<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Op-Ed</td>
<td>Case of a Teacher’s Odyssey</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Dr S Pratap Reddy</td>
<td></td>
</tr>
<tr>
<td>Case Studies</td>
<td>The Making, Unmaking and Remaking of Pennar Group: Engineering Excellence Through Leadership</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Dr Vipin Gupta</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dhruva Consulting Group</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nokia: The Troubled King of the Indian Handset Market</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Dr Andal Ammisetti</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Sweet and Sour Apple: The Case of CEO Strategies at Apple Inc.</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>Dr Praveen Balakrishnan Nair</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ms Quay Ai Leng</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reliance Industries’ Telecom Diversification in 1999-2004</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Dr Subir Sen</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Paradigm of Workforce Cultural Diversity and Human Resource Management</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Dr Pradeep Kautish</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dr B Shafiulla</td>
<td></td>
</tr>
<tr>
<td>Book Review</td>
<td>Steve Jobs by Walter Isaacson</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>Prof Agna Fernandez</td>
<td></td>
</tr>
<tr>
<td>Bibliography</td>
<td>Service Quality Assessment</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Prof Kunal Gaurav</td>
<td></td>
</tr>
</tbody>
</table>
VIDWAT (विद्वात्) in Sanskrit means: know, understand, find out, learn, ascertain, discover, and expound.

“Vidwat – The Indian Journal of Management”, published by Dhruva College of Management, Hyderabad, reflects this array of meanings. It is a vehicle for a wide range of researchers from across the globe to bring their insights to B-Schools as well as practising managers.

**EDITORIAL BOARD**

<table>
<thead>
<tr>
<th>Dr Akhouri MMP</th>
<th>Dr Rama Velamuri</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amway Chair Professor, Delhi University, India</td>
<td>Professor, China Europe International Business School, Shanghai, China</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dr Artur Tamazian</th>
<th>Dr Matthew M Monnippally</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professor, University of Santiago de Compostela Santiago de Compostela, Spain</td>
<td>Professor, IIM Ahmedabad, India</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dr Asefa Abahumna</th>
<th>Dr Robert McGee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vice President, Adama University, Ethiopia</td>
<td>Director, Center for Accounting, Auditing, and Tax Studies, School of Accounting School of Accounting, College of Business Administration Florida International University, North Miami, USA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dr Balkundi Prasad</th>
<th>Dr S P Mishra</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professor, University of New York at Buffalo, USA</td>
<td>Vice Chancellor, Dev Sanskriti Vishwavidyalaya, Haridwar, India</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dr Braj Kishore</th>
<th>Sri Srikanth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professor, Osmania University (Retd.) Hyderabad, India</td>
<td>Regional Head – HR, TCS, India</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dr David J Sumanth</th>
<th>Dr Srinivas K Reddy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professor Emeritus, University of Miami, USA</td>
<td>Professor of Marketing Director – Centre for Marketing Excellence Lee Kong Chian School of Business, Singapore Management University - Singapore</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fr Dr Francis Xavier</th>
<th>Dr Vipin Gupta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal, Andhra Loyola College, Vijayawada, India</td>
<td>Professor of International Management California State University, San Bernardino, USA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dr H Rao Unnava</th>
<th>Prof Kunal Gaurav</th>
</tr>
</thead>
<tbody>
<tr>
<td>W Arthur Cullman Professorship in Marketing Fisher College of Business, Ohio State University, USA</td>
<td>Director (Research &amp; Publications) - DHRUVA Editor - Vidwat</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dr Krishna Mohan</th>
<th>Dr S Pratap Reddy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professor Emeritus – Gandhian Philosophy Connecticut University, USA</td>
<td>Chairman – DHRUVA Editor-in-Chief, Vidwat</td>
</tr>
</tbody>
</table>

| Dr Lynda L Moore | |
|------------------||
| Associate Professor Simmons School of Management, USA Fulbright Scholar, College of Business Science, Zayed University, UAE | |

| Dr Matthew J Manimala | |
|----------------------||
| Professor, IIM Bangalore, India | |

“Vidwat - The Indian Journal of Management” is a biannual publication. Its objective is to encourage and publish applied research in all the functional areas of Management. It lays emphasis on management issues that are relevant to academicians and practicing managers.

Design and Layout: Wide Reach, 109, Street No.1, Begumpet, Hyderabad – 500016
Printed and Published by Prof Pushpalatha Sunkepally, Vice Chairperson, DHRUVA College of Management, pushpalatha@dhruvacollege.net
Printed at Kalajyothi Process Ltd, 1-1-60/5, RTC ‘X’ Roads, Musheerabad, Hyderabad – 500020.
© All Rights Reserved

Opinions expressed in Vidwat are of the writers. Vidwat and DHRUVA College of Management do not assume any responsibility. All rights reserved, including the right to reproduce the contents of this publication in whole or part without prior written permission. (Subject to Hyderabad jurisdiction)
From the Editor’s Desk

A warm welcome to another issue of ‘Vidwat: The Indian Journal of Management’. In the current issue we’ve included a select cases from the ‘International Case Writing Competition’ Dhruva organised on December 01, 2011. Dr S Pratap Reddy’s Op-Ed ‘Case of a Teacher’s Odyssey’ lays foundation.

In the opening case ‘The Making, Unmaking and Remaking of Pennar Group: Engineering Excellence through Leadership’, Dr Vipin Gupta and Dhruva Consulting Group enlighten an undeniable and elevating story of Sri Nrupender Rao, founder of Pennar who often demonstrated feisty entrepreneurial spirit in taking it to global heights. With an intense desire to create 50,000 jobs, Sri Rao took over Pennar Steels Ltd in 1985, which had a license to manufacture steel products and laid the foundations forPennar Group.

Dr Andal Ammisetti in her case titled ‘Nokia: The Troubled King of the Indian Handset Market’ tries to highlight the rationale behind the evident fall of the global mobile handset brand in Indian market. Today’s market has become highly competitive and the Indian mobile handset industry is no exception. After being voted India’s Most Trusted Brand three years in a row, Nokia slipped to No. 5 in 2011. It marked one of the sharpest declines from the top in the history of the survey.

Dr Praveen Balakrishnan Nair and Ms Quay Ai Leng, in their case titled ‘The Sweet and Sour Apple: The Case of CEO Strategies at Apple Inc.’ make an attempt to appreciate various strategies of Apple that made it live through both good and bad times. Apple’s core strengths include widespread innovation, unique product differentiation strategy, strong marketing and branding coverage. This case critically examines the leadership styles of different CEOs of Apple Inc.

Dr Subir Sen in the case titled ‘Reliance Industries’ tries to appreciate the diversification strategies of Reliance Industries that ensured its effective entry and dominance in the Indian telecommunication industry. Started as a small textile company in 1966, Reliance Industries successfully ventured into various areas viz., petrochemicals, polyester filament yarn, oil and gas exploration and production, refining and marketing of petroleum, textiles, power, telecom services, information management and financial services and became one among the world’s 100 most respected companies.

As more and more number of firms move from domestic, multi-domestic, multinational strategies to global firms, the significance and impact of cultural diversity increase markedly. In the case titled ‘Paradigm of Workforce Cultural Diversity and Human Resource Management’, Dr Pradeep Kautish makes an attempt to elucidate the importance of cultural diversity to ensure sustainable growth and development of organization in global market.


Prof Agna Fernandez in her review of ‘Steve Jobs by Walter Isaacson’ tries to elucidate multiple facets of Steve Jobs, an undisputed king of innovation who always gave customers what they wanted before they knew what they desire.

I on my part, present a bibliography relevant to literature in the area of Service Quality Assessment and has chosen ‘friendship’ as a filler theme.

Wishing you all a harmonious New Year 2012 and happy reading.

Prof Kunal Gaurav
Director (Research & Publications) – DHRUVA
Editor – Vidwat
Private autonomous B-schools have been subject to a lot of scorn and contemptuous outpourings, tainted more as money-spinning machines and a breed far apart from those in the ivory castle like IIMs and ISB. Private B-schools have been the focus of vigorous debate. This myth has to be dispelled, public and academic perspectives reoriented, coz among the milieu there exist a few who want to raise their value proposition to the key stakeholders – the students, parents, recruiters and community! Today becomes tomorrow and these B-schools enable us to rethink business practices, education and learning in the context of sustainability. As the Founder-Chairman of Dhruva College of Management – probably the first-of-a-kind management college promoted by a management professor with four decades of teaching, training and consulting experience – I can humbly say that my journey has been a rollercoaster ride, yet fulfilling.

Dhruva has turned 16 this August, rising from the throes of infancy in more than a decade-and-a-half, which may be considered the maturity period for any institution. The focus of educational programs and course content at Dhruva is on a par with the Ivy League institutions. On the positive side, we had the opportunity to learn from the mistakes of older cousins. For instance, academic culture in the older institutions hampers inter-disciplinary research. We’ve not followed this model and created cross-functional directors instead. Its Director - R&D, for instance, can offer several PhD programs under the aegis of JNTU H promoting inter-disciplinary research. Our vision has inspired us to construct multi-storeyed structures amidst our 800-acre reserve oxygen forest in the suburbs of Hyderabad – one of the most happening cities, even as the older institutions like HCU, OU, IFLU, JNTU H, all in Hyderabad – face a severe space crunch and might be forced to demolish and rebuild various single-storey structures that are beyond repair as opined by a director of a new breed of IIT.

One common factor that ails autonomous B-schools is the paucity of funds and industry support available for research and consulting. Even in the state-run IIMs, the funds for core teaching and research activities per student are grossly inadequate to meet the national aspiration of producing 10,000 PhDs (as recommended by the Kakodkar Committee). Coupled with this enormity of challenges, producing managers who demand high salaries and cosy working environment displaying snobbish demeanor, I’m afraid is not Dhruva’s cup-of-tea. We believe in producing leader-managers grounded in the Indian tradition of ‘intellectual humility and ethical profundity’. Also, we consider our students co-producers in the process of this gigantic task.

On 10-11 February 2012, we’re organizing ‘Muqabla’ – an all-India Under Graduates’ Competition – with an objective of stimulating right brain through music, art, dance, drama, singing, elocution, simulation (like enterprise games that promote lateral thinking), to name a few. Management is an art and science. This stimulation will provide budding aspirants of management education the creative dimension of effective management nuances.

Dhruva has a unique challenge, for it runs on a ‘not-for-profit’ model which is anathema of any business venture. Available revenues must be spent on both core activity of teaching-learning and non-core activities such as subsidized hostel facility, CSR initiatives, scholarships to merit-but-economically backward students, of which the latter comprise a substantial part. As I’m passionate about building a global B-School and not enamored of pay-back of my capital to the tune of Rs. 30 crores (till date) I’ve sunk, I’m hopeful things will improve in future, e.g., donations under 80-G from individuals, institutions, industries and our alumni spread across the length and breadth
of the world and might help it not only sustain fiscally, but also catapult its brand to soar to newer heights. As Paulo Coelho observed, “If you’re passionate about a thing, the whole universe will conspire to help you accomplish it.”

As we move into the next calendar year, it’s time to pause momentarily and reflect on the year gone by. Keeping our exalted position of being ‘Asia’s Best Emerging B-School’, we will challenge conventional thinking and innovatively use all our resources to drive positive change in the lives of our main stakeholders – students. As a part of the new brand positioning, we have changed our logo - ‘Flying Hamsa’ which stands for articulation of ingenuity, analytical acumen and Indian mythical values. The idea rests on the backdrop of positive change, increasing threshold tolerance and redefining excellence.

Wishing all the esteemed subscribers and readers “Ayu Arogya Aishwarya Ananda” in 2012.

Dr S Pratap Reddy
Chairman – DHRUVA
Editor-in-Chief, Vidwat

When the first recorded incidence of a management professor founding a management college was documented more than one and a half decade ago, it was highly unlikely that the man behind the creation of the B-School, a certain professor of JNTU, Dr. S Pratap Reddy – BE, MBA, PhD., has any idea of just how much of a national phenomenon it would become or indeed its influence on “management education”.

Fast Forward, 16 years…Dhruva College of Management is more popular than ever, attracting increasing number of under graduates in a multitude of different parts and cultures of India, each aspiring to be the truly global leader-manager.
The Making, Unmaking and Remaking of Pennar Group: Engineering Excellence Through Leadership

Dr Vipin Gupta
Dhruva Consulting Group

Introduction
It was Monday, 9th May 2011 – a day that Nrupender Rao, founder of Pennar Group, will count as another milestone in his journey. The day started ordinarily enough. Rao woke up at 4 am and started his brisk routine of walking, meditation and yoga that belied his 63 years of age. He arrived at work at 8 am with the familiar sense of purpose and conviction with which he had nurtured his company through thick and thin. Having greeted his employees and settled into his office, Rao saw an e-mail from the Head of Marketing of Pennar Industries Ltd., the flagship company of Pennar Group. It was titled ‘We are Ready to Roll!’ Rao opened it eagerly. Pennar had clinched a prestigious order from L&T for the first phase of construction of pre-engineered steel buildings for Chennai Metro, to be completed within the next two years. The order was for the design and construction of the workshop buildings, stabling yard and the infrastructure shed all amounting to 2,000 metric tons of capacity demand in the Chennai plant.

For Rao, the email represented a reaffirmation of the credentials of the team he had put together and that had helped his company find the light at the end of a very dark and tumultuous tunnel it had been though at the turn of the century. In the late 1990s, Pennar Group enjoyed the status of being the highest taxpayer in the state of Andhra Pradesh. Subsequently, the company had descended into the doldrums. In 2002, it was listed as the second largest defaulter on bank loans in the state, owing more than Rs 1.7 billion to 18 banks. Just a few years of losses had wiped off the net worth of the company, and pushed that into negative. Importantly, throughout this ordeal, the company retained its most important asset; loyalty of a large and diverse customer base, and loyalty of many high-performing employees who had weathered the storms despite several rounds of downsizing.

The prestigious Chennai metro order that Pennar had just received was a testament to Rao’s engineering excellence by providing complex products, customized environment-friendly unconventional innovations, robust financial foundations, humane leadership, and most of all, remarkable show of patience, persistence and resilience.

The Making of an Entrepreneur
From the beginning, Rao showed a feisty entrepreneurial spirit. At the core of his values were three unflinching desires. Firstly, Rao wanted to create new and different things. Secondly, Rao wanted the sense of accountability of “knowing clearly that the buck stops with you.” Thirdly, Rao wanted to create jobs. He once remarked at a press conference that “My dream would be to create 50,000 jobs before I die.” Truly, his professional upbringing had groomed him to be an entrepreneur and achieve his three desires.

Rao was born and brought up in Hyderabad, where he finished school and his first two years of college in a Science program. In 1961, he enrolled at the Indian Institute of Technology at Kharagpur in the prestigious program in Mechanical Engineering. In 1966, he enrolled at Ohio State University in the Master’s program in Industrial Engineering and Operations Research. Upon graduation, Rao worked as an Operations Research Analyst at the National Cash Register (NCR) Company in Dayton, Ohio. In 1969, Rao returned to India and worked as an Industrial Engineer at Union Carbide India Ltd in Madras (now Chennai). Rao then transferred to the Hyderabad factory and was soon promoted to the position of the Head of Personnel and Production Departments. In that position, Rao was exposed to the world-class management practices of Union Carbide.

1 This research was funded by GLOBE (Global Leadership & Organizational Behavior Effectiveness) Research and Educational Foundation of Wharton School, through a grant from National Science Foundation of the US; and by Dhruva College of Management, Hyderabad through its research grant. We also acknowledge the contributions of the participants in Dhruva’s 2003 All-India case writing workshop organized in Hyderabad. The data for this research was collected by Dhruva Consulting Group, under the Chairmanship of Dr S Pratap Reddy.

The authors of the case gratefully acknowledge the insightful contribution of Ms Sandhya Mahadevan (sandhya.mahadevan@gmail.com) in writing this case.
Rao has acknowledged that he learnt about management largely during his eight years at Union Carbide. One of his mentors was KVK. Raju, who had managed Rao before leaving Union Carbide to promote a new company called Nagarjuna Steel Co. In 1976, Rao followed suit. Under Raju's tutelage, Rao experienced the challenges of managing a smaller company that did not have the same resources as multinationals typically did. In 1979, Rao and Raju co-launched Nagarjuna Signode Ltd., a joint venture between Nagarjuna Steel Co. and US-based Signode Corporation. Rao and his family members took 12% equity in this venture. Rao served as its Managing Director (CEO) while continuing his role at Nagarjuna Steel. As a result of this new role, Rao got first-hand experience of launching and sustaining a start-up.

**Birth of Pennar Group**

In 1985, Rao's entrepreneurial ambitions and desire to lead a company independently and in totality lured him to take over Pennar Steels Ltd, which had a license to manufacture steel products. Pennar Steels Ltd was commissioned in 1988-1989, with an initial production capacity of 36,000 tons of cold rolled steel strips. The commercial performance of Pennar Steels Ltd. was so favorable that full capacity utilization was achieved in the second year of operation, with significant profits and dividends. The capacity was eventually increased to 60,000 tons in 1995 to cope with increased sales.

While spearheading the success of Pennar Steel Ltd., Rao also laid the foundations for Pennar Group. He diversified its portfolio by launching several new companies- Pennar Securities Ltd., Pennar Aluminium Company Ltd., Pennar Profiles Ltd., Pennar Chemicals Ltd., Pennar Refinery Ltd., Pennar Infotech Ltd., and Pennar Aquaculture Exports Ltd. ISO 9000 certification was obtained for all of these companies, consistent with Rao's desire to offer products and services to a global customer base.

As the visionary of Pennar Group, Rao wanted “to make good products, and sell them to the customers as a good price.” Customer loyalty was important to Rao, and he sought to earn that through his products, and also through good management practices. In terms of management practices, Rao’s core objectives were (a) profitability, (b) growth and diversification, (c) talent development and (d) social responsibility. He wanted to manage his companies “so well that people say that here is a group which is well managed”. He wanted his companies to be perceived as good corporate citizens of India capable of both commercial success and social relevance. He also wanted to create jobs. His actions at Pennar Group would soon come to prove that his frequently-quoted desire to raise 50,000 jobs before he died was not merely a sound-bite.

**Phase 1: The Launch of Pennar Group**

As honorable as Rao’s management ideals were, they were subjected to growing pains. Rao did not anticipate his entrepreneurial journey to be a bed of roses, but his motivation and commitment were sorely tested as he tried to get Pennar Group off the ground. Rao had to summon much of his strength and resilience to deal with whatever roadblocks came his way. One of the initial challenges that Rao had to surmount was the apparent lack of credibility. This was unfortunate, because even though Rao’s venture was not part of a large business enterprise, Rao had the technological background, strong management acumen, and most importantly, the indomitable fire in his belly.

**Gaining Support**

The first audience that questioned Rao’s capability were financial institutions. Rao had to extol his strengths and aggressively convey the commercial potential of his venture. A glimmer of hope was the fact that in the 1980s, the government, banks and institutions such as the Andhra Pradesh Industrial Development Corporation (APIDC) were actively encouraging technocrat entrepreneurs in order to broaden the entrepreneurial base in India. After he won over the financial institutions, Rao’s next difficult audience was the public. When Rao decided to take Pennar Steel and the other companies in Pennar Group public through Initial Public Offerings (IPO) on the stock market, the public issues did not go well. Evidently, the public felt that Rao was an inexperienced entrepreneur who lacked credentials and a proven record of success. As a result of the public’s lukewarm reception to Pennar Group’s IPO issues, the underwriters had to put up a considerable amount of money. Yet another audience Rao had to win over was the pool of potential employees. The prevailing work culture was life-long employment and growth at one company. Therefore, people had reservations about joining a new company that had not yet established its viability. Rao took a lot of time to find talented people at various levels and convince
them of the benefits of joining a smaller organization such as his. He explained that his company offered a greater scope for personal and professional growth, and that larger organizations would not offer as broad of an exposure as his company would. For those that joined his organization, Rao offered challenges, opportunities and freedom. Eventually, he had a solid network of bright, loyal and committed employees supporting his group of companies.

Rising to the Challenge

In 1997, as part of a broader strategic agreement, Pennar Steel acquired Nagarjuna Steels Ltd and became Pennar Industries Ltd. The primary objective of this acquisition was to achieve higher economies of scale and to diversify the product mix, and thereby be in a better position to compete with larger players and cheaper steel imports. The merger augmented the resources of Pennar Industries and increased its capacity to 142,000 tons. Pennar's portfolio also became more diverse as a result, with a product mix comprising rolled steel, formed profiles, and pressed components. Pennar Industries rose to the ranks of the top ten producers of cold rolled strips in India.

The new company had more than 650 unionized workers and about 600 non-unionized staff, including 100 managers and 100 senior managers. About 175 of the workers had been with Pennar Steel Ltd, but most of them were from Nagarjuna Steel and had been hired by Rao himself during his tenure there as the General Manager. A workforce surplus of 125 workers and 100 staff was identified. A generous Voluntary Retirement Scheme, with six times the statutory minimum retrenchment compensation, was offered to workers to get the workforce down to manageable and sustainable levels. Regardless of their corporate origin, the workers generally regarded Rao as a kind and caring leader. They remained cooperative and productive.

In addition to being a compassionate and influential leader of his people, Rao also advanced his commercial vision for Pennar Industries Ltd. Rao's next commercial focus after the merger was to develop value-added products such as automobile components, compressor shells, pre-engineered building systems, prefabricated shelters, space frames, and highway safety systems. These products were expected to have double the price of cold rolled strips and 60% higher margin. To accomplish this foray into new ground, Rao instituted a quality initiative. Roles and work methods were redesigned to make them more cost-effective and robust. Workers were organized into multi-skilled, multi-task groups, and given full responsibility for the production quality and routine maintenance. Strong marketing teams were formed, well supported by technical personnel at the factory in developing customized and new products. There were even some teams with technical and marketing personnel exclusively assigned to certain customers for personalized products and services. The vision and mission of Pennar Industries Ltd. charted in the early 2000s encompassed all of Rao's change initiatives.

Pennar Group's Vision was as follows: “To achieve excellence in the quality of the services that we provide to our customers. It is our endeavor to create a working environment where motivates employees communicate freely and where innovation is encouraged.”

Accordingly, the Pennar Group's Mission Statement was as follows: “To achieve market leadership through excellence in the quality of product and services by adopting state of the art technologies and innovative management approaches aimed towards complete customer satisfaction.”

With this vision and mission, Pennar Group was finally off the ground.

Phase 2: The Struggle

The advent of liberalization and globalization drastically changed the business scenario, the demand pattern, and supply chain behavior. On one hand, liberalization removed many of the entry level barriers and encouraged competition. On the other hand, globalization enabled foreign competitors to compete in the Indian market. Thus, the Pennar Group of companies faced stiff competition both locally and internationally. Moreover, the business climate at that time bred an unstable pricing system and an unpredictable supply-demand balance. The situation worsened for Pennar Industries in December 1998 when the Indian government imposed a 36% duty on hot rolled strips, which were a key ingredient in the production of cold rolled strips. As a result of the duty, the vendors of hot rolled strips increased their prices.

Meanwhile, the import competition for cold rolled strips intensified from Russian, Ukrainian and South
Korean companies. The imports were priced very low. Even though 40% of the imported cold rolled strips were reportedly defective and second hand, they posed stiff competition because of their attractive price. Another company that began to compete with Pennar Industries in the low-end cold rolled steel strips market was Tata Iron & Steel Company, the largest steel producer in India. Tata commissioned a large integrated steel mill and was therefore able to offer prices 6-8% lower than Pennar. Moreover, Tata offered a more liberal credit policy of sixty days, compared to the forty five day policy offered by Pennar. Another competitor in this space was Bhushan Steel Strips. Bhushan offered a very liberal 120 day credit policy, which attracted many customers despite the fact that its prices were 2% higher than Pennar’s.

In the mid-1990s, the steel industry as a whole suffered when two groups of major customers- automotive and white goods- hit with recession. Demand took a nosedive, and very few new projects were being chartered. In this difficult environment, some smaller steel companies were forced to shut down. This prompted creditors to be more cautious in their exposure to the steel industry. Rao found it very difficult to secure funds on competitive credit terms.

In 1999, in an attempt to encourage growth even in these adverse conditions, Pennar Industries Ltd. acquired the facilities of Tube Investments India Ltd. at Tarapur (near Mumbai) and at Chennai. The acquisition added 14,000 tons per annum capacity for value added products. This helped some, but Pennar Industries Ltd. as a whole was still in struggling, since more than two thirds of its product mix still comprised the basic cold rolled steel strips. The sales of Pennar Industries Ltd. fell during 1998-1999 to Rs 2.7 billion, down from the previous year’s sales of Rs 3.2 billion. By 1999-2000, the sales had slid further to Rs 2.4 billion. At this point, profits had diminished to zero. In 2000, it became evident that most of the accounts receivable were actually bad debts and had to be written off. Other companies in Pennar Group had similar troubles.

The years 1998-99 proved to be a nadir for the Pennar Group, and for its industry as a whole. Several companies in the industry were either declared bankrupt, closed, or under liquidation. Within Pennar Group, the troubles of its flagship company Pennar Industries Ltd. aside, Pennar Securities Ltd. was shut down in 1998 because of unrecoverable losses. Another company in the group, Pennar Aluminum Ltd., was declared bankrupt in 1998, and thereby referred to the Board for Industrial and Financial Reconstruction (BIFR). BIFR was a government institution intended to help rehabilitate bankrupt companies in which the public sector had significant debt pending.

Pennar Aluminum was ranked third largest in the aluminum sheets business after Birlas’ Hindalco and Indal. However, with a paltry 5.8% market share, a total debt of Rs 4.8 billion and accumulated losses of Rs 2.8 billion with equity of just Rs 1.2 billion, Pennar Aluminum Ltd. was hardly sustainable. Similarly, Pennar Profiles was also floundering with accumulated losses of Rs 305 million with an equity base of Rs 55 million. The company was struggling to entice Indian customers, and was therefore depending on exports to stay afloat. Pennar Profiles too was referred to the BIFR.

In 2000, the Pennar Group commissioned the consulting firm, Deloitte, Haskins and Sells for guidance on business profile, management and control systems, and financial restructuring. Deloitte recommended that Pennar Group stop producing basic products, and instead, focus on value-added and specialized products. Rao, however, was adamantly against this strategy, as it would result in a reduction in workforce and thousands of employees would lose their jobs. Rao’s well intentioned refusal to cut the company’s production portfolio in order to retain workers backfired. During 2000-2001, losses escalated to Rs 350 million and production fell by 75%. Loans rose to a daunting Rs 1.8 billion. At this time, Rao finally came to the bitter realization that he had no choice but the restructure, reorient and transform his companies, even if it came at the price of letting workers go.

In April 2001, Rao reluctantly offered a VRS for another 200 workers. In the spirit of caring for his people, Rao offered twice the legal minimum retrenchment compensation. In order to preserve the talent pool at Pennar as much as possible, Rao did not allow the high performing workers to leave under VRS. Some of those high performing workers resigned despite not being entitled to VRS compensation. The most loyal of them stayed on at Pennar. Despite all this, Pennar Industries’ financials were still spiraling out of control. In 2001-2002, the annual sales had dropped to Rs 760 million. By June 30, 2001, Pennar Industries had an accumulated loss of Rs 732 million, on an equity base of Rs 217 million. Pennar Industries Ltd. joined the other companies in the Pennar Group in the dreaded state of being under BIFR.
Phase 3: The Recovery

Amid all this tumult, Rao found that the credibility that he had fought so hard to build was slowly slipping away. He did some soul searching to figure out who exactly he was as a leader.

Rao, the Leader

Rao had always been a strong adherent of humane leadership. This trait had shaped his business decisions thus far, especially those related to human resources. Rao’s humanistic reputation had helped him retain the loyalty of much of his workforce despite the tough, unpopular decisions that he had made. Rao’s kind and gentle nature had its drawbacks. Rao was a firm believer in McGregor’s Theory Y, an assumption that people were inherently well motivated to do their best. This belief influenced Rao’s management style greatly. He would give his employees a lot of freedom and empowerment. Rao observed that he would “sometimes even abdicate” responsibility. He acknowledged that this was not always prudent. He believed that the leader must have firmness of resolve. A good entrepreneur and top manager, he reasoned, must also be a good taskmaster, and must not tolerate inefficiency or ineffectiveness.

Upon further reflection, Rao also conceded to being a technocrat who did not always have a clear gut feeling and sense for numbers and finance. His experiences taught him that if a CEO did not look after the hard numbers and watch the bottom line meticulously, and instead, focused on futuristic technical growth and development, the growth would not be sustainable. Rao realized that he had pursued “growth for growth’s sake”. This attitude had stretched his organizations beyond their practical limits. Especially since the business environment itself was changing so rapidly, “growth for growth’s sake” had put the viability of Pennar Group at stake. After the soul searching exercise, Rao and his management team adopted a three-pronged turnaround strategy. The three prongs were business transformation, financial restructuring and productivity improvements.

Business Transformation

Rao was convinced that the business world was changing, and Pennar’s organizational systems inevitably needed to be changed. According to him, “You may act locally, but you have to think globally and understand what is happening in the rest of the world.” Rao’s philosophy of “global” extended beyond the geographical definition of “global”. To Rao, the word “global” also meant a sprawling market with many emerging industries. In abiding by Deloitte’s recommendation to focus on value-added products, Pennar was also able to take advantage of the continued growth in demand for value-added products from the automotive and the white goods sector. Pennar also expanded its value-added offerings to construction and infrastructure sectors.

Hence, a new Vision was set for Pennar Group as follows:
“To emerge as a globally reputed engineering company with strong and enduring customer relationships based on quality and service.”

Accordingly, the Mission Statement was revised as follows:
“To leverage our modern infrastructure, technical expertise and decades of experience to provide high quality and cost-effective metal products to our customers. We work closely with shareholders, suppliers, customers and employees to ensure attractive returns for all the stakeholders.”

In alignment with this vision and mission, new business segments were developed, including steel profiles for electrostatic precipitators, which were pollution control products. Other new business segments included pre-engineered business systems, tube products, road safety systems and railway coach profiles. Special efforts were made to develop and manufacture components for the automotive and white goods sector. The fast-growing auto sector, in particular, was seen as a significant opportunity. Large scale investments in infrastructure offered substantial growth prospects in pre-engineering building systems. New fabrication facilities were set up for electrostatic precipitators and pre-engineering building systems. The Press Metal Profiles division of the Tube Investments Group was acquired for tube products. Its plant was near Mumbai, and therefore, strategically situated to serve two major customers—Tata Motors and Eicher Motors. Another new plant was set up in Chennai to serve the automotive and rail segments.

With these business transformations, Pennar Industries Ltd. was still primarily focused on its core competency—cold rolled strips. However, it now leveraged its supply of hot rolled coil and press to make value-added steel products like cold formed profiles and pressed engineering components. By 2006, Pennar’s engineering components including precision tubes, auto components, and metal crash barriers were flying off the shelves. The new segments also opened the first export opportunities. Pennar was selected as the primary
source of the steel profiles for electrostatic precipitators by global cement manufacturing companies like the Belgian company Hammon Research & Cotrell, and the Danish company FL Smidth. In addition, focused relationships were forged with prestigious domestic customers in the automotive industry like Tata Motors, Ashok Leyland, Larson & Toubro, and Asea Brown Boveri. With such a large and diverse client base, business at Pennar was continuous.

Productivity Improvements

Although the business transformation was the lion’s share of the strategy to turn the Pennar Group around, productivity improvements were necessary to sustain this huge influx of incoming business. In November 2004, Rao announced a new quality policy that focused on both customers and employees. The policy underlined that all Pennar employees work together to achieve “complete customer satisfaction through total quality management.” Rao was committed in his endeavor to create a work environment where motivated employees would be able to communicate freely. He recognized that motivation needed to be actively encouraged, so that the company could pursue continuous improvement in all areas. This would be instrumental for the new vision and mission to be successfully upheld, and for Pennar to thereby achieve excellence and quality of manufactured products and services, and to serve customers from all over the world.

A large part of productivity lies in the workforce. This was Rao’s specialty. After all, his success in restructuring his organization with the full support and cooperation of the workforce had been featured in several scholarly works. Rao’s ambition was to transform his company into not just the best in the state, or the country. He had set his sights on being the best in the world. Under Rao’s leadership, manpower motivation and commitment remained very high. Rao took great pride in noting that there had never been a strike or lockout on his watch at either Nagarjuna or Pennar. There were two main reasons for this. The first reason was Rao’s reputation as a humane leader. His employees always came first, and his actions always spoke louder than words. Rao termed this trait “sincerity of purpose”. He strongly believed that if one works to develop and support the organization, one will automatically gain the support of the employees, customers, and lenders.

Rao believed that on the other hand, a selfish leader that makes decisions solely for his own benefit would not enjoy long term support from his employees, customers, or lenders, and would therefore be doomed to fail in the long run. The second reason for Rao’s ability to sustain a highly motivated and commitment workforce was his strong work ethic and willingness to lead by example. In his words, “To transform the companies, I have to transform the people. To transform the people, I have to transform myself.” Rao was known in the industry as an honest and straightforward leader who followed good business practices, resulting in good products and eventually earning a good relationship with customers. One of his well known quotes is “Work hard, work blood hard, work the hardest.” This was the work culture he embodied and spread throughout Pennar. Given the caliber of the people at Pennar, and the professional management systems and policies, even the banks and institutions were helpful to the Pennar Group.

Financial Restructuring

In December 2002, as part of a rehabilitation agreement, the lenders of Pennar Industries Ltd. agreed to cut the interest rate on loans from 18% to 12% annually, with a 2 year moratorium on interest payment. On the debt of Rs 2 billion, this yielded an annual savings of Rs 100 million in interest. This, coupled with the reduction in workforce through VRS, set Pennar Industries on a path of slow recovery. Production rose 75% by mid 2003. Sales revenues that year were Rs 1.1 billion. Operating losses amounted to Rs 107 million and net loss after interest and depreciation amounted to Rs 209 million. Due to the paradigm shift in focusing on value-added products, more than half of the equity capital was written off, but additional equity of Rs 150 million was infused in 2005. Moreover, in early 2004, the Corporate Debt Restructuring Forum approved a restructuring plan. This reduced debt from Rs 2.45 billion in 2003 to Rs 1.95 billion in 2004 through settlements with banks, and reduced interest rates, while allowing for the induction of additional equity. Pennar was back in black from the second quarter of 2005.

Rao’s tenacity, solid work ethic, and tireless commitment to the three-pronged turnaround strategy gradually started paying off. The promising financial metrics in 2006 for the performance of Pennar Group in 2005-2006 brought a smile to Rao’s face. The sales for the financial year 2005-2006, ending March 31, were Rs 4.36 billion, exceeding the planned target. Last year, the sales had been only Rs 3.48 billion, though more than doubling from Rs 1.67 billion in 2003-2004. In 2005-2006, profit after tax had turned positive to Rs 120 million, compared
to losses of Rs 48 million the previous year, and of Rs 31 million the year before.

2006-10: Sustaining

Pennar Industries, Pennar Aluminum and Pennar Profiles were once the three largest companies within Pennar Group. What a difference a few years had made. Of the three, only Pennar Industries remained under Rao’s leadership, and continued to be the flagship company of Pennar Group. In 2006, Rao considered Pennar’s dark years to be behind him, but he knew that his work was far from over. Rao’s next challenge was to sustain success and growth in the long term. Rao was quoted as saying “After a three pronged restructuring process, which included business, operating and financial restructuring, we have entered a new phase of growth.” Even in this new phase of growth, the basic principles of the three prongs came into play: this time, the focus was not on recovering from troubled times, but on sustaining business success and growth.

Sustaining Success

In order to sustain Pennar’s position as a major force in the automotive industry, Rao invested Rs 150 million in a new plant in Chennai, which was to be completely dedicated to the automobile industry. This plant was commercialized in April 2008, equipped with state-of-the-art CNC machines, as well as powerful machines for laser cutting, turret punching, rolling, forming, and bending. It produced value-added profiles and components to serve the automobile sector. In 2009, the automotive industry encountered a slight slowdown, but new opportunities emerged with Indian Railways announcing a plan to modernize its fleet of rail-cars with high strength steel profiles and use rail coaches made of stainless steel.

To capitalize on the emerging opportunities, Pennar created new divisions to serve comprehensive engineering products for the railways, and pre-engineered building segments. In order to adapt to the new market conditions, the Chennai plant previously dedicated to automotive parts was refocused to serve Indian Railways, the largest mass transportation entity in India. That allowed Pennar to win orders for supplying stainless steel profiles to Indian Railways, and for building the steel floors for the coaches. The new Chennai plant generated Rs 925 million in revenues in 2008-2009 by serving the needs of Indian Railways and reputed Indian automakers.

Pennar was also committed to grow to be more competitive in the pre-engineered building sector. This sector represented a Rs 50 billion opportunity in India, with the sector growing at 20% per year. Pennar expected to initially capture a 5% share of this market and grow steadily from there. The global market for environmentally conservative, or “green” buildings, was particularly lucrative. To exploit these opportunities, the pre-engineered buildings division was soon spun off into a new subsidiary that operated in partnership with NCI Building Systems, an American company that was the world’s leading pre-engineered building solution provider. This partnership allowed Pennar to offer world-class weather-proof buildings.

The Pennar Engineered Building Systems plant was commissioned in January 2010. This division offered turnkey pre-engineered green building solutions encompassing design, manufacturing, raw material procurements, erection and commissioning. Its solutions were cost-effective and could be erected in a quarter of the time—i.e. within 3-6 months—compared to conventional construction time frames. The building structures could be customized to the needs of the customers. An exclusive automated software platform allowed it to provide customerspecific building designs in less than 30 minutes. Most of all, as Rao noted, one of the aspects of Pennar’s competitive advantage was the fact that “each of the building components will have properties for efficient use of water, power and other resources, reduced pollution effects and prevention of ecological degradation.” Eager clients included industries, warehouses, commercial centers, multi-storied buildings, aircraft hangars, malls and stadia. Pennar Engineered Building Systems was positioned as one of the largest Indian pre-engineered building players, with a capacity of 50,000 metric tons per annum.

Paradigm Shift

At a philosophical level, a new profile of Pennar had emerged by early 2010. A paradigm shift was occurring. Pennar was rapidly changing from:

- Community to Niche
- Generic to Specific
- Basic to Engineered
- Market-driven to Market-driving
- Transactions to Relationships
- Standalone to Integrated
- Cyclicality to Sustainability
- India-focused to Global-focused
Rao had always valued socially responsible corporate citizenship. At this point in Pennar’s life, the company was sustainable and could finally afford to give back to the community. In 2009, Pennar set up a waste water recycling plant to conserve water resources. Pennar also began supporting underprivileged villages in the areas of sanitation, drinking water, and education. Rao already had a reputation for doing the right thing for his customers and employees alike. Pennar’s efforts to contribute to the social progress of developing communities cemented Rao’s virtuous reputation, and also added some extra shine to the Pennar brand.

Pennar established itself among the lowest cost converters of steel into value-added engineered products. As of 2008-09, it had a diversified base of over 300 customers, with the top 5 clients contributing 20% to revenues. It was among the few in the industry to possess intellectual capital worth a million person days, making it a preferred partner. It manufactured over 1,000 products used by several industries. All its plants had specialized design facilities, and were equipped with modern manufacturing technologies, facilitating customization. In 2008-2010, even as the global market was generally very precarious, Pennar managed to achieve astonishing growth. Its market capitalization rose from Rs 2 billion in 2007 to Rs 2.75 billion in 2009, and then to Rs 4.54 billion in 2010.

**Beyond 2010: Thriving**

In the Annual report for 2010, Rao was quoted as saying, “At Pennar, we find ourselves at an inflexion point: Go with the usual flow of growth or attempt the daring. We are opting for the latter. The result is that we expect to add Rs 10 billion to our topline by 2016. This implies that we are planning to replicate what we have achieved in 32 years in only five years.” In the Annual report for 2010, Rao upped the target to consolidated sales of Rs 22 billion or US$0.5 billion by 2016.

In the spirit of Rao’s words and under his leadership, Pennar’s formula for thriving is similar to the strategies from the point where it launched, through the point where it pulled itself out of the doldrums and got to the state of sustained success and stability. The three prongs—business strategy, productivity, and financial strategy—continue to play a large role in Pennar’s management paradigm. Pennar continues to focus on increasing sales, adopting new technologies and developing new products to continuously enrich its product portfolio.

In addition, it also continues to focus on tactical and operational success factors like optimizing production cost, upgrading human resources, and providing complete customer satisfaction.

To this day, Rao remains committed to leverage Pennar’s engineering strengths and customer relationships to penetrate deeper into the precision engineering space and to make strategic investments to bridge any gaps between Pennar’s core competencies, its product mix, and the market. In order to further diversify its portfolio, Pennar has been scouting for acquisitions in the energy and precision engineering segment to cater to customers in the defense and nuclear industries. It plans to add these two divisions to its existing four. The near-term goal is to acquire and engineering company particularly with skills in sheet metal works. At this point, Pennar does not have significant debt, so raising funds through loans for the acquisitions is a feasible option. Rao, however, is cautious. He wants to limit his acquisitions to smaller ones that range between Rs 200 million to Rs 1 billion in each segment. These actions would enhance Pennar’s dominance in South India, but Rao has now set his sights on expanding to North and East India as well. Rao wishes to acquire companies in those regions to augment Pennar’s influence in India as a whole.

Rao says he is clear that to be valuable Pennar needs to possess a relatively niche business presence, the brand of a specialist, a specialization “that would require an increasing interplay of knowledge and customization; this would separate us from the crowd on the one hand and protect our margins on the other. Besides, this would evolve us from a mere provider of material to a trusted partner, extending into repeat engagement and ongoing revenue flows.” He is proud that unlike most engineered product companies who choose “to focus on the growth emerging from one sector, Pennar has successfully widened its product mix to address the growth coming out of four different business segments, de-risking itself from an excessive dependence on any one segment.”

In each segment, Pennar’s personnel understood the specific needs of customers, and gained deep insights into each of the customers’ businesses, making it possible for Pennar “to offer holistic solutions, and take the customers’ businesses ahead.” As a result, 70% of Pennar’s business in the financial year 2010-11 was from repeat orders, and the rest 30% was from new order wins. The five leading customers accounted for
25% of revenues. Pennar had over 1,000 products across diverse sectors, and a cumulative experience of over one million person days resulting in significant domain expertise. The proportion of value-added products had reached over 75%.

On 9th May 2011, it was now Rao’s turn to send an e-mail to the stock exchange with good news about the Chennai metro order. He also articulated a plan to set up a wagon assembly line at Chennai plant for outsourced wagon manufacture by 2011. As he hit the send button, Rao sat back on his seat smiling. Pennar was spreading a million smiles – thriving not only in human and social, but also in market and financial terms with a market capitalization of Rs 5.63 billion!

Conclusion

The case of Pennar Group, particularly the evolution of Pennar Industries Ltd., raises many interesting questions about entrepreneurship and management. The following is just a sample of the many scintillating debates that pertain to Nrupender Rao and the Pennar Group:

• In a generally cut-throat technological arena, the concept of ‘humane leadership’ is novel. Did humane leadership accentuate the pains suffered by Pennar, or did it help Pennar emerge strong from once a no-hope situation?

• Pennar’s launch, struggles, recovery, and eventual sustained success and thriving can be attributed to two things - the actions of Rao as a leader, and the market climate. Which of these two factors was had a more direct impact on Pennar’s performance? What can be learned from understanding the extent of the influence of these two factors?

• The Pennar Group had it up and downs. On hindsight, what clues might a market observer have had to predict the direction in which Pennar Group was heading towards at the various points in time?

• For the Pennar Group, diversification was initially a curse, as it took the company beyond viable levels. Eventually, diversification was the strategy that brought the Pennar Group back on track. What was the difference between the two instances?

• Is the ‘three-pronged turnaround strategy’ transferable to other businesses?

Exhibits

Exhibit 1: Percentage of Pennar’s Business by Industry

<table>
<thead>
<tr>
<th>Engineering segment</th>
<th>2006-07</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto (profiles, components)</td>
<td>20%</td>
<td>4%</td>
<td>7%</td>
<td>12%</td>
</tr>
<tr>
<td>Auto (rolled steel)</td>
<td>18%</td>
<td>7%</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Bearings</td>
<td>6%</td>
<td>8%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Packaging</td>
<td>2%</td>
<td>8%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Electrical</td>
<td>9%</td>
<td>7%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>White goods</td>
<td>6%</td>
<td>6%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>General engineering</td>
<td>8%</td>
<td>13%</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>Heavy engineering segment</td>
<td>8%</td>
<td>24%</td>
<td>26%</td>
<td>22%</td>
</tr>
<tr>
<td>Railways</td>
<td>8%</td>
<td>24%</td>
<td>26%</td>
<td>22%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>23%</td>
<td>23%</td>
<td>28%</td>
<td>32%</td>
</tr>
<tr>
<td>Building</td>
<td>11%</td>
<td>14%</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>ESP and fabricated products</td>
<td>10%</td>
<td>5%</td>
<td>5%</td>
<td>12%</td>
</tr>
<tr>
<td>Road Safety</td>
<td>2%</td>
<td>4%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Transport / Pre-engineered</td>
<td>-</td>
<td>-</td>
<td>9%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Exhibit 2: Pennar Group’s Consolidated Financials - Profit and Loss Account

<table>
<thead>
<tr>
<th>Delta</th>
<th>16 months</th>
<th>8 months</th>
<th>12 months</th>
<th>12 months</th>
<th>12 months</th>
<th>12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>All figures are in Rs Million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31.07.2006</td>
<td>31.03.2007</td>
<td>31.03.2008</td>
<td>31.03.2009</td>
<td>31.03.2010</td>
<td>31.03.2011</td>
<td></td>
</tr>
<tr>
<td>Total Revenues</td>
<td>5421.57</td>
<td>3221.68</td>
<td>5381.69</td>
<td>6295.63</td>
<td>7979.71</td>
<td>12108.49</td>
</tr>
<tr>
<td>Gross sales</td>
<td>6469.02</td>
<td>3845.96</td>
<td>6412</td>
<td>7305.17</td>
<td>8901.17</td>
<td>13708.05</td>
</tr>
<tr>
<td>Domestic</td>
<td>6428.48</td>
<td>3797.1</td>
<td>6225.13</td>
<td>7301.53</td>
<td>8822.69</td>
<td>13631.84</td>
</tr>
<tr>
<td>Export</td>
<td>40.54</td>
<td>48.86</td>
<td>186.87</td>
<td>3.64</td>
<td>78.48</td>
<td>76.21</td>
</tr>
<tr>
<td>less excise duty</td>
<td>829.17</td>
<td>490.68</td>
<td>809.81</td>
<td>772.44</td>
<td>651.15</td>
<td>1209.14</td>
</tr>
<tr>
<td>Sales tax</td>
<td>222.42</td>
<td>135.65</td>
<td>226.46</td>
<td>240.28</td>
<td>275.3</td>
<td>417.37</td>
</tr>
<tr>
<td>Net sales</td>
<td>5417.43</td>
<td>3219.63</td>
<td>5375.73</td>
<td>6292.45</td>
<td>7974.72</td>
<td>12081.54</td>
</tr>
<tr>
<td>Other income</td>
<td>4.14</td>
<td>2.05</td>
<td>5.96</td>
<td>3.18</td>
<td>4.99</td>
<td>26.95</td>
</tr>
<tr>
<td>Expenditure</td>
<td>4921.16</td>
<td>2868.12</td>
<td>4718.53</td>
<td>5537.43</td>
<td>6861.98</td>
<td>10581.11</td>
</tr>
<tr>
<td>Raw material consumed</td>
<td>4082.94</td>
<td>2432.21</td>
<td>3963.96</td>
<td>4693.45</td>
<td>5603.74</td>
<td>8532.87</td>
</tr>
<tr>
<td>Personnel cost</td>
<td>130.73</td>
<td>75.66</td>
<td>147.33</td>
<td>206.87</td>
<td>310.8</td>
<td>417.85</td>
</tr>
<tr>
<td>Stores and spares</td>
<td>258.7</td>
<td>113.09</td>
<td>182.76</td>
<td>191.05</td>
<td>315.45</td>
<td>593.38</td>
</tr>
<tr>
<td>Subcontract expenses</td>
<td>55.22</td>
<td>28.44</td>
<td>75.85</td>
<td>92.94</td>
<td>134.73</td>
<td>266.43</td>
</tr>
<tr>
<td>Other manufacturing costs</td>
<td>133.06</td>
<td>71.56</td>
<td>87.61</td>
<td>69.65</td>
<td>105.93</td>
<td>141.48</td>
</tr>
<tr>
<td>Outbound freight</td>
<td>122.4</td>
<td>89.57</td>
<td>117.84</td>
<td>123.7</td>
<td>151.56</td>
<td>269.43</td>
</tr>
<tr>
<td>Other admin and selling costs</td>
<td>128.11</td>
<td>57.59</td>
<td>143.18</td>
<td>156.77</td>
<td>239.77</td>
<td>339.67</td>
</tr>
<tr>
<td>PBIDT</td>
<td>500.41</td>
<td>353.56</td>
<td>663.16</td>
<td>758.2</td>
<td>1117.73</td>
<td>1527.38</td>
</tr>
<tr>
<td>Financing costs</td>
<td>139.96</td>
<td>113.84</td>
<td>179.24</td>
<td>141.45</td>
<td>129.91</td>
<td>170.8</td>
</tr>
<tr>
<td>Depreciation</td>
<td>91.07</td>
<td>48.82</td>
<td>80.48</td>
<td>84.99</td>
<td>128.51</td>
<td>131.64</td>
</tr>
<tr>
<td>Preliminary expenditure written off</td>
<td>9.56</td>
<td>2.46</td>
<td>3.69</td>
<td>3.66</td>
<td>3.66</td>
<td>4.69</td>
</tr>
<tr>
<td>Remission of funded interest term loans</td>
<td>233.62</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PBT</td>
<td>493.44</td>
<td>188.44</td>
<td>399.75</td>
<td>528.1</td>
<td>855.65</td>
<td>1220.25</td>
</tr>
<tr>
<td>Minority interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.06</td>
</tr>
<tr>
<td>Net Profit (net of minority interest)</td>
<td>416.72</td>
<td>148.71</td>
<td>308.07</td>
<td>380.89</td>
<td>497.75</td>
<td>739.25</td>
</tr>
</tbody>
</table>
Exhibit 3: Pennar Group’s Consolidated Financials: Balance Sheet (In Rs Million)

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>31-Jul-06</th>
<th>31-Mar-07</th>
<th>31-Mar-08</th>
<th>31-Mar-09</th>
<th>31-Mar-10</th>
<th>31-Mar-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>533.06</td>
<td>549.55</td>
<td>720.16</td>
<td>720.16</td>
<td>697.89</td>
<td>697.89</td>
</tr>
<tr>
<td>Reserves and surplus</td>
<td>840.61</td>
<td>836.86</td>
<td>1161.7</td>
<td>1261.6</td>
<td>1452.55</td>
<td>1989.3</td>
</tr>
<tr>
<td>Minority interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>65.56</td>
<td>82.47</td>
</tr>
<tr>
<td>Secured loans</td>
<td>1676.87</td>
<td>1689.86</td>
<td>1015.21</td>
<td>1067.87</td>
<td>1688.74</td>
<td>1502.18</td>
</tr>
<tr>
<td>Unsecured loans</td>
<td>89.06</td>
<td>126.33</td>
<td>180.16</td>
<td>204.14</td>
<td>235.42</td>
<td>251.06</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>41.44</td>
<td>118.38</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>203.14</td>
<td>194.23</td>
<td>380.2</td>
<td>169.92</td>
<td>583.86</td>
<td>677.61</td>
</tr>
<tr>
<td>Provisions</td>
<td>1.7</td>
<td>1.2</td>
<td>32.08</td>
<td>240.13</td>
<td>430.17</td>
<td>137.72</td>
</tr>
<tr>
<td>Assets</td>
<td>3344.44</td>
<td>3398.03</td>
<td>3489.51</td>
<td>3663.82</td>
<td>5195.63</td>
<td>5656.61</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>1149.67</td>
<td>1294.43</td>
<td>1279.86</td>
<td>1345.22</td>
<td>1891.27</td>
<td>2101.43</td>
</tr>
<tr>
<td>Gross Block</td>
<td>2138.22</td>
<td>2348.68</td>
<td>2439.91</td>
<td>2615.56</td>
<td>3315.42</td>
<td>3520.93</td>
</tr>
<tr>
<td>Less depreciation</td>
<td>988.55</td>
<td>1054.25</td>
<td>1160.05</td>
<td>1270.34</td>
<td>1424.15</td>
<td>1419.50</td>
</tr>
<tr>
<td>Investments</td>
<td>1.47</td>
<td>1.47</td>
<td>1.1</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
</tr>
<tr>
<td>Current Assets</td>
<td>1357.73</td>
<td>1456.27</td>
<td>1916.56</td>
<td>2223.69</td>
<td>3299.64</td>
<td>3555.15</td>
</tr>
<tr>
<td>Inventories</td>
<td>459.99</td>
<td>474.04</td>
<td>729.4</td>
<td>726.82</td>
<td>1329.63</td>
<td>1480.85</td>
</tr>
<tr>
<td>Debtors</td>
<td>732.16</td>
<td>793.17</td>
<td>806.95</td>
<td>958.6</td>
<td>1223.95</td>
<td>1660.96</td>
</tr>
<tr>
<td>Cash and Bank balances</td>
<td>88.55</td>
<td>45.78</td>
<td>111.93</td>
<td>73.52</td>
<td>178.73</td>
<td>168.65</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>77.03</td>
<td>143.28</td>
<td>268.28</td>
<td>464.75</td>
<td>567.33</td>
<td>244.69</td>
</tr>
<tr>
<td>Deferred Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred expenditure</td>
<td>18.16</td>
<td>15.69</td>
<td>12</td>
<td>8.35</td>
<td>4.69</td>
<td>0</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>378.12</td>
<td>339.59</td>
<td>279.99</td>
<td>86.53</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Deferred loss</td>
<td>439.29</td>
<td>290.58</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Exhibit 4: Annualized Comparable Data

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIDTA – Rs Million</td>
<td>4229.9</td>
<td>5032.8</td>
<td>5602.2</td>
<td>6532.7</td>
<td>7980</td>
<td>12082</td>
</tr>
<tr>
<td>EBIDTA margin %</td>
<td>375.3</td>
<td>530.4</td>
<td>663.2</td>
<td>758.3</td>
<td>1098</td>
<td>1496</td>
</tr>
<tr>
<td>Cash Profit – Rs Million</td>
<td>269.1</td>
<td>357.8</td>
<td>451.8</td>
<td>555.3</td>
<td>755.4</td>
<td>953.0</td>
</tr>
<tr>
<td>Profit after tax – Rs Million</td>
<td>137.3</td>
<td>221.1</td>
<td>308.1</td>
<td>380.9</td>
<td>500.7</td>
<td>739.0</td>
</tr>
<tr>
<td>Profit after tax margin %</td>
<td>3.25</td>
<td>4.43</td>
<td>5.5</td>
<td>5.83</td>
<td>6.27</td>
<td>6.10</td>
</tr>
<tr>
<td>Earnings per share, basic Rs.</td>
<td>1.88</td>
<td>2.31</td>
<td>3.90</td>
<td>3.61</td>
<td>4.60</td>
<td>6.10</td>
</tr>
<tr>
<td>Return on capital employed %</td>
<td>19.89</td>
<td>24.97</td>
<td>30.27</td>
<td>29.16</td>
<td>25.20</td>
<td>32.20</td>
</tr>
<tr>
<td>Return on gross block %</td>
<td>6.42</td>
<td>9.5</td>
<td>12.63</td>
<td>14.56</td>
<td>17.21</td>
<td>21.41</td>
</tr>
</tbody>
</table>

Exhibit 5: Value-Added Products Profile

<table>
<thead>
<tr>
<th>Cold Rolled Steel Strips</th>
<th>16 months</th>
<th>8 months</th>
<th>12 months</th>
<th>12 months</th>
<th>12 months</th>
<th>12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues (net of excise) Rs Million</td>
<td>3268.05</td>
<td>1755.78</td>
<td>2757.07</td>
<td>1913.74</td>
<td>2154.68</td>
<td>2976.91</td>
</tr>
<tr>
<td>Gross Sales in Rs million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity in tons</td>
<td>83165</td>
<td>41003</td>
<td>60923</td>
<td>34183</td>
<td>50035</td>
<td>64916</td>
</tr>
<tr>
<td>Cold Formed Metal Profiles and Pressed Components</td>
<td>2857.74</td>
<td>1898.48</td>
<td>3307.65</td>
<td>5033.75</td>
<td>6414.58</td>
<td>8752.35</td>
</tr>
<tr>
<td>Operating revenues (net of excise) Rs Million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Sales in Rs million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity in tons</td>
<td>56861</td>
<td>34680</td>
<td>52766</td>
<td>62817</td>
<td>88290</td>
<td>114261</td>
</tr>
</tbody>
</table>

Dr Vipin Gupta (gupta05@gmail.com) is a Professor of International Management at California State University, San Bernardino, USA. He has a doctoral degree from the Wharton School of Business, Pennsylvania, a post doctoral fellowship from Tokyo University and a Post Graduate Diploma in Business Management from the Indian Institute of Management, Ahmedabad. Under his stewardship, Dhruva conducted Global Leadership and Organizational Behavior Effectiveness (GLOBE) – a Wharton School's path-breaking research.

Dhruva Consulting Group (DCG) is a mix of Industry and Academia which undertakes consulting projects. Global Leadership and Organizational Behavior Effectiveness (GLOBE) is a multi-phase, multi-method research project in which investigators spanning over 72 countries in the world are examining the inter-relationship between societal culture, organizational culture and organizational leadership. This project is envisaged by Robert J House of Wharton School along with Dr Vipin Gupta. DCG has been retained as the sole Principal co-investigator for the state of Andhra Pradesh, India. DCG has managed the daunting task of profiling the case studies of about top 50 CEOs. DHRAVA retains the right over these case studies including that of Pennar Group. DHRAVA eventually will publish these GLOBE case studies under the title – ‘Models of Organizational Excellence in AP’
Nokia: The Troubled King of the Indian Handset Market

Dr Andal Ammisetti

Introduction

Nokia has had the history of shaping the mobile handset market in India. Its customized handsets were available in every nook and corner of the country. It was quick in churning out new models. Nokia’s innovation, customization, product quality and extensive distribution made it a market leader. It enjoyed almost 60% of the handset market till 2005. Though there were many players in the mobile handset industry, brand Nokia was a synonym for the product in India. In the last five years scenario in Indian markets changed to a great extent. New competitors providing innovative solutions at lower costs emerged. Product innovations by companies like Samsung, Sony Ericson, Blackberry, HTC etc and low price models by Micromax, Karbonn, Maxx, etc., were forcing Nokia to head downwards.

Nokia remained the number one player in the mobile handset market in India, but it grew at a dismal 0.2%. Voice and Data’s 16th Annual Survey results proved that Nokia faced tough competition from homegrown players like Micromax, Karbonn and Spice in low-end segments, whereas its high-end phones faced tough competition from brands like Samsung, Blackberry, and HTC. (Refer to Table 1). Nokia has been adopting various marketing and business strategies to regain its market share and compete with exiting and imminent competition. Would the strategies be good enough to get back its past glory? What else should it be doing to increase its market growth?

Table 1: Top 10 Mobile Players in India in FY 2010-11

<table>
<thead>
<tr>
<th>Company</th>
<th>Revenues (in Rs crores) FY 09-10</th>
<th>Revenues (in Rs crores) FY 10-11</th>
<th>Growth Percentage</th>
<th>Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nokia</td>
<td>12,900</td>
<td>12,929</td>
<td>0.2</td>
<td>39</td>
</tr>
<tr>
<td>Samsung</td>
<td>4,700</td>
<td>5,720</td>
<td>21.7</td>
<td>17.7</td>
</tr>
<tr>
<td>Micromax</td>
<td>1,602</td>
<td>2,289</td>
<td>42.9</td>
<td>6.9</td>
</tr>
<tr>
<td>Blackberry</td>
<td>1,210</td>
<td>1,950</td>
<td>61.2</td>
<td>5.9</td>
</tr>
<tr>
<td>LG</td>
<td>1,600</td>
<td>1,834</td>
<td>14.6</td>
<td>5.5</td>
</tr>
<tr>
<td>G’Five</td>
<td>755</td>
<td>1,326</td>
<td>75.6</td>
<td>4</td>
</tr>
<tr>
<td>Karbonn</td>
<td>800</td>
<td>1,004</td>
<td>25.5</td>
<td>3</td>
</tr>
<tr>
<td>Spice</td>
<td>1,040</td>
<td>920</td>
<td>-11.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Maxx</td>
<td>514</td>
<td>745</td>
<td>44.9</td>
<td>2.2</td>
</tr>
<tr>
<td>Sony Ericsson</td>
<td>590</td>
<td>690</td>
<td>16.9</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Source: Voice and Data, 16th Annual Survey Results

Handset Market in India

Indians embraced the mobile culture very enthusiastically. The handset market in India is the fastest growing in the world. As per CMR’s 2-part study of the India ICT Industry titled ‘India IT, ITeS and Telecom Services and Mobile Handsets Industry Market View 2011, the Indian mobile handsets market, that included feature phones and smart phones, was expected to grow at over 30% during 2012 to touch revenues of Rs 83,377 Crore (USD 18 billion). (Refer to Table 2).

Table 2: India Telecom Services and Products Sector, 2010-14

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecom Services</td>
<td>1,59,519</td>
<td>1,84,207</td>
<td>2,05,454</td>
<td>2,26,741</td>
<td>2,48,956</td>
<td>11.8%</td>
</tr>
<tr>
<td>Mobile Phones</td>
<td>50,714</td>
<td>64,077</td>
<td>83,377</td>
<td>1,05,625</td>
<td>1,28,729</td>
<td>26.2%</td>
</tr>
<tr>
<td>Total India</td>
<td>2,10,233</td>
<td>2,48,284</td>
<td>2,88,832</td>
<td>3,32,366</td>
<td>3,77,685</td>
<td>15.8%</td>
</tr>
<tr>
<td>Telecom Services and products market (Rs. Crore)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total India</td>
<td>46</td>
<td>54</td>
<td>63</td>
<td>72</td>
<td>82</td>
<td>15.8%</td>
</tr>
</tbody>
</table>

Source: CyberMedia Research (CMR), 2011

According to Anirban Banerjee, Associate Vice President, CyberMedia Research, “The Telecom growth story will be a function of the enhanced demand for high speed broadband and data services from both enterprises and consumers, as 3G and BWA / WiMax services are rolled out by various operators to cover an increasing number of cities and towns.” (Refer to Table 3).

Results of CMR 2011 revealed that feature phones and smartphones would fuel the growth in the India domestic mobile handsets market. Growth was estimated at 150% increment, from Rs 50,714 crores in 2010 to Rs 1,28,729 crores in 2014. According a FICCI-E&Y report on mobile handsets in India, the average selling price of handsets in the country is estimated to increase to

---

Rs 2,950 by 2020 as compared to Rs 2,300 in 2010 with the affordability of feature-rich handsets also expected to be a key enabler of handset adoption.3

Table 3: Major Drivers of Growth for Telecom Services

- Launch and roll-out of 3G and BWA/ WiMax/ LTE services and the consequent growth in usage of high speed broadband, VAS and data services.
- Smartphone Market: “Smartphones are mobile devices with evolved operating systems, that include Symbian Series 60, Android OS, iPhone OS, Blackberry OS, Linux among others,” according to Siddharth Neri, Analyst, Mobile Devices Research, Telecoms Practice, CyberMedia Research. The smartphones market in India is expected grow to over 10 million units in 2011 from 6 million units in 2010. The Android Operating System will continue to gain acceptance as a mobile operating system (OS) and 12% of all smartphones shipped in India during 2011 are expected to be based on the Android platform.
- Tablet Market: The ‘early adopter’ phenomenon in media tablets will become visible in India in 2011, but will fight shy of becoming mainstream. CyberMedia Research expects over 1,00,000 Tablets to ship in 2011 alone, based on the current portfolio of players like Samsung, Apple, Olive and others. However, media tablets in their present form and currently prevailing price points are unlikely to excite the large majority of consumers. A ‘game changer’ in this space could happen in late 2011 / early 2012 if a players such as Reliance Infotel introduces a ‘mass market’ Tablet priced lower than Rs 10,000 per unit.

Nokia’s Inception in the World

Nokia had been a known name throughout the world for its various businesses. During 1865 Fredrik Idestam founded the paper mill on the banks of the Nokiavirta River. In later years, the company merged with a cable company to form Nokia Corporation on the path to electronics. During 1968 and 1991, Nokia moved to mobiles, the newly formed Nokia Corporation was ideally positioned for a pioneering role in the early evolution of mobile communications. In 1992, Nokia decided to focus on its telecommunications business. It’s considered to be the most strategic decision in the history of Nokia. During the rest of the 1990s, Nokia divested itself of all of its non-telecommunications businesses. In 1992, the first GSM phone, the Nokia 1011 was launched.4

By 1998, Nokia was the world’s largest mobile phone manufacturer due to its early investment in GSM technologies. Between 1996 and 2001, Nokia’s turnover increased almost fivefold from 6.5 billion Euros to 31 billion Euros.5 Its logistics with greater economies of scale gave the company an edge over its rivals. Nokia was the world leader by the end of the decade due to its high GSM standards. With continued series of innovation, Nokia launched enormous range of mobiles with different specifications and remained its leadership.

Nokia in India

Nokia ranked as India’s topmost trusted brand in The Economic Times-Brand Equity’s annual ‘Most Trusted Brands’ survey for 2010. In 2004, Nokia ranked 71 and moved to 44 in 2006 as India’s most trusted brand. In 2007, it ranked in the top 10 at number 4. Nokia has since held the number 1 slot for three years consecutively. Nokia established itself as the market and brand leader in the mobile devices market in India. The Nokia range available in India extends from Rs 1,499 ($37) at the lower end to Rs 45,000 ($1,125) at the high end. Nokia’s ‘Made for India’ phones introduced the Nokia 3210 with a Hindi menu. In 2003, Nokia launched the Nokia 1100, a first Made for India phone. Its mobile phones were customized for Indian markets. Mobiles with inbuilt flashlight, were instant success with rural population, as power cuts were common in villages and small towns. Having a torch built into a mobile phone considered a distinct and tangible benefit. The Nokia 1100, the first made-for-India phone, was a runaway success. Manufactured at Chennai, it was also being exported. The 1100 had an inbuilt torch, an alarm clock and a radio.

Market Share of Nokia

- 2008: 56.2%
- 2009: 54.1%
- 2010: 49.3%
- 2011 (January-July): 39%

Source: CyberMedia Research (CMR), 2011.

5 www.nokia.com
The Finnish firm registered a flat growth for the year 2011, as it lost market share in low-end segments to home grown handset makers and whereas in high-end phones it faced a tough competition from brands like Samsung, BlackBerry and HTC. “Nokia’s lost market share due to lack of dual-SIM phones in its portfolio. Dual-SIM phones have become an increasing phenomenon among value conscious Indian consumers,” an analyst at Voice&Data said. Increased number of players and choices in handset market led to fall of Nokia’s market share in India.

**Competition**

**Samsung**

Samsung emerged as the biggest competitor to Nokia in the Indian handset market. Samsung had been expecting India to be the largest market for its handsets by 2015. By 2011, the Korean firm was in number 2 position in India. Hyunchul Ryu, its Vice-President (Sales & Marketing, Mobile Communication Business, South West Asia), said, “Samsung, which sells more than 50 handset models in the country across all price segments, is confident to challenge Nokia’s market dominance in the future.” He also said, “We plan to scale up our manufacturing facility in India.”

Samsung lost its number 2 position in India in 2006. It regained the same in 2009, and steadily increased its share since then. They were confident of holding their position in near future too, as they are four times bigger than the number three player in India as on 2011.6 For the year 2010 around 130 million handsets were sold in India, and Samsung bagged 22% of volume market share and 23.2% value market. For 2012 to 2015, company had plans to invest substantially into R&D, marketing, portfolio and people. The company also had plans to focus on launching new products matching Indian customers’ tastes and preferences.

When enquired about Samsung’s business strategy for India in terms of low-end vs high-end customers, Ryu said, “With a range from Rs 1,100 to Rs 35,000 (for our tablets), we have products for all segments and can compete effectively with these new entrants. On a running basis, we have more than 50 models in the market at all times. There is a lot of local focus and India has been the bed for so many of Samsung’s products globally. We have about 3,000 people in our R&D Centre for cell phone in Bangalore”. When asked about mobile services, he said, “For us, services are the other side of the coin. Our Java application store in India was the first of its kind globally. India is also among the top markets in terms of downloads from our app store and we have had over 5 million downloads since it went operational last year. Our tie-up with Hungama gives our customers access to over 150,000 songs here. We are not looking at substantial revenues from our services portfolio. As of now, we are also not getting into other services.”7

**Blackberry**

Between 2009 and 2010, when Research in Motion’s American fortunes were sinking, the Indian arm was expanding business. The corporate India’s favorite phone, BlackBerry had become the college-goer’s delight. According to Cyber Media Research, it grabbed 13% share of India’s smartphone market in 2010, up from 8% in 2009. The total number of handsets sold increased to 7.7 lakh, a rise of 1084% in four years. Blackberry found young customers in India. “Children from Class VI want the Curve to make messaging groups with their friends. As the price is not too high, their parents let them have one,” said Sanjeev Malhotra, manager of Beecham’s Press, a multi-brand mobile outlet in Delhi. He admitted, “I never imagined a brand synonymous with executives would become a craze with teenagers. But BlackBerry India claimed it knew how to unlock the market.”8

**HTC India**

HTC was one of the largest manufacturers of devices based on Google’s Android operating system. HTC had a fairytale ride in 2010 and early 2011, with its shares more than tripling in the 14 months to April 2011 and sales growing four-fold in one and a half years as consumers snapped up its innovative phones with their distinctive large clock numerals.9 It moved up one spot on the league table in terms of shipments for quarter three of 2011, surpassing the share of Blackberry, and became the fourth largest smartphone vendor in the world, according to tech research company IDC.10

---

Due to its innovative phones, from a state of obscure manufacturer HTC grew to a global brand in a matter of few years. It launched various new HTC mobiles in India. India also hosted HTC's first Global launch - the HTC Explorer, indicating that HTC was aiming to strengthen its hold over emerging markets. HTC, like many other smartphone manufacturers had been focusing on emerging markets such as India and China which were not only booming, but also constitute more than half of the world’s consumers. HTC CEO Peter Chou explained his plans in detail to Reuters, “HTC will not give up its ‘premier brand’ image. Customers are willing to pay more, that’s why we have grown nearly five times in China this year. It shows that customers support our philosophy.” What Chou means is that HTC instead of competing with Apple and Samsung in various ranks, would continue with its strategy of producing high-quality, high-end devices. Currently HTC has just one tablet out – the HTC Flyer, which though a good one, wouldn’t be enough to sustain itself in the tablet market. Chou indicated that HTC has plans for a new tablet in tow, “Tablet is a market we would like to try and test, to see whether we can make ourselves stand out and prevent a me-too product”.

**Sony Ericsson**

Sony entered the Indian handset market in 1993 and it was based in India. Sony Ericsson Mobile Communication India Pvt., Ltd. operated as a subsidiary of Sony Ericsson Mobile Communications AB and it operated as a GSM handset player in India. The company consolidated its presence in the music, imaging, and smartphone categories and also focused on providing emotive series that catered to individuals who love indulgence and pampering.

In November 2011, Sony bought 50 percent stake of Swedish wireless equipment firm LM Ericsson AB. According to Ericsson AB, the deal was expected to close in January 2012. Post the $1.46 billion transaction, globally Sony Ericsson will become a wholly owned subsidiary of Sony. With this deal Sony expected stronger market advantage in Indian operations. “We believe that the acquisition will give us even deeper affinity,” a Sony Ericsson India spokesperson told Financial Chronicle.

Sony launched a new portfolio of high-end mobile phones priced between INR 25,695 and INR 35,795 in India, and aimed to earn a considerable market share in the smartphone segment. Sony Ericsson’s main flagship brand phones were its Android-based Xperia smartphones. The company launched five devices Xperia X10, Xperia X10 mini, Xperia X10 Mini Pro, Vivaz and Vivaz Pro, all of which were above the INR 10,000 category. The new portfolio would take communication entertainment to the next level. The company also planned for devices for low-end segment customers at below INR 5,000. With Xperia series Sony Ericsson wanted to capture a large market share in the high-end mobile market segment which was dominated by Nokia, Blackberry and Apple.

**Micromax**

Micromax had become India’s third-largest GSM mobile phone vendor and it marked its name with the revolution it brought in low-cost smart phone’s category. Its marketing strategy was to understand the changing priorities of the consumer. It emerged as a major player by catering to unique preferences of customers. Long battery life, dual SIM capability and low cost QWERTY phones were the features that fetched the company huge market share. Industry experts felt that Micromax started ignoring the ‘bottom of pyramid’ segment in a bid to compete in smart phone segment. Initially Micromax targeted low end and value segment by providing the features such as dual SIM, wireless FM, etc., with the price of China mobile and with quality not less than that of Nokia. The company’s ideology was reflected in its rooted belief in ‘Innovation and delivering nothing short of the best’. Affordable prices, wide range of choice with varied features, targeting low and value segment were the unique selling propositions of the company. Micromax’s vision and mission statements emphasize the thrust the company laid on path-breaking technologies. Every strategy of the company revolved round innovation, design and latest technologies and affordable prices.

---

G’Five
The Chinese brand G’Five, according to IDC was the second largest brand in the Indian market as per number of handsets sold.15 Arshit Pathak, Managing Director, Kingtech Electronics, a group Company of G’Five International, said ”We will now also focus on mid end segment to tap the growth in replacement market, we will be launching several new phones in this category in the next couple of months. And since the buyer awareness level is higher in this category will also try to be more visible”. He added, ”The first time buyer connects well with the retailer and it is the retailers’ recommendation that works for them. However, second time buyers are more aware and they rely on media for their research and therefore we will be more visible in the media now”.16

The company, which had a presence in India with low-priced mobile phones, entered into a 50:50 joint venture with Chennai-based Munoth group and became Munoth G’Five Telecom Ltd (MGTL). The joint venture firm planned to launch touchscreen mobile phones and tablet PCs in the country. The company offered the mobile handsets, for the mid- and premium markets, in price range of Rs 2,000 to Rs 16,000. G’Five planned to launch around 9 mobile handsets and a tablet PC before the end of October 2011.17 Referring to its focus on first time buyers, an executive from G’Five said very categorically, ”We are focusing on the mid segment does not mean we are abandoning the basic segment, we will continue to bring products in Rs 1000 plus range. We believe there is still a market for these phones on the rural belts”.

Spice Mobile
To tackle the challenge of reduced share of first time buyers most Indian and Chinese vendors are focusing on the replacement market by launching costlier but feature rich phones. In India, the first one to announce this shift was Spice Mobile. BK Modi, chairman of Spice Mobile said, ”We are looking at increasing our average selling price of Rs 2,000 to Rs 3,600. We see a rise in the demand for internet enabled phone, which is in line with the fact that most Indian’s will experience internet first on the mobile rather than on PC”.18

Small Players Tackling Declining Growth
In the recent past mobile operators in India saw a huge decline in mobile subscription. Subscriber additions dropped from close to 15 million a month to below 5 million. Not just subscriptions were dropping, there was a big drop in first time buyers. Indian market saw growth in replacement markets. People started looking for costlier and feature rich phones. Analysts and experts in the industry felt it was a natural progression. On this BK Modi of Spice Mobile said, ”Our products will be much cheaper than the MNC brands similar products. So we will still be price conscious, however in a different segment.”

Shashin Devsare, Executive Director, Karbonn Mobiles said, ”There will be no impact of the slowdown on our sales and product mix. Though even Karbonn has entered the race of Android phones, we still feel comfortable in the basic phones market as well”. Micromax, one of the best known Indian brands, had also been following a similar strategy. In fact, they were going a step beyond by launching higher end Android phones like the A85. Through these models they would appear to the higher end of the second time buyers looking for better but value for money products.

Why Nokia, the Leader, Stumbled?
After being voted India’s Most Trusted Brand three years in a row, Nokia slipped to No.5 in the year 2011. It marked one of the sharpest declines from the top in the history of the survey. Nokia got stuck with its ‘innovation’ and suffered marketing myopia. Whereas, competitors like Micromax, Spice and Karbonn and global rivals like Samsung got a strong hold in Indian handset market with varied competitive strategies. The portfolio from these brands featured phones with enormous battery life, QWERTY keypads, models powered in part by solar energy, dual memory cards that allow for easy transfer of data and phones that could hold multiple SIMs.

Nokia has been losing share to new Indian mobile companies as it neglected popular trends in the Indian mobile phone market. It was slow to bring out popular features such as dual-SIM card phones and social networking apps. At the same time, its competitors invested heavily in advertising campaigns that have helped them grow rapidly. (Refer to Table 4 for 2 major reasons for Nokia’s rapid fall.)

### Table 4: Two Major Reasons for Nokia’s Rapid Fall

<table>
<thead>
<tr>
<th>Reason</th>
<th>Description</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Enough Dual SIM Cards</td>
<td>In the past few years, many Indian consumers have started to maintain multiple mobile accounts. The reasons include varying plan costs and the need to have different phone numbers for official and personal use. As a result, handsets with dual SIM card capacity have become very popular. Nokia has lagged its local competitors in bringing dual SIM card handsets to market.</td>
<td></td>
</tr>
<tr>
<td>Limited Social Networking Capacity</td>
<td>Indian teenagers have been early and enthusiastic adopters of mobile social networking. Nokia was late in entering the social networking arena. By contrast, rival Samsung increased its Indian market share largely due to the success of its popular Corby phones, which feature extensive social networking functionality.</td>
<td></td>
</tr>
</tbody>
</table>

When interviewed by The Economic Times in July 2010, D Shivakumar, Managing Director, Nokia had said, “A year and a half is a significant time lag (on dual SIM). But I don’t think it is something that has weakened the brand. The consumer wants to see these features on Nokia. He considers other brands only if there is no Nokia product that meets his needs, which means we have to move in quickly and be a fast follower.”

However for the longest time, there simply was no Nokia product to meet many of these needs. A spokesperson for Nokia said, “Clearly our lack of a dual SIM phone has impacted us with the lower SECS. And now that we have the range, we will see the trust coming back. We have always taken great pride in the consumer trust in Nokia and will rebuild and restart the journey.”

According to marketing consultant Shripad Nadkarni of MarketGate, “It’s a classic case of a brand caught in the middle. They created the category and have been dominant for quite some time. This could have been used to shore up emotional connect and build a strong bond beyond the product. Very early on, they had a television commercial with a mother looking at photos of her son and encouraging the son to call her, which brought alive their promise of ‘connecting people’ in a human way and raised the physical product to an emotional plane. That kind of brand building effort should have been persisted with.”

On the positive side, Nokia was happy to make inroads into the app space in India. Ovi music was withdrawn from several markets globally, due to competition from iTunes, but the India story was different. Nokia sources claimed that over 17 million people in India experienced Life Tools since its launch in 2009, Ovi Store was the No1 app store in the country with over 8 million downloads a week, and the Nokia Music Store was India’s largest online music seller with a catalogue of over 6 million songs; India was among the Top 3 countries in terms of music downloads with approximately 2 million downloads a month. Though Nokia sounds positive on several notes, ‘what is in store for Nokia,’ is the scenario of wait and watch.

According to the spokesperson, “Symbian is still the that price point, the brand doesn’t matter and it’s just a commodity. Nokia has lost that segment for all time, since any well performing phone that lasts a couple of years will do.”

Though its high-end models have not suffered much, there too, it could not get stronghold. It lost its share globally, as its Symbian devices fail to meet the experiential benchmarks set by iPhone and Android-powered devices. But Nokia claims that it could triple the high-end smartphone segment with the launch of the N8 in India.

Nokia’s decline was a function of it becoming too much of a generalist brand. With Blackberry chasing the business users, Samsung offering feature rich innovative phones and the iPhone still being the coolest gadget on the block, there’s very little room left to Nokia to maneuver.

### Future Outlook

According to marketing consultant Shripad Nadkarni of MarketGate, “It’s a classic case of a brand caught in the middle. They created the category and have been dominant for quite some time. This could have been used to shore up emotional connect and build a strong bond beyond the product. Very early on, they had a television commercial with a mother looking at photos of her son and encouraging the son to call her, which brought alive their promise of ‘connecting people’ in a human way and raised the physical product to an emotional plane. That kind of brand building effort should have been persisted with.”

On the positive side, Nokia was happy to make inroads into the app space in India. Ovi music was withdrawn from several markets globally, due to competition from iTunes, but the India story was different. Nokia sources claimed that over 17 million people in India experienced Life Tools since its launch in 2009, Ovi Store was the No1 app store in the country with over 8 million downloads a week, and the Nokia Music Store was India’s largest online music seller with a catalogue of over 6 million songs; India was among the Top 3 countries in terms of music downloads with approximately 2 million downloads a month. Though Nokia sounds positive on several notes, ‘what is in store for Nokia,’ is the scenario of wait and watch.

According to the spokesperson, “Symbian is still the
leading platform across many markets in the world including India. In the smartphone segment in India, as per Canalys, Nokia continues to be a clear leader with a share of over 62.67% in FY 2010-11.21 Hence Nokia was not ready to abandon Symbian for Windows Mobile. The first such device was expected to launch towards the end of the year 2011. Gartner’s Gupta said, "Currently Symbian is available at an affordable price point for emerging market consumers; how soon they can get the Microsoft devices at affordable prices in emerging markets is a thing to watch."22 Are Nokia’s strategies competitive enough to compete in Indian markets? What else the company can do to regain its past glory? These are the questions to ponder on.

References
- Ravibalakrishnan, “Most trusted brands 2011: Nokia slips from top spot; will it outsmart BlackBerry, Samsung and iPhone” http://articles.economictimes.indiatimes.com/September 28, 2011
- http://investing.businessweek.com, March 26, 2010
- www.nokia.com

Dr Andal Ammisetti (andal27@gmail.com) is a Management Faculty with 18 years of experience in the field of Management Education. At present she is working with IBS, Hyderabad, as an Assistant Professor in the Department of Marketing and Strategy. Her areas of interest include Consumer Behavior, Services Marketing and Business strategy. She has presented papers at various national and international conferences. She did her research in the area of Online Retailing.

Friendship is like a book. It takes few seconds to burn, but it takes years to write.

- Anonymous

The Apple Seedling

When a crude hand built gadget which could barely be recognised as a computer went on sale in July 1976 for six hundred and sixty six dollars, no one in their wildest dream might have imagined it as the predecessor of the much sought after Apple products of today. The gadget, christened Apple 1, was hand made by Steve Wozniak, who co founded Apple with Steve Jobs and Ronald Wayne (Smh.com.au, 2011).

The company was incorporated in 1977, without Wayne, who sold off his shares to Jobs and Wozniak for eight hundred dollars. Within a short period after incorporation, Jobs and Wozniak launched Apple II that defined the era of desktop computers. The company went public in 1980 at $22 per share, the largest IPO offering since Ford went public twenty four years earlier (Stanton, 2001).

The Apple Tree

John Sculley was appointed as the CEO in 1983 but a power struggle ensued soon after between Sculley and Jobs. This paved way for Jobs leaving Apple and founding NeXT Inc. Economic crisis hits corporate America in the 80’s but Apple resurfaces triumphant with its stock price up by 75% (Hornby, 2006). Apple launched many upgrades which were successful and for a while it seemed that there will be no turning back for Apple. But the golden age did not last long. Apple's experimentation with many consumer electronic items failed.

Major product flops and declining performance saw Sculley being replaced by Michael Spindler as CEO whilst Apple battled giant Microsoft, depreciating profits, stock prices and market share. 1996 saw Spindler being replaced by Gil Amelio who along with many other change initiatives, implemented massive layoffs. A decision by Amelio to take over NeXT brought Steve Jobs back to Apple. In 1997, Amelio was ousted and Steve Jobs became the interim CEO. Restructuring efforts by Jobs resulted in Apple again seeing profits and successful products (Hornby, 2006).

Apple’s core strengths include widespread innovation, strong marketing and branding coverage. Apple competes on innovation, unique product differentiation strategy and tightly integrated products. Customer bargaining power and substitute threat is high with the plethora of computer companies while supplier power is low, decisions made based on lowest prices. Entrants to the industry will face high capital requirements, impenetrable distribution channels and strong brand preferences. Microsoft’s CEO, Ballmer once stated that Microsoft’s success is guided by: creating new business process, pushing authority downwards, establishing cross company objectives and building customer loyalty and industry trust (Greene et al, 2002).

Whether or not these principles apply across the board, remains debatable. In a study done by Business Week, it was found that there are 6 points tech companies should keep in mind during an economic downturn: Have cash on hand, boost technology spending, build outwards now, buy on the cheap, advertise and layoffs to come as soon as possible. We shall see from the following whether Apple has stuck to those principles.

Growth Issues

Apple encountered two crisis periods during the years of 1985 till 1997. One interval was during Sculley’s
reign and the other during the entire 1990’s when Microsoft monopolised the desktop computer industry (Hornby, 2006). The problems identified were fourfold:

- Firstly, the PC market during the late 80’s, was saturated with PC clones. Apple was under pressure from Microsoft to license out Mac OS to other PC makers.
- Secondly, the lawsuit against Microsoft, sealing its fate as being ‘one of the followers’ and Microsoft as the ultimate market leader.
- Thirdly, Apple experienced component shortages and faulty equipment.
- Lastly, Apple continued layoffs and decreased spending in R&D costs. Two sacred cows what IT experts admonish PC companies should never do.

**The Farmer’s Strategies**

In Apple’s life span, there have been many CEOs but none has been more prominent than these three: John Sculley, Gil Amelio and Steve Jobs. In order to understand the path that Apple took in turbulent times, it is critical to examine the type of leadership styles these gentlemen had and the eventual solutions they came up with to solve problems.

John Sculley’s management style was more of autocratic nature. If it weren’t for the topsy-turvy 80’s IT market, Sculley would have been Apple’s saving grace. Soon after he was appointed, Sculley set new heights in the PC industry with the introduction of Lisa, the first personal computer with graphical user interface. Next, he rolled out the landmark Macintosh, together with Jobs, in 1984, which emerged quite powerful in the market, thanks to its advanced graphic capabilities.

An adherent to big brand marketing, Macintosh was launched by a million plus dollar television commercial directed by Ridley Scott, now considered a turning point event for the success of Apple. But intense competition, an economic recession and a decline in PC demand saw Apple retrenching hundreds of workers and internal rivalry caused Steve Jobs leaving Apple to develop his own software company. However, Apple’s stock prices resurrected in 1988, due to Sculley’s swift cost-cutting measures (Hamn, 2002).

The only stain that is on Sculley’s report card is the disastrous failure of the Newton PDA, released on an immature market that was not ready for such advancement in technology (Stanton, 2001). Even though Apple spent significant sum of money on researching customer desires, Sculley’s unrealistic market forecasts contributed to Newton’s failure. If Apple made a more humble financially and technologically bet on the Newton and had entrusted it to an organization the size Apple was when they launched the Apple I, it would have been a success.

Gil Amelio’s stint at Apple was short but his impact was greatly felt. His management style was methodical, sources say his demeanor was more suited to the Chief Operating Officer post (Hatlestad, 1997). Upon his appointment, his proposed turnaround strategies included focus on multimedia and the internet and layoffs of couple of thousand employees (Portin, 1998). Upon hindsight, it could be observed that his proposals did not differ much from predecessor Sculley’s. In addition, due to miscalculation, he fired more people than needed. Amelio ended up being fired by Apple’s board, but he refute that his strategies were held back because of the board’s fear of change, unwillingness to compete intensively and of expansion into foreign markets.

**Jobs, the Maverick Farmer**

Steve Jobs’s management style can be classified ‘aggressive’. This trait shone the brightest when he was interim CEO in 1997, after Amelio’s departure. Jobs’ critics said that Apple’s problems were deliberately implanted by Job so he could be Apple’s superman in time of need. It may sound farfetched but it is no doubt that Apple is Job’s alter ego. Once taking up the position, he swiftly turned to Microsoft for help, resulting in a $150 million investment deal that provided a psychological boost to companies and customers about Apple (Stanton, 2001).

During the Macworld Expo in 1997, he surprised the world by announcing that Apple will be working with Microsoft, its onetime rival, to release Microsoft Office for Macs. Jobs went further by simplifying Apple’s product
lines, decreasing wholesale and retail channels to regain more control and instituted cost saving measures such as stopping production of ineffectual Newton PDA and integrating other Mac software with Mac OS. Known as an innovative prodigy, Jobs’ forte was in marketing and developing communicative pathways with customers, suppliers and competitors. A trait forerunner Amelio sorely lacked.

To revamp Apple’s dull brand image, Jobs’s employed renowned advertising agencies to design a well-integrated marketing communication resulting in the ingenious ‘Think different’ campaign. The campaign won many accolades worldwide and paved the way to a mega successful iMac launch (Dawson, 1999). In 2001, Apple introduced iPod portable digital audio player, which was phenomenally successful and the year of 2005 witnessed Jobs announcing the launch of Macs using Intel CPUs. The growth of Apple was evident in its share price movements which went more than tenfold between 2003 and 2006. It is interesting to note the comment made by Dell CEO Michael Dell, nine years back, that if he ran Apple, he would close it down and pay back the shareholders (Singh, 1997).

On the human resources side, Jobs built a community-like and laidback atmosphere within Apple, similar to many other Silicon Valley enterprises. Thus many employees as a result, have a higher consciousness of organizational identify and membership, together with strong ritual significance. (Goffee, 1999). The creation of the Apple Career Resource Centre, which is located in a highly accessible and visible area in Palo Alto, California, is a proof. Here, Apple ensures all employees are able to advance their careers without the prying eyes of their bosses.

There is a mix of internal and external career-research specialists so that companies learn from one another and an online ‘electronic campus’ computer network that combines all its operations. The career management process is kept separate from the performance appraisal. Such centres are havens where the employee can go to work on self-assessment, receive counselling, and attend seminars, research career reference materials and most importantly, learn how to think about their careers strategically.

Leaving the rocky past behind, Apple surged ahead in the period of 2007 to 2011 aided with substantial diversification strategies. During Macworld Expo in 2007 Jobs announced to the world that Apple is no more focusing only on computers, by dropping the word Computer from the company’s name, ‘Apple Computer Inc’, to just Apple Inc. This was evidenced by the launch of iPhone, iTunes, App Store and in 2010, iPad. Apple’s shares crossed the 300$ mark in October 2010 and surpassed Microsoft in market capitalisation (BBC, 2010).

Steve Jobs resigned in August 2011 marking the end of an era in the timeline of Apple Inc. and Tim Cook took over as the CEO.

So, What is in Store for Apple’s Future?
Apple was led by an array of CEOs with varied strategic approach which might have influenced the identity of Apple Inc. A McKinsey Quarterly report states that: to do well in the Consumer IT industry, companies must take product-based strategies, besides risk-management or marketing based strategies (Heel et al, 1997). From the analysis of Apple’s history, CEOs, especially Jobs have steered Apple’s narrow niche market (Mac OS and graphics designing software) into a broader focus in many other markets making good use of marketing based strategies.

When it comes to turning around a company, many management gurus tend to agree that proactive control, cost reduction, risk control, financial management, consolidation, value adding, strategic repositioning and change management are the important points every forward-thinking CEO should consider. Apple’s CEOs have indeed tweaked the management change wheel.

References

Dr Praveen Balakrishnan Nair (pnair@swinburne.edu.my) is attached to Swinburne University of Technology (Australia), Sarawak Campus. He earned his PhD in the area of Environmental Marketing and his research interests include Corporate Environmental Responsibility, Environmental Marketing and Greening of Business School Curriculum. He has published / presented papers in journals / international conferences of repute.

Ms Quay Ai Leng (alquay@swinburne.edu.my) is a lecturer at Swinburne University of Technology (Australia), Sarawak Campus. Ai Leng holds an MBA from University of Southern Queensland (USQ) and currently lectures in the area of Marketing. Her research interest is in the area of Services Marketing.

"Friendship is the source of the greatest pleasures, and without friends even the most agreeable pursuits become tedious."

- Saint Thomas Aquinas
Reliance Industries’ Telecom Diversification in 1999-2004

Dr Subir Sen

Prologue

Dhirubhai once quizzed a journalist in 1985: “The two largest businesses are oil and tourism; guess what would be the largest business 15 years from now? And then with the characteristic twinkle in his eyes, he said ‘telecommunication’.”

It was a forecast from a man who had barely passed his matriculation. Little did he know that by the turn of the century, ‘telecom’ would be a major business for the company in the coming years? During the entire 80’s and 90’s there was enough backlog to re-invest in existing businesses along the vertical-chain. However, with the petroleum refinery at Jamnagar going on-stream in the late 90’s; the entire link in vertical-chain was completed. So it was necessary for the first time in Reliance history to think beyond its strategy of vertical integration.

There was this old Reliance dictum drilled into the top management: “If you do more of the same, then you are likely to land in trouble.” In another month or two, they would be done at Jamnagar. So it was clear that they had to start the next big thing? Reliance had all along had a focused mind-set of integration; and this was clearly reflected in the dominant position it had achieved in all its businesses. This in a way stopped them from diversifying in unrelated areas. Yet in the past, it had often swayed to opportunity: media, power, infrastructure, ports and terminals and financial services.

Since these diversifications did not match with their way of thinking. It witnessed lack of commitment and financial clout Reliance could have possibly brought into these diversifications. With the onset of the new century, similar one-time opportunities were available in the fields of telecom, insurance, banking, retail and many other areas. In most cases, entry would become far more difficult at a later stage. The benefit of focus was obvious, yet for a firm hungry for growth and a management team accustomed to achieving to the impossible; the new opportunities were almost too attractive to resist. Should they stick to the knitting or diversify in unrelated areas?

Reliance’s Growth Story

When textiles major Reliance Industries set up its first backward integration plant for the manufacture of PFY at Maharashtra. The total area at 300 acre was over twenty times larger than what was required for a project of similar size. This approach represented a major departure from the ‘normal’ business practice of the time. Instead of creating a ‘safe’ capacity based on reasonable projection of demand; Reliance had conceptualized ‘world scale’ capacity that would meet the cost and quality standards on a global basis. The fundamental difference between Reliance’s approaches from other companies was that Dhirubhai saw things that were hidden to others.

The user industries in most market segments were held back by non-availability of supplies. Most companies would typically do a market survey that would show the current usage at, say, 2000 mtpa. They would project the usage into the future and arrive at a demand of say, 5000 mtpa and then set up a 3000 mtpa facility, depending on their assessment of market share. Dhirubhai threw away that incremental mind-set. He created capacity ahead of actual demand; on the basis of latent demand. Clearly, Reliance’s hopes rested on the fact the domestic per-capita consumption of polyester and polymers in India were 3kg, compared to 10kg in China and 15kg in the developed countries.

Then he would go about systematically removing the barriers that were holding back the demand; thus recreating new markets right from the scratch. The two major pillars that facilitated this were – to deliver ‘world class’ products at rock-bottom prices, and the creation of ‘business development groups’ to create new investment opportunities that would use Reliance’s...
products as feedstock. It provided such services to potential investors free of cost and it also used its own network to promote such entrepreneurs to secure both funding and distribution.

Reliance would not only enter a business with a large, world-scale plant far higher capacity than its domestic rivals, it would also continuously modernize and increase its capacity to mop up all the incremental market growth to build a position of absolute industry leadership. For managers used to the most staid approach of large MNCs, K. Ramamurthy who joined Reliance as Vice President from COO in Chemplast explained, “Initially I would go to him (Dhirubhai) with proposals that reflected my conservative market-share objectives. And he would say think what a true world-class operation must look like. And my investment objectives would quadruple.”

Another distinctive element of their strategy was to purchase technology from the best foreign source rather than create joint ventures. S.P. Sapra commented, “Take Century Enka – everything needs Enka’s approval. Enka is used to the low growth European environment. So they are incrementalist and cautious. They slow down the Birla’s. If Dhirubhai created an alliance with Du Pont everyone in India would have said, great he has got Du Pont in India. But it would have slowed down everything.” An essential factor connected with this capability was ‘speed’.

Anil Ambani added, “Most traditional economic calculations go wrong because they do not take the cost of time into account. Long before time based competition became management hype, we did everything to compress time in both our projects and our operations.” Reliance had already built up a reputation for setting up projects quickly; it had for instance, set up its worsted spinning plant within eight months of grant of the license. However for its PFY plant it outdid even its collaborators by getting it ready in fourteen months – a feat Du Pont, until then, had not managed to achieve anywhere else in the world.

Most firms in those days sought to fund their projects by mobilizing funds – typically debt instruments – from state owned financial institutions. High interest rates choked them and halted growth. As a departure from the prevailing practice pursued by most Indian firms, Reliance approached the investing public directly to fund its growth plans. Reliance kept upping dividends year after year, regardless of a dip in profits.

After an IPO in 1977, it again approached the investing public in 1979; this time with an offer of PCDs. The issue was oversubscribed six times. In 1979 in addition to a 25% dividend, it issued bonus shares in the ratio of 5:3. Its share prices appreciated 150%. To thousands of well wishers, Dhirubhai uttered, “Hold the papers, one day you will realize their worth.” Dhirubhai’s fear of debt once made him repay a 50-year bullet loan of $150 million in just three years. Reliance preferred to mobilize the funds directly from the public as the funds mobilized from financial institutions often had a rider attached to them; an option to convert the debt into equity at a later date.

All throughout its history, Reliance had rarely been far away from controversy. Most firms found it expedient to cut private deals with powerful politicians and bureaucrats through ‘industrial embassies’ maintained in the corridors of power (Encarnation, 1989). Bribes in exchange for licenses, illegal political contributions in return for preferential regulation and the generation of unaccounted money for sustaining this corrupt nexus became, for some, the recipe for quick success and rapid growth. In other cases, pre-empting competitors by taking multiple licenses and then not proceeding to build facilities became a perfectly legal strategy for using the regulatory regime to profit from the climate of artificial scarcity. As a result, efficiency was grievously hurt due to government’s pursuit of populist policies. Besides, with so many legal constraints many firms resorted to the pursuit of the loopholes and the illegal.

Reliance had close proximity with most successive Congress governments. Its critics contended that its ability to get licenses granted; obtain fast approvals for its resource mobilization plans from the capital markets and capital goods imports; and get policies formulated which favoured it (or disadvantaged its competitors or both), were a consequence of the enormous political clout it wielded. However, Dhirubhai was quick to cover up his uncanny capabilities, “Entitlements and licenses were available for everyone to take advantage of. If they were not quick enough off the mark, is it my fault?”

**How was the Project Conceptualized?**
Reliance follows a very simple capital allocation model. Every business has the first opportunity to re-invest in its
existing operations provided it delivered the benchmark 20% returns. If one cannot find opportunities in existing businesses; it has to search elsewhere. During the entire 80's and 90's there was enough backlog to re-invest in existing business. Therefore, they remained focused and committed. However, with the petroleum refinery at Jamnagar going on-stream in the late 90's the entire link in vertical-chain was completed. So it was necessary for the first time in Reliance history to think beyond its strategy of vertical integration. In another month or two, they would be done at Jamnagar. In order to carry on its founder's vision: 'growth is a way of life', they had to start off the next big thing? Reliance had grown at a phenomenal pace of 20% in the last decade; therefore, it had to maintain a legacy to keep its 3 million shareholders happy.

While setting up the refinery at Jamnagar, Reliance had used lots of technology in communication systems while putting up the infrastructure. The movement happened in bits and pieces. They were perhaps, among the first in India to install for its captive consumption, giga-bit Ethernet technology for video conferencing. They had also connected the entire petrochemical complex with a series of closed-circuit cameras, which was wired to a centralized control room. Till then they were basically users of technology; they had not thought about it as a full-fledged business model. Subsequently, they started looking at the big picture holistically over a (10-15) year timeframe.

After grueling brainstorming of ideas among a handful of key executives it was clear that communication technology alone was not going to deliver value, but eventually it will be 'information'. Till then, it was considered as two distinct segments; however, they realized that the two would inevitably converge in the future. Dhirubhai once noted, “If common people should be able to call across the country and say - Hello, how are you? At the cost of a betel leaf, only then the telecom market will be for the masses and the markets will explode”. The industry needed to come out its elitist framework by breaking the price barrier. At the end of the day the bottom-line was clear – push hard for capital productivity. A close look at how the project was initiated:

Rewinding to the last quarter of 1999, when Reliance had just commissioned its Jamnagar refinery. On that occasion Dhirubhai was to address a conference of young CEO’s from India and abroad. At that time the then Andhra Pradesh chief minister, Chandrababu Naidu, enquired what Reliance was going to do in the new knowledge economy. On that night after the conference, Mukesh met Dhirubhai after dinner and had a three-minute conversation on the potentials of the emerging telecom industry. Dhirubhai asked Mukesh: “Do you understand all this?” Mukesh replied: “By and large, I did.” The next two questions from Dhirubhai were: “Is this the future?” and “Do we have the strength in us to do all this?” Dhirubhai ended by saying: “Yes, if we can do it, we should be in it full fledged.”

Business papers were skeptical about Reliance’s entry into telecom and dubbed it opportunistic; a significant deviation from its philosophy of focus, scale and integration. Experts went one step ahead and cited that the diversification was the biggest blunder for an organization which was not so consumer driven.

Conceptual Framework

A fundamental part of any firm’s corporate strategy is its choice of what portfolio of business to compete in (Ansoff, 1957). Though there is a consensus that highlights the 'superiority' of related over unrelated forms of diversification, as it presumably allows the firm to exploit the inter-relationships that exist across different businesses (Rumelt, 1974; Bettis, 1981, Lecraw, 1984; Palepu, 1985). There also exists considerable disagreement about precisely how and when diversification can be used to build long-term competitive advantage (Ramanujam and Varadarajan, 1989; Hoskisson and Hitt, 1990).

Markides and Williamson (1994) have argued that disagreement exists for two main reasons:

- Industry relatedness provides an incomplete and potentially exaggerated view of the scope of a firm to exploit inter-relationships between two or more businesses. This is because traditional literature based on ‘industry relatedness’ includes only surface level factors.
- Existing research has tended to equate a single source for performance outcomes while analyzing superiority of related over unrelated diversification. The argument finds favour in terms of static exploitations of economies of size and scale.
While two businesses may share underlying similarities in terms of its industry structure; but there may exist little potential to exploit these similarities to achieve long-term competitive advantage. Thus relatedness from the industry point of view, in the true sense, is 'exaggerated'. Prahalad and Hamel (1990) therefore proposed that it is relatedness of 'strategic assets' between businesses that is more important than industry relatedness. Relatedness is of very little advantage unless it helps to assist the firm in leveraging its strategic assets that are the basis for long-term competitive advantage.

The benefits from economies of size and scale are undeniable; however, it has been argued that real leverage comes from dynamic exploitation of relatedness to create and accumulate new 'strategic assets' faster and cheaper than its competitors. Simple amortizing of existing assets (i.e. reaping economies of size and scale) yields only short-term sustainability; long-term competitive advantage depends on leveraging of existing 'strategic assets' and building of new strategic assets. The case uses the principles of 'strategic relatedness' to demonstrate its superiority over 'industry relatedness' in differentiating performance outcomes of related vs. unrelated diversifications. It analyzes how existing strategic assets can be exploited and new strategic assets can be built faster and cheaper than competitors to achieve long-term competitive advantage (Markides and Williamson, 1994).

**Competitive Landscape, 1999-2004**

The GoI had taken several steps to deregulate the telecom environment since 1993. The most significant among the changes was the announcement of a New Telecom Policy (NTP) in 1999. With increasing penetration of wireless technologies, especially in the rural areas, the supply constraints in providing telephone lines were expected to decline gradually. As a result, the unsatisfied demand was expected to decline from 8.2% in 2001 to less than 1% by 2010. The overall tele-density was expected to increase to 15% by 2010. Over the years, the country had developed a vast telecom network comprising over 76.16 million working connections. Indian telecom market had been estimated at around Rs. 50,358 crores; accounting for about 1.8% of the country's GDP. According to an Ernst & Young study, telecom subscriber base in India was expected to reach 203 million by 2007 and revenues were expected to triple to $25 billion by 2007 compared to $9 billion in 2002.

The Indian telecom sector was in a strong growth and consolidation phase. The liberalization of the sector had increased competitive pressures on telecom companies. Industry consolidation after the fourth round of cellular bidding had triggered the process of emergence of a few national players. The focus had shifted from acquiring licenses to building up the subscriber base and deriving more revenue from its existing base. M&A were also likely to alter the competitive scenario. In particular, it was likely to lead to the emergence of a few large, focused and integrated players. Due to intense competition, tariffs were also falling considerably. Moreover, the effective local-call charges of fixed and mobile were converging. However, despite falling tariffs, the leading operators had emerged stronger due to economies of scale, lower capital costs, falling operating expenses and consolidation. Meanwhile, better revenue sharing between private DLD and ILD players and higher value-added business would also help boost revenue. Operators with deep pockets, effective marketing strategies and adept management were likely to have a distinct edge in capturing a significant portion of the growing market.

The telecom equipment industry in India was estimated to be around Rs. 15,000 crores and the total installed switch manufacturing capacity was at around 6.12 million telephone lines per year. Until 1984, the manufacturing of telecom equipment was reserved exclusively for government owned enterprises. Subsequently post deregulations, there were at least twenty-one private firms manufacturing these indigenous exchanges. The private sector was allowed to manufacture the entire range of telecom equipments. C-DOT licensees were also allowed to export to neighboring countries. Some of the leading foreign firms which had created manufacturing assemblies for telecom equipments were: AT&T, Alcatel, Erickson and Siemens.

Though import of finished switches was not allowed, import of components in CKD or SKD format was permitted. Import duties had been reduced substantially from 25% to 5%. The equipment supply segment was characterized by low product differentiation. Once the equipment was installed, the role of the manufacturer reduced substantially. Since the product requirements
had been standardized for the industry, all firms manufactured the products with more or less similar configurations. The switching cost in the industry was coming down, thus reduced the power of suppliers even further. The possibility of suppliers integrating as service providers was also remote as the skills required for running a service providing company was different from that of a manufacturing equipment one. The second round of bidding of the circles was over and there would be a status quo for the next (5-7) years.

The telecom sector was asset-intensive and it required substantial investments. It was also coupled with long gestation periods. Hence, as regulatory changes facilitated the growth of the industry; rapid consolidation was likely in the next few years; with three to four players dominating the fray. The industry had already moved partially in this consolidation phase and too many new entrants were not expected. More so, because the process of bidding had already been undertaken and concluded. Thus, for new entrants acquisition of an existing player was the only way to enter. However, the existing players may also want to increase their footprint by expanding to new zones. E.g. After the announcement of the Unified License Regime in 2002, Bharti had applied for seven circles where it did not have a presence in the previous telecom regime. Bharti was also likely to add BPL's Mumbai cellular license in its portfolio. Cellular services provider Escotel was in talks with Idea Cellular to sell a part of its mobile operations. Many licensees (who were yet to start services in many areas for which they had got the license) were also likely to initiate services.

Being a high technology and a high growth industry; new technologies were always evolving which provided better economic services or more utilities. Digitalization enabled provision of multimedia on the same platform like: WAP, Internet Telephony (IT), and VoIP etc. However, these technologies were yet to be fully explored and held huge potential to change the industry structure in the coming years. The threat from substitutes, especially the IT was low due to the fact that IT and electronic mail to act as substitutes for the telecommunication service was distinctly low. Further, these services need telecom lines for transfer of data. Thus, their penetration would actually increase the penetration of fixed wire/wireless telecommunication. IT may offer very cheap service but it disturbs a lot of other players in a regulated industry (especially in international calls). IT had been introduced for certain business domains but the quality of voice remained a concern.

Business Model

Reliance telecom project involved GIS mapping of 115 cities, with an estimate to cover 600 cities within two years of operation. When Reliance was working on the numbers, experts were quoting in billions; something around $(18-20) billions for its proposed scale of operation. Mukesh observed: “Someone quoted $2 billion to set up our back-office systems for our network. That simply won’t work. We had to bring down costs drastically: with the kind of pricing we wanted to do for our calls – we targeted costs that were one-sixth or even one-eighth of the quoted market costs.” If its tariff structure was to be kept consistent with the philosophy of its founder, the overall project cost had to be kept within $5 billion. In this situation, they drew on their earlier experiences to leverage on own it’s capabilities of integration.

Mukesh recollected:

“Some ten years ago, when I was putting up a PFY plant, I showed my father a reactor we wanted for the plant and how we were going to get it. One look and he (Dhirubhai) poured cold water over the plan. He took the weight of the reactor and said that I was paying Rs.300 per kg of steel in the reactor when the market price was only Rs.30 in India and Rs.15 globally. He finally made me build the reactor on my own”. Based on such critical experiences, Reliance built its entire back-office software in-house at an estimated cost of a mere $350 million. Mukesh noted, “At that time nobody took us seriously, the cost was unheard of”. The project network involved GIS mapping of cities meter by meter. At that stage Reliance made some crucial make-or-buy decisions. When Reliance started their planning, per subscriber (sub) cost in GSM was around $(400-600). Reliance had however budgeted at $90 a sub.

Applying its skills in negotiation, Reliance asked its
vendors to choose between making $50 on 5 million hubs or $5 on 100 million hubs. The environment also favoured them. The global telecom market started collapsing by the end of circa 2000 and International vendors were more than willing to talk. This allowed Reliance to enter the market at a trough. The primary assumption was that the market would grow exponentially from current 10 million to around 100 million in the first five years of operation. So, it was a combination of events and capabilities that got the project off the ground.

When Reliance had set up its 27-mtpa grassroots refinery in Jamnagar, the fundamental assumption was that it would garner 30% market share. This time too, they targeted 30% of the entire mobile subscriber base. Though the industry had been in operation for quite some time, only a couple of cellular operators had actually break-even till then. The dice was heavily loaded against them; given the fact that it took seven years for the Indian mobile market to grow to an 8 million user base. In the long run, Reliance expected voice services would eventually contribute only 20% of the revenue down from the then 80%.

The tariff plan formed the crux of Reliance’s strategy. First, a specialized European telecom research company did a market survey to develop insights into market segmentation. Then, an internal team developed a sophisticated pricing model to independently plot the average mobile time used per month with peak and off-peak time network usage. Finally, the market survey results were superimposed on the pricing model to arrive at an appropriate pricing strategy. The bottom-line was clear: even though an average Indian spent only one hundred fifty minutes of mobile time then, usage was extremely price-elastic. Simply put, lower the prices, the higher would be the usage. Diamond Cluster, a Barcelona based Telecom consultancy company, played a key role in this exercise. Its partner Nevid Nikravan commented, “The pricing model was one of the most complex exercises we had ever come across.”

It had already submitted all relevant documents to Telecom Regulatory Authority of India (TRAI) on investments, operating expenses, pricing structure; which also included its profits. TRAI had broadly outlined how companies should price their services. It mentioned specifically, that pricing should not be predatory (should not be below operating costs), or discriminatory (there should be no cross-subsidy from other businesses). At a projected twenty paisa per minute call, its tariff would be roughly 15% of the lowest plan of its leading competitors. Also, most call costs were then calculated on a half-minute basis.

The Supreme Court had asked the Telecom Disputes Settlement and Appellate Tribunal (TDSAT) to review its order that would clear the entry of Wireless in Local Loop (WLL) services (an approach Reliance had taken to forward calls via contiguous circles). The cellular operators sought for a stay order. However, ultimately, the decision by TDSAT ruled in favour of Reliance. Reliance could now legally and technically forward calls nationally, since it had a basic operator’s license in practically every circle. With the ball set, Reliance formed a wholly owned subsidiary, Reliance Telecom and transferred the license in its favour. What followed next is only history?

The bigger play was in wiring up enterprise customers. Prakash Bajpai, president (Enterprise), Reliance Telecom noted, “Our driving principle was that telecom would no longer be a support function for our business. It was the core of our business model”. He added, many Indian companies were already moving ahead to implement the concept of an extended enterprise. They were, in effect, building an elaborate electronic web, which would interconnect its dealers, customers, distributors and employees. But by all reckoning, the enterprise concept was yet to take off in India. Its presumption was that lack of sufficient bandwidth was drastically hampering growth.

For connectivity solutions, the best that any business enterprise could get was to settle for leased lines; which had a carrying capacity of a mere 100Kb/sec. Reliance planned to skip the megabyte generation, and directly offer gigabyte speeds at the then current prices. To do that, it planned to take the fiber right inside the company. Then, to spur usage, it would host a series of business applications, including ERP on its servers. Reliance knew applications would make all the difference. Which is why, in the ‘Knowledge City’ in Pune, where the Reliance Telecom headquarters were located, about five hundred odd programmers were busy creating new applications that would be crammed into the phone. Bajpai observed,
“Our pricing for enterprises would be below the inflexion point of affordability”. The advantage Reliance had at that stage was that none of its competitors could hope to match up just yet.

In this regard international telecom equipment vendor Nortel, which had supplied critical equipment to the project, noted that this was perhaps the biggest integrated telecom project in the world. Nortel India, Chairman, Joseph Samuel noted, “Now, Indian telecom will draw International attention.” It had not been easy for Reliance. It had to rework its convergence plans a number of times since the project was initiated in early – 1999. The final telecom strategy was based on the new generation CDMA technology that would offer not only cellular services, but also would be coupled with high-speed optical fibre networks underground. The basic idea: offer cellular services at the cost of a basic service. It was not until early – 2002 that all the elements of the final business plan were put in place.

Implementation Phase

In October 2002, Reliance Telecom moved its HQ from Ballard Estate, Mumbai to ‘Dhirubhai Ambani Knowledge Centre’ (DAKC) in Pune. When Mukesh Ambani and his core team tried to do a mock run before the final D-day; the entire network collapsed. In May 2002, Reliance had placed Amit Bose, an ex Hindustan Lever, to head its marketing team. But his strategies, based on FMCG perceptions, failed to incite the top management. The entire revenue model had to be reworked all over again right from the scratch. Even by mid November, a month before the launch, a lot of things were not falling into place. There were indications that all the technical hitches were yet to be sorted out. Much of the fiber optic pipelines had been laid, but some bits still needed work. The pricing of the services were yet to be finalized. In this scramble, Mukesh began to depend more and more on his old associates for critical advice. Professionals who had been hired for this project to head various divisions were increasingly left out in the dark. Even so, the Reliance core team decided to press ahead with the launch. While Mukesh concentrated on the technical snags; he left the entire marketing to his old loyalists.

Reliance had initially targeted an Rs.150 crore promotional budget to cover the first two months after the launch, when the subscription plan would be open.

Amit Bose and his team were ready with the launch but they still wanted a higher budget. In contrast, Reliance loyalists thought that even the existing budget was excessive. The team led by Anand Jain and Manoj Modi by-passed the media companies and went directly to the publishers and broadcasters. By bargaining hard, they managed to buy media space and time worth Rs.325 crore for just Rs.80 crore. Some broadcasters offered discount up to 80%; unheard of in advertising circles. Bose and his team lost face, and slowly they were left out of major marketing decisions. Reliance also relied on its old channel partners to form its telecom dealer network.

The last ditch for the initial marketing team was the pricing strategy which was finalized by the core advisers of Mukesh. The initial marketing team led by Bose was supposed to adopt the usual selling tactics that was followed by other operators. But the targets Reliance had set needed a radically different approach. The pricing strategy that was finalized by Jain and his team was built around the model of capital recovery. The calculations: for every subscription Reliance would get a minimum of Rs.22000 (including local call deposit). For three million target base, it would have Rs.6600 crore in its kitty. Till March 2003, Reliance had invested Rs.9000 crore in the project (Equity – Rs.5250 crore and Internal Debt – Rs.3750 crore) and the telecom diversification would make the project cash surplus and achieve the targeted break-even in the first year itself.

And finally, although Reliance had the license to offer only limited mobility, it was actually offering customers full roaming pan India. (It did so by forwarding calls via contiguous circles, since it had taken licenses for practically every telecom circle in the country. Therefore, in practical terms it was offering full mobility). The GSM operators lobbied to remove the inter-connect charge differences between cellular and basic players and a stay on Reliance’s roaming services. Once TRAI re-examined the pricing structure, the advantage Reliance had started out with had considerably weakened; SMS was no longer free. The new regime also allowed the GSM operators to drop their own prices close to what was being offered by Reliance. At one stroke, they almost neutralized the price advantage that Reliance offered. The GSM operators fought back vociferously to restrain Reliance from offering services beyond the existing circles it had bid for.
This handicap however was removed with Reliance being successful in lobbying for a Unified License Regime; which was later adopted by TRAI. Four months after the roll out, Reliance officials admitted that they had not been able to meet subscriber targets. Meanwhile the GSM operators (including BSNL) started going slow in inking inter-connectivity agreements with Reliance in different circles. As a result, it had to postpone its rollout twice. And even after final commercialization in April 2003, it could cover only 60 cities; against the targeted 115 cities. Only a third of the expected market share had been cornered (i.e. approximately 1 million customers within three months of its launch).

However, contrary to public opinion the telecom project cannot be said to be facing a crisis. The current problems cannot even be considered a major setback for the project or the firm. They were far more in the nature of teething troubles. It was not any one big mistake; rather the rollout chaos was the culmination of a series of small missteps. However yet, the kind of troubles that Reliance had got into in its telecom project was significant for one reason. Over past two decades, Reliance had built up an image of a firm that could manage any project of any complexity or size without a single misstep. The Ambanis had built up an aura of invincibility. And that was an aura that got shattered. As a senior Airtel executive put it, “Reliance had never faced failure publicly.”

In fact, the telecom projects teething problems were expected to have maximum impact on the firm’s image; not its financials or strategy. The primary problem was that even when the strategy was being finalized, the top management did not spend much time on the marketing end. Reliance loved controlling every bit of the marketing chain – therefore, it had not built up much expertise on the retailing side. This was an area the top management had ignored and failed.

Despite this, the business earned a profit of Rs.88 crore in its first year of operation when most players took (5-7) years just to break-even. Its key emphasis was on fast turnaround of capital, perhaps Reliance telecom venture was the fastest in the world in terms of capital recovery. By 2004, the technical hitches were mostly sorted out and the dealership networks were also in place. Reliance also achieved a 30% market share of the 100 million subscriber base for mobile telecom and emerged as the second largest player in the segment. Reliance was also basking in glory having delivered a project of international size and complexity all alone; without any joint-venture or technological tie-up.

**Diagnosis and Analysis**

The case posits that underlying similarities in processes by which strategic assets are created and leveraged are far more critical than similarities between industries that are the ‘outcomes’ of strategic assets. Strategic assets include physical assets as well as complex assets (i.e. capabilities and competencies) which are largely intangible in nature. It is argued that real sustainability comes from the leverage of complex assets due to the inherent ‘causal ambiguity’ embedded in it (King and Zeithmal, 2001).

Markides and Williamson (1994) identifies that the benefits of strategic relatedness accrues to a firm from four distinct sources and evidently all the sources were prevalent in the case:

- The potential to reap economies of scope across businesses that can share the same strategic asset (i.e. asset amortization).
- The potential to use a capability amassed in the course of building or maintaining an existing strategic asset in one business to help improve the quality of an existing asset in another business (i.e. asset improvement).
- The potential to use an existing capability developed through the experience of building a strategic asset in an existing business to create a new strategic asset in a new business faster or at a lower cost (i.e. asset creation).
- The potential for the process to expand a firm’s existing pool of capabilities (i.e. fission).

However, it is the last three categories of relatedness that offer the greatest advantages from diversification. Existing theory further argues that two pre-conditions must be satisfied for successful leverage of such strategic assets: i) it must be more efficient to leverage the complex resource between businesses than via an external market; as they themselves often have characteristics which renders markets inefficient as a mechanism for open market transactions ii) the resource must be capable of acting as a catalyst to the creation of industry specific ‘strategic assets’ which are non-tradable, non-substitutable and are slow or costly to
replicate. If the above is of any indication, firms would be better off if their diversification decisions are based on ‘strategic relatedness’ rather than mere ‘industry relatedness’.

**Conclusion**

However, the story is not over yet. This was just phase-I. Having already delivered it, Reliance is now concentrating on delivering capabilities in newer areas. Already, the stage is set for Reliance Telecom’s next offensive – the market for wiring up business enterprises. In phase-II, it had already identified two lac units where it would take the optic fiber right inside the business premises. Firms could use a host of business applications at much higher speeds. The phase-III, when it comes, will be the real path-breaker, though. The idea was to provide broadband services directly to homes using a popular technology called Ethernet that allows data to flow in gigabits or one hundred times the copper cable speeds.

Prakash Bajpai, president (Enterprise) Reliance Telecom noted, “Telecom is an annuity business; we expect it to be an important cash-cow in the coming years.” In the near future Reliance expects to see its presence in the following emerging areas: telecom broadband, oil and gas pipelines and power networks. It also plans to use its interface with customers in oil, power and telecom to create a mega retail business on the lines of Wal-Mart. While the details are not in place, Reliance is already forging major alliances. It would be into networking like never before.

Delivering gas to homes through pipelines at half the cost of an LPG; generating and selling power at Rs.2.50 a unit; converting gas to diesel at half the present international cost; providing music and video on demand at affordable prices at millions of homes through high speed information highways. It was building up a plan on capital savings by combining the networks for power, gas, communications and the like. This would lead to a lot of synergy by exploiting inter-relationships across these diversifications. However, it was yet to build a similar synergy in operating costs.

Reliance is targeting a market of 400 million households, with an annual disposable income of $600. Similar services in the US by AT&T costs around $180; but with that kind of costs the market size in India would shrink to below 5 million customers. At the end of the road, the potentials are enormous. Consider this: there are 6 billion people living on this planet. Take out 1.5 billion people who are in the developed world that leaves 4.5 billion people who have got such low purchasing power that the Western world does not even think they are worth chasing.

For this, Reliance has to build upon a series of ‘strategic assets’, not just one or two. Despite having a half chance, if successful, few global players possess the ability to replicate such an envious position. It would be foolhardy to expect the journey to be smooth; but anybody who has watched Reliance grow over the years would know, it would be even foolhardy not to take it seriously. There is another Reliance dictum: “Once you have a goal, you should be focused on it and not on the obstacles. The day you start focusing on the obstacles, you’ll miss the goal.”

**Exhibit I: Reliance’s Evolution and Background**

A son of a village school teacher, Dhirajlal Hirachand Ambani (popularly known as Dhirubhai) had set up Reliance Industries in 1959 with a mere total capital of Rs.15K. He exported spices to the West Asian markets where he had established links during his earlier stint with Shell. He branched out to trading in fabrics and yarn, following a heavy demand for rayon fabrics in India. Reliance used its ‘Export Replenishment License’ to import rayon into India and sell them at a premium in the local market. While the details are not in place, Reliance is already forging major alliances. It would be into networking like never before.

Delivering gas to homes through pipelines at half the cost of an LPG; generating and selling power at Rs.2.50 a unit; converting gas to diesel at half the present international cost; providing music and video on demand at affordable prices at millions of homes through high speed information highways. It was building up a plan on capital savings by combining the networks for power, gas, communications and the like. This would lead to a lot of synergy by exploiting inter-relationships across these diversifications. However, it was yet to build a similar synergy in operating costs.

Reliance is targeting a market of 400 million households, with an annual disposable income of $600. Similar services in the US by AT&T costs around $180; but with that kind of costs the market size in India would shrink to below 5 million customers. At the end of the road, the potentials are enormous. Consider this: there are 6 billion people living on this planet. Take out 1.5 billion people who are in the developed world that leaves 4.5 billion people who have got such low purchasing power that the Western world does not even think they are worth chasing.

For this, Reliance has to build upon a series of ‘strategic assets’, not just one or two. Despite having a half chance, if successful, few global players possess the ability to replicate such an envious position. It would be foolhardy to expect the journey to be smooth; but anybody who has watched Reliance grow over the years would know, it would be even foolhardy not to take it seriously. There is another Reliance dictum: “Once you have a goal, you should be focused on it and not on the obstacles. The day you start focusing on the obstacles, you’ll miss the goal.”

**Exhibit I: Reliance’s Evolution and Background**

A son of a village school teacher, Dhirajlal Hirachand Ambani (popularly known as Dhirubhai) had set up Reliance Industries in 1959 with a mere total capital of Rs.15K. He exported spices to the West Asian markets where he had established links during his earlier stint with Shell. He branched out to trading in fabrics and yarn, following a heavy demand for rayon fabrics in India. Reliance used its ‘Export Replenishment License’ to import rayon into India and sell them at a premium in the local market. Later, when nylon started getting popular in India, it began exporting rayon fabrics from India and imported nylon in exchange. The healthy margins (ranging between 100–300%) from that of import of nylon more than compensated for the loss made on the export of rayon fabrics.

Finding good quality fabrics for export, however, was proving to be increasingly difficult. As a measure of backward integration, he started manufacturing rayon fabrics at Gujarat at an outlay of Rs.0.27 crore in 1966. During the late 60’s nylon, like rayon earlier, was losing ground to another man made fiber – polyester. In 1971, to bring in polyester into the country the GoI announced a revised scheme under which import of polyester was permitted against export of nylon. Already in a similar trade, he took advantage of the scheme and at one stage accounted for 60% of the nylon fabrics exported from
India. The focus on exports continued till the late 70’s; until the GoI stopped promoting the scheme any more.

The burgeoning demand for polyester in the domestic markets in the early 80’s, made Reliance shift its attention to the domestic markets. It used its experience gained from manufacturing high quality fabrics for the exports market to attain leadership for its ‘Vimal’ brand in the local markets. Following rapid growth in the demand for polyester fabrics, domestic demand for PFY had outstripped domestic supply. It immediately secured a license for manufacturing 10000 mtpa of PFY with technology from DuPont for setting up the facility. It also obtained licenses for manufacturing fiber-intermediates such as – PTA and MEG and a host of other polymers like LAB, MEG, PVC and PE.

In its bid to emerge as the largest vertically integrated manufacturer, Reliance secured a license to set up a petroleum refinery in 1992. Circa 1998, Reliance stood as the 6th largest manufacturer of PFY in the world, the 5th largest manufacturer of PSE and the 10th largest manufacturer of PE. Further, with the completion of the Hazira phase II expansion project Reliance would emerge as the largest grassroots cracker in the world. Because of its scale of operations Reliance was also one of the lowest cost manufacturers of polyester – polymer products in the world. Its overall cost of production was 9% lower than North American companies and 23% lower than South-East Asian companies. Moreover, its capital cost per tonne was around 25-30% lower than companies in the US and Europe.

This generated enormous respect in the financial capitals of the world. Its cost leadership manifested itself in net-profit margins in the range of 12-15% during the entire 90’s. And historically, its plants had operated at utilization levels exceeding 100% year after year. Structurally, there were seven independent businesses that formed a part of the two brother’s core businesses (contribution): textiles (5%), polyester fibers (24%), fiber intermediates (22%), polymers (25%), polymer intermediates (13%), chemicals (10%), oil and gas (1%). Best of all; the behemoth wants to be bigger. As it grows bigger its biggest challenge would be to sustain its decentralized decision-making process that drove its organizational dexterity. However, with the company currently under a split dilemma; the future largely depends on its internal cohesiveness.


Exhibit II: Backward Integration at Reliance

Exhibit III: Corporate Strategy at Reliance
- Identify industries with latent demand that are poised for growth
- Target first-mover advantages
- Target world size capacity to achieve scale and cost leadership
- Create capacity ahead of demand
- Buy technology rather than create JVs
- Effective tapping of financial markets
- Efficient project execution and crashing projects
- Modernization and technology upgradation to create entry barriers
- Integrate vertically and horizontally and remain focused
- Constant capacity expansion to notch incremental market share

Source: Authors’ analysis

Exhibit IV: An Overview of Indian Telecom Services Market: 2002-03

<table>
<thead>
<tr>
<th>Company-name</th>
<th>Turnover in Rs. Thousand Crores</th>
<th>Sector</th>
<th>Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSNL</td>
<td>27500</td>
<td>Basic services</td>
<td>57</td>
</tr>
<tr>
<td>MTNL</td>
<td>6022</td>
<td>Mobile telephony</td>
<td>16</td>
</tr>
<tr>
<td>VSNL</td>
<td>4183</td>
<td>NLD</td>
<td>12</td>
</tr>
<tr>
<td>Bharti Airtel</td>
<td>3038</td>
<td>ISD</td>
<td>11</td>
</tr>
<tr>
<td>Idea Cellular</td>
<td>1080</td>
<td>Internet</td>
<td>2.5</td>
</tr>
<tr>
<td>Hutchinson Max</td>
<td>711</td>
<td>Others</td>
<td>1.5</td>
</tr>
<tr>
<td>Data access</td>
<td>632</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spice Communications</td>
<td>550</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BPL Mobile</td>
<td>522</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hutchinson Essar</td>
<td>483</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>5665</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>50358</td>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Department of Telecommunications (DOT), Govt. of India, Annual Report 2002-03. Conversion: 1$ = Rs. 47.85.
### Exhibit V: Competitive Landscape: 2004

<table>
<thead>
<tr>
<th></th>
<th>Infrastructure and Carrier’s Carrier</th>
<th>Customer Access</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>International Backbone</td>
<td>Domestic Backbone</td>
</tr>
<tr>
<td>BSNL</td>
<td>NP</td>
<td>ML</td>
</tr>
<tr>
<td>Bharti Airtel</td>
<td>DP</td>
<td>LP</td>
</tr>
<tr>
<td>Reliance</td>
<td>LP</td>
<td>DP</td>
</tr>
<tr>
<td>Tata</td>
<td>ML</td>
<td>LP</td>
</tr>
<tr>
<td>Hutch</td>
<td>NP</td>
<td>NP</td>
</tr>
<tr>
<td>Idea</td>
<td>NP</td>
<td>NP</td>
</tr>
</tbody>
</table>

**Legend**
- ML: Market Leader
- DP: Dominant Position
- SP: Significant Presence
- LP: Limited Presence
- NP: No Presence

Source: Voice & Data 100-2003 National Telecom Survey.

### Exhibit VI: Reliance Industries (Key Financials): 1999-2004

<table>
<thead>
<tr>
<th>Variables (Rs Crores)</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Capital</td>
<td>933.75</td>
<td>1053.76</td>
<td>1053.76</td>
<td>1053.76</td>
<td>1396.38</td>
<td>1396.38</td>
</tr>
<tr>
<td>Reserves &amp; Surplus</td>
<td>11183.00</td>
<td>12636.35</td>
<td>13711.88</td>
<td>26479.41</td>
<td>28978.49</td>
<td>33056.5</td>
</tr>
<tr>
<td>Net Worth</td>
<td>12369.34</td>
<td>13982.75</td>
<td>14765.37</td>
<td>27875.26</td>
<td>30374.41</td>
<td>35145.98</td>
</tr>
<tr>
<td>Borrowings</td>
<td>11650.31</td>
<td>11520.24</td>
<td>10135.79</td>
<td>18928.48</td>
<td>19758.31</td>
<td>20944.66</td>
</tr>
<tr>
<td>Capital Employed</td>
<td>20921.56</td>
<td>22083.12</td>
<td>21862.58</td>
<td>43283.36</td>
<td>46007.49</td>
<td>47476.66</td>
</tr>
<tr>
<td>Net Fixed Assets</td>
<td>15396.23</td>
<td>15448.31</td>
<td>14026.84</td>
<td>33183.71</td>
<td>34086.27</td>
<td>35145.98</td>
</tr>
<tr>
<td>Sales</td>
<td>10624.15</td>
<td>15847.16</td>
<td>23024.17</td>
<td>45403.88</td>
<td>50095.81</td>
<td>56247.03</td>
</tr>
<tr>
<td>Profit after Tax</td>
<td>1703.69</td>
<td>2403.25</td>
<td>2645.62</td>
<td>3242.7</td>
<td>4104.31</td>
<td>5137.11</td>
</tr>
<tr>
<td>EPS (Rs.)</td>
<td>18.25</td>
<td>22.8</td>
<td>25.11</td>
<td>23.31</td>
<td>29.39</td>
<td>37.95</td>
</tr>
<tr>
<td>ROS (%)</td>
<td>15.14</td>
<td>14.28</td>
<td>11.02</td>
<td>6.96</td>
<td>8.00</td>
<td>8.89</td>
</tr>
<tr>
<td>RONW (%)</td>
<td>13.96</td>
<td>18.29</td>
<td>18.4</td>
<td>15.06</td>
<td>14.15</td>
<td>15.76</td>
</tr>
<tr>
<td>ROCE (%)</td>
<td>8.63</td>
<td>11.21</td>
<td>12.04</td>
<td>9.86</td>
<td>9.23</td>
<td>10.93</td>
</tr>
<tr>
<td>Interest Coverage</td>
<td>3.38</td>
<td>3.45</td>
<td>3.29</td>
<td>3.41</td>
<td>4.21</td>
<td>5.36</td>
</tr>
<tr>
<td>Stock Price (Rs.)</td>
<td>130.4</td>
<td>314.5</td>
<td>390.9</td>
<td>300.7</td>
<td>276.45</td>
<td>538.05</td>
</tr>
<tr>
<td>P-E Ratio</td>
<td>7.15</td>
<td>13.79</td>
<td>15.57</td>
<td>12.9</td>
<td>9.41</td>
<td>14.18</td>
</tr>
</tbody>
</table>

Source: CMIE
Conversion: 1$ = Rs. 47.85 approx.
References


Dr Subir Sen (subir@ibsindia.org) is a PhD in Strategy and is currently a full-time faculty with leading B-School in Kolkata. He teaches courses in Strategy and International Management across B-schools in India and abroad. Dr Sen’s research interests include Business Groups, Emerging Markets and Strategic Transformation. He has presented and published widely in national and international publications and conferences.

“The glory of friendship is not the outstretched hand, nor the kindly smile nor the joy of companionship; it is the spiritual inspiration that comes to one when he discovers that someone else believes in him and is willing to trust him.

- Ralph Waldo Emerson
Paradigm of Workforce Cultural Diversity and Human Resource Management

Dr Pradeep Kautish

Preamble

Organizations around the world has been realizing the cultural diversity within organization is not a negative aspect, rather can facilitate organizational stalk for glory. However it is not an easy task to manage employees with different cultural backgrounds. Nevertheless there are many policy guidelines that can make task easy. On a broader perspective, cultural diversity can be managed through communicating (creating awareness among all employees about diverse values of peers through communication), cultivating (facilitating acknowledgement, support and encouragement of any employee success by all other workers), and capitalizing (linking diversity to every business process and strategy such as succession planning, reengineering, employee development, performance management and review, and reward systems) strategies (Cascio, 1998).

The diverse workforce has become a reality today. The impact of cultural diversity varies with the type of environment and firm’s overall strategy. As more and more number of firms move from domestic, multi-domestic, multinational strategies to operating as a truly global firm, the significance and impact of cultural diversity increase markedly (Johnston, 1991; Reynolds, 1986). Management of cultural differences has become more important for creating advantages and getting competitive edge. Diverse workforce (diversity) refers to the co-existence of people from various socio-cultural backgrounds within the company. Diversity includes cultural factors such as race, gender, age, colour, physical ability, ethnicity, etc. (Kundu and Turan, 1999).

Diversity includes all groups of people at all levels in the company. Diversity requires a type of organizational culture in which each employee can pursue his or her career aspirations without being inhibited by gender, race, nationality, religion, or other factors that are irrelevant to performance (Bryan, 1999). There are certain arguments for creating a diverse workforce. As all the segments of society have stake in the development and prosperity of the society as a whole, the creation of diverse workforce should be seen as a social and moral imperative. A company with a diverse workforce can better serve and compete in diverse markets.

Hiring a diverse workforce can be challenging, but the greater challenge is to retain the diverse workforce. Diversity enhances creativity and innovation and produces advantages. Diversity helps organizations for entering the broader competitive arena. Diverse teams make it possible to enhance flexibility and rapid response to organizational change. Diversity also causes certain problems like: Communication becomes more difficult. Employees from different cultures fail to understand one another. Firms operating in different language areas find difficulty in communicating with the local employees as local employees speak different language.

Diversity increases ambiguity, complexity and confusion. Diversity also causes problems when managers and employees over generalize organizational policies, strategies, practices and procedures. Cultural diversity creates difficulties for an organization when it wants to reach on a single agreement. Cultural diversity increases the complexity and problems in developing overall organizational procedures. The cultural impact on management is reflected by basic values, attitudes, beliefs and behavior of the people. Culture can affect technology transfer, managerial attitudes, managerial ideology and even government-business relationships. Moreover culture affects how people think and behave (Ratnam and Chandra, 1996).

A Chronicle

Sohini Patel turned her chair around so that she could directly face her window on the outside world. She had discovered that she could do her best thinking when she sat quietly gazing at the lights of the city. It
had been a long emotionally exhausting day, with little opportunity to think about what she wanted to say tomorrow when Brajesh and Karishma arrived at the Greater Noida office. Sohini Patel knew the meeting with the corporate Human Resources and Communications staff from the Bangalore headquarters would be a challenging one. They would be looking to Sohini Patel and her colleagues for answers to the question they had posed in their e-mail two weeks ago, in which they had requested tomorrow’s meeting. “What’s going on in Greater Noida?”

Sohini Patel herself was both puzzled and disturbed by what seemed to be going on in Greater Noida. When the merger between Golden Eagle and Sagar Inc. had finally been completed a year ago, she and her fellow Golden Eagle Human Resources Management colleagues had been relieved. The merger, which had united two of the Indian large financial institutions, had brought her Greater Noida branch office into a huge multinational multi-service bank, now with branch operations in more than 60 cities across India. The immediate flurry of post-merger integration in operations had proceeded relatively smoothly. Moreover, the inevitable employee anxiety about losing their jobs in the consolidated company seemed to have diminished during the past six months.

Sohini Patel remembered the initial meetings with the HR and Corporate Communications staff from Bangalore shortly before the official merger had been finalized. All involved in the meetings seemed to have a clear understanding of the challenges ahead with integrating two strong corporate cultures. Since those preliminary meetings it was obvious that much time and energy had been devoted to trying to build the new company’s culture, blending what was perceived as the best of both companies’ cultures. Sohini Patel and her colleagues had been pleased to hear that one of the issues receiving priority attention involved presenting the firm’s expectations and initiatives so that employees could collectively strive to achieve the newly-merged firm’s objectives.

Shortly after the new company became a legal entity Golden Eagle Sagar’s new guiding principles were introduced. A new mission statement had been developed, outlining major strategic initiatives and four corporate values which were to guide the company. Integrity, respect, excellence and innovation were to be the principles by which all employees conducted business across India. Furthermore, a vision statement regarding employee diversity at Golden Eagle Sagar was included.

An elaborate communications program had been put together by the Bangalore headquarters’ Corporate Communications and Human Resources offices. The program’s stated goals were to reach the more than ten thousand employees nationwide, stressing the importance of bringing everyone onto the same page and aligning operating principles. Sohini Patel smiled as the phrase “bringing everyone onto the same page” flashed through her mind. She remembered the puzzled looks on the faces of several of her colleagues from different parts of the country who did not understand that common idiomatic expressions.

The communications campaign had included a corporate communications day for all employees nationwide with senior executive speeches discussing the future of the new company, either live or via video-conference. Each employee had received a coffee cup and a wallet card with the company’s four core values and slogans promoting the importance of employee diversity and employee leadership. Posters with the same information were visible in each branch nationwide and regular communications about company leadership and diversity efforts were posted in offices and elevators.

Occasional e-mails were sent to all employees, detailing the progress of the company across the country. The fluttering sensation in Sohini Patel’s stomach returned briefly as she recalled fragments of conversations she had overheard in the employee canteen shortly after the corporate communications day. “The themes and messages in all the corporate communications are written from a South Indian point of view for persons with a South Indian point of view.” “Some points of this corporate culture they are pushing are good, but really, is it all too idealistic and difficult to work in the real world?” “It’s ridiculous that the diversity posters include images of minority Indian sports heroes! Diversity obviously means something different in the country than it does in Greater Noida.”
Corporate Communication Fiasco

Sohini Patel remembered the comment one of her Human Resources colleagues had made a week or so later: “Well, I guess this campaign is not so well received in Greater Noida.” That was certainly the understatement of the year! Now almost a year had passed and employee reactions had not substantially improved. After each new e-mail or global announcement Sohini Patel heard the same type of negativity expressed with some negative remarks wherever employees gathered. “The cheerleading messages are often unreal and so unnecessary... it is only blah, blah, blah.” “I feel like they’re shoving this whole values thing down our throats.”

A quite heated but more reasoned discussion had come up in one of Sohini Patel’s MBA classes several weeks ago. Several of her Golden Eagle Sagar colleagues, all mid-level managers like herself, had been telling the class about the whole corporate communications campaign. One colleague had described the values statement and the vision statement regarding employee diversity as condescending and heavy-handed. After two class colleagues who worked at other multinational companies asked some rather probing questions, those from Golden Eagle Sagar finally agreed that most of the dissatisfaction and the employee concerns seemed to stem from the statement of two of the values - integrity and respect - plus a seemingly very region-specific view of employee diversity.

One of her fellow company employees had put the values issues this way: “Values are common sense. Respect and integrity are not traits learned as an adult in the office. Those values stem from how you were raised. Either you are respectful and have integrity or you aren’t and you don’t.” A class colleague had nodded, adding, “It’s like they’re trying to teach us truth - but everybody already knows that truth.” After half an hour of discussion among her class colleagues, who actually represented many different regions, the conclusion drawn seemed to be that the Indian business trend of making corporate values and principles explicit was not as well accepted in the country.

Yesterday Sohini Patel had asked several of her colleagues at different levels in the company for their perspective on the situation. “Why is it,” one had asked, “that they feel the need to have these points continually reiterated and the words hung on the wall?” A department manager had mentioned that people seemed to be upset because the core values discussions were increasingly linked to organizational processes. “I don’t agree with discussions of these values in the hiring process. Nor do I see a reason to have them incorporated into our annual performance appraisal process.”

One of the vice presidents offered his opinion that the current culture building efforts illustrated a different sensibility about the interface between the organization and its employees. And in the elevator ride back to her office a client services representative put it this way: “The principle of building a specific type of corporate culture is good, but it doesn’t work. People don’t fight it but they don’t agree with it. If after the tenth time, you hear about demonstrating the values, you just agree with it.” In this morning’s Human Resources staff meeting the topic had once again dominated the conversations.

After representative employee comments were shared one colleague said, “Yes, I understand what people are saying. During my years of working for Sagar and now Golden Eagle Sagar, I have rarely worked with people who did not demonstrate the values on a daily basis. Their personalities encompassed these traits and it was taken for granted.” But a recent addition to the HR staff who had worked previously with a team in another unit commented, “Recently one of my team members did not demonstrate these values and it was extremely helpful to have a standard, a guideline to refer to and use as a point of reference in the appraisal process.

The firm’s expectations of behaviors are clear to its employees; and non-compliance is not a choice. This is the case whether you are sitting in Bangalore or Greater Noida or Kolkata or Ahmedabad.” “The sound of a knock on her door jarred Sohini Patel back to the present.” “You’re still worrying about this, aren’t you?” her colleague said. “You know, there’s not necessarily any disagreement about the values or the benefit of employee diversity, just the way they were presented.” “I know,” Sohini Patel said softly, as her colleague closed the door and left.

Indeed, after Sohini Patel had received the “What’s going on in Greater Noida?” e-mail, she had called the Bangalore HR office and had tried to suggest that the company might need different ways to approach the issues in Greater Noida. She too had been dismayed.
at the results of the recent survey of all country wide employees. The survey aimed at seeing how things were going in the new company indicated that the Greater Noida office had among the lowest employee satisfaction scores in the country.

Sohini Patel was experienced enough with employee surveys to know that numerous factors might contribute to the low scores. Yet she could not help feeling that the scores reflected some concerns which the Bangalore office needed to better understand. “Wish I knew how the communications campaign has been received elsewhere,” she said out loud, although there was no one present to hear her. Then she remembered a curious point in the survey results breakdown. Indeed, her boss had asked her about the figures. It seemed that the Gujarati employees at Golden Eagle Sagar were typically more cynical regarding the corporate messages than the Marathi employees. The headquarters communications did not seem to bother the Punjabi and the Bihari employees as much. Could she explain why to Brajesh and Karishma?

Sohini Patel knew that it would not be enough to simply explain what she had learned by talking with people in Greater Noida. Further in the infamous “What’s happening in Greater Noida?” e-mail were clues indicating that the headquarters staff thought the Greater Noida office might need much more of the same type of communication to increase their commitment and boost their morale.

Sohini Patel turned slowly back to her desk and tapped a computer key to restore the screen saver which, ironically, had the Golden Eagle Sagar corporate logo and streaming text reading: “Integrity... Respect... Excellence... Innovation.” Her challenge tonight was to develop some specific and concrete suggestions for Brajesh and Karishma those are really feasible for the company. Tomorrow’s joint exploration of the issues was her opportunity to facilitate shared understanding of issues which would be critically important for Golden Eagle Sagar.

**Discussion**

The five cultural dimensions highlight the important cultural differences in organizations. To manage effectively in a global or a domestic multicultural environment, we need to recognize the differences and learn to use them to our advantage, rather than either attempting to ignore differences or simply allowing differences to cause problems (Adler, 1997). Cross-cultural training stresses on training employees about other cultures and sensitizing them to the discrimination and biases diverse employees feel. Cross-cultural training aims at helping employees live and work comfortably in another culture.

Organizations can use two approaches of training that can play a big role in managing diversity:

- The first approach offers training to diverse groups of employees. People from diverse groups can be trained for an entry-level skill.
- The second approach is to provide training to managers and other employees who work with diverse employees. Rather managers should be taught how to respect the differences at work and how to work with them to maximize the contribution of each employee (Cascio, 1998).

The extent to which managers and employees recognize cultural diversity and its potential advantages and disadvantages defines an organization’s approach (strategy) to manage cultural diversity.

Adler (1997) has identified the following strategies for managing cultural differences.

- Ignore cultural differences
- Minimize cultural differences
- Manage cultural differences

Many organizations impart practical, real-life training to teach employees how to handle situations those arise due to cultural differences. The organizations can use the following cross-cultural training techniques like Environmental briefings to provide information about history, geography, climate, schools, government, economy, etc.

Orientation in culture to familiarize the employees with value systems and culture of the different parts of the country and cultural assimilator is a program learning technique that is designed to expose employees of one culture to some of the attitudes, customs, etc. of another culture and language training to teach conversational
language skills to employees. Sensitivity training to develop attitudinal flexibility and field experience to give first hand exposure to another culture within national boundaries.

References


Dr Pradeep Kautish has done MBA and PhD from Department of Management Studies, Maharshi Dayanand Saraswati University, Ajmer, Rajasthan. He qualified in the National Eligibility Test in Management conducted by UGC, New Delhi and has been conferred ‘Accredited Management Teacher’ certification in Management by AIMA, New Delhi. He has 8 years experience of teaching PG management students and over 2 years of industry experience. He has conducted various MDPs on several management issues and is a resource person for various training programs of corporate clients. He is a member of curriculum design committee and external examiner panel of many universities and institutes. He is manuscript reviewer for leading publishers, and has published over 30 research papers in reputed journals. He has contributed many papers in seminars and conferences, and published book chapters and case studies with eminent publishers. He is a Life Member of various professional organizations like ISTD, ISTE, AIAER and ICA. His areas of research interest include Consumer Behavior, Emotional Intelligence, Brand Management, Retail Management, Business Values & Ethics, Training and Development, Advertising Management and Performance Management.

“We learn our virtues from our friends who love us; our faults from the enemy who hates us. We cannot easily discover our real character from a friend. He is a mirror, on which the warmth of our breath impedes the clearness of the reflection.”

- Jean Paul Richter
Montblanc’s Mahatma Gandhi Limited Edition 241 Pens: A Tribute to Mahatma Gandhi?

Dr B Shafiulla

“You must not lose faith in humanity. Humanity is an ocean; if a few drops of the ocean are dirty, and the ocean does not become dirty. The difference between what we do and what we are capable of doing would suffice to solve most of the world’s problems.”

- Mahatma Gandhi

About Mahatma Gandhi

Mohandas Karamchand Gandhi was a prominent freedom fighter, political and ideological leader of India during the Indian independence movement. He pioneered Satyagraha (resistance to tyranny through mass, non-violent civil resistance). His philosophy of life was firmly founded upon Ahimsa (non-violence). His life and philosophy are reflected in his autobiography “The Story of My Experiment with Truth.” Gandhi swore to speak the truth and advocated that others to follow him. He lived a simple vegetarian life modestly in a self-sufficient residential community and wore the traditional Indian dhoti and shawl, woven from yarn that spun by hand. As means of self-purification and social protest he used to undertake long fasts. Gandhi is often referred to as ‘Mahatma’ (Great Soul), as an honorific first applied to him by Rabindranath Tagore.

MK Gandhi was born on 2 October 1869, at Porbandar a small town of Gujarat, India. He went to the UK on 4 September 1888 to study law at University College, London and trained as a barrister. As a young and inexperienced barrister, in April 1893, Gandhi sailed for South Africa in search of fortune by accepting a year-long contract from Dada Abdulla & Co, and was posted in the colony of Natal. During his stay in South Africa he visited India and explored many villages, towns and cities for about six months to know the living conditions of the local population.

He finally returned to India in 1915 as a Mahatma, with no possession, but with one ambition to serve people of India. During his leadership of the Indian National Congress in 1921, Mahatma led nation-wide campaigns to ease poverty, build ethnic and religious unity, expand women’s rights, end untouchability and increase economic self-reliance. Overall his main objective was to achieve Swaraj (freedom) from British domination of India. He was a “the great soul in a beggar’s garb”, as Rabindranath Tagore said once.

The moral influence of his personality and his technique of non-violence and gospels cannot be weighed by any physical scale. Nor is its value limited to any particular country or generation. It is his imperishable gift to humanity. Mahatma famously led his followers in the Non-cooperation Movement in 1930 known as “Dandi Salt March” and “Quit India Movement” in the year 1942, demanding immediate independence for India. On 15 August 1947 India got independence from British rule and Mahatma Gandhi was assassinated on 30 January 1948.

Montblanc International GmbH: Company Profile

Montblanc has been known for generations as a craftsman of sophisticated, high quality writing instruments. Thus it became a purveyor of exclusive products with high quality, design, tradition and master craftsmanship for today’s global demand. Now Montblanc is a truly global brand with operations in 70 countries.

Montblanc International GmbH is a German manufacturer of writing instruments founded by the Clause-Johannes Voss a stationer, the banker Alfred
Nehemias and the engineer August Eberstein in 1908. It was initially begun as the Simplo Filler Company producing luxury pens in the Schanzen district of Hamburg. Its first pen model was Rouge Et Noir in 1909 followed in 1910 by the pen that was later given a new name, Montblanc. The first fountain pen known in German as “Meisterstuck” (Masterpiece) was produced in 1924.

Montblanc diversified its manufacturing and marketing besides pens to wrist watches, jewels, fragrance, leather goods and eyewear. Montblanc was very successful despite its founder, Eberstein, fleeing to the US to avoid prosecution for stealing company funds in 1909. In 1977, Montblanc was acquired by Dunhill, now lower price pens were dropped and the brand was used on a wide range of luxury goods other than pen. Montblanc’s sister companies include luxury brands Cartier, Van Cleef & Arpel, Chloe, and Baume et Mercier. Montblanc trademark identified with white stylized six-pointed star with rounded edges, representing the Montblanc snowcap from above which was adopted in the year 1913. The mountain height in meters “4810”, is also commonly recurring theme of the brand. The star in the trademark is also referred to as “edelweiss”, an indigenous perennial that grows in the alpine forests and mountains of Europe.

**Special and Limited Edition Product Strategy of Montblanc**

Montblanc Limited Editions are a tribute to the world’s master craftsmanship and the most precious of material, dedicated to the world of art and culture. A part from various limited Editions like Patrons of the Art Series with only few hundred of them being produced world over, and few of them produced from editions of “4810” to those in tens of thousands. In Editions of 888 the Patrons of Art (POA) Series are increasing in appeal in Asian market. These editions are intricately adorned in diamonds, rubies and other precious stones with 18K gold metal.

As a signature mark on these Limited Editions include a Mother of Pearl Montblanc Star adorning the cap. Montblanc launched comparatively cheaper the Montblanc Writers Edition each year, commemorating the life and work of a particular writer, with their signature engraved into the cap of the pen. The major Limited editions of Montblanc include Patrons of Art, Writers Edition, Special Theme Edition, Annual Edition, Donation Series and America’s Signature for Freedom. Each edition has its own theme, occasion, purpose and the craftsmanship.

**Launching of Mahatma Gandhi Limited Edition 241 and Limited Edition 3000 Pens**

August Eberstein’s Montblanc’s tribute to Mahatma Gandhi “Father of the Nation” was by launching Mahatma Gandhi Limited Edition 241 and Limited Edition 3000 pens on 2 October 2009, on his 140th birth anniversary. They have creatively packaged the pen with every element of the Limited Edition representing a great man who worked for the hungry millions and Indian freedom struggle. It is there homage to Mahatma and the 241 dusty miles he travelled during the historic “Salt March” (Salt Satyagraha).

The Limited Edition pen cap carries a golden thread inspired by Gandhi’s Chakra (Wheel) and its white appearance to symbolize truth, while a well crafted precious orange gem on it representing the Indian Flag. The rhodium-plated 18 carat golden nib carries an engraved image of Mahatma Gandhi, through which specially formulated Montblanc ink runs for writing. There are only 241 fortunate individuals carrying this pen worldwide with a price tag of Rs 11.38 lakhs (approximately US$25000) and Limited Edition 3000 sold for Rs 1 lakh.

Dilip Doshi, cricketer and CMD of Entrack, Montblanc distributer in India, was inspired by beautiful Limited Edition pens with the thought process of honoring authors who created something worth remembering. He thought of similar honour through Limited Edition pens from Montblanc’s writing instruments. They want to target Indian consumers who believe in and are experts in jewelry and craftsmanship and India is one of the biggest collector’s markets. Montblanc believes that it help them strengthen its presence in India and opening two-three new stores in the country very year.

Tushar Gandhi, Mahatma Gandhi’s great grandson received a cheque of Rs 70-75 lakh for his trust “Mahatma Gandhi Foundation” for lending the name and image of Mahatma to global luxury pen brand Montblanc. This fund will be used for building a shelter for rescued child labourers. And the foundation will further receive between $200 and $1,000 for each pen sold.
Criticism of “Montblanc Limited Edition 241” Pens

Mahatma has become a brand ambassador for a global brand luxury goods manufacturer Montblanc. Mahatma in his whole life associated with non-violence, simplistic living and the Swadeshi Movement has involved in marketing a Rs 11.32 lakh pen. Only a few designers are able to understand the meaning, and interpretations are meaningless in the sole purpose of design is only to empower the elite and powerful people and sections of the society. Mahatma Gandhi was not only the victim of creativity, but other great personalities like Ingrid Berman, Earnest Hemingway, Frank Kafta, Thomasman, Virginia Woolf, Oscar Wilde are featured in the Limited Edition, a tradition followed by Montblanc started in 1992.

Many people are not accepting this mega deal and commercial usage of Mahatma Gandhi’s name. While speaking to Design and People, Chairman of Swaraj Peeth Trust Mr Rajiv Vora was not happy with commercial use of Bapu’s (Mahatma Gandhi) name by a private enterprise. Tushar Gandhi, being from Mahatma Gandhi’s family, doesn’t give him any right to allow Gandhi’s name and image for commercial purpose.

Mahatma Gandhi gave all rights about his worldly possessions to “Navjivan Trust”. Tushar Gandhi’s Trust was neither borne during times of Mahatma, nor would the Mahatma have recognized it as a legitimate heir for the ownership of Mahatma’s name and legacy. Across Montblanc India stores Montblanc Gandhi Limited Edition 241 pens fail to attract or create much enthusiasm and interest among Indian buyers as per Design and People survey as Montblanc underestimated the buying habits of the people in India.

A PIL (Public Interest Litigation) has been filed against Mount Blanc GmbH by two Delhi-based lawyers, Mr Harsh Vardhan and Mr Sandeep Singh, pleading with the Supreme Court of India to restrain marketing and selling of Mahatma Gandhi Limited Edition pens. In this petition it is said that, Mount Blanc are an affront to national honour and a misuse of the Mahatma Gandhi’s name and image for commercial purpose. The Petitioners argues that introduction of Mahatma Gandhi Limited Edition Pens was in violation of the Emblems and Names (Prevention of Improper Use) Act, 1950 which prohibits the use of any emblem specified in the Act for a commercial or trade purpose. Headed by Chief Justice of India with a three judge bench Supreme Court served notice to Montblanc.

The Managing Trustee of the Centre for Consumer Education Mr Dijo Kappen of Kottayam, Kerala, filed case against Mountblanc GmbH, Germany seeking ban on these luxury pens. In this petition it is said that the use of the name and image of Mahatma Gandhi on pens was against the provision of the Emblem and Names (Prevention of Misuse) Act, 1950. The Father of the Nation was considered the epitome of simplicity, and making him the symbol of a luxury pen that cost Rs11.38 lakh was an attempt to degrade everything he stood for and to mock the nation.

From his childhood story Arun Gandhi, a grandson of Mahatma Gandhi, narrates reaction of Mahatma about throwing away a three-inch pencil on his way back from school for getting a new one. Mahatma Gandhi sent him back searching for the lost pencil in the darkness and he found after three hours of search. This incident taught young Arun Gandhi two important lessons in life – wasting of the world’s natural resources is “violence against nature” and “overconsumption” by the affluent societies forcing many people to live poverty, which Mahatma Gandhi called as “violence against humanity”.

Amit Modi, Secretary of the Sabarmati Ashram said that if Mahatma had been presented with this Limited Edition pen, he would have thrown it away. Brand expert Suhel Seth of Delhi marketing outfit Counsellage criticized Montblanc Limited Edition strategy as an illogical marketing. Mahatma stood for everything that was non-elitist. They have underestimated the Indian Psych, when commercial organisations tinker around with that symbol of credibility, respect and honour; they risk a backlash that no brand likes to deserve. As per him there is a contradiction between the personality they are commemorating, and the product they are endorsed with him.

This is an era of advertising, marketing and branding in the twenty-first century, that symbolises a new level of discord between commercialization and socio-cultural
values and ethics. In this global economy, advertising and social-marketing have been rechristened as branding and corporate communications by plugging holes in to the basic vulnerability of society. Even commercial organizations try to exploit death anniversary of Mahatma Gandhi on January 30, which is celebrated as “Martyrs Day” every year. There is the tag line of one company “Remembering the Mahatma”. Recent years it is a rat-race of Gandhi-ism campaigns from a chocolate company to shoes, soft drinks and mobile phones, especially dominated by multinational corporations.

References

• Gandhi’s Top 10 Fundamentals for Changing the World, Henrik Edberg; www.positive blog.com
• Montblanc International GmbH; http://www.montblanc.com
• Mohandas Karamchand Gandhi; http://en.wikipedia.org/wiki/mohandas_karamchand_gandhi
• Sale discontinued, Montblanc and distributors informed court; http://www.thehindu.com/news/national

Dr B Shafiulla (baranshafi@rediffmail.com) is a faculty of Marketing in Bangalore. His primary teaching subjects are Marketing Management, Brand Management, Services Marketing and International Business. He holds an MBA degree from Sri Venkateshvara University, Tirupati, Andhra Pradesh, and was awarded a PhD from Sri Krishnadevaraya University, Anantapur, Andhra Pradesh, India.

Dr Shafiulla has published six papers in the areas of marketing in national refereed journals and presented over 10 papers in various national and international conferences in India and abroad in the areas of marketing. He has been a consulting editor for IUP Journal of Marketing Management, Hyderabad, for the last three years. He is also member of the Marketing Curriculum Review Committee and student admissions of IBS, Bangalore.

“Old friends are Gold! New friends are Diamond! If you get a diamond, don’t forget the Gold! Because to hold a diamond, you always need a base of Gold!”

- Anonymous
“It’s your book and I won’t even read it”, said Jobs. Thus began for Walter Isaacson the journey to construct the searingly intense personality of a creative entrepreneur whose passion for perfection and ferocious drive revolutionized six industries: personal computers, animated movies, music, phones, tablet computing and digital publishing. The introductory chapter honestly proclaims that the purpose of the book is not to portray Steve as model boss or human being, tidily packaged for emulation. Rather etched in print is the story of sometimes a willful and immature person, passionate but sensitive, callous but meticulous, inspiring and flawed, a bundle of paradoxes, whose life can be instructive and cautionary, filled with lessons about innovation, character, leadership and values.

Chapter 1, ‘Abandonment and Chosen’, vividly and passionately traces his early childhood, a father who he was immensely proud of and initial fascination for design and perfection, inspired by the real estate developer Joseph Eichler. The pushy kid that he was and that drove him to pick up the phone and call the CEO Bill Hewlett of HP for a project and his successful intellectual pursuits under the guardianship of his father are chronicled artistically. Chapter 2, ‘The Odd Couple’, is a fast paced tale of friendship-partnership with Stephen Woznaik, an intellectual wizard and electronically savvy maverick. Their partnership and adventure with the ‘Blue Box’ a device with a little circuit board, that could control billions of dollars worth of infrastructure reposed immense confidence on their engineering skills and established a template for a venture that would soon be born – Apple.

Chapters 3 and 4 encapsulate Steve’s journey of self-discovery through a process of trial and error. The young rebel in him made him oscillate between being called charismatic and creepy. His stint at Reed, a private liberal arts school in Portland Oregon, his engagement with eastern spirituality, especially Zen Buddhism, sparked the realization that intuitive understanding and consciousness was more significant than abstract thinking and intellectual logical analysis. At Reed, calligraphy greatly fascinated him and his admiration of different letter combinations was a firm affidavit to Jobs consciously positioning himself at the intersection of arts and technology. “If I had never dropped in on that single course in college, the Mac would never have been multiple typefaces or proportionally spaced fonts”, mused Jobs. His sojourn into India and in search of enlightenment through deprivation and simplicity was directed more towards calming down a restless mind a prerequisite, to see things more clearly through intuition.

Chapter 5, ‘Apple I’. What’s in a name? That which we call a rose by any other name would smell as sweet, Juliet in William Shakespeare’s play Romeo and Juliet. Alas! The name Apple born out of his fruitarian diets today
becomes synonymous with its christener the ghost of whom is hard to rid of! Chapter 6, ‘Apple II’, traces the birth of the fully packaged Apple II, significant capital investments needed, his ignorance of marketing and his tryst with Mike Markulla who would end up playing a critical role for Apple for the next two decades. Mike engineered Apple’s marketing philosophy which Steve Jobs humbly imbibed and learnt to master. The chapter dwells at length on Apple as a company and the distorted personality traits of Steve Jobs, temperamental and bratty. Everyone credited Apple II to Woznaik, Jobs would far be content with that and hence was spurred to pursue the next great advance, one that he could call his own.

Chapters 7-9 are an illustration of the conflicts that arose within himself as he rose to fame slowly and steadily and his passion for futuristic products, such as somebody making a computer as small as a book. Chapter 10 constructs Steve’s path towards regaining full control of Mac. Chapter 11, ‘The Reality Distortion Field’, is an adieu to the creative genius of Steve Jobs and to his detractors as an explosive mine. Steve’s sense of urgency and his belief that reality is malleable was akin to the aliens in Star Trek, who could create their own new world through sheer mental force. It allowed him to con people into believing his vision, which spurred creativity within specific time frames. Certainly great lessons for entrepreneurs to imbibe, but not taken too kindly of the people around him.

Chapter 12, ‘The Design’, records the antecedents to the making of a master designer whose products the world will hungrily devour. The functional design philosophy of the Bauhaus movement coupled with its simplicity he predicted will be the future of design. He preferred being bright pure and honest about being high-tech rather than the heavy industrial look sported by Sony. Chapter 13 draws parallels between Jobs’ personality, someone wanting to control and the Macintosh. “It reflects his personality which is to want control”, said Berry Cash who was hired by Jobs in 1982 to be a market strategist. He went so far as to design special tools so that Macintosh case could not be opened with a regular screwdriver. The extreme sense of agony at not being chosen as the times Man of the Year, stung him and hurt his pride to the core. Chapter 14, signals Jobs search for someone who would change the way people use computers. John Sculley, president of the Pepsi–Cola division of PepsiCo was zeroed in at last who Steve felt was perfect for Apple.

Chapter 15 credits the leader in him who lay subdued more because of his obnoxious behavior to those around. But after the launch of Macintosh, he presented each of them with one each personalized with a plaque, sending a clear sign that he honored the team that made it all! Chapters 16 and 17 are full of woes and broken ties. Macintosh lost its lure and charm sales dropped dramatically, things soured between Woznaik, who until now lay low and far away from the contemptuous nature of Steve and the bitter ouster of Sculley and also his own abandonment by Mike Markulla and Arthur Rock and overall from Apple in 1985. Chapter 18 speaks of the challenges with his new venture NeXT and the basic philosophical difference between Jobs and Gates. Jobs believed in an end to end integration of hardware and software which led him to build machine that was not compatible with others whereas Gates believed otherwise. Chapter 19 is about his tryst with Pixar and Chapters 20 as the regular guy next door and Chapter 21 as a family man all of them focusing on the high and low’s of his relationship with women. Chapter 22 is more about the Toy Story and the battle between Pixar and Disney and Jobs strategies to make Pixar more prominent and a worthy force for Disney to reckon with.

Chapter 23, announcing ‘The Second Coming’, reveals Jobs who was forced to do something against his nature: Despite his ingrained belief that hardware and software should be integrally linked he agreed in January 1992 to license the NeXTSTEP operating system to run on other computers. The never-say die inventor in him lamented at the personal computer industry, he felt was fading out due to lack of innovation. Said Jobs, “Microsoft dominates with very little innovation. Apple lost. The desktop market has entered the dark ages”. The
desperate struggle by Apple to keep its shares tumbling, the leadership grappling to find answers to the crisis and negotiation between Steve NeXT and Apple and his low profile return as part time advisor to Apple as a hungry lion slowly crouching awaiting its next move is the long and short of the second coming of Steve the messiah back at Apple.

Chapter 24, ‘The Restoration’, registers his reentry into Apple and lays out the fact that it was all carefully crafted and engineered by Steve with all his cunning wizardry. Chapter 25, Think Different focuses on Steve’s urge to rekindle the spirit among Apple’s own employees and potential customers. His preoccupation with brand image campaigns and creativity seemed to override any other interest. His gradual ascension as the iCEO to take complete control of the system without consensus, demonstrates the passion he harbored to see Apple succeed. Apple’s sharper focus driven by Steve saved Apple. Jobs was back and so was Apple. Chapter 26 teaches one great principles on product design right from the horse’s mouth. Design was not just about what a product looked like on the surface. It had to reflect the product’s essence.

Chapter 27 celebrates the iMAC, the first great design triumph to come from Jobs –Ive collaboration. Chapter 28 vividly captures the creative and visionary streak in him and his reluctance to take on the saddle and stride as the CEO. Chapter 29 speaks about the desire within Jobs to enrich the customer experience, by setting up Apple retail stores and thereby closing the loop of the only process he dint control: the experience of buying an Apple product in a store. He tried to accomplish that too! Chapters 30-32 trace his journey from iTunes to iPod and the iTunes store and all the problems the company was straddled with and his intervention to ease out issues and enhance the product experience for the customer.

Chapter 33, ‘Pixar’s Friends and Foes’ is aptly titled to acknowledge the transformation in his disposition of trying to control the creative process. In Pixar he learned to let other creative people flourish and take the lead. He owed this to Lasseter, a gentle artist, who like Ive brought out the best in Jobs. Chapter 34, ‘The Twenty First Century Macs, Setting Apple Apart’, is a summary of what set Apple apart, his famous tag at working for $1 a year and thereafter demanding huge option were eyed at suspiciously by the Board at Apple, which they felt contradicted with this principle that he did not work for money. Chapter 35 cuts like a sharp sword and chokes the reader when describing his revelation that all was not well with him. His initial battle with pancreatic cancer and his steely grit to get back to business as usual are plentiful in the lessons they throw out to the reader.

Chapter 36 narrates the making of the iPhone and the meticulously hard labor that he put in everyday right from the glass used for its manufacture to major last minute revisions to defy heretics and critics alike who underestimated Job’s product. By the end of 2010, Apple had sold ninety million iPhones and it reaped more than half of the total profits generated in the global cell phone market. Chapter 37 recounts his struggle with cancer that recurred in 2008 and ravished his health. The media was hungry for information about his health and speculations ran high. The impact of Job’s health on the stock price is also documented in a fitting manner. Apple without Jobs was next in the agenda for Tim Cooks to propagate. Chapters 38-40 takes us through the iPad to the iPod, legal battles with HTC alleging infringement of twenty of its patents consumes most of the readers time.

Chapter 41, ‘The Round Three, The Twilight Struggle’, throws light on some of Job’s powerful musings that are prophetical and revolutionize the manner in which innovations will take place. “I think the biggest innovations of the 21st century will be the intersection of biology and technology”. Chapter 42 rightly titled, Legacy, The brightest heaven of invention the series of products over three decades that transformed whole
Profile of the Biographer

Walter Isaacson is a writer and biographer. He is the President and CEO of Aspen Institute, a non-partisan educational and policy studies organization based in Washington, DC. He has been Chairman and CEO of CNN and Managing Editor of TIME. He was appointed by President Obama to be the Chairman of the Broadcasting Board of Governors, which runs Voice of America, Radio Free Europe and other international broadcasts of the US government. He has also written best-selling biographies about Benjamin Franklin and Albert Einstein. ‘Steve Jobs’ is the authorized biography of Steve Jobs. Based on more than 40 interviews with Jobs conducted over two years — in addition to interviews with over 100 family members, friends, adversaries, competitors, and colleagues — Walter was given ‘exclusive and unprecedented’ access to Jobs’ life. Jobs is said to have encouraged the people interviewed to speak honestly. Although Jobs cooperated with the book, he asked for no control over its content other than the book’s cover, and waived the right to read it before it was published.

Profile of the Reviewer

Prof Agna Fernandez (agna@dhruvacollege.net) has been in the field of teaching, training and HR consultancy for the past 15 years. She is a faculty at Dhruva and also a trainer with the centre for excellence Kolkata and is in the final phase of Doctoral program from Xavier Labor Relations Institute, Jamshedpur. She was also a part of the Executive Development programmes for mid-level managers of BHEL and other firms. She is currently on the panel of interviewers at Loyola Institute of Business Administration, Chennai. She is an independent consultant on various HR issues to small and medium scale organizations. Prof Agna is also an accredited case writer.

Nothing makes the earth seem so spacious as to have friends at a distance; they make the latitudes and longitudes.

- Henry David Thoreau

The best preservative to keep the mind in health is the faithful admonition of a friend.

- Francis Bacon
BIBLIOGRAPHY
Service Quality Assessment
Prof Kunal Gaurav


• Grapentine, Terry (1999), “History and Future of Service Quality Management”, Marketing Research, Vol. 10, No. 4, pp. 4-21


Prof Kunal Gaurav (kunalgaurav2006@gmail.com) is an agricultural science graduate and holds MBA (Gold Medalist) with specialization in Marketing Management. He is an AIMA-accredited Management Teacher and is currently working as Director – Research & Publications and Associate Professor in the area of Marketing Management at Dhruva College of Management - Hyderabad, India.

He is the Editor of ‘Vidwat: The Indian Journal of Management’. His major areas of interest include Relationship Marketing, Brand Equity Valuation, Advertising & Sales Promotion, and Social Entrepreneurship.

A true friend puts some sacrifice in a bowl of kindness, adds a little of sympathy, and mixes it with empathy. He never forgets to remove envy from it, sprinkle a dash of sweetness as per your taste and a little of sentiment. Then he cooks it over the warmth of his heart and garnishes it with love and smile before serving it to you.

- A recipe for true friendship
Subscription

Let noble thoughts come to us from every side – Rig Veda

There is one thing stronger than all the armies in the world and that is the idea whose time has come

– Victor Hugo

Subscribing to Vidwat is as good as subscribing to the power of thoughts and ideas.

<table>
<thead>
<tr>
<th>Annual Subscription Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Indian (Courier) INR</strong></td>
</tr>
<tr>
<td>Companies</td>
</tr>
<tr>
<td>Academic Institutions</td>
</tr>
<tr>
<td>Individuals</td>
</tr>
<tr>
<td>Students</td>
</tr>
<tr>
<td>Alumni</td>
</tr>
<tr>
<td><strong>Foreign (Air mail) US $</strong></td>
</tr>
<tr>
<td>Companies</td>
</tr>
<tr>
<td>Academic Institutions</td>
</tr>
<tr>
<td>Individuals</td>
</tr>
<tr>
<td>Students</td>
</tr>
<tr>
<td>Alumni</td>
</tr>
</tbody>
</table>

INR / $ Demand Draft should accompany Domestic / Foreign subscriptions.

Reciprocal Subscription

There are about 3,500 B-Schools in India – 3 times more than the US. The difference becomes stark when size of economies are compared – India’s being one-tenth of the US.

The result is lower quality of education, over supply of MBAs, increased un-employability and under-employability. One of the many reasons of poor quality could be funds crunch. DHRUVA offers a miniscule remedy - 'Reciprocal Subscription' of individual B-Schools' journals, a win-win proposition and augurs well for the further cohesion of fraternal ethos amongst journal publishing B-Schools. Any B-School can send its Journal to us along with a request for sending 'Vidwat: The Indian Journal of Management' on reciprocal basis.

Advertisement

Corporates, Banks, Automobile Manufacturers, B-Schools, Engineering Colleges etc that are keen on national and international exposure may advertise in Vidwat. Camera ready advertisement copy (size 22 cm x 18 cm) should reach DHRUVA College of Management at least a month before the date of publication of a particular issue. However the content and the copy of the advertisement should conform to the class of professional management – “class can walk with kings and keep virtue and talk with crowds and keep touch”.

<table>
<thead>
<tr>
<th>Advertisement Tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Position</strong></td>
</tr>
<tr>
<td>B/W</td>
</tr>
<tr>
<td>B/W (Centre spread)</td>
</tr>
<tr>
<td>Colour (Back cover)</td>
</tr>
<tr>
<td>Colour (Back Inner &amp; Front Inner)</td>
</tr>
</tbody>
</table>

The Advt artwork with INR / US $ Demand Draft should reach DHRUVA College of Management at least one month before the publication of Vidwat.
“Vidwat – The Indian Journal of Management” is a peer reviewed journal published biannually in June and December. It invites academicians and practising managers to contribute research papers/articles. It is an ideal platform to showcase creative thoughts and ideas.

Vidwat has the following features:
- Editorial perspective presents topical issues that call for managers’, administrators’, and policy makers’ attention.
- Articles on managerial and academic issues based on analytical, empirical or case research.
- Commentaries on preliminary research, published articles, current topics, and review of literature.
- Cases that describe a real-life situation – past, present or future forward, a decision or action taken or contemplated by an individual/organization.
- Diagnoses presenting analyses of the cases by academicians and practitioners.
- Book Reviews covering reviews of current books on management by prominent authors.
- Bits & Pieces underlining a chosen concept.
- Letters to the editor.

Authors should conform to the following guidelines:
- Manuscript to be typed with 1.5 line spacing, Times New Roman in A4 size.
- Tables, charts, and graphs should be in black only. The source should be indicated at the bottom. Number and complexity of such exhibits should be minimal.
- References in the following format must be placed at the end of the manuscript:
  - Text: Kotler (2002) has shown….

Copyright: The author(s) should obtain permission from copyright holders, if necessary.

The manuscript accompanied by...
- A bio sketch of the author(s) in about 200 words covering current designation, affiliation, specialization, books and articles published
- Executive summary of the current article in about 500 words
- A signed declaration stating that the paper is original and has not been submitted for publication elsewhere should be mailed at vidwat@dhruvacollege.net before Mar 31 and Sept 30 respectively.

Review Process: All contributions will be blind reviewed.

The review process usually takes about three months.

Vidwat reserves the right of making editorial amendments in the final draft to suit the journal’s requirements.

The decision of the Editorial Board is final.

Reprints: The author will receive five reprints along with a copy of Vidwat.
Entry Free!

MUQABLA
10-11 February 2012

All-India Under Graduate Students’ Competitions

- Music - Instrumental / Singing (Solo & Groups)
- Dance • Drama • Mimicry
- Elocution • Rangoli
- One-person-play
- Enterprise Simulation

Free accommodation on campus hostels on first-come-first-served basis.

Finalists will be rewarded cash prizes of ₹ 1 Lakh by Sri Sekhar Kammula, Celebrated Tollywood Director

Only ONE TEAM * per event per college.

*Sponsors

*Students of the host college - DHRUVA are not eligible to participate.

Post your entries at muqabra@dhruvacollege.net before 30 January 2012.