plan? It is missing mainly an opinion, sir. There is, there is nothing, , I mean that is

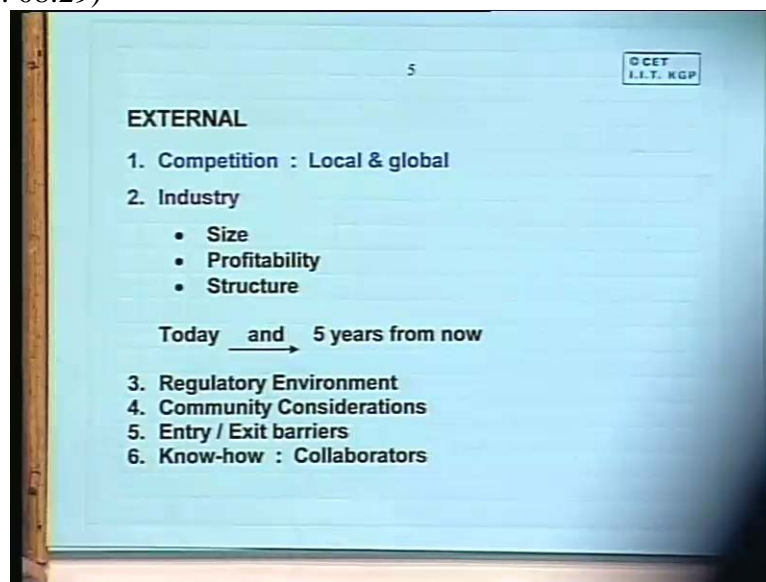
What he says is correct. Yes yes. So, how, how do you tackle? We need more information sir. You need more information. Yeah. So when you present you have to say we need more information, we can't make a strategy. Yes sir.

That is your presentation. I have repeated again and again. In business you will never ever get all the information that you think you require to make a proposal or a presentation or a decision. You will also never have all the time but you have to do it. This reminds me of machine design in electrical engineering. We used to have machine design paper in fourth year and third year and there, there used to be a nice sentence of the bottom-you can make reasonable assumptions on any data, which is not given. Say, you are designing a transform, core type transformer, they will give you some basic data. Rest, you reasonably assume; that also tests your knowledge. If you have to assume a flux density, which is way out, then the teacher immediately knows that you know nothing about flux density, right? Right or wrong?

Right.

So, as, as aspiring MBM's you should make reasonable assumptions from whatever is given in the case. That is the way to approach to it, okay? Right. External is competition-local, global, industry. What is the size of the industry, what is the profitability, what is the structure-these are very basic. By structure I mean is it a segmented industry? Is it a consolidated industry? Okay. How many players are there- today and five years from now?

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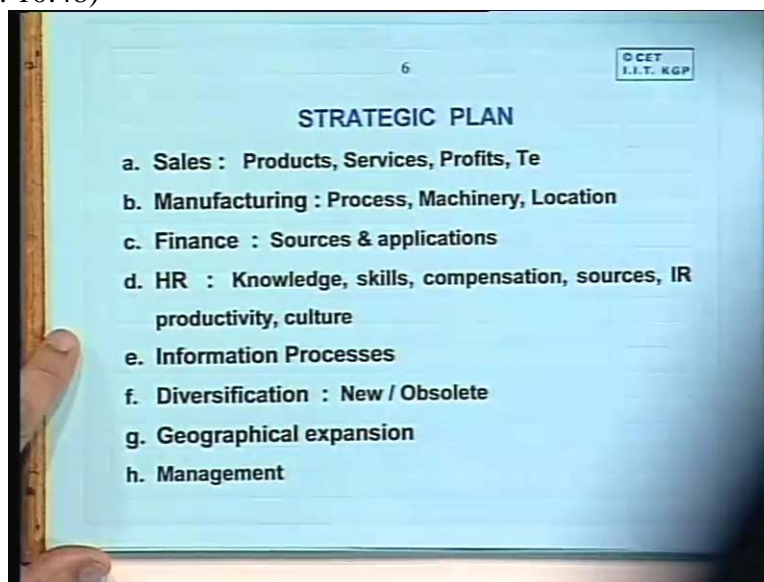
We are making a five years plan, some kind of projection has to be made. Then regulatory environment, at least in India, the Indian scene where we have had a mixed economy, all right? Regulatory environment at least prior to the mid nineties was one of the most critical forces in the environment, which has to be managed successfully for doing well in business. Now with the global competition coming in, tariff barriers being reduced, all right, and the command control resume of government being slowly dismantled like DGTC has been dismantled already, all right.

License permit raj is going away now. It is not that important. Community considerations are becoming more and more important now. Today, in many many industries that has become a real factor. Pollution, for instance. Pollution controls boards have been set in place. People are more aware, there is a lot of consumer activism. So, for businessmen, this is a very important

consideration when you're going for strategic plan of your company. Entry and exit barriers. If you remember Porter's model, what are the five forces in the environment what he talks about?

Bargaining power of buyers supplier. Then? Competition within industry. Then? Threat of substitute. What else? Potential entry. That is, if you have very little entry barrier you have lot of people who can jump in. If you have, can you give an example of entry barrier? Telecom. High capital is entry barrier. Technology. If you want to make atom bombs, there is a [Laughter] only two or three or five or six or seven people have it. Anyone else wanting to do is difficult for them. There is entry barrier technology and so on. Government regulations. Huh? Distribution channel. Okay. Okay, so, that is it. Then, that is the framework. Then the plan, you talk of sales. That is very important.

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Sales-the products, the services, the profit is and the technology. Technology is here. This is territory. All right. Manufacturing process, machinery location-is it multi plan/single plan location, finance sources and application. These are very broad. HR-knowledge skills, compensation policies, sources of manpower, industrial relations can become very critical. Productivity, culture, information processes. How you carry information communication within the company/external to the company? Diversification of products and services. New products that you go into, old products-we have product audit and those products which have reached the sunset-matured, no longer cash cows, you think of phasing them out. Or it may be a obsolescence already-economic obsolescence. Or it may be a loss-making product. You are not doing well; your competitors are doing well. They are making money you are not making money or various reasons. Then, the management may decide that we are just spending time and energy on this product, making a loss. So, we get rid of it. So, with product audit they discontinue. Geographical expansion, because today it is become a global village.

You can no longer say I am going to be a regional company or a national company. Why can't you say? Because not for you to say, some Japanese competitor may come into your backyard. So you have to look at it globally. So, geographical situations become important and finally

management. How are you going to manage the enterprise? Okay? Now, with this little introduction, I will now call upon group one, okay, to come and make their presentations.

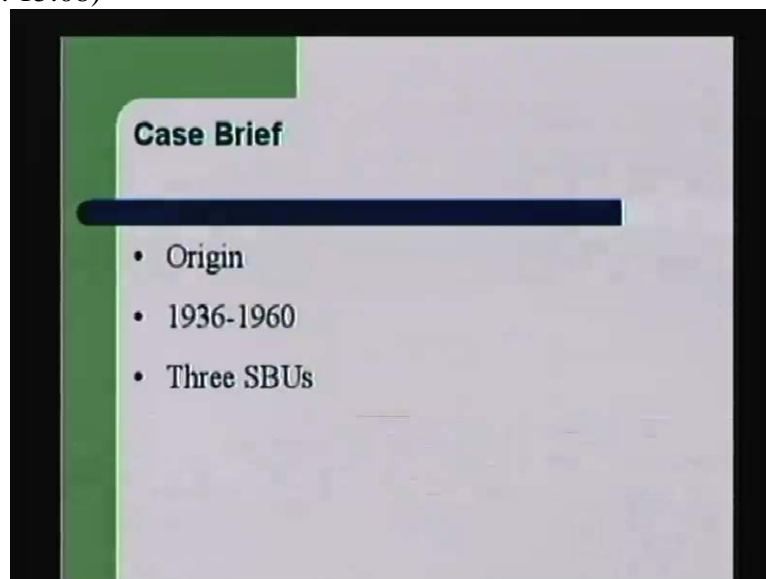
Excuse me sir. I want to ask one question. Please do, tell me. , when you were telling about the environment... Yes. Should we consider the present environment or the environment that existed when this case happened? I mean this case is not new, so... Not present. You, you look at what is a fact of this case and then try to project five year thereafter with the fact that we have now. Okay. This is somewhere in the late sixties, early seventies. Take that scenario. Who will start? Alright.

So, what is this? Are you going to say that, that the topic was not taught or something? Strategy has been taught. It doesn't matter. But you have followed your own framework.

You don't have to follow my framework. I want to know what framework you have followed. Just don't talk in the air. When you present, you make the presentation and then tell me what framework you followed. Or you tell me the framework and present it. Right? Not not clear? Very good but ultimately you know, in a company you have to produce a plan, a strategic plan with responsibility and time. You made a plan. That is good. Let us start all right. So, you have to put timer. Oh. It is on the desktop. You can't see. Then come here. Power point just

Good afternoon sir and my dear friends. Good afternoon. Today we are going to, present an analysis for the case which is ABC engineering New Delhi. We are basically going to look at the strategies for the Kapoor group.

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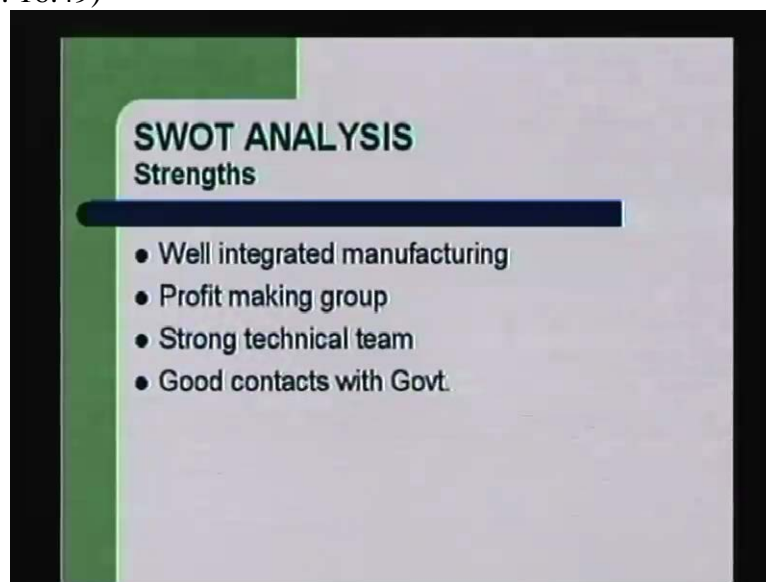
So, if we first look at the details that have been outlined in the case. , the origin. It all started off with Mr. AK Kapoor in nineteen thirty-six and he was an ICS officer under the British regime. And he started off with the companies. His entrepreneurial efforts started off in nineteen thirty-six. , it is about the family business about, of Mr. A K Kapoor and his two sons Mr. B K and Mr. C K and the problem such an engineering division is right now facing has to be addressed as a part of the case analysis. , in nineteen thirty six, he actually encouraged the sugar farmers,

sugarcane growers of UP to set up a sugar factory in by adopting the cooperative board and during that period it was producing around eight hundred tons per day which later on he took up after he got retired in nineteen forty seven and it became a very highly profit making sugar industry.

So, from nineteen thirty to nineteen sixty onwards he has been involved with sugar business, cement business and also set up the ABC engineering group in nineteen fifty two. So, that is what the three strategical business unit is of the division are about.

So, those are that the basic facts as far as a case is concerned. We have actually gone for the SWOT analysis of the whole group from the, , the group is having a well integrated manufacturing.

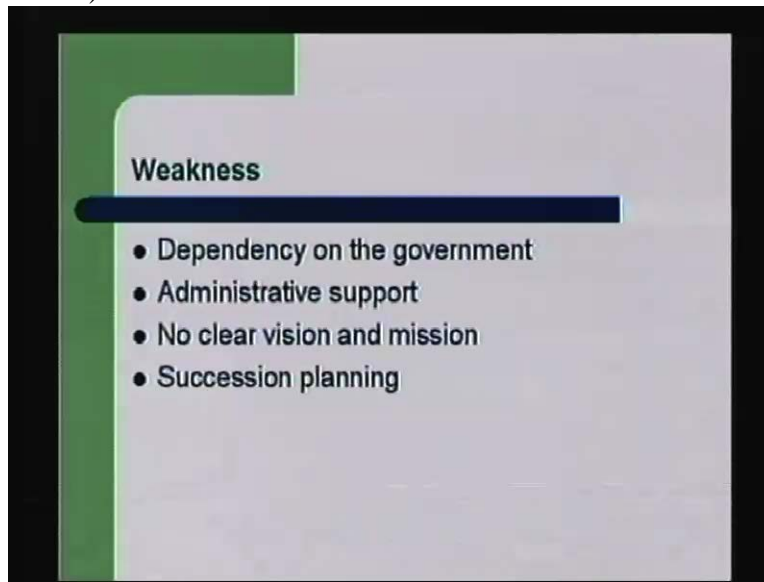
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When we say ‘well-integrated manufacturing’, it is a group in which the ABC engineering company is supporting the sugar and the cement manufacturing by providing around ninety percent of the machinery. So that is, that is why it is considered one of the biggest strengths of the whole group and then it is, it is a very good organization in terms of the profit. It is been making profit is on a consistent basis and all the, all the divisions are running profitably. Um, as far as technical backing is concerned, it is got a very sound technical team which is headed by Mr. BK who is who is an engineer from MIT. He takes care of each and every technical detail of the group and so, in in terms of technical excellence it is been very clearly specified by the group. It started off with importing most of it is equipment and now it has improved the sale of it is own equipment all by, all by itself. Then one of the last and the final strength is that it has got good contacts with the government.

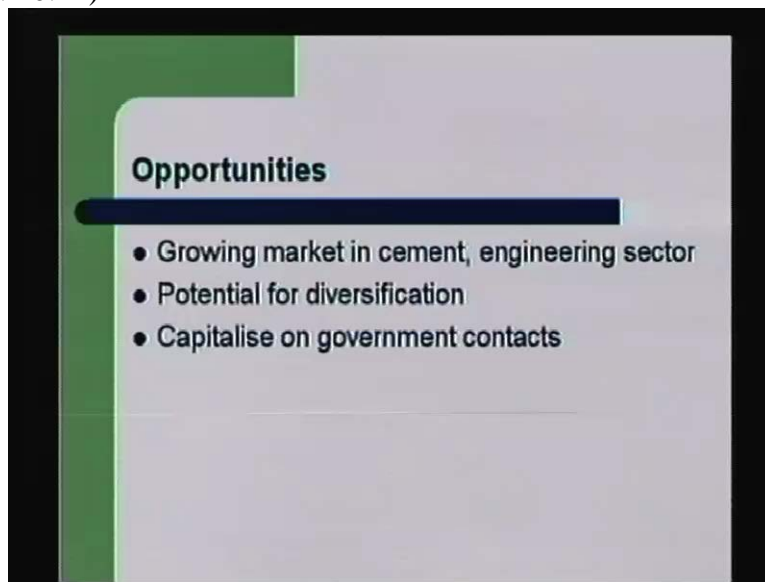
As we all know from the case that Mr. AK was an ICS officer and he was very well connected with everyone in the government, so he is able to generate most of his business, in fact the largest part of his business is being generated because he’s got good contacts with the government. Now, we go into the weaknesses that the group has.

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Although the group has a lot of government contacts, it has developed a dependency on the government. Most of its business is actually from the government. So it is definitely a weakness in the sense that if one fine day the government stops giving them business then it is going to suffer a lot. Then, administrative support. By administrative support we mean to say that the group does not have all its functionalities in proper place. As it was mentioned in the case that, there was no HR department for the engineering division. The accounting division was not doing fine. It is, they were actually culturally only developed departments like, , inventory management and purchase. So, no proper functionalities are in place. Then, the group doesn't have a clear vision and mission. , the group, each each business unit we feel should have a clear vision and mission. This is very much evident from the fact that as far as the objectives of the engineering division are concerned, Mr. AK and Mr. BK have differences in opinions. That is precisely why the group should actually come down to a clear vision and mission. Next, the weakness would be, , succession planning. There is no proper succession planning as far as the whole group is concerned. We see that Mr. BK who is just technically endowed, he is not very good in administrative affairs. Mr. CK, he was an M.com. He is not interested in business activities and he is not yet being groomed into a proper businessman. He has actually employed the new DGM and GM who are supposed to take care of Mr. CK but the, it is planning is not properly in place.

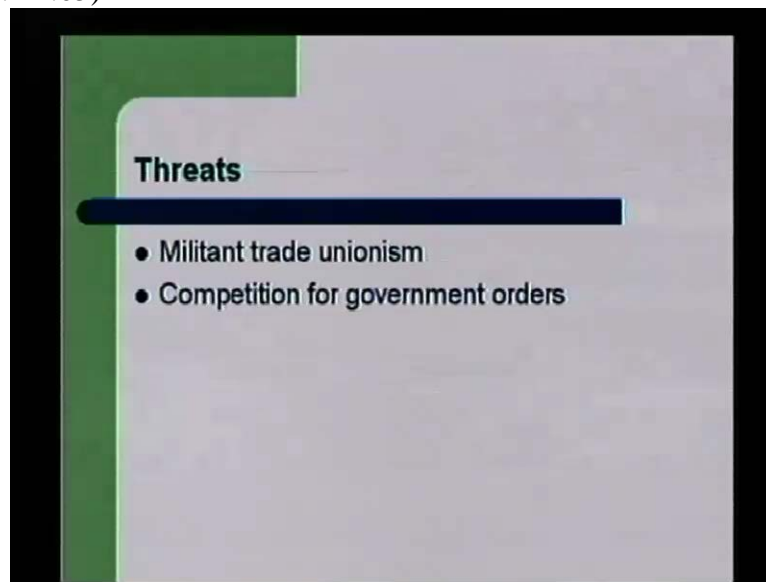
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Then, if you look at the opportunities. Going back those days, that is, early sixties and early by the sixties and seventies, we see that there was a growing market in cement and engineering. Why not those days? Nowadays also we see that there is a growing market in cement and engineering because India needs a lot of infrastructure. So, that is definitely an opportunity that the , group may look at. Then, as BK has suggested once in the case that there is a lot of potential for diversification. The group could go in for developing, , paper machinery as he has suggested and also, we feel that bagasse, which is a by-product of sugar industry, can be employed to make, , paper and paper as well as you can use it for making methanol; methanol, which can be used in motor spirit is. That is one area that the group can look into. Then, the group should capitalize on the government contacts. The group should, the group has got a lot of government contacts and that is why the group can actually get more and more business because of it is government contacts. That is a, that is a strength, opportunities you talk about.

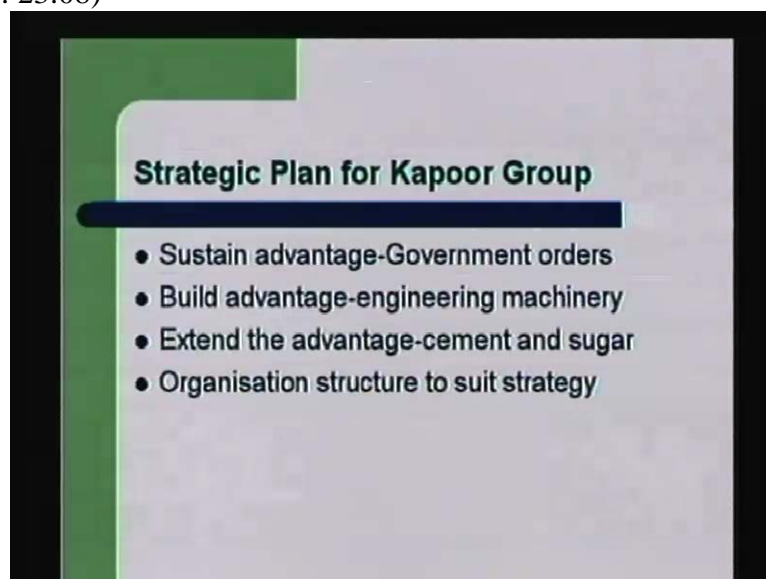
No sir. We actually refer to the fact that they can diversify. That is where the government contacts can always be used. Okay. That is how we view a government contact as a strength, weakness and also an opportunity. Okay. Carry on, carry on. Carry on. You have, you have, you have to be very careful about the time. You'll lose marks if you overstep ten minutes. So, you have already done about seven eight minutes. All right?

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We have perceived some threats as well. , the biggest threat as far as the group is concerned is the militant trade unionism, ABC engineering division. The whole family believes that the ABC engineering division is the flagship division as far as the whole group is concerned. If there is a militant trade unionism in in here as far as the developmental activities of the group are concerned, they are going to really take backseat because the group will concentrate more on the industrial relations aspect. So, this problem has to be tackled. This is a perceived threat. And we also feel that the competition for government orders is always there. The group can't just relax and sit back thinking that the government is totally in it is kitty. People can always know, anyone else can come in and grab the government business. So, these are the, this is what we have actually done in the SWOT analysis. Where is your plan? Next is and we have a strategic plan for Kapoor group.

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As a part of the strategic plan, the group should ensure that the it sustain it is advantage. The advantage being the fact that it has got government orders. So, it should, it should focus upon this aspect and see to it that the government orders keep coming. It should build advantage. The advantage can be built up by going into the engineering industry, as he, as it has been specified that it can try and become an L&T or Walchand. So, they, they definitely have a lot of business opportunities in that, in...

So, they should go for engineering now, is that your plan? Yes. They can go for more and more diversification. Dive nay. Don't be vague. Are they going to go for engineering? When we say engineering, we are talking about equipments, sir-paper mesh, paper manufacturing of the equipment. Okay, all right. And that is all. Engineering equipment. Yes sir. Right. What else? Any other plan? And the, um, final and a very important aspect that needs to be looked into is the organization structure to suit the strategy. As of now, the organization structure is more of a family structure, which needs to be putting, which needs some serious thought to be put in. The organization structure is also...

Structure is family. Having of weakness in the sense, because the functionalities have not been properly defined. Some of the functionalities are absent also. So, the organization structure needs to be looked into and a proper planning it is to be made in, on that front. So, these are what effect, these are the things that we need to look in as far as the strategic plan is concerned; that is the strategic plan that we would have. Okay. Thank you very much.

This was group one. Being analyzed based on the SWOT analysis and...

Now, wait a minute. Wait a minute. Are you giving me a strategic plan for the next five years? Yes, the future plan. All right, all right. Come. Okay. The first comes the strength, the internal strength of the company. The group, the first one is that the company started based on good connections with the government. And with the connections of, that is one very important strength. The second one is that sugar and cement industry of the company is doing very well and is prospering. The third thing is that the engineering industry of the government, of the company has also come up very well and it is supplying the engineering equipments to sugar and cement companies. So, there is a constant supply of the engineering equipments to those sister companies. And another important thing is that the quality, the internal requirements of the company are being made by the engineering industry. Now, another important thing about the company is that BK has some clear vision about the engineering industry. That is, he wants the engineering, , company to be amongst the first three, top three in the country. That is very important. He is driven by that vision.

Amongst the weaknesses, the first and foremost thing which was a strength, that is the good connection of AK in the government, that might not be so. AK is pretty old, he might pass away anytime and once he does we don't know whether BK and CK has this connection, to sustain those government orders. Now, the company is catering only in it is sister companies, the engineering company ABC engineering. Now, what happens if the sister company is not doing well. There's not much requirement. Though ABC has done few turnkey projects, independent or those that they have got but it is not it is not really there in the case that they might sustain even without the sister companies' requirements.

The second thing is that there is no personal department; no such policies, processes in place for the company group. And hiring of the employees are being done on an ad hoc basis and have been-you like somebody you just take that person. There is no proper process. Then, CK has been giving the charge of administrative department but it is not really inclined in business.

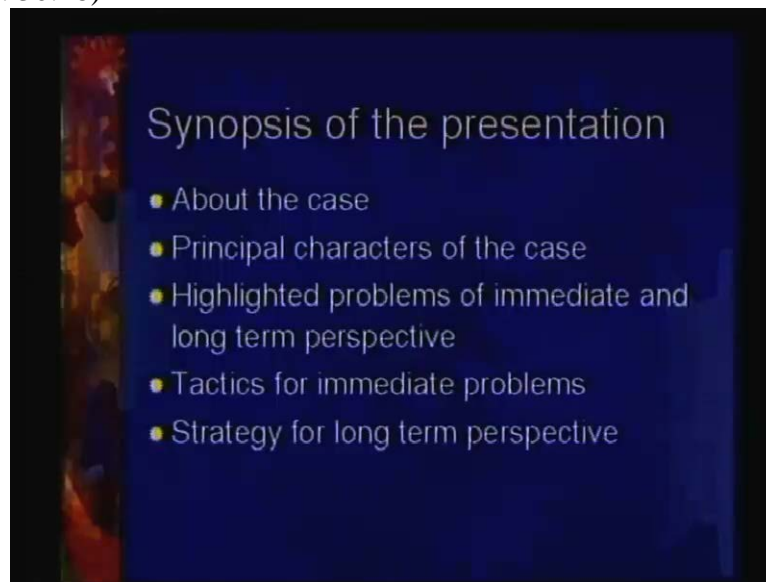
And another important thing is that he is may be not confident, he hasn't proved himself. So, that is a big gamble giving the administrative charge to CK. And another important thing is it is a public limited company. So, if someday on an ad hoc basis, BK or AK thinks of doing something for the company, he has to get the approval of the equity holders and sometimes it creates a problem. That might be one of the weaknesses, might be. Then, opportunities. They have lot of opportunity for diversification especially from cement they can go to constructions; they can go for real estates. Plus, they are trying to develop new people. They are recruiting new people and trying to groom them. And there is going to be a mixture of youth and experience, that opportunity is there. They then are trying to put into order the administrative set up; they are trying to modernize their culture, office culture. Then, there is a growing market in cement and engineering. So, chances are that cement and engineering are going to do well. Amongst the threat, there is a lack of, , consciousness for cost. BK wants super quality, for that he doesn't know whether the cost that has to be beared for the quality can do justice to his plans.

The second problem is in the accounting department-the accounting department is not well shaped and then there is a militant trade unionism, which is another threat. Okay. This all about the SWOT analysis. So, our team proposes as the future plan what to do. Diversification can be there, as we said in the opportunities, the diversification into real states as well as constructions. It might go into certain kinds of more engineering equipments like auxiliary components to auto manufacturers. It should have a good recruitment process and find out good personnel. Then, it should go for the by-product in the sugar industries. Okay. It can go for industrial alcohol, etcetera and well that is it.

Thank you.

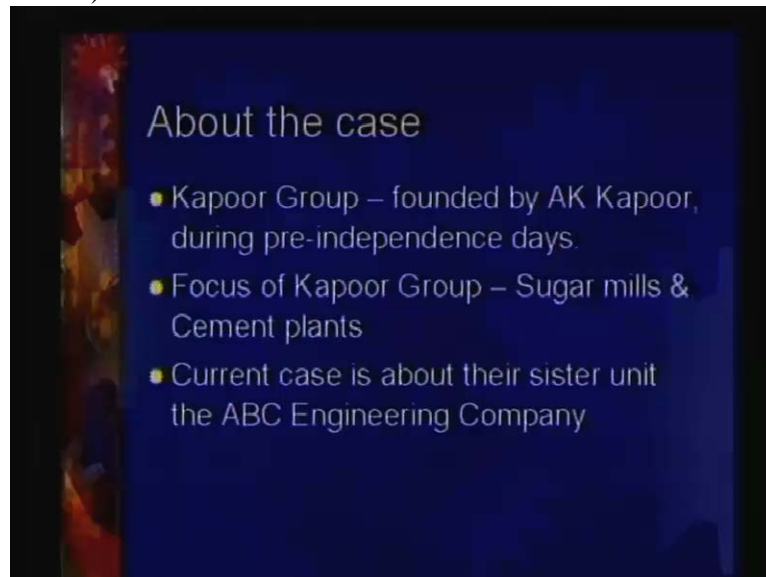
Good afternoon, all of you and very welcome to this unique case-a case which is all about people who are present in this company of ABC engineering. And we are all talking about ABC engineering, it is strategies and it is plan, what it should be.

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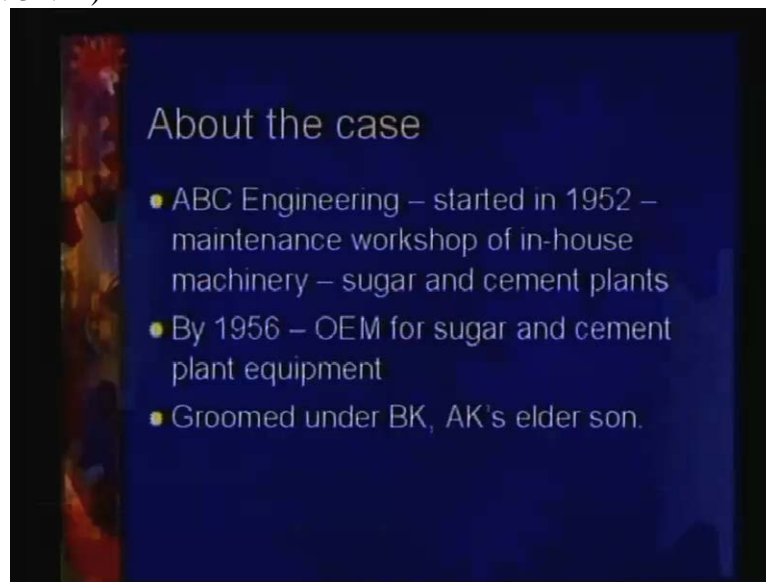
Now, what I would be dealing in this case would be basically a small synopsis of the case, the principal characters of the case, then going by the problems that have been highlighted, both in the short term as well as be long term and ultimately we'll be coming on to the tactics for the short term requirements and the strategy from the long term perspective.

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Now, let us have a brief idea about the Kapoor group. The Kapoor group founded by Mr. A K Kapoor during the pre-independence days started off with a small sugar mill then went on expanding with a few more sugar mills and cement plants and ultimately it also had a small OE manufacturing equipment unit by the name of ABC engineering.

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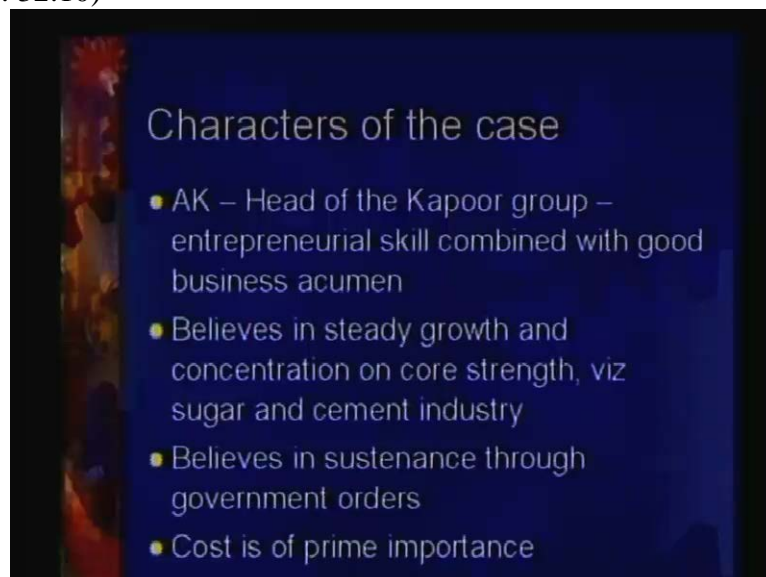


Now, ABC engineering started in nineteen fifty-two as a basic maintenance workshop for all their in-house machinery that is catering to their sugar and cement plant equipment.

Now, in 1956 what happened was this story groomed under Mr. BK and by nineteen fifty six they were actually into sugar and equip cement plant equipment. Total equipments, right from starting of the basic unit is all the way to the twenty projects.

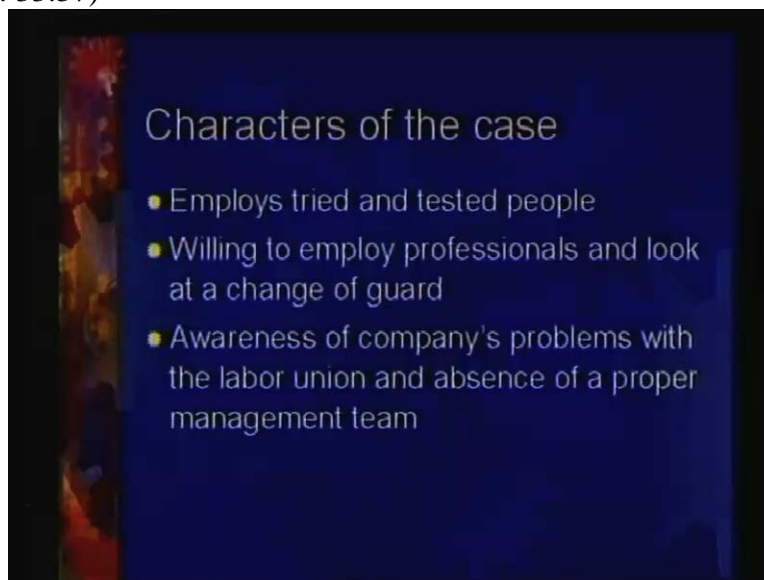
Excuse me sir. I would like think to keep the slides on the screen, sir. Okay. Because I am referring to that, sir. Um. Friends, sorry for the disturbance. Now, how it all happened was, by nineteen fifty-six was AK's second son, that is BK, was groomed up as a strong mechanical engineer trained in MIT and then further on with better industrial experience.

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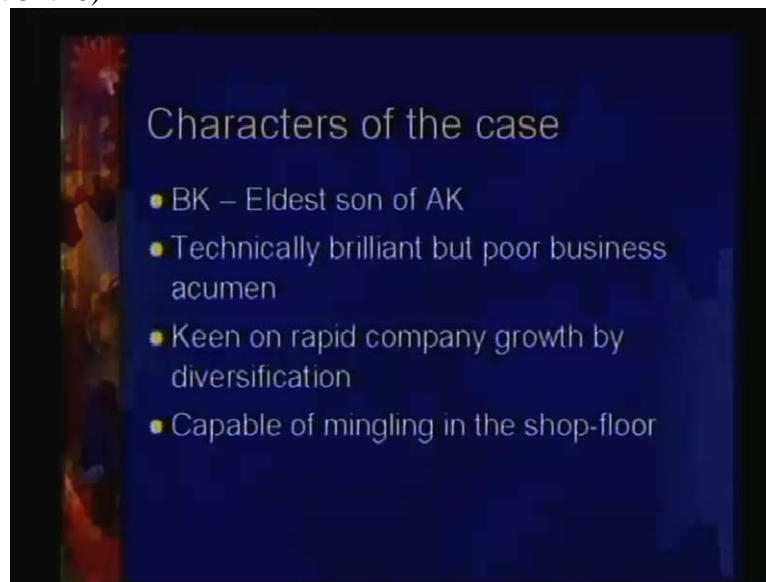
Now, before we talk further into ABC engineering, we just have a brief glimpse about the characters, starting with AK, the head of the Kapoor group. BK is the elder son ? Yes sir. Second, not the second son. Elder son. Elder son, starting with, , AK the head of the Kapoor group. He was actually known for his entrepreneurial skills as well as good business acumen. Good business acumen in the Indian context, as you know, is not just getting orders but also getting orders, executing it successfully, right from the private sector as well as from the government sector. He had shown that knack in, in the initial cases itself-how he had taken over a sugar mill from the cooperative. And the next thing that we have is about AK's beliefs and his thoughts. He believed in steady growth and concentration on the core strength, that is, namely the sugar and the cement industry equipments. His next belief was in government orders. He always believed that government orders were there for taking and they provided him with a better sustenance, as you can read through the cases further down. He used to make very good profit is with the government orders and ultimately for him, cost was of prime importance to him. He always looked at every order in terms of cost.

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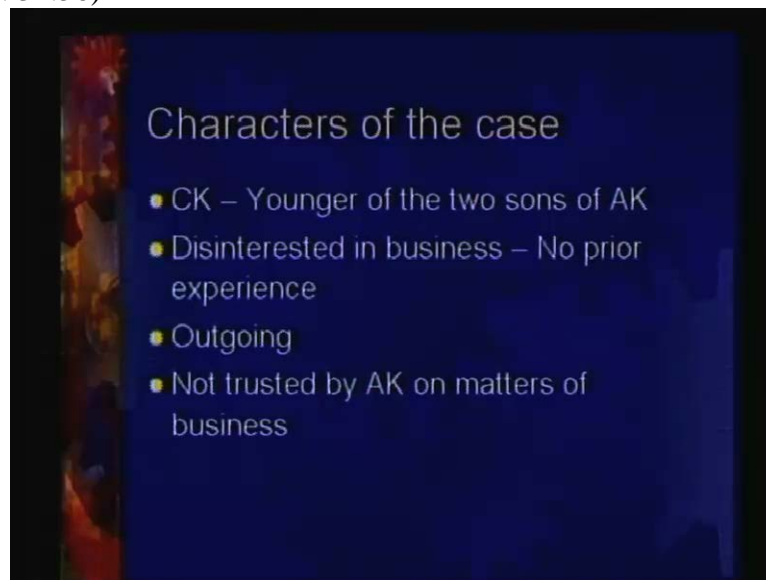
The other important thing was all, the total organization that he had was manned with tried and tested people. In the sense that people whom he or people with whom he had rapport, he incorporated them into his organization and he also had this attitude of picking up the right people for the right job. Ultimately, as you go down through the case, you also find that he is also willing to incorporate professionals into this case and look at a change of guard because he knows the company is not going to be as long as him but rather it has to go on beyond him. So he is also willing to look at professionalism and incorporate it into that. Apart from that he is also well aware of the company's problems in terms of the labor, labor union problems and the requirement of a proper management team.

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Now, coming to BK. BK, the elder son of AK, was the main technical brain for ABC engineering. Even though he was technically strong, he was not known for his business acumen as AK himself, in words, used to consider him that he has to be groomed up to run the organization. He was a very good, he was very good at mingling shop floor, as we could see in the case itself, which means that he was very good at building up relations among the workers.

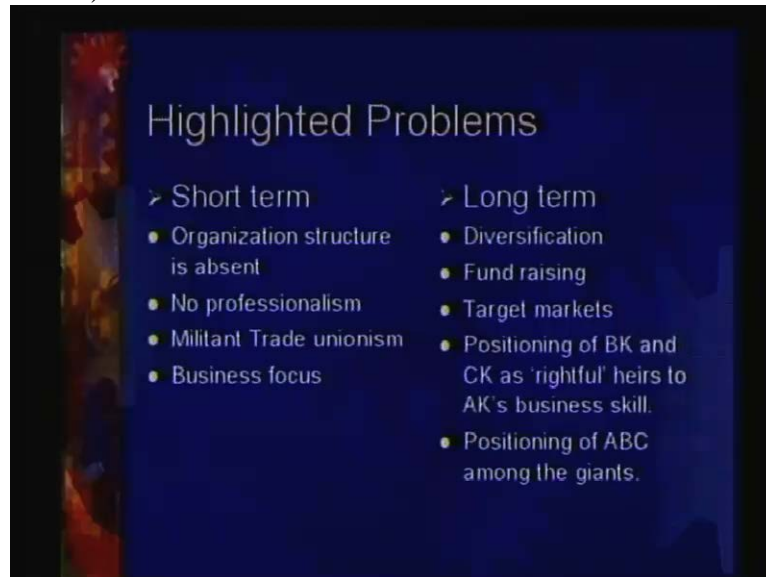
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The next aspect is on the next character that we have is CK, the youngest son. The youngest of the two sons that AK had, he was more a person who was aloof from the business. He was totally disinterested and he had no experience in it but what he had was a character of an outgoing attitude, which we will put down to use later down in the case.

The next, next aspect about CK was that AK did not consider him as a person whom he could trust with the business to be run totally. That is why you find in that even though he was the administrative director, he was actually bypassed later on by a DGN as per AK's orders.

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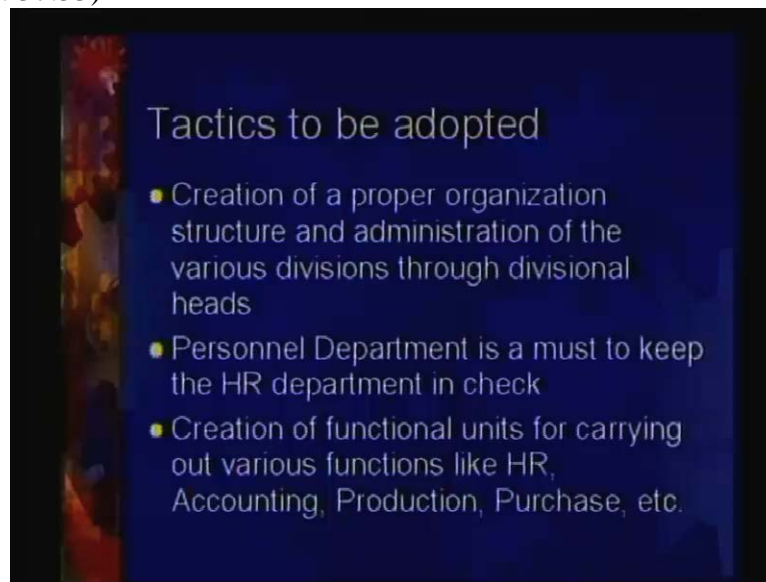


Now, let us come on to the problems. We have got the problems in two perspectives-the short-term perspective, which is of immediate nature, may be within the one year, two year or the three year perspective. And then you have got the long-term perspective, which is not just beyond three years. It is actually a total focus for the organization to grow. Now, when we come to this short-term perspective we find that there is a total absence of a clear-cut organization structure.

We find people being recruited from different ends like, you have the technical recruitment being done by BK whereas the administrative side being done by the GN. Then we also find that there is no professionalism. Selection of people is based on people whom you know, people whom you have met rather than being through a standard normal process. The other aspect that we have which is a very very important aspect when you look at any manufacturing plant is the trade unionism that is prevalent over there.

It is actually not a right thing for any manufacturing concern. The moment you have trade unionism over there, a manufacturing concern has a slow death. The next important aspect is business focus. We find AK having a different business focus in terms of government orders. Then we have BK looking at the totally technical aspects and technical excellence of the equipment and CK absolutely with no focus. Now coming to the long-term perspective. We have questions of diversification being raised then cost being highlighted. So, which means ultimately there is a requirements of funds [Noise] for the unit. Then the target markets, whether it is the cement industry or the sugar industry or should it be the paper industry or should it be the total equipment industry. And finally we have the positioning of the various characters in the organization, ultimately the positioning of ABC engineering in the total market. Now, let us look at the short-term solutions that we have proposed.

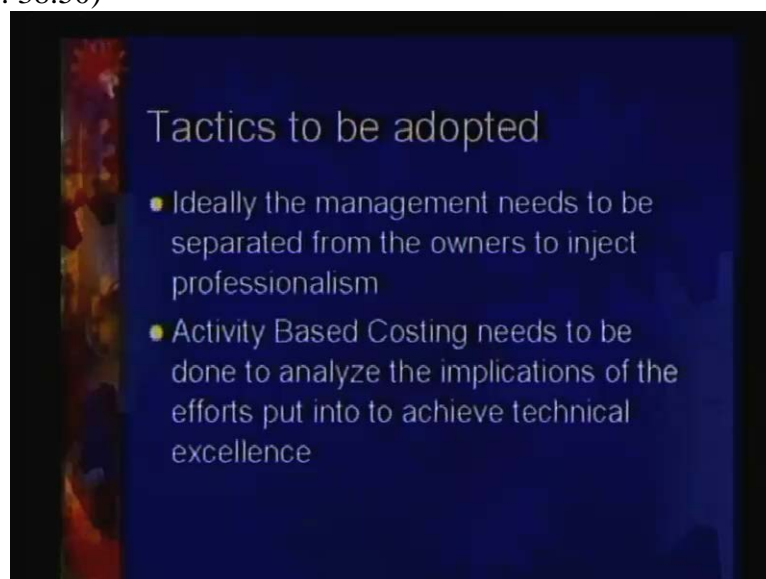
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One is, first and foremost, creation of the proper organization structure, which is a very important thing as you can see from the case. I will not elaborate much on it but rather proceed on, straight on. The next important thing was the personnel department, which is totally absent because of which you know the recruitments were from different ends. Then, coming to the plants as such. You had different sugar unit is, you had different cement unit is and different unit is, other sister unit is plus you had ABC engineering.

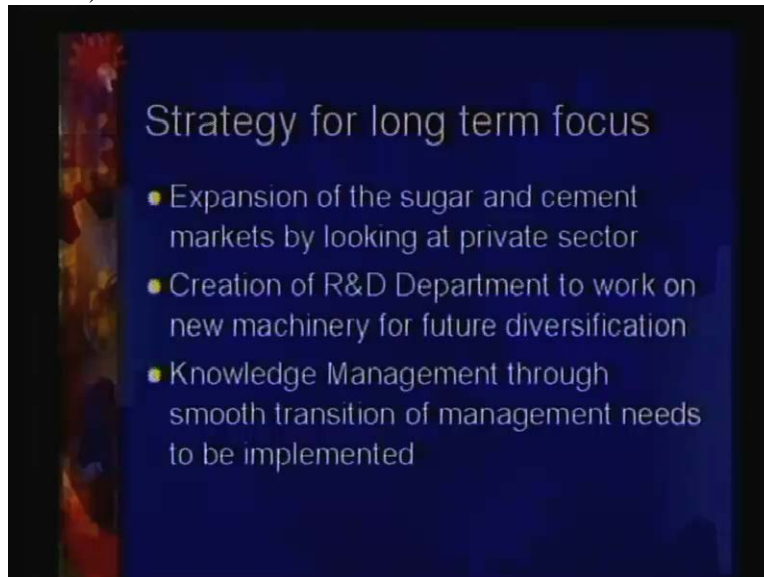
Each of this could have been brought up as divisions with specific missions and specific purposes and apart from that each should have it is own functional heads so that they can run the organizations much effectively much efficiently rather than having every time to go all the way up.

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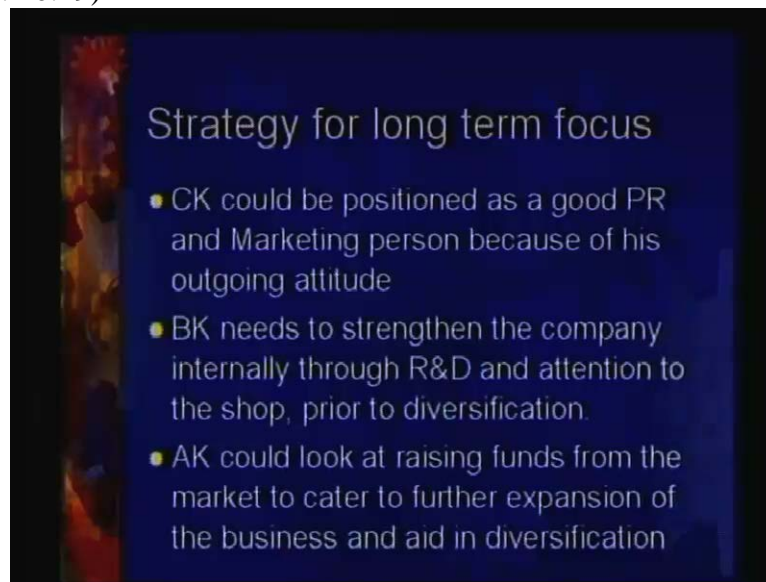
Then what we need is injecting some amount of professionalism as has already been stated. And next comes to cost being a criteria for Mr. AK. Now, Mr. AK considers cost is of prime importance whereas BK considers technical excellence. What could have been adopted is a more, , sort of an activity-based costing for each aspect of the design to manufacture. Now, let us come to the long term focus, that is, the strategy.

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Expansion of the sugar and cement markets is of prime importance because that is their core strength. So, where can they expand apart from the government orders? It is the vast private sector that is prevalent in India. The next thing is, they were all talking about diversification. How could you diversify without having a basic backbone to support that diversification? So, we suggested we should create an R and D department, use some amount of the profit is from the cement and the plant and the sugar industry and plough it back to create R and D into whatever engineering equipment division that they want to go into. Then finally we come to knowledge management, which is the very common term now but in those days nobody would have known it. Knowledge management, in terms, what I mean is a smooth transition of the professionals as well as the management people.

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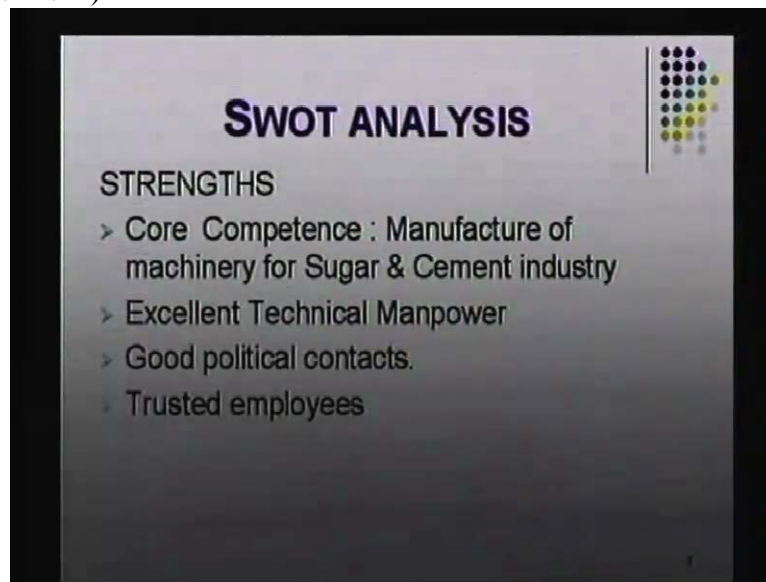
Now positioning of the different peoples. CK being an outgoing person could be made as a marketing or a very good PR person. That that is what he'll find him best to be. And BK, as you know, could help in internally strengthening the R and D as well as the technical divisions. And finally with regard to AK, AK could look after the expansion of the plant in terms of raising funds by going into the market and since they are already a public limited company with a ranking in among the top fifty, it shouldn't be a problem.

Thank you. Thank you very much. Ready for your questions. No questions now. Yes sir.

Start.

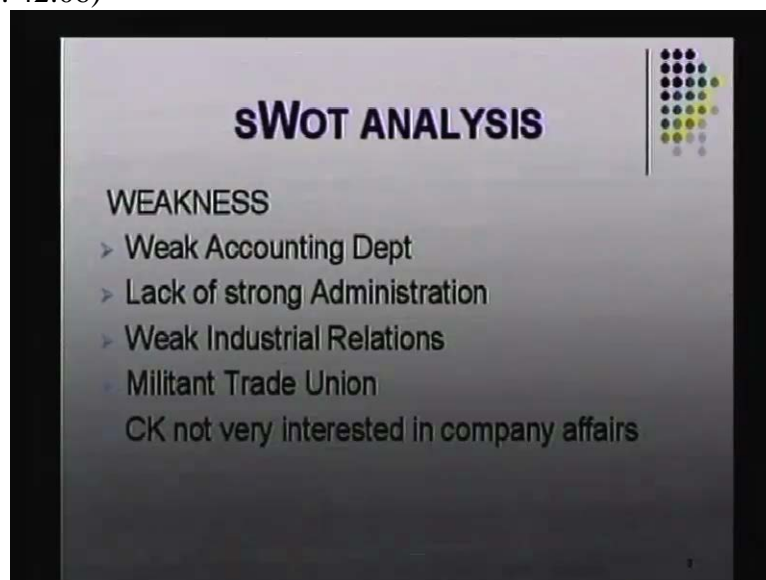
Good afternoon every one. Good afternoon. The case is about ABC engineering. As the particular of the case is already been discussed, I wouldn't like to waste time on it. I will go straight into the analysis. We have done a SWOT analysis of the company, ABC engineering.

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Now, regarding the strengths that the company has, it is obvious, obviously it is core competence is in it is, , manufacture of machinery for sugar and cement industry. It has got excellent technical manpower built under the leadership of BK. It has got good political contacts, which were acquired, through AK. And also AK has also been responsible for bringing in various employees who are trusted, who have worked under him and can be trusted, reliable.

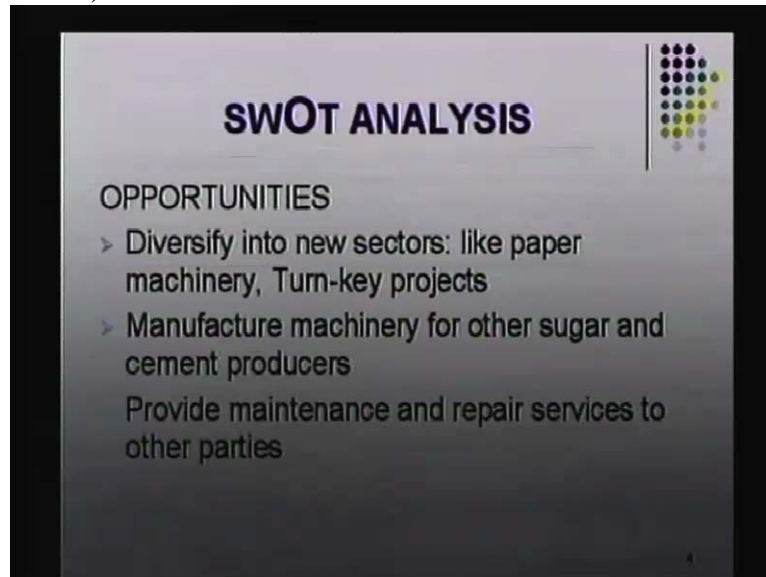
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Regarding the weakness, the main weakness that has not been pointed out on the slide is the conflict of vision. As we can see, from the case, AK was moreover old old old guard. He wanted to consolidate his business between the sugar and cement industry. While BK was insistent on expanding it into other areas as well, like paper machine a paper machinery and etcetera. Now, the other areas of weakness that ABC has is that it has got a very weak accounting department.

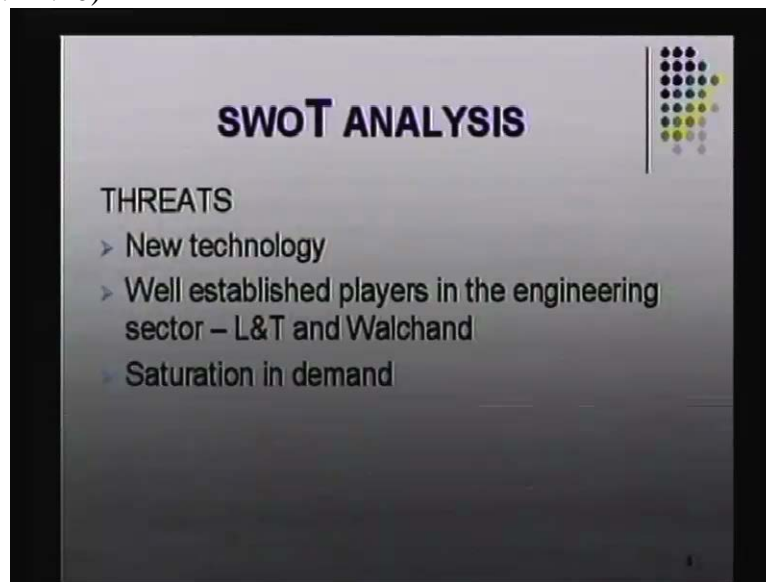
The costs are not controlled. It also does not have a good administration. It has got weak industrial relations, got also a militant trade union which can be turn out to be very dangerous. Another weakness that can be pointed out is that the younger son CK isn't that very interested in the company affairs. As you go on to the opportunities, we see that ABC engineering can diversify into new sectors like paper machinery or you can take up turn-key projects.

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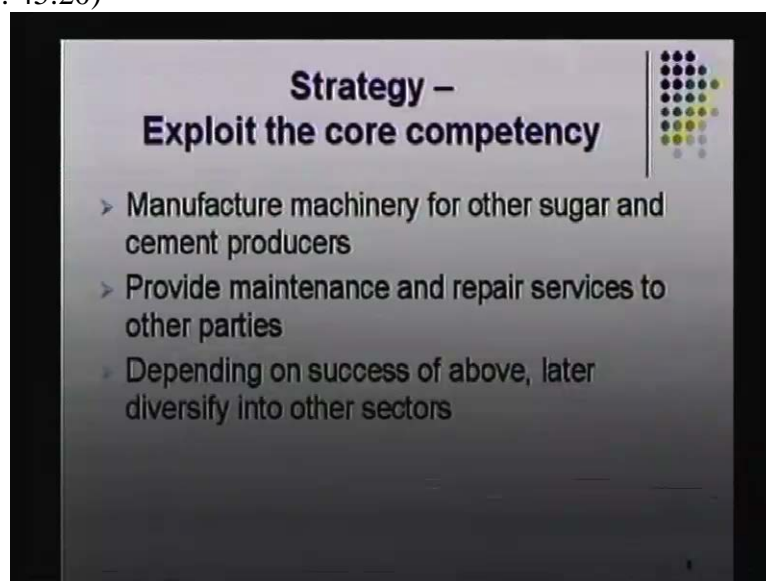
Further, we see that it has got an opportunity if it allows it is technical competence, it sells it is technical competence to other companies or it rather manufacturers machinery for other sugar and cement producers and along with it can also provide machinery maintenance and retire services for such, such parties. Another opportunity is that the cement and sugar industry in in the time of writing the case was, was experiencing a relatively stable growth. So, there is plenty of growth opportunities in it.

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The threats. The threat of new technology is always present in any area, which involves the usage of technology. New technology may assert the present technology. There are other well-established players in the field like L&T and Walchand with whom it has to compete. Another weak, another threat that may be present, that may come up is a saturation of demand for such machinery. Regarding foreign players [Noise], in nineteen seventies or near about in which time the case was written, the government was not supportive of entry of foreign players. So, in that case, even though we can consider it as a threat it is also an opportunity in some cases, in some aspects.

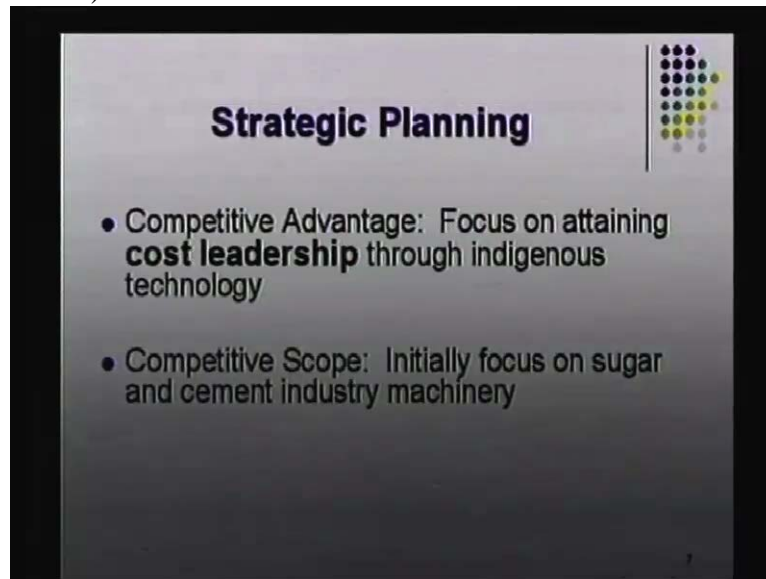
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Now, the strategy that we propose is exploit the core competence, manufacture machinery for other sugar and cement producers, that is to other private producers, it can provide maintenance

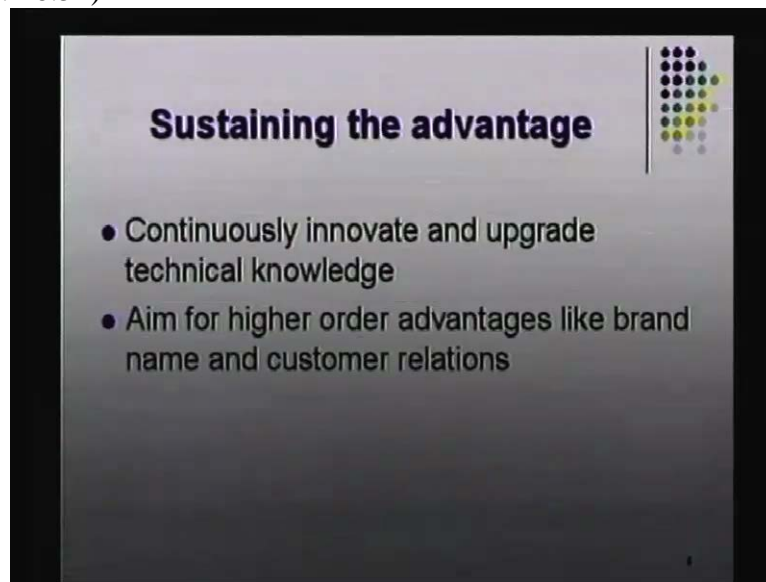
and repair services and depending on the success of above, of these two factors, it can later diversify into other sectors like paper machinery but we don't propose that it should do so within the next five years because moving into another sector means investing a lot of time and money. Now what it gives us...

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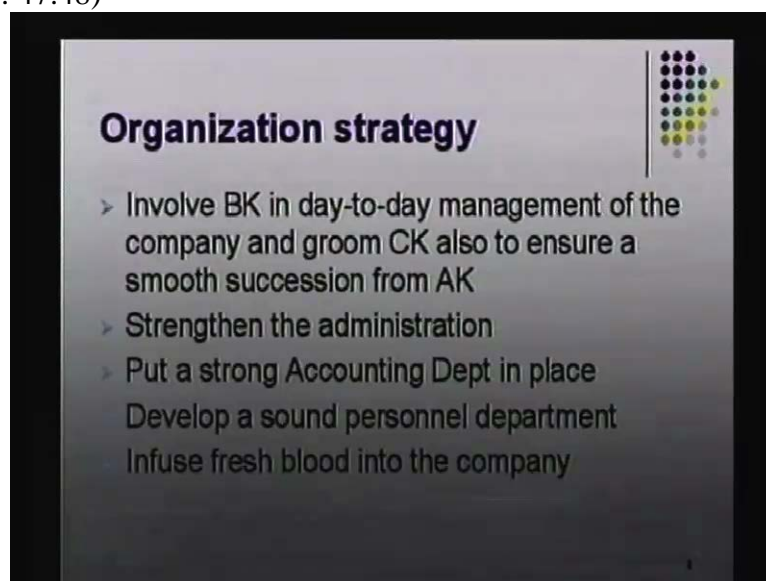
If we, the comparative advantage that it should strive for is that it should attain a cost leadership through, through the indigenous technology that it has developed. Under BK it has been able to, I mean it has been able to develop the technology in house and almost ninety percent of all the machinery has been developed in house rather than rely on imports. Now, they should also limit their scope within the sugar and cement industry as I already mentioned, going into another sector means investing a lot of time and R and D and also a lot of capital. So, in the short term, within next five years, it should concentrate only on sugar and cement industry machinery.

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Now, how it should sustain the advantage that it should gain. Technology is ever changing, so in order to maintain an advantage in technology, it should continuously innovate and upgrade its know-how. We suggest that it should go for some collaboration with foreign players, if needed. They should aim for higher order advantages like brand name and customer relationship. Higher order advantages are something, which are not easy to imitate for a new player. So, establishing a brand name and customer relations, good customer relations, should stand in good stead. Also, it should remove the dependency on government orders. It should do a good marketing job and establish itself in the private sectors.

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Besides this, we also propose that, regarding the organization, it should involve BK in the day to day management of the company and groom CK so that a smooth succession from AK is

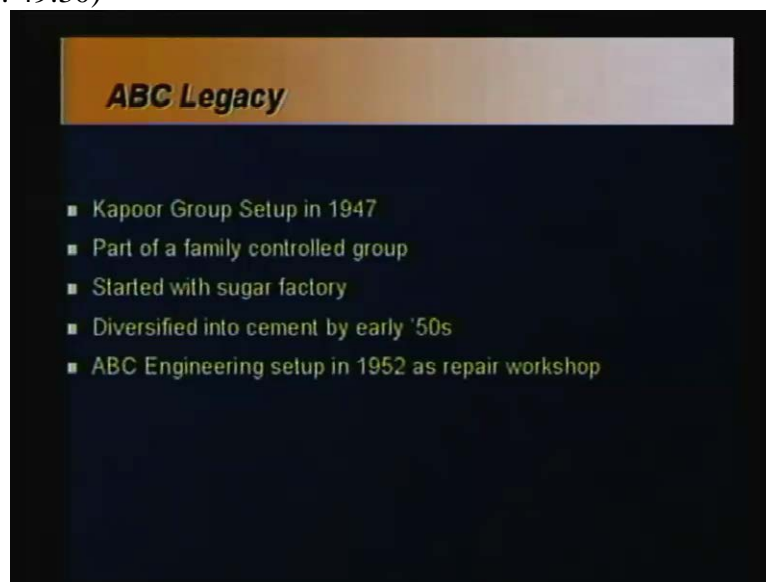
established. It should strengthen the administration department. It should put a strong accounting department in place so that as it goes for bagging orders from other companies, it should have, it should be able to keep track of all costs. It and it should use the financial resources it has in it is hand very judiciously, judiciously. It should also develop a sound personnel department because as we have seen, we got already militant trade union against it. So a sound person department is very important. Further, it should try and infuse fresh blood into the company. As we can see from the case, many of the employees have been recruited by AK and they are trusted employees, no doubt, but they obviously would be the same age as AK and would be retiring soon. So, it very important that fresh blood should also be recruited into the company. That is all. Thank you.

Yes. Start.

Good afternoon everybody. Good afternoon. I am here to present what we think as...

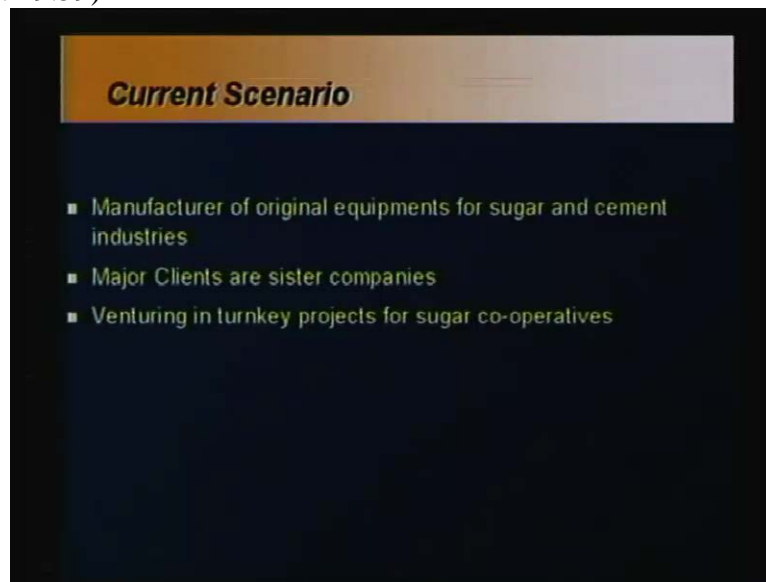
Let us listen to him. What we think as the strategy that will be appropriate for transforming the business of ABC Engineering Limited I will just rush through the initial slides which are, which basically tell about the ABC engineering company.

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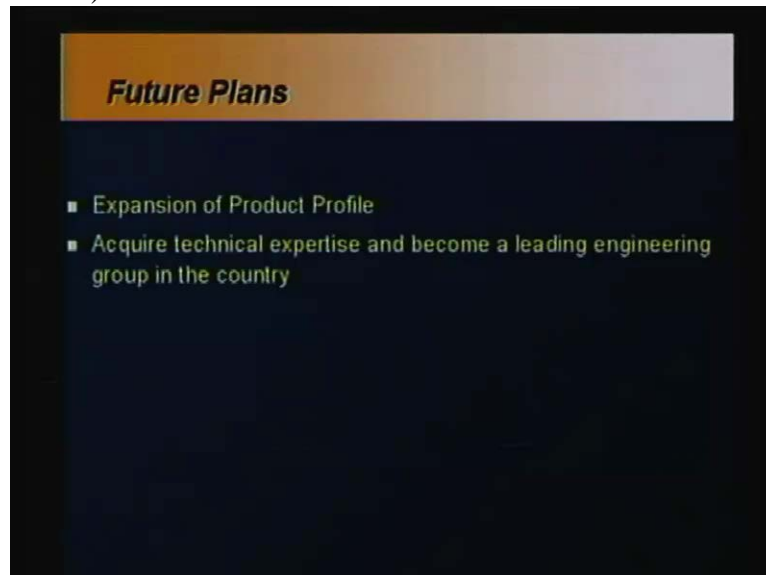
ABC engineering company belongs the Kapoor group which was set up in nineteen forty-seven. It is a part of a family control group right now and it, although it has gone public but the major control remains with the family. It started with the sugar factory, the group and then diversified into cement in the early fifties. ABC engineering, the company itself was set up in a 1952 as a repair workshop. The current scenario.

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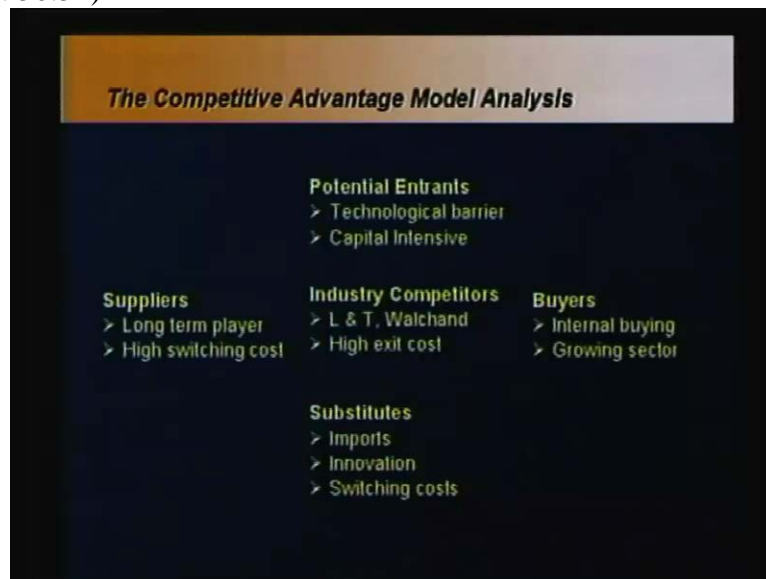
The current scenario, we in this, we talk about what ABC engineering is right now doing It is manufacturing, it is a only a manufacture for sugar and cement industries. It is major clients, as you as you as you can read from the case, it it is it is own sister companies and it just now started to venture into turnkey projects for sugar co-operatives.

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The future plans that BK and AK talk about in the case, they want to expand the product profile and move into manufacturing in machinery for the paper industries, cement industry sugar industry, etcetera. And they want to acquire technical expertise and become a leading engineering group in the country-part of the top three- as say call it. Now, we move on to the analysis. This is the most important part.

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Now, in the whole case you will see he talks about how and when ABC engineering Limited should enter the industry. Now, what we have done is we have used the Michael Porter model, to analyze what what guidelines it should follow for the sale. Firstly, we talk about the suppliers. Now, what we think is the point that will, that will be in favor of entering the industry is that most of the machineries that you, most of the manufacturing unit is you see, whether it is for sugar or cement or paper, they are basically using tools. Now, in this case, the suppliers, since it has been a player for such a long time it will already have, it should already have a distribution, already have a chain of suppliers which will be supplying it the tools and everything.

So and from that point of view it does not have to bother too much about getting new supplies and only except for material changes. Now the, the suppliers will also avoid switch avoid switching because in those circumstances they were not many companies, which were involving such kind of tools. The switching costs are going to be extremely high. The potential entrants into the new industry: In a manufacturing industry, as you know, it is extremely capital intensive, it takes a lot to setup a manufacturing industry right from the scratch and then build on it. So that is their problem, that is that will be the problem of a new entrant if they move on.

The technological barrier: The technology that we use in manufacturing remains the same over a long period of time but what counts is the experience. The thing is the ABC engineering company is moving after long time after a lot of experience gaining a lot of experience into this field so there will be an automatical, automatic technological barrier that will be created for any other new entrant who wants to enter the company, oh sorry, enter the sector. Now, the industry competitors: the internal competitors within the industry, you have L and T and Walchand which are well-entrenched players. They are already having a strong brand equity, they are already big players, they are already well established. So, that will be a big problem we have to counter then. The high exit cost: this will be a big problem. Once you move to a sector, say, you move into as manufacturing paper machine, machines for paper industry or machines for other industries, you cannot exit easily because the infrastructure that you set up cannot be dismantled, you cannot

throw it away, you cannot just close a manufacturing plant just like that. So this will be a risk at high exit cost.

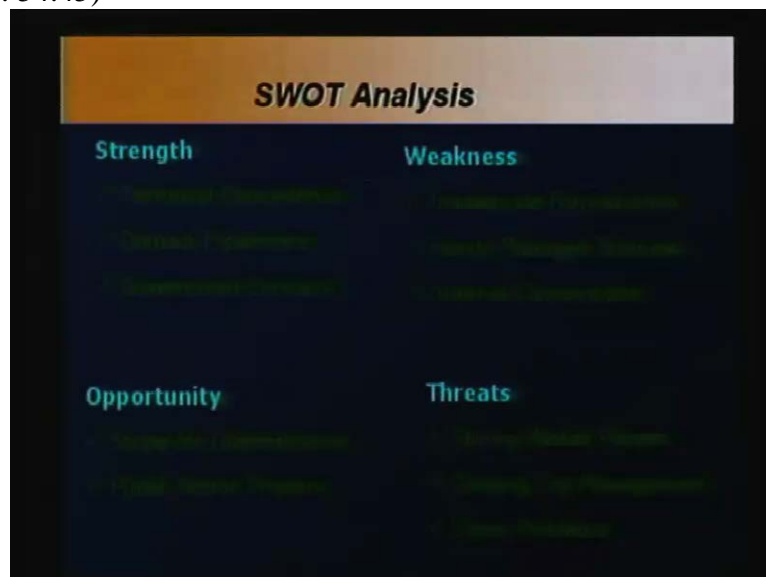
Substitutes: Now the substitutes that you can think of in those days. Imports: First thing about imports-imports don't pose much of a threat because in that days everything was licensed. So that, automatically there was the quantity restriction and that does not as such give a much of a threat. The innovation: This is important because the only way now you can be beaten by any company is if they have better product, if they have a better product which can satisfy the customer in a better manner. And say that will be countered by the switching cost. Now in any manufacturing industry like the paper industry or sugar industry, there are lot of, the plants usually have turnkey projects. So the, all the machinery that comes through is always in tune with each other, the machinery is always planned. So, if you want to switch only a particular machine, machinery it is tough because then you have to switch the whole set up, which it is in tune with.

The buyers: Now, here they have a problem because till now on the basis of their, what they call the technical competence or experience, most of the buyer has been internal.

They have not gone for much of external buyers. They don't, they haven't faced the competition in the real manner. So, that will be their problem because the technical competence, actual technical competence comes into the picture when you go for external competition. The advantage that they have is, it is a growing sector. At that time, manufacturing in the time when the case was written, the sixties seventies, manufacturing was still a growing sector. So, in that, in that sense of things, it is an advantage.

Now, we just move on to the, we just, I will just read out and the and use this.

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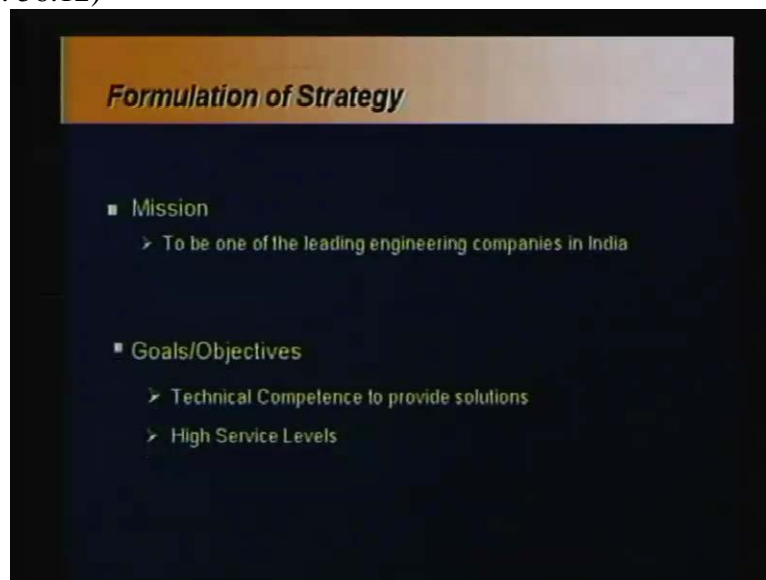
Now, we have in the SWOT analysis and sorry for the font color, I don't think it is quite visible. It is visible? No. No, okay. I'll just read out. In the strength, we have, we have jotted down technical competence and domain experience and government contract. Now, how it is technical

competence- because it is started off as a repair workshop and then it moved on to making manufacturing unit is. So, that is the technical competence.

The domain experience is extremely important. They have been in the manufacturing business and repair business for quite some time. So, they have the experience on which they can bank. You have three minutes.

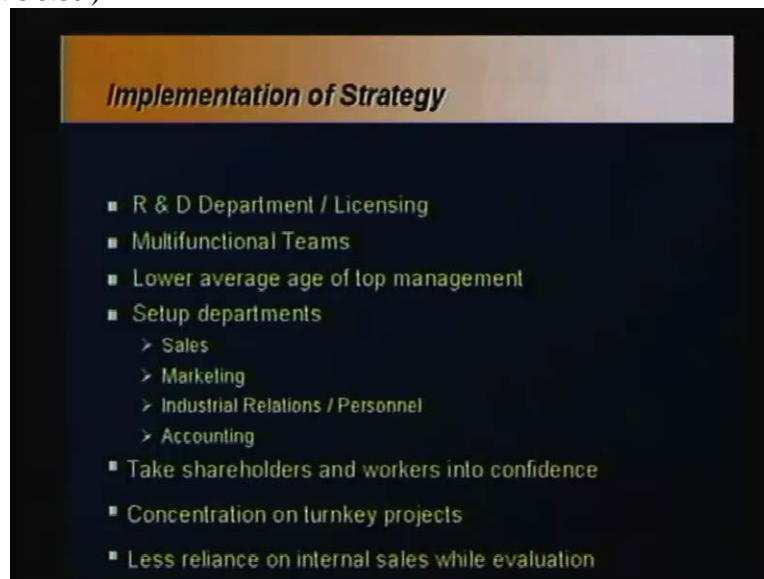
And the government contract-as has been previously talked about; they help them to get most of the contracts. The opportunity: there is a lot of scope for diversification and they have a lot of public sector projects that were coming up at that point of time. So, as a result, because of the infrastructure projects they will always have a demand for their machinery. The weakness is, the formalization in the organization is absolutely poor. It is totally a family magnet business, there is no professionalism. And most of the products are consumed internally. The threats: they are already strong market players, they have a graying top management very old top management and there are union problems.

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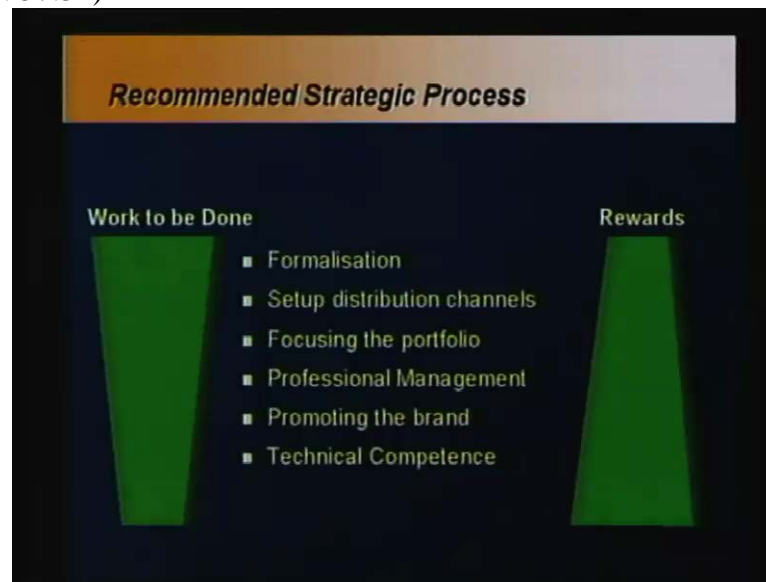
Now, this is the strategy that we propose: the mission of the company is to be one of the leading engineering companies in India and the goals that should, that should be kept in the short term or for each department should be they should be they should have the technical competence to provide solutions because now a days even, even in those days, the engineering companies that succeeded, like L and T Walachand, they provided total end to end solutions. Whether you outsource it or do it whatever but you have to go for turnkey projects. And the service levels have to be extremely high then only your brand name builds.

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The implementation, how to go about it: start off a R and D department, a good R and D department. If you can't set up, if you don't have the resources to go for R and D department, license the technology from outside and then use it to get an edge over others. Make multifunctional teams, which look after clients, look after full turnkey projects and implement them from end to end-right from the sales to the service. Lower average age of top management. This is extremely important. They have a general manager, they have a chairman who is going to retire and that is going to be a problem if they have the knowledge, the knowledge doesn't move on. They have to have a separate department, that is formulization, which is not taking place. They have to take the shareholders and workers into confidence. This is extremely important because this is going to be a major move if they want to diversify. The concentration of turnkey projects, I have already explained why that is important and they have to, whenever they evaluate themselves, they must have less reliance on internal sales, that should not be a metric of their performance.

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Now, this is just to sum it up. We are, I have, we have just learnt how much work needs to be done and what are the rewards that you will correspondingly gain. The formalization work needs to be done. The rewards will not be evident immediately but in the long when you will have a sustainable advantage. You set up both distribution channels, you have good sales, good marketing. The work that needs to be done is quite a lot because right now the sales are internal. So, that will also reap rewards.

Now, moving on. Focusing a portfolio. That will be, portfolio in the sense, focus on some industries for the first three or five years, go, don't diversify too much, that needs to be decided which industries do you want to enter, preferably right now sugar, cement, paper that you have already entered. May be construction, plus that makes sense with cement for infrastructure. Professional management-extremely important, not much work needs to be done. Just bring in new blood, just hire people, competent people who can do the job for you rather than being a family management. Promoting the brand in technical competence. These are the last two points. Minimum work needs to be done because they already have a proven name. And technical competence is already...

All right, your time is running out. That is it? That is it. All right. Good.

Thank you.