

**Strategic Management**  
**Prof. Kalyan Chakravarti**  
**Vinod Gupta School of Management**  
**Indian Institute of Technology, Kharagpur**

**Lecture No. 06**  
**Case Study Group**

Presentation on Case IV Form

(1) Disney World

(2) Westinghouse Electric Corporation

All right. Let us start.

So, before we start I want to be very sure that the strategic framework and strategic alignment, you are very clear about, in order to discuss strategy. So tell me. What is strategic framework and tell loudly so that it can be recorded. You have heard of Porter's framework. What is that? Just say that. All right. What are these forces?

Potential entrants.

Potential entrants. All right. What else?

Bargaining power of buyer. Good. What else?

State of substitutes

State of substitutes. Good

Bargaining power of suppliers. Bargaining power of suppliers. And in the core we have competition. Speak and do it. Core is competition, the existing competition that you are in. Okay. What is strategic alignment? Yes? Strategic alignment, what do you understand by that? If you don't know some friend will answer. She is sitting there all eager to answer. I can see that. No who wants to answer strategic alignment. It is simple common sense. What do you align with what?

One at a time.

Strategy you align with.

All right. Anything else you align it with?

The market or other...

Ya, there are external factors, you know. It is really very simple. You have internal and you have external all right. Internal, you have to have a vision and an objective, right? Then you have to accomplish that vision and objective.

So you have to make a strategy or a strategic plan. When you make the strategic plan there are some components of that. You may do a SWOT analysis or you may do any other type of analysis. Having done that analysis you are in the position to make a plan.

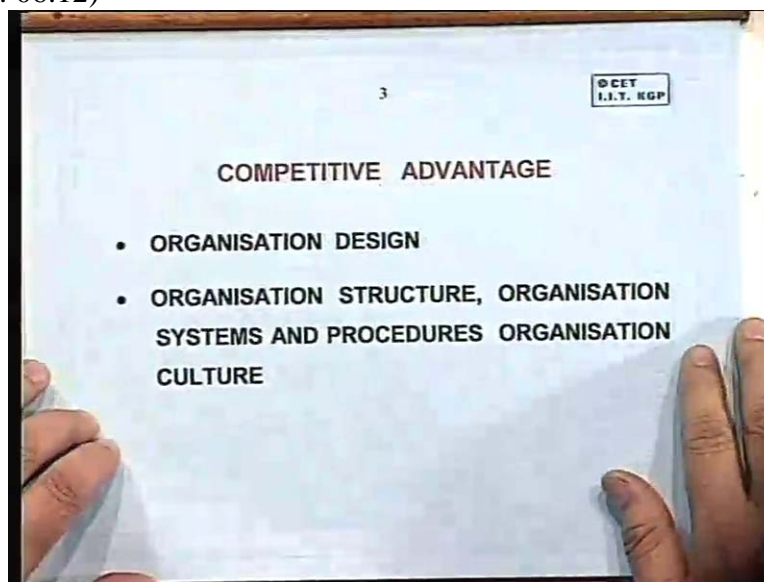
Now that plan must align itself to accomplish your vision. Now how do you accomplish it? You have to look outwards then, right? When you look outwards, you see you see that external context. What is outside? What is the competition all right? What is the change coming in the environment and so on, all right?

And what is that competitive advantage you are seeking. Remember the first lecture we said, you know, we had a historical thing competitive advantage. What did we say? There is the principle, which was enunciated by a mathematician.

What did he say? The same species you know, they cannot coexist together in the environment. One will displace the other unless and who will displace the other?

The one, which has competitive advantage. So it is the same in the market warfare. So, the market environment, unless you continually seek and attain competitive advantage over competitors, okay, in that environment you will perish. Otherwise you exit that environment and enter another environment where there is less competition, where you can have a advantage to start with. So these are the choices. So, external context, you gain competitive advantage. Then, you have to align your organization with the external context in order to gain this competitive advantage, okay? Now when you align organization, what does it mean? What is aligning organization? Okay. So we will just speak for another few minutes on strategic alignment to give you a backdrop then we will get into the case. Strategic alignment: it is all for gaining competitive advantage, all right?

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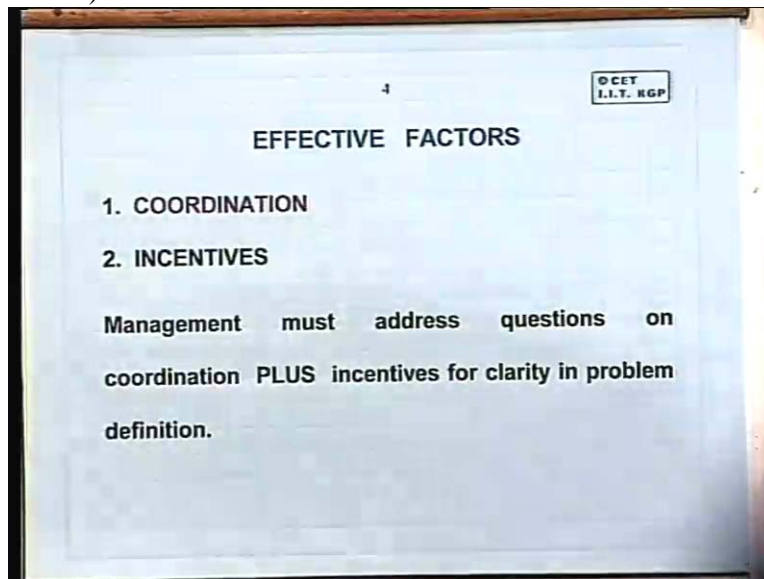


Organization design: this is the component of strategic alignment. We have studied organization dynamics and structures, structure and dynamics right? So at length we have talked of the various options, which you have in organization design. That comes in handy now when you go for your strategic plan. Organization structure, organization system and procedure-remember we talked of formalization, the yes and no's, what is the way, you know, you have to do it and what is the manner in which, what are the rules. And what does that control? It controls the information flow, is it not?

And organization culture, we also said that irrespective of the organization chart there is always an under current, an underlying powerful potent force which is acting and that is the cultural force which can be destructive or it can be very constructive, which will have it is direct effect

positive or negative on the performance of the organization, okay? Any questions on this? No questions. Effective factors we are calling, effective factors, coordination and incentives.

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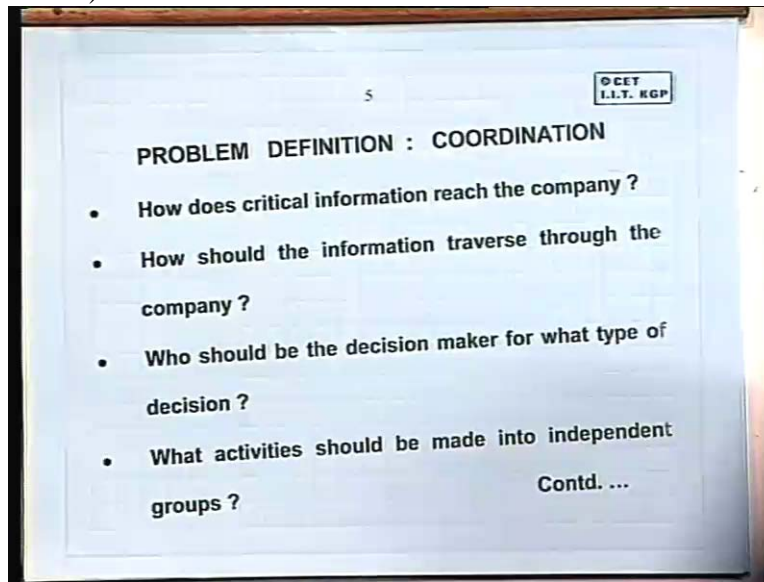
Management must address questions on coordination plus incentives for clarity in problem definition. What does this mean? It means when you go and study a company you are trying to diagnose the company with a view to finding out whether the way the company is designed, that organization is designed, all right, in terms of it is structure, in terms of it is system and procedures and what is the culture of training.

When you look at that, okay, you have to ask some questions in order to diagnose and the questions are all pertaining to finding out whether there is any problem, which is existing, and except in an ideal system, every company has some problem or the other like every individual. Yes or no? Yes.

Okay. Now coordination is one area where you have large number of problems in any organization because you have tasks, which are done by various groups or departments. They are all interdependent and in order to coordinate the effort, unless they are congruent, they don't deliver a whole, you know, which is optimum. So that is only the problem. Incentive incentives. What does incentives mean?

What is in it for me, you know? We talked of it in the last semester-individual behavior and the group behavior in organizations. Individual behavior is dependent on the kind of incentives. Incentive doesn't only mean monetary. It means other types of influence incentives, acceptance in the organization, the recognition you get, the kind of cordiality which exist in while doing your work in the organization-these are all types of incentives. So when you diagnose organization you have to look at these carefully, you must address these questions, okay?

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So we are looking at problem of coordination. How does critical information reach the company? This is one of the questions you ask to your consultant. How does it map the flow of information? Is there a bottleneck? Is it reaching the right people? Okay? How should the information traverse through the company? How is it doing now and how should it and when you say how should it this is always against the backdrop of what what is the strategy of this company. To give an example, if your strategy is to be, what shall we say, basic strategy- low cost. Say you want to be a cost leader. Cost leader means with amongst your competitors you have the lowest cost for the same quality.

They will have a certain pattern of information flow all right. On the other hand if your strategy is not low cost but let us say you want to be the best deliver-delivery in all aspects, existing products, new products if the new products that means you must the shortest time right from conceptualization of the product to development design productionizing, all right, and selling it, going to the market. So what what do you call that? Time to market. There is a time. With existing product what is a kind of delivery you give?

From the day you get the order when did deliver to the client? If that is your basic strategy then the information flow which you design will it be the same as in the first case for low cost? It will not be the same. It will be little different. How will it be different? Focus will be different. For example, say in the first case low cost, We need to devise the system, which is cost effective. We cannot put money in getting gadgets, which are very very costly.

That is one...

Investment cost must be low. What else? What about the routing, how the information flows? Who has the information? Okay, will the sales persons, all the sales people should get a cost picture everyday, is that necessary? Yes.

Or or should the HR people get the cost use? What should be the routing? Why are you laughing? Control systems are designed with this in mind. Who contribute to adding cost to the company? Nine-management level.

They should have a real time data. They should have a feedback whether they are going on budget not going on budget. Whether on the on the other hand this is time to market, let us say or best delivery delivery leader, what kind of information flow should be there?

Who should have information? You think that the production people? You know about the deliveries?

Yes

If that is your strategy, time to market...

Some people say yes, some people say no. So what is the right answer? Yes is a right answer. How will the production people contribute to long deliveries or short deliveries? That is the question. Will they contribute? Yes. They will. Now, if your basic strategy is to be the delivery leader and if the production provides a vital input into the delivery time they should also be up to date with the information. What about sales people? What about finance? Should they know the delivery periods? Yes. Yes or no? Don't guess. Tell me why. They can plan the cash accordingly. Cash flow is planned on budget. Say they give the budget and the budget is based on my company is giving you the product in two weeks delivery time. So I am assuming throughout the year whatever is the volume of products that I have I will give in two weeks. So that turnover is a known. The finance has that data but

Sir, that the cycle I mean cash flow, I mean you would say procuring raw materials from a person on credit and then you are getting back the money from.

What I am proposing to do is, I agree with all you are saying. I am saying that that is known at the beginning of the year. If you are in the standard product regime the sales will have to give a forecast of the volumes. You may make the delivery. Payment doesn't come. Then what happens?

No sir that that information. That, that is another side. I am saying if you want to be the leader in delivering fast. I don't know what type of customer you are delivered and what has been past history, whether they make payments on time or they delay the payment that I require more information on when I will get cash.

Of course you can, but you are not addressing that topic. What you are saying in order to design information flow, it is only those who are directly involved in contributing to the strategy who are involved. Isn't it? So, in my view, the finance people sitting they don't require to know the day-to-day. Customer X Y Z, he had, we have given delivery in two weeks on schedule.

Customer A B C, we have given after fourteen days plus two days time overrun. It is going to help him? Not going to help him, not day to day. So, but the information is available for everyone, what's the harm? Because too much information is called information diarrhea. Now I have been in jobs where you have, you know, printouts by the kilo coming in.

Sir, not the print outs,

Then?

If we have the information in the computer itself. How much time do you have my friend when you are sitting on a computer?

And if you want to extract the information we can take it as and when required. It all comes at cost and I don't think as common sense if the more information you make to more people irrespective of whether they have a role whether they can contribute, I think it is just silly.

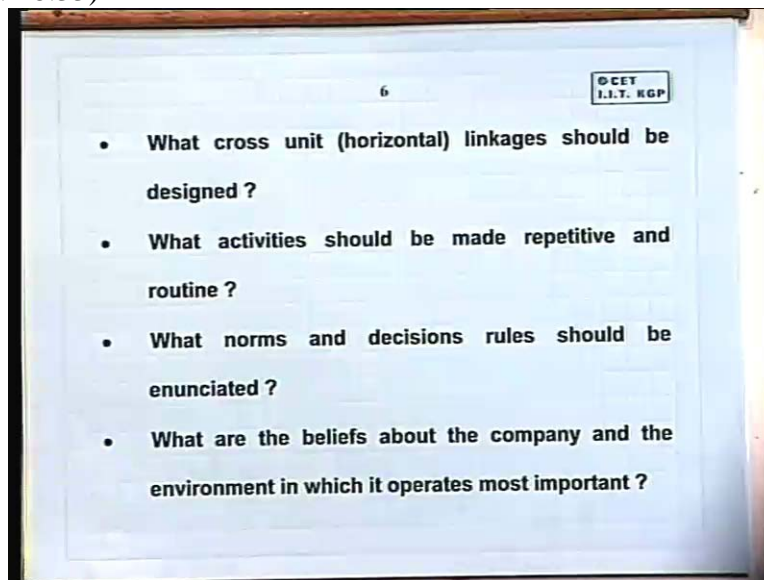
And in ERP, all the information

No, apart from ERP.

ERP is a tool. ERP is a tool. The tool has to be designed in a proper manner also. Is it not? If the company strategy is to make a delivery then all the departments in the company are game to a delivery. My friend, I am asking, which are those we are debating? Which are those departments? All the departments. All departments. I think that is too simplistic. You have five, let us say in this, four thousand people are there in the company. All four thousand should be there, theoretically involved in delivery. Theoretically you can prove that.

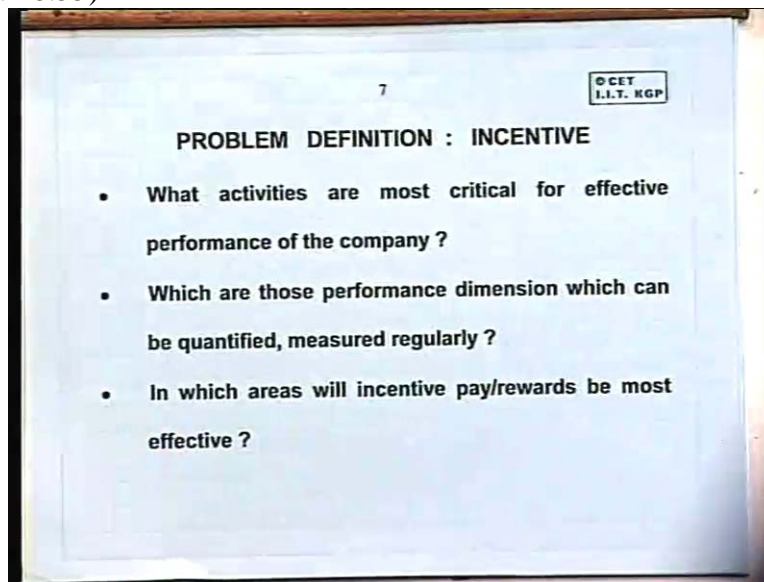
All of them should have access from ERP system with the computer. Does it make sense? I mean we have to be practical. We are practical managers. So that is not going to be optimum system, no. Whenever you make any proposal or plan, the touchstone is, is it practical? Imagine four thousand PCs, you know, lying at every shop floor and a huge ERP. You have paid hundred crores for it. What are you getting out of it? It just adds to cost. The trick in management is you must optimize. That is whatever value you are adding in terms of investments you should get something more in return, isn't it? That is the whole idea of business, okay? So anyway these are the sort of questions—who should be the decision maker, for what type of decisions—okay? What activity should be made into independent groups and what not?

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What linkages, horizontal linkages should be there for better coordination? What norms and decision rule should be enunciated? What are the beliefs about the company and the environment in which it operates? Which is most important? What about incentives because incentives also drives the individual?

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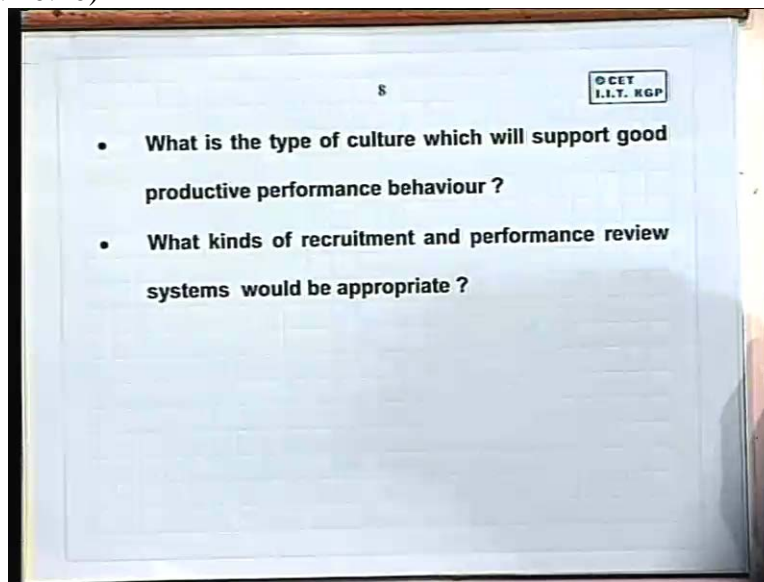


What activities are most critical for effective performance of the company? If you are a R and D driven company, R and D may be your most critical activity. What kind of incentives do you give to the R and D people? If you, if you give them the slowest promotions, are you going to attract strong R and D people? You won't.

You make them a hero within the organization. Too much, that also will mitigate against performance of the other groups and is interdependent but at the same time you have to position the reward systems and the promotions so that they get recognition that they are driving this company. That is a strategy-main strategy. Which are those performance dimensions which can be quantified, measured regularly? Because, unless you can quantify and measure regularly, you will probably make a mistake in rewarding the right person. It may go purely on subjective, you can't get away from subjective but to the extent possible measurement yields quantification. Quantification yields better appraisal of work done, right?

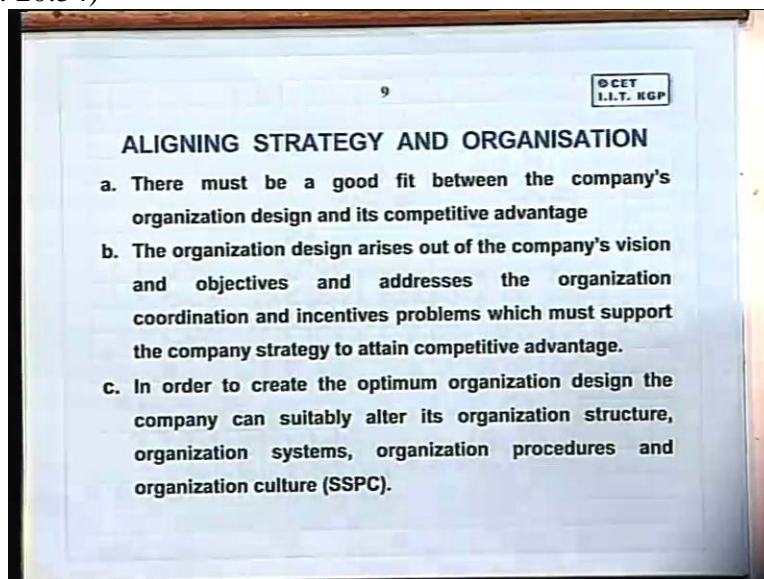


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And what is the type of culture, which will support good productive performance behavior? What is the type of culture? Yesterday, we spent two hours on a cultural issue basically. I will call it a cultural issue. Two hours time we spent, you call it a cultural issue also or no? Yesterday night, ya? Non-cultural. What kind of recruitment and performance review system would be appropriate? Aligning strategy and organization: there must be a good fit between the company's organization design and it is competitive advantage, which we just discussed.

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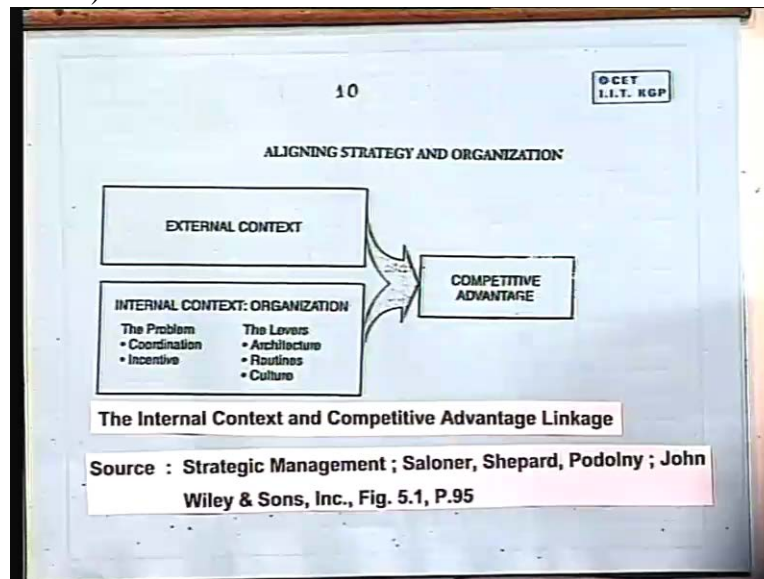


The organization design arises out of company's vision and objectives and addresses the organization and coordination incentive problem, which was support the company strategy to attend competitive advantage. In order to create the optimal organization design the company can



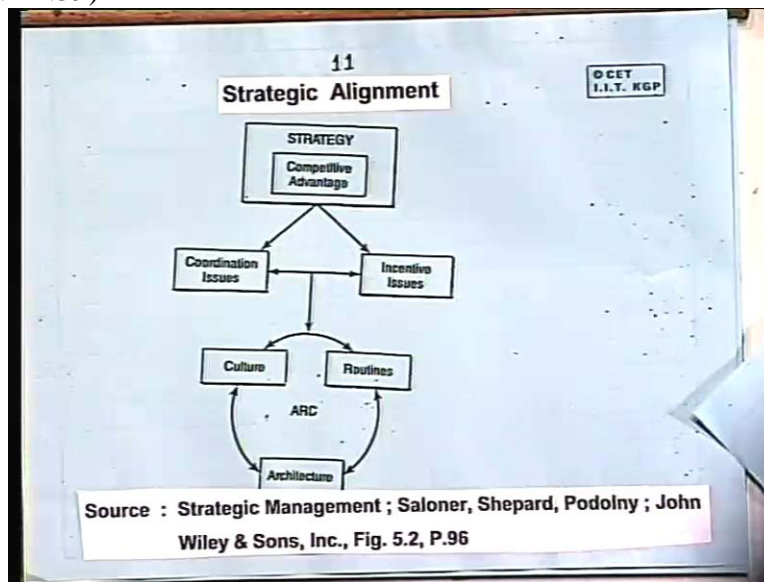
suitably alter it is organization structure, organization system, organization procedures and organization culture.

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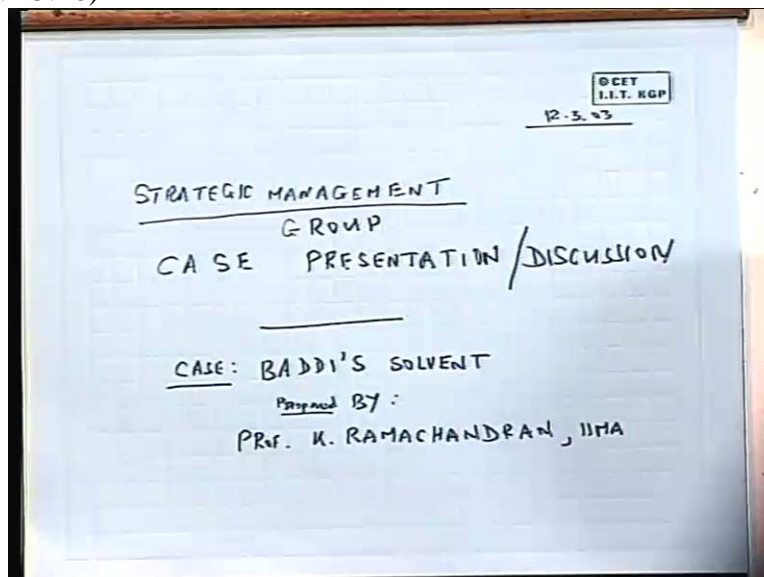
And conceptually you can represent it aligning strategy and organization. You have the competitive advantage, which you are seeking. You have a external context, things in the outside environment. Within the company the problems of coordination incentive and these you can call the levers architecture or the structure of the company. Routines or you can put system and procedures, which are routines and the culture of the company. Any questions? No questions? All right. So now it is ten past four. We can go on. We can go onto the group case presentations, all right? Shall we start with group one or group six? Can we do it this way? We will go to one and then we will go to six, then we will come to two and go to five that will be fair and equitable, okay?

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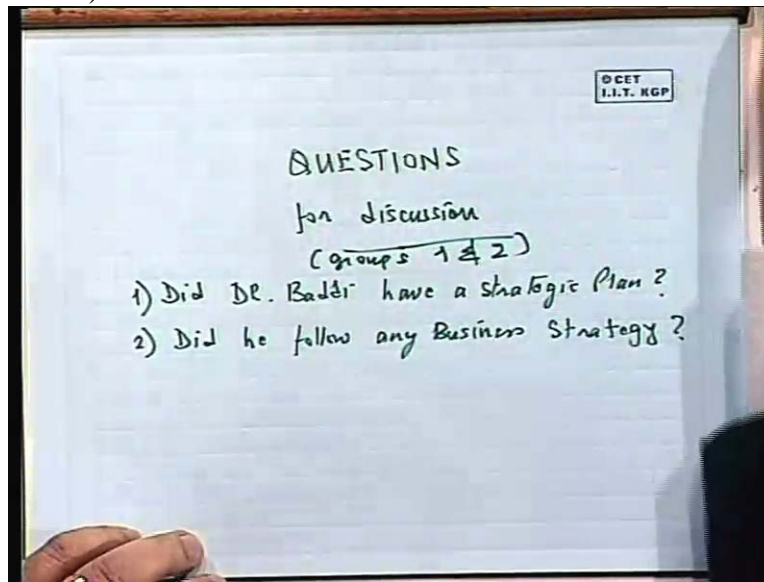
Here is another conceptualization. Who is going to present for group one? Amit Kumar, all right. Come Amit Kumar, come from this side.

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So the case is Baddi's solvent prepared by professor K Ramachandran. Come here. You require the computer? He requires the computer, computer.

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Now you have to do it without that. Let us see your ingenuity, resourcefulness as a manager. By the way there are questions for group one and two. Make your presentation but spend a few minutes on this. Did Dr. Baddi have a strategic plan? Well it may already be there in your presentation. Did he follow any business strategy? Answer these questions also. All right you are now it is about four eleven, you have ten minutes. So, four twenty one, your time starts now.

Ya.

Good afternoon friends.

Good afternoon.

Good after noon sir.

I will be presenting the analysis of strategy for Baddi solvent. Firstly I would do the SWOT analysis. So straight away going onto the strengths. This Baddi's group was a highly profitable and cash rich company. As you, as is seen from the figures given that, it in a year ninety eighty-nine for an investment of fifty lakhs, it had a turnover, sales turnover of two fifty lakhs. And also for the, there were products for which it had earned more than hundred percent profit. Also the products were very valuable for the customer. Baddi had managed to get a loyal and financial sound, financially sound dealers who who were located strategically all of, all across the country and they provided him with market information.

Baddi's had a disciplined workforce and he believed in leading by example. Also he maintained very good relationship with his employees and he took care to see that they were properly groomed and they were properly developed. Theirs was a diversified product portfolio and which cater to the textile industry, the pesticides, the cane industry as well as the agricultural sector. And Baddi's had a long term contract for the raw materials he entered into contracts of around five years for getting the raw materials at pre-fixed prices.

The user industries were not concentrated; they were spread all over the all over India in different parts and so they were no real bargaining power from the customer side. And Baddi's also managed, maintained a very good customer relationship and he provided customers with

customized solutions. And they were high psychological and financial switching costs associated with these solvents.

Now the weaknesses. The Baddi's operated in niche market and this could be a weakness in the sense that the larger part of the normal market was left unexplored. The textile solvents formed fifty percent of the sales and this was a very big weakness in the sense that they were intense competition in the textile sector. As an example, in the case of, an IOC had launched a solvent at a low price, Baddi immediately had to lower the price.

And Baddi's being a premium Baddi being a premium major market segment was left unexplored.

And last of all, the cash payments was expected by the company so I feel that a lot of customers who do business on the credit basis were lost. Now the opportunities. They could cater to the non-premium segments. There was the ability to develop other specialize products for similar application. Now Baddi had worked in a to develop the solvents for the rubber plantation as well as the plane industry which were a quite successful. So likewise he could diversify his products and find out other such profitable sectors.

And their large orders could be expected in future as these customers were highly satisfied and Baddi's took special interest in taking care that he provided proper customer service. He rang up the customers and provided individual attention to all of them. And last of all, the customer industry was growing. It was mentioned in the case that the textile industries came into the existence and it was sighted that Reliance had a demand of seventy thousand turns per day. So, this was a very big opportunity. Now the threats-the substitutes. There is a large chance of substitute products in the chemical industry and also low cost products. Now the, I would like to state the strategy for Baddi's. We feel, our group had felt that from the financial results given, Baddi's was a pretty, it was doing very well. From nineteen eighty five to nineteen eighty nine the investments had doubled whereas the sales turnover has increased three fold.

So, we feel that there was nothing wrong in the strategy adopted by Baddi's and the strategy adopted by Baddi was, it has the distinct competence, it had manufactured special carbon products for the different segments. And there was the niche marketing approach. This approach was useful in the sense that in these segments there was very little competition and the profit margin was very high. And the third was the uniqueness of the product. It is mentioned in the case that natural condensate gas was being used in the solvents but when it is availability went down they would substitute by kerosene, which was costlier but still then there was no marketing problem because of the unique drying property of the solvents.

And there was a strategic pricing according to the market forces. Baddi's had a very close look at the market and they were very responsive. Whenever they judged that a new competitor had entered into the market with a substitute product or a similar product with the low price it immediately responded by following the market trends and accordingly producing a similar product or lowering its prices. And it had careful in the selection of channel partners. Now this was the very important factor because the dealers were the major, they helped in generating the major chunk of the business.

Now I would like to fit this case into the Porter's model. First of all, the threat of new entrants. This was not a very capital-intensive business as we have seen that all are with an investment of around fifty lakhs, the turnover was two fifty lakhs. So entry barriers are pretty low and there was a high chance of new entrants. And there was high switching cost. It has been specified in the case that the textile manufacturers who are very hesitant in switching to substitute products because they feared that they have to change the entire production setup and that would involve a lot of cost and time.

Now there was the threat of substitute. The threat of substitute, as I mentioned was pretty high and the bargaining power of buyers, big big textile manufacturers who bought solvents in bulk, they had some bargaining power. And since the product was undifferentiated, the buyers had definite bargaining power when the product function was critical. So in that sense, their bargaining power was low.

The bargaining power of suppliers: the product was crucial to the buyers as mentioned. So in that sense the suppliers had a higher bargaining power. And the industry rivalry. There in not substantial industry rivalry and the new entrants, which had managed to get through, were not very successful as Baddi's adopted suitable strategies to crush them. We have a few recommendations. Their present strategy was a winning strategy so I would propose no change in the strategy. Now since the company was growing I feel that it should be more formalized. Yesterday we had a discussion and Professor Dean had told that as the college increases we get we have to make the rules more formalized. In that sense the rules need to be established.

And last but not the least, there is nothing mentioned about his mission and vision statement. So I propose that mission-vision statements along with short-term goals and objectives should be developed.

Thank you.

We will have five minutes question answers.

Tell me, Amith.

Yes sir.

Did you follow any business strategy? If so can you say what is the strategy in few words? Strategy, you have said, one is niche market.

Yes sir

All right that is one. You also said that, you know, strategic pricing. That is the strategy he followed. Niche market, strategic pricing and support of channel partners.

Support of channel partners.

What do you mean by this, support of channel partners?

Give them a big commission?

Not commission but...

Then?

Giving them incentives also...

Incentive is commission. After all if I am a dealer representing Reliance or any one, bigger the commission, more support I feel. If they are performing well, they should be given commission.

Pardon me.

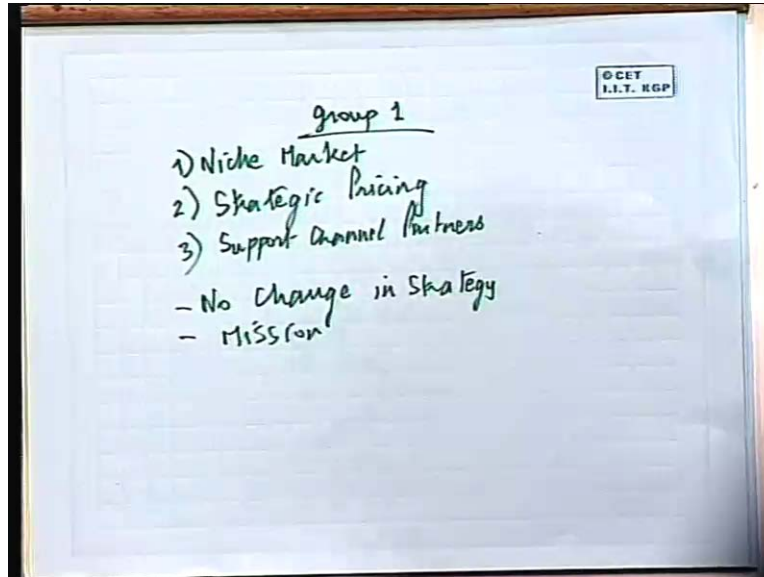
Of course you can you meant for interaction.

Can you? Are you listening? Okay.

Yes sir.

Okay the point he made, channel support, they are very strong dealers. He had a very strong policy, as he says, that even if we got enquiries directly he would not deal directly, he would send it to the dealers so that the business is channel through the dealers and the dealers. So dealers also, they have a strong loyalty, saying, these people, you know, they treat us like employees, you know. That is one support. Any other interaction? Any other interaction, because I have asked this basic question? Any business strategy apart from what you have said here.

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Okay, he was a scientist basically. So he know, he was a scientist so his main strength was he was a chemical or a chemist. So he identified products in that area where there is lot of market, where there is lot of profit is. Was there where lot of markets because he just said... That in fact. No, identified target market. I think what I will agree with you. Basically he leveraged his technical expertise, number one. Number two he was highly profit conscious. So any market or any policy where profit would be eroded he decided as a strategy not to go there. Example: policy of credit business, all right? Your working capital is going to go up so why go for it if you are getting enough money to fill your plant capacity with cash sales? Why should we go for that? That was clearly strategy, all right? Similarly, when you go through distributive channel you have a cost, which you can hold on to.

When you do it yourself you have cost which are many hidden costs. You have over executed moment you take people setup offices. These are overheads; it is not easy to wind down. If you appoint a dealer and the term is over you can let him go, so it is always better from cost point of view to move it through dealers. He was very conscious of that. High profits again because of high profit he chose niche market only. What is the meaning of niche market? What is it is specialty? That means the competition is less, you have a small market doesn't attract the big boys so he has high profit there. So what else? So this part of the strategy, it was an R and D driving strategy also and it was a profit driven strategy. Did you want to become a national player and become very big?



No?

So wasn't that also a part of a strategy? May be he was content to have a profitable business which you could manage with least overheads. In the short term he might be contended because when it is growing he will soon develop ambition to go out for a national level.

Yes he may he may.

He will definitely.

Or if he doesn't his son may. Remember A B C company? The strategy. He wanted to diversify. Anything else yes?

Okay so are you taking notes? Otherwise you will forget what he has presented. All right?

Can we have group six now? Thank you very much.

Speak into the mike. We will be following the similar pattern what Amit has followed here. We start off with the strengths. It is basically an R and D driven company which is clearly said. He is the scientist and he started off by developing a few products for one of his friends, which he later marketed and sold on his own. It is an innovation driven company because the nature of the industry is such that you have to innovate continuously. He also sells it only in niche markets where he gets no competition and he has very high profit is. Another strength that the company has is he has hand picked his dealers who are financially very strong. So there is enormous amount of goodwill and the distribution network is very spread. He is customer oriented and is in tune with the market. Perhaps that that was seen on more than one occasion where he has followed a product, which was, launched earlier, which was slightly cheaper and then he slowly drove it out of the business.

And also he is, another way where he is customer oriented is there is a case as the situation mentioned where there is the customer who has a problem. There is nothing wrong with the product but he is still willing to change and give it, replace the product.

He keeps a very close eye on the market. What I am trying to say is he is an opportunist. So wherever there is a scope for him, trying to enter and make money he goes for it. He also does not mind withdrawing from a market where he is not able to make money. There is an example of that also given in the case.

He has extremely good relationship with all his employees. There are several examples, which are given within the case. Then his product mix is extremely flexible. He has made his line in such a way that he can switch his products. So it is not just sufficient that he has the opportunity to change the products but his plant must also be capable of doing that. Then the return on investment, which is given, which was mentioned by the other group earlier. All his products were of extremely high quality. Then coming to the weaknesses of the company. So it is a very small company with a total turnover of only two hundred fifty lakhs. So possible weakness could be how much funds can he allocate for research. There is not sufficient data but there's is a possible weakness. I am not saying that it is a weakness; there is a possible weakness.

And another thing is on the production side he has allocated to and delegated to everybody else but if you see the dealer side and customer side, he is doing it himself. There is nothing mentioned in the case whether he is identifying a successor or no whereas it is clearly mentioned that as far as production is concerned it is all well organized and systems are in place but what

about the R and D side and the customer side because it is mentioned he is doing everything on his own. Then there is, the company size is quite small so he does not have much power over suppliers and customers as far as materials is concerned whatever power he is getting is based onto his products. Few threats that we have identified is raw material changes which is there right in the first. There is threat for substitutes, which is also very clearly mentioned that because of the nature of the industry is such that lot of people can easily substitute and there are not many entry barriers.

Then there's always a possibility because of it is size again that he could be bought over by somebody. It is just a suggestion because there is nothing given in the case regarding this. And opportunities, the opportunities are the very nature of the industries there are several new products coming up all the time. So he has this opportunity where he can join up with them. One suggestion that we have given in opportunity he could patent some of his products specially the rubber one, the one about the rubber cutting. So he has not explored any such possibility. This way what he does is he gets a monopoly and nobody else can undercut him. Then as far as the business plan and strategy is concerned, we'll just describe the industry in brief within the Porter's model it is already been discussed.

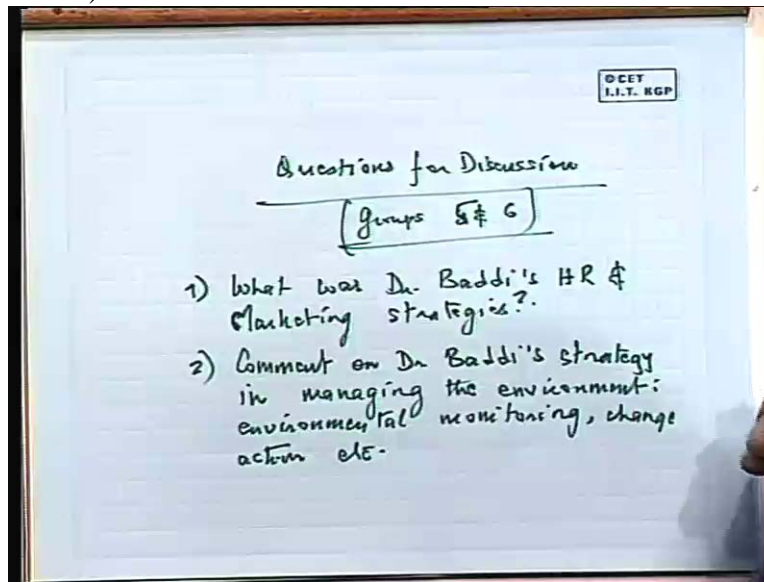
The entry barrier, the totals, all his sales because of the investment of fifty lakhs he is getting sales of two hundred fifty lakhs. So based on that we say the entry barrier is not very high. And bargaining power of suppliers there is a possibility that the raw materials keep changing which is given in the case. Rivalry, we have mentioned that it is not high or actually it is quite high in the textiles, solvents business which makes up fifty percent of his business. And there is ample scope for copying. He himself does it there is every possibility that somebody else also must be doing it. And continuous need for innovation.

Bargaining power of customers is quite high. There was an example of the textile industry and there was an example of IOC where he was supposed to reduce prices but one positive side for the players in the industry is product function is critical.

Then threat of substitutes. There is lot of scope for substitution which also said that companies are not very willing to make the switch because they feel that it will effect their process and hence their costs. The strategy that he follows is he operates in niche markets because of the same reason. And he has a few plans, which he uses; he goes into long-term contracts relatively speaking long-term contracts. He also asks for money upfront when he is supplying for the first time. I think after one year he says you demand some amount of payment. He does not mind copying and he innovates continuously.

He also does not mind undercutting which he also explained in the case. In fact if I was to sum up the company' strategy in one word it will be flexibility and speed in terms of both products, in terms of copying somebody else, in terms of changing it is product line, in term terms of meeting customer needs. In everything he has shown extreme speed and flexibility. That is the main that is I think his core strength. If I want to sum it up in one word that could be his strength, flexibility and speed and that is all we have. All right before you end, you have already commented on HR and marketing strategies or you haven't?

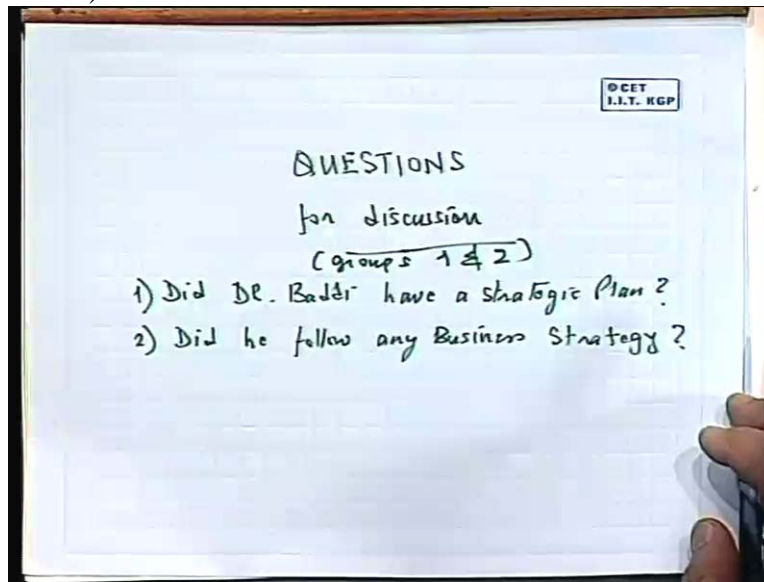
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Yes sir marketing. he is be sold by, marketing you have. What about HR strategy? HR is in one, I mentioned it is one of his strength that he has excellent relationship with his employees and his distributors. So he has generated enormous amount of goodwill. So he has generated enormous amount of goodwill. There's the case where he calls back one of his employee. Have you commented on doctor Baddi's strategy on managing the environment? No, we have not but I can address that point in the sense that he is a scientist, there is a case in which he himself goes to the rubber plantation. And he found that out so that way... Okay environmental monitoring, you have said? He is continuously monitoring the environment looking out for new opportunity. And change action where necessary? Change action. His product lines are flexible all the time so he has the option of changing the product as and when he feels like. He keeps a very close eye on it. So, generally we have a vote of acclamation for Mr. Baddi. He has no mistakes at all. Everything he has done right. He must be young man but the point I am making is that why he has remained so low in size. Because the nature of the business-the bigger it becomes in the more the... The growth, how many years has he been in business? I won't steal your thunder, okay. Any other questions from him? All right. Thank you very much.

Now group number two. All right, group two. These are your questions, which have to be covered.

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Either after your presentation or during your presentation, okay? Right. Tell me. Yes. The first and foremost thing is you have a strong R and D. No you have, you cannot be heard like that. You have to speak loudly clearly into that mike. The first and foremost is that... Into it, don't be bashful you look all right.

He has a strong R and D facility and it is a technology driven company. And he also believes in reverse engineering-whenver some product comes up in the market he analyzes it and accordingly he finds out an imitation of that. This is one of his strategies. The second thing is, he has a strong distribution network. Dealers are being empowered to take decisions on the behalf of the company and the dealers provided them with the lot of useful information. So they have good relation with the dealers; this is very important. Third thing is, he has a flexible pricing strategy. Coupled with that a flexible product mix. Depending on the market situations, the environment, the demands he changes the kinds of products available to the market. So, his company is being driven totally by market. He has a good backing from the rubber board, which has been discussed in the case, that he has good backing from the rubber board. Then, in certain cases he delivers superior product qualities and that is why he sometimes charges a premium price for it. Then he has a lot of trust, which has been built with the customers, strong employee policies to take care of the employees, empowerment of the employees. In the case it is been given. At one stage there was a problem with employee who was being superceded by somebody else outside a company during a promotion and as a result of which that person went to Ahmedabad I suppose, to Bombay, from Ahmedabad to Bombay, to Bombay and then again he didn't like that posting and Baddi called him back to Ahmedabad.

Then, there was strict enforcement of discipline. That is also very important in an organization. They were trying to diversify. Diversify in the sense they where trying to go for textile as well as rubber as well as paints. I disagree with group one when they said they are looking for a niche market. They are into three to four different industries.

After this, note the question asked after the presentation. They did a cost cutting measure also and they went for the second hand or used barrels they bought from some company.

Regarding the weaknesses, fifty percent of the revenue is to come from textiles, which can be a weakness in near future if textile is not going all right. The company might lose some revenue. Number two is that it doesn't seem that they have a formalized organization structure. That might pose a problem later on. Credit sales, they don't have they might lose business for that. It might be a weakness. Sometimes the bids, sometimes the bids were really high and as a result of which they lost a bid from Asian paints.

Regarding threats, they are susceptible to imitation; they have low entry barriers, then there is a scarcity or control of the raw materials, which can be a problem. Then there is a threat of forward or backward integration. It can come from a company like IOC which goes for solvents or it can come from textile industry which can go for backward integration, goes for solvents. Then they were depending a lot on the rubber board management. There is the problem with that there is the change in the rubber board management. While regarding opportunities, Ashwin told one of the things regarding IPRS. Second thing is, Reliance requires seventy thousand tonnes per month, so that is again an opportunity for them and they perhaps can diversify to chemical industries into drugs and pharmaceuticals. Well, five years from now... Speak into the mike, please.

Five years from now, number one, which we feel is relevant, they should try to reduce the percentage revenue from the textile and try other industries also. And they can supply chemicals to drugs, pharma companies and not only solvents something else also, if possible. And as the company grows roots, they should go for a proper structure and proper formalization and standardization.

There can be some kind of brand development also. Shantanu gave us a suggestion, I mean, it might seem pretty humorous, like you have doctor Reddy's lab then you can have doctor Baddi's lab. Then number five is you can go on building your R and D strengths because the company's core strength depends on R and D. And we have tried to fit in the Porter model also. In the rivalry section, there is a rivalry regarding price, like, for example, doctor Baddi's solvent was priced at five point one five per liter and as he produced a new solvent at four point six five so doctor Baddi changed the price to four point six zero. So it is a rivalry. Price rivalry is always there.

Then regarding the buyers, it seems from the case their shipping cost is not much, so there is a chance that the buyers or the customers might not be loyal to any one company.

Then regarding the threats, there is the threat of control of raw materials since the raw materials is being controlled by the government. There is always the threat that they might not be getting the raw materials. And imitation of substitutes is also there. There is a low value to input, which is the problem, and regarding supplies as I mentioned there is a forward-backward integration problem.

You have to hurry. You have two minutes.

I will answer the questions.

Submit that properly. Make a nice seminar.

So, just like Ashwin said, flexibility and speed, that was a good punch line to sum up. What are you summing up?

What we believe as a group that doctor Baddi's should be consulting on R and D and whatever strategy he has and which is based on competitive advantage, that is go for a flexibility of the product mix as well as pricing, it is pretty all right. okay Good. Is that all?

Yes

Thank you very much.

We will have question and answers after five minutes then.

Because now we have to wind up, you know.

You have this reel, so it will finish. There is signal of five minutes so we will continue afterwards.

Thank you