Enterprise Response to Public Policy Reforms: A Scan of Extant Literature and an Agenda for Future Research

R Venugopal and M R Dixit

This paper scans the studies that have investigated the response of enterprises to public policy reforms and suggests an agenda for future research. It traces the evaluation of the literature on relationship between environment and organization as a backdrop for reviewing the 12 key research papers in the international context. It shows that organizations have responded more to the changes in the regulatory environment than in other types of environment. It also points to the shift from unfocused strategy to focused strategy as a response to the public policy environment. The Indian studies scanned by the paper have covered a vast range from understanding the rationale for the public policy reform to responses in specific industry sectors. Against this scan, the paper suggests an agenda for future research in the areas of disaggregated studies, organizational processes in strategy reformulation, learning and innovation, corporate governance, and inter-organizational differences in responses. A significant item on the agenda is the study of response of public policy to changes in the firm's strategy. The paper hopes that the agenda would stimulate the preparation of concrete research proposals that would extend the knowledge base of the interaction between the enterprise and its policy environment.

Recently, several countries have implemented policy reforms aimed at enhancing the competitiveness and efficiency of their enterprises. The reforms have reduced the role of regulation and provided greater power to the market forces. At the enterprise level, these reforms have meant new opportunities to expand, diversify, internationalize, divest or consolidate. They have also meant the emergence of new threats of entry and elimination of existing sources of competitive advantages. They have prompted the enterprises to recognize the changes in their environment and respond. These responses in turn have induced the policy makers to review and reformulate their policies. This interplay between the reforms and responses has stimulated researchers to initiate a variety of studies. Some have investigated the scope, stringency, and variety in reforms while some others have focused on corporate responses to the reforms. Some have developed recommendations for policy makers while some others have done so for managers. We need to review these studies to provide a basis for identifying opportunities for further research. Our paper is an attempt in this direction.

The symbiotic relation between enterprise responses and changes in the regulatory environment can be subsumed under 'environment-organization relationships,' a rich research stream in Organization Theory and Strategic Management. The concepts and frameworks developed by researchers in this stream contain in them several opportunities for research. In the following section, we trace the evolution of literature belonging to this stream in order to develop a background for our paper. We then proceed to review, in the next two sections, studies in international and Indian contexts. We examine their theoretical underpinnings and delineate the ground thus far covered by them. Assessing the ground covered against the backdrop provided, we identify research opportunities and present an agenda for future researchers in the last section.

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Enterprise and its Environment

Beginning with a definition of the environment as 'everything else outside an organization,' scholars have grappled with the problem of delineating enterprise - environment relationship and debated over the nature of the dynamics between the two (Hall and Fagen, 1956; Boulding, 1958; Thompson, 1967; Child, 1972; Astley and Van de Yen, 1983). They looked at the enterprise as an entity that drew resources from the environment, processed them, and offered products and services to the environment (Pfeffer and Salancik, 1978). Much work has been done in categorizing environmental elements into different levels of immediacy, such as 'organization sets' (Evans, 1965, 1966), 'immediate and distant' environmental members (Emery and Trist, 1965; Terreberry, 1968), and 'task and general' environments (Jausch, et al. 1980; Dess and Beard, 1984; Scott, 1987). Various attributes of the environment such as munificence, dynamism, complexity, volatility, uncertainty, and turbulence have also been researched (Dess and Beard, 1984). They have found wide acceptance for describing organizational environments. The 'task environment' of organizations has further been divided into the customer, regulator, competitor, and the supplier sectors (Dill, 1958). This agrees with the later conceptualization of industry by industrial organization economists (Chamberlain, 1968; Porter, 1980). Duncan (1972) argued for the inclusion of technology as a sector of the task environment. The linkages between concepts in the environment and those in the organization took stronger roots with the development of literature on corporate strategy (Ansoff, 1965; Andrews, 1971). Conceptual frameworks were developed on the basis of comparative case analysis. Andrews viewed strategy as a match between the resources of the firm and the opportunities and threats in the environment. Ansoff created the strategy grid in terms of options like product development, market development, backward and forward integration, concentric diversification, and conglomerate diversification. Mintzberg (1973) distinguished between formulation and formation of corporate strategy. According to Mm, strategy emerged as the enterprise responded to the environment and to its own aspirations and resources. Hofer and Schendel (1978) attempted to integrate the various streams of thoughts on strategy and provided an integrative framework for evaluating and formulating the strategy of an enterprise.

In the mid-70s and early 80s, scholars attempted to look at organizational response to the environment. In this area, debates centred around defining organizational change and differentiating between organizational adjustments and change (Snow and Hambrick, 1980). Strategy typologies (Miles and Snow, 1978) got developed. They facilitated measuring changes in strategy in terms of shifts from one generic type to another. Aguilar (1967) attempted to understand how managers actually scanned the external environment and developed a typology of the environment. He identified processes like 'formal search, undirected viewing, and conditioned search.' Post (1978) attempted to look at the developments in socio - political and ecological environments and the response of the enterprise to them. His classification of responses like snow walling, procrastination, appeasement, and collaboration provided a base for further research. Porter (1980) attempted to marry the industrial organization literature with that of strategy and created the five forces frameworks and categorized competitive strategy in generic terms. Cost and differentiation as generic strategies became the centre of research for several years. Strategy and competitive advantage came to be viewed in terms of product market position that enabled an enterprise to defend itself against the five forces. Changes in strategy got viewed as changes in this product-market position. Search for the bases of competitive advantage within the firm led to the development of the resource-based view of the firm (Wernerfelt, 1984). It traced the roots of competitive advantage to idiosyncratic resource endowments — tangible and intangible — of firms and the role of strategic intent (Hamel and Prahalad, 1989) in mobilizing such resources. Studies of successful organizations led to the developments of rules for managing excellence (Peters and Waterman, 1982; Khandwalla, 1992). Based on an analysis of Japanese competitive successes and American competitive failures, Hamel and Prahalad (1994) challenged the concepts and frameworks of strategic fit, five forces, growth share matrix, and rules for excellence. They viewed them as reactive responses. They discussed the role of enterprises in surprising the environment with competitive innovations and new products and services. They stressed the proactive behaviour of corporation vis-a-vis the environment. Their work prompted others to question the content and process of strategy vis-a-vis the environment. Recently, Porter (1996) tried to integrate the various perspectives. He tried to distinguish between responses that facilitated the enhancement of operational effectiveness and those that positioned the firm in the competitive environment. Changes in technological environment brought about by innovations, their linkages with competitive environment and enterprise responses to them have also been studied (Utterback, 1996).
Studies of the linkages between the organization and the environment have explicitly or implicitly looked at the role of public policy. Andrews (1971) has provided a separate treatment to regulatory environment as a determinant of strategy. Porter (1980) did not identify public policy as the sixth force. He looked at it as an all-pervasive influencer. Utterback (1996) also recognized the role of public policy in influencing the technological environment. Changes in public policy have both direct and indirect impact on the environment. As a direct influence it defines the opportunities open to the firm for exploitation, bans entry of others in the areas the enterprise is already operating, and wards off threats. It influences the bottom line through a structure of taxation. Indirectly, it influences all the other environments. There is a case for looking at both direct and indirect influences of public policy on the enterprise and the responses of the enterprise to these. In this context, we present our scan of the studies that have looked at corporate response to deregulation. To begin with, we present a review of the literature in the international context. We follow this by a scan of the studies in the Indian context.

**Domain of Deregulation Studies: International Context**

**ABI Scan**

In our effort to delineate the domain of deregulation studies, we scanned the 'ABI Inform' database for titles under the subject 'deregulation' for the years 1971 to 1997. This scan yielded more than 7000 articles. We used several keywords — profits, benefits, prices, wages, competition, market entry, market structure, economic theory, economic policy and planning, and technological change/challenge/innovation in conjunction with the main subject of deregulation to further search for specific themes under the broad subject matter of deregulation. Several titles emerged as a result of this search as listed in Table 1. It can be seen from the table that the impact of deregulation on competition and prices has received dominant attention from researchers. Deregulation and innovation and deregulation and wages have not received sufficient attention.

One of the key articles on aggregate effects was that of Winston (1993). He explored the actual effects of deregulation vis-a-vis theoretical predictions. He looked at the effects of deregulation on industry structure and technology and concluded that deregulation in the US had resulted in benefits to the customers. Significantly, he found that this benefit to the customer had come about without a reduction in the benefits to the producers. He also found that both customers and producers had gained as a result of deregulation in the US.

We were able to identify over 700 articles with possible focus on enterprise level responses. We read the abstracts of 100 articles, selected at random, in an effort to assess the extent to which researchers had focused on firm level responses to deregulation. A study of these articles showed that deregulation had spanned a wide canvas of industries in the economy such as aviation, telecommunications, railroads, hospitals, and financial services. The articles exploring the responses to deregulation had dealt by and large with 'what' the strategic responses were. The 'how' and 'why' questions were not researched sufficiently. There were, for instance, articles naming new entrants and their services in the US. Product diversification moves by established incumbents in the telecommunication sector was the subject of many articles. Other articles threw light on such topics as route rationalization moves in the airlines industry in the US.

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<tbody>
<tr>
<td>Deregulation and Economic Theory</td>
<td>38</td>
<td>89</td>
<td>43</td>
<td>56</td>
<td>55</td>
<td>281</td>
</tr>
<tr>
<td>Deregulation and Economic Policy and Planning</td>
<td>63</td>
<td>139</td>
<td>110</td>
<td>169</td>
<td>410</td>
<td>891</td>
</tr>
<tr>
<td>Deregulation and Competition</td>
<td>843</td>
<td>668</td>
<td>181</td>
<td>366</td>
<td>595</td>
<td>2,653</td>
</tr>
<tr>
<td>Deregulation and Market Entry</td>
<td>99</td>
<td>107</td>
<td>25</td>
<td>55</td>
<td>60</td>
<td>346</td>
</tr>
<tr>
<td>Deregulation and Benefits</td>
<td>242</td>
<td>224</td>
<td>45</td>
<td>48</td>
<td>105</td>
<td>664</td>
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<tr>
<td>Deregulation and Profits</td>
<td>255</td>
<td>170</td>
<td>42</td>
<td>48</td>
<td>46</td>
<td>561</td>
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<tr>
<td>Deregulation and Prices</td>
<td>557</td>
<td>334</td>
<td>100</td>
<td>171</td>
<td>217</td>
<td>1379</td>
</tr>
<tr>
<td>Deregulation and Wages</td>
<td>39</td>
<td>35</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>92</td>
</tr>
<tr>
<td>Deregulation and Technological Change/ Challenge/ Innovation</td>
<td>6</td>
<td>93</td>
<td>17</td>
<td>41</td>
<td>34</td>
<td>191</td>
</tr>
</tbody>
</table>

*Table 1: Number of Articles on Different Subthemes Related to Deregulation (1971-97)*
subsequent to deregulation, partnerships with foreign banks in Australia, diversification of services in the US trucking industry, and the problems faced by Canadian banks after revisions in the Canadian Bank Act of 1981.

Twelve Research Papers

We were able to identify 12 research papers that systematically sought to describe and explain enterprise level strategic responses. The 12 research papers pertained to different research sites in the US, UK, and Chinese economies. The early study pertained to the reforms in the aviation industry and the responses of corporations to them. Two studies each pertained to hospitals, banking, and telecommunications industries. One study each came from the study of responses in railroads, financial services, and electronics industry. Researchers have also attempted to compare the experiences across the industries. One study presented comparative experiences of firms in five different industries: railroads, brokerage, airlines, trucking, and business terminal equipment industries, while another compared firms in the electronics and wood products industries. Among the 12 papers, one pertained to China, two to UK, and the rest to the US. The researches and their research sites are summarized in Table 2.

A review of the 12 research papers revealed that there existed wide differences among the studies in the way strategic response was conceptualized and operationalized, and in the theory that they were testing. However, we found that there did exist linkages which enabled the studies to be placed in the following categories:

- Studies that linked deregulation and strategic response, treating regulatory change as an event and a dichotomous construct.
- Studies that linked strategic response to strategic predisposition and/or resource position, treating regulatory change as a dichotomous construct.
- Studies that linked strategic response to the level of deregulation.

Out of the 12 papers, seven fell under the first category. Ungson et al. (1985) focused on the relative influence of regulatory sector vis-a-vis the other sectors of the task environment. They chose firms in the US wood products and electronics industry as their research sites and investigated the organizational responses of these firms to changes in the customer, competitor, supplier, and regulatory sectors of the environment. They employed Miles and Snow’s (1978) concept of organizational Adjustments’ to measure organizational responses in terms of changes in strategy, structure, systems, processes, and people. Ungson et al.’s findings indicated that organizations adjusted more frequently to changes in the regulatory sector of the environment than to other sectors of the environment. Ungson et al.’s contribution lay in the fact that they departed from the tendency to aggregate the environmental sectors and attempted to disaggregate the environment into its sectors and explore their relative influence. Mohan and Murray (1980) provided an early insight into the response of enterprises to deregulation. Changes in the aviation industry provided Mohan and Murray a context to examine the experience of corporations as they moved from unfocused strategy to focused strategy. They

Table 2: Studies on Deregulation and their Research Sites

<table>
<thead>
<tr>
<th>Work</th>
<th>Research Site</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mohan and Murray (1980)</td>
<td>Aviation Industry</td>
<td>US</td>
</tr>
<tr>
<td></td>
<td>Hospitals</td>
<td>US</td>
</tr>
<tr>
<td></td>
<td>Railroads, and Communication)</td>
<td></td>
</tr>
<tr>
<td>Smith and Grimm (1987)</td>
<td>Telecommunications Industry</td>
<td>U</td>
</tr>
<tr>
<td>Zajac and Shortell(1989)</td>
<td>Railroads Hospitals</td>
<td>K</td>
</tr>
<tr>
<td>Chakravarty (1991)</td>
<td>Telecommunications Industry</td>
<td>US</td>
</tr>
<tr>
<td>Reger et al. (1992)</td>
<td>Banking Industry</td>
<td>US</td>
</tr>
<tr>
<td>Ingham and Thompson (1994)</td>
<td>Financial Services</td>
<td>US</td>
</tr>
<tr>
<td>Tan and Litschert (1994)</td>
<td></td>
<td>UK</td>
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<tr>
<td></td>
<td></td>
<td>China</td>
</tr>
</tbody>
</table>
argued that the corporations were widely diversified and unfocused before the deregulation. Focused strategy became more important after deregulation. Smith and Grimm (1980) developed industry specific indicators of strategy to study the strategies of 27 railroad firms before and after deregulation along dimensions like marketing focus, pricing, product dependability, service quality, and organizational innovativeness. Building on the concept of focused and unfocused strategies of Porter (1980), they, like Mohan and Murray (1980), hypothesized that railroad companies would change from an unfocused to a focused strategy after deregulation. While no particular strategy dimension would be predominant under a regulated regime, firms would focus on one or two dimensions of strategy after deregulation. Developing industry specific dimensions of strategy to study the effect of deregulation was a major contribution of their work. Blake (1983) too addressed the issue of "focused strategy" when he analysed organizational responses in terms of "where firms compete" (product-market scope) and "how they compete" (competitive strategy) before and after deregulation and found that "winners" changed their product market scope (broad to narrow) and their method of competing (accepted rules of the game to innovative methods) after deregulation. Waite (1982) found narrowing of the product-market scope to be an important consequence of deregulation in the banking industry too. Butler and Carney (1986) found that regulatory change led to an organizational strategic response principally by increasing the concentration of competitors in the environment. The Chinese electronic industry in transition provided the setting to Tan and Litschert (1994) to study the strategic orientation of firms. Based on a sample survey of 94 firms they proposed that a "defensive strategic orientation" is likely to lead to improved performance in transition economies.

Under the second category fell three studies. Zajac and Shortell (1989) sought to probe the effect of strategic predisposition on the likelihood and direction of change after deregulation. They employed the strategy typologies of Miles and Snow (1978) to measure the likelihood and direction of changes in the strategies of 423 hospitals in the US before and after the introduction of the Prospective Payment System and found that changes in strategy did occur, that the likelihood of change was influenced by the initial strategy, and that the change in direction was not random. Chakravarty (1991) advanced a more comprehensive theoretical framework that integrated strategic predisposition, product-market scope, competitive strategy, and the resource position of the firm. In his study of the US Telecommunications Industry, he postulated that changes in the scope of adaptation (the product-market scope after deregulation) and mode of adaptation (domain-management strategies of defense, reaction or proaction) would be a function of the tangible and intangible resources of the firm and its strategic predisposition. The third study in this category by Ingham and Thompson (1994) focused specifically on two modes of diversification: fully owned and collaborative ventures and used the "natural experiment" of finance services deregulation to relate diversification strategies to the asset specificity of firms.

There were two studies that fell under the third category. The first by Cook et al. (1983) broke new grounds by proposing that the regulatory environment of a firm could be described in terms of the scope of regulation (the number of activities constrained by regulation), the stringency of regulation (the extent to which each of these activities is controlled), and the speed or rate of change of regulation. These attributes collectively constituted regulatory intensity. They then classified organizational responses into "intra-organizational" and "inter-organizational" and within each of these classifications into "managerial" and "technical" responses and advanced a hierarchical model of organizational responses as regulation gained in intensity. About a decade later, Reger et al. (1992), picked up from where Cook et al. (1983) left. Using the constructs of scope and rate of change of regulation and choosing US banks as their research sites, they sought to link regulatory intensity to strategic change. Operationalizing strategic change in terms of changes in the product/market mix (such as the ratio of personal to commercial loans, and the ratio of agricultural to total loans), and product/market scope (ratio of foreign to domestic loans), they hypothesized direct and indirect relationships between the scope and rate of change of regulation and strategic choice. They found that banks adopted riskier strategies under deregulation but were unable to establish a link between regulation and product-market mix, an important measure of strategic change. This led them to suggest that future research would do well to consider the impact of differences in resource endowments in explaining strategic response to deregulation.

Methodologically, both case studies and surveys have been found helpful by the authors of the above studies. The way these scholars have sought to develop attributes of regulation/deregulation, and operationalized the difficult concept of strategic response to suit their research objectives
is worthy of note.

Exhibit 1 gives an overview of the conceptualization of deregulation, the operationalization of organizational responses, and the findings of the studies cited in Table 2.

In the next section we focus our scan on the Indian studies.

**Literature in the Indian Context**

Acceleration of reforms in India in 1991 provided an impetus to researchers to explore the implications of the new environment and study the responses of corporations. Understanding the rationale for the reforms and their reach itself became a subject for research. Researchers focused on understanding the effects in different sectors of the economy and made recommendations for further change (Mani, 1992; Sen and Das, 1992; Sandesara, 1992; Jain, 1993; Sengupta, 1993; Patnaik and Chandrashekar, 1995; Kabra, 1996; Nagaraj, 1997; Varma, 1998 and Wadhwa, 1998). Opportunities for further reforms were explored further by Morris (1997) and Parikh (1997). Researchers also focused on understanding the responses at the level of enterprises as well. Das (1996) attempted to model the responses under the deregulated scenario and identify areas demanding strategic actions. "Organizational refocusing" and organizational renewal were identified as the key response areas by Das, Khandwalla (1996) attempted to present some effective strategic and systemic responses open to firms under liberalization. Empirical investigation of enterprise response to economic reforms was attempted by Chhokar and Dixit (1997), Mustafi (1998), Ray (1998), Shankar (1994), and Venugopal (1998).

The responses of 64 top executives to the questionnaire of Chhokar and Dixit indicated that the corporations were upbeat about the reforms. They perceived that the reforms were externally induced. They saw disenchantment with the slow progress of Indian economy as another reason for introducing change in public policies. The respondents anticipated that the corporation would restructure their portfolio and opt for related diversification. Ray (1998) attempted to investigate the responses using a larger sample. He surveyed the responses of 110 companies and noted that corporations aimed at higher growth and return, and exhibited an increase in the organizational and operational scales, business scope, and diversity of operations. Ray also attempted to look at the various linkages through a comprehensive quantitative model. On the public enterprise front, Manikutty (1987) had studied in depth the response of a central public enterprise to environmental change. Shankar (1994) and Venugopal (1998) studied the responses of public enterprises in detail. Venugopal studied in detail the responses of two enterprises in electronics and paper industries. He found mixed results. Two companies had opted to stay in industries where protection was still available while two others had chosen to move into competitive areas. The differences in strategic responses were related to the slack financial resources, extent of misfit between the manufacturing resources of the enterprises, and the changed customer demand. Significantly, he proposed that a public enterprise was not likely to continue discharging public goals if regulator's support was withdrawn. Mustafi (1998) focused on the tractor industry and studied the linkages between environment, business strategy, and buyer-supplier relationship before and after liberalization. He found that the sample firms in the tractor industry had tended to move from arms length relationship to cooperative relationship. A review of the literature in the Indian context shows that a beginning has been made to understand the linkages between the firm and the post-liberalization environment in the Indian context. Compared to the Indian studies, the international studies have attempted greater generalization. There is lot more scope to explore and draw inferences. For example, we did not come across a study that attempted to look at the public policy response to corporate behaviour or the innovations in liberalization. We would present these and other areas for research in the next section (Exhibit 2).

**An Agenda for Future Research**

**Further Disaggregation and Linking**

The dimensions of environmental hostility, complexity, and uncertainty (Dess and Beard, 1984) which have been developed by organizational theorists may be useful in looking at the reforms. We can speak in terms of the hostility, complexity, and uncertainty in the deregulated regime and develop specific indicators. Another dimension for classification could be the nature of impact of policy reforms on stakeholders. We could classify the changes as those influencing the customer, competitor, supplier, and technologists in the task environment. A classificatory scheme for deregulation and its attributes would be a significant development. Once this is accomplished, there would be an opportunity to integrate it with the scheme developed by Cook et al. It would show that enterprises face not one but several types of changes in the public policy environment. We could study the responses in this context. It is possible to conceptualize
<table>
<thead>
<tr>
<th>Authors</th>
<th>View of Regulatory Change</th>
<th>View of Enterprise Response</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ungson (1983)</td>
<td>Environmental event</td>
<td>Changes in strategy, structure, systems, processes, and people</td>
<td>Influence of the regulatory on strategic response environment is greater than that of other sectors of the environment</td>
</tr>
<tr>
<td>Mohan and Murray (1980)</td>
<td>Environmental event</td>
<td>Shift from unfocused to focused strategy</td>
<td>Strategies become more focused after deregulation</td>
</tr>
<tr>
<td>Smith and Grimm (1987)</td>
<td>Environmental event</td>
<td>Number of dimensions of strategy that the firm focuses upon</td>
<td>While there is no prominent dimension of strategy before deregulation, firms focus on two or three dimensions of strategy after deregulation</td>
</tr>
<tr>
<td>Waite (1982)</td>
<td>Environmental event</td>
<td>Changes in product-market position</td>
<td>Product-market scope becomes more focused after deregulation</td>
</tr>
<tr>
<td>Blake (1983)</td>
<td>Environmental event</td>
<td>Changes in product-market scope, competitive strategy</td>
<td>More focused product-market scope and more innovative competitive strategies are likely to lead to better performance</td>
</tr>
<tr>
<td>Butler and Carney (1986)</td>
<td>Environmental event</td>
<td>Changes in ‘course of action’</td>
<td>Deregulation increases competitive intensity which in turn causes changes in course of action</td>
</tr>
<tr>
<td>Ingham and Thompson (1994)</td>
<td>Environmental event</td>
<td>Fully owned vs collaborative diversification</td>
<td>Changes in diversification strategy after deregulation are dependent on the asset specificity of firms</td>
</tr>
<tr>
<td>Tan and Litschert (1994)</td>
<td>Environmental event</td>
<td>Changes in strategic orientation</td>
<td>Changes in strategic orientation are dependent on the increase in environmental complexity after deregulation</td>
</tr>
<tr>
<td>Zajac and Shortell (1989)</td>
<td>Environmental event</td>
<td>Changes in generic strategy (defensive-prospective)</td>
<td>Likelihood of strategic change is dependent on initial strategy</td>
</tr>
<tr>
<td>Cook et al. (1983)</td>
<td>Change in scope and stringency and rate of change of regulatory environment</td>
<td>Inter- and intra-organizational responses; each further subdivided into managerial and technical responses</td>
<td>As regulatory intensity increases, organizations are likely to exhibit a hierarchy of responses from interorganizational-managerial to intraorganizational technical</td>
</tr>
<tr>
<td>Reger et al. (1992)</td>
<td>Change in regulatory scope and regulatory stringency</td>
<td>Changes in product-market mix</td>
<td>No significant relation between deregulatory intensity and product-market mix</td>
</tr>
<tr>
<td>Chakravarty (1991)</td>
<td>Environmental event</td>
<td>Changes in product-market scope and defensiveness/proactiveness in domain management</td>
<td>Changes in product-market scope and domain management strategy are influenced by strategic predisposition, and the initial stock of tangible and intangible resources</td>
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### Exhibit 2: A Research Agenda

<table>
<thead>
<tr>
<th>Area</th>
<th>Core Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Further disaggregation and linkages</td>
<td>Developing and measuring attributes of the regulatory environment for comparison of different regulatory settings. Classification of reforms by attributes and impact on stakeholders</td>
</tr>
<tr>
<td>Enterprise response and country context</td>
<td>Comparative studies of responses across countries.</td>
</tr>
<tr>
<td>Industry-level studies</td>
<td>Industry structure after deregulation; Variation in response between industries subjected to phased/gradual/partial deregulation and those subjected to sudden and complete deregulation; Responses of process-based vs batch production industries; Responses of nascent vs mature industries</td>
</tr>
<tr>
<td>Ownership size and enterprise responses</td>
<td>Variation in responses to deregulation between MNCs, public sector firms, and private domestic companies; Between small, medium, and large firms; Between single and diversified businesses</td>
</tr>
<tr>
<td>Learning and innovation in liberalization</td>
<td>Innovations in responses, learning, and unlearning challenges.</td>
</tr>
<tr>
<td>Content to process: Analytical processes in response building</td>
<td>Modelling changes, frameworks for comparison, and contracts anticipating and amplifying weak signals</td>
</tr>
<tr>
<td>Content to process: Organizational dynamics of enterprise response</td>
<td>What are the organizational processes? Who are the actors? How do they relate to one another? How do they communicate? How do they negotiate?</td>
</tr>
<tr>
<td>Corporate governance and liberalization</td>
<td>What are the new forms of corporate governance? Do corporates adopt short cuts to meet competition and performance pressures arising from liberalization?</td>
</tr>
<tr>
<td>Operationalizing market-orientation</td>
<td>What is the concept? What are the internal changes?</td>
</tr>
<tr>
<td>Political behaviour of enterprise Policy response to enterprise change</td>
<td>How do enterprises influence policy?</td>
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<tr>
<td></td>
<td>How do policy makers receive feedback from industry and firms and reformulate their policies?</td>
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</table>

A matrix linking the type of regulatory reforms with the kind of enterprise response and, show the nature of inter-dependencies, leads, and lags. While studying the responses, we should not concentrate on product-market changes alone. We need to take a comprehensive view of strategy as in Andrews (1971) and study the total response of enterprises. This could pave the way for building a comprehensive quantitative model of enterprise response to environmental change along the lines attempted by Ray (1998).

**From Content to Process**

Excepting Venugopal (1998), the studies scanned have focused on understanding and explaining the content of response. How does the response come about? One can distinguish between analytical and organizational processes in developing the response. The key questions in analytical processes are: What are the tools, techniques, and frameworks used by the enterprises to recognize, interpret, generate options, and make a choice? Are there limitations to the existing tools of forecasting and scenario writing? Have any new tools been developed? Regarding organizational processes in enterprise response the key questions are: Who are the people who get associated with formulating and implementing a response? How did they interact? What are the formal and informal processes in decision-making, communication, and negotiation? This area is totally unexplored.

**Learning, Innovation, and Liberalization**

The policy reforms have brought about an all-round change in the environment. This would mean a break from the past. What does this break mean in terms of learning and unlearning challenges? Except Ramnarayan and Bhatnagar (1993), the studies linking enterprise response with liberalization have not considered the question of learning. Based on a survey, Ramnarayan and Bhatnagar identified several learning challenges before the managers in the new environment. Besides learning there is the challenge of unlearning. What are the unlearning challenges? Have managers unlearnt? How have they unlearnt? How should they unlearn? What are the constraining and facilitating factors? In the process of learning and unlearning, what are the innovations in management? The area of innovation is the least researched one. As indicated earlier, liberalization is a break from the past.
This break could be a stimulus for innovations not only in management, but also in products, features, and ways of linking with the suppliers, competitors, and customers. Have innovations occurred? What are these? How did they come about? What were the facilitators and constraints? We need to document the innovations and study their process and impact. We have the associated question of why some enterprises are more innovative than others. This takes us to the question of why innovations did not occur. What else could have been done to spur innovations? We would like to add this to our research agenda.

**Liberalization and Corporate Governance**

The question of corporate governance came to the fore towards the end of 90s. Liberalization brings pressure on corporations to perform or quit the industry. It could even threaten the very survival of the enterprise. In responding to the survival challenge, do enterprises adopt short cuts? Do they sacrifice the long-term for the short-term? Do they show insensitivity to the societal impact of their responses? Do they act against the interests of shareholders? These questions need to be investigated.

**Political Behaviour of Enterprises**

It has been noted that, in a regulated regime, the strategy of firms is predominantly political (Chakravarty, 1991). Subsequent to deregulation, can we assume that this aspect of strategy would lose in importance? Indeed, as Cook et al. (1983) found, firms make "inter-organizational" responses such as law suits in response to regulatory change. A promising line of inquiry could be to address such questions as the following: What are the external responses of organizations to regulatory changes? How and under what conditions do such responses succeed in reversing regulatory changes or bringing in additional changes? Is there a hierarchy of external and internal responses or do firms exhibit both simultaneously? In researching these and related questions, it is to be borne in mind that while internal responses such as changes in strategy can be categorized as ‘economic,’ these external responses take on a political hue. The stakeholder approach to strategy may serve as a useful theoretical point of departure. What role do firm-level strategic responses play in influencing decisions of regulators to expand, modify or contract the course of regulation/deregulation?

**Inter-enterprise Differences in Responses**

We have seen that researchers investigating strategic change subsequent to deregulation, with the exception of Chakravarty, have adopted a purely product-market perspective circumscribed by the industrial organization paradigm of the 80s (Porter, 1980). There are some important questions that purely product-market approach cannot shed light on. Why do some organizations change their strategic positions while others do not? What is the role played by the asymmetric resource endowments including intangibles such as skills, know-how, and management style and organizational culture that different firms bring to the deregulated and competitive arena? Seeking answers to these in the post-liberalization context would be useful.

**Sector, Ownership, Size, and Enterprise Responses**

Organizational responses to regulation can be expected to vary depending upon the kind of firm that one is investigating, which opens up yet another research avenue. How are the responses of MNCs, PSUs, and private domestic firms different? Again, how do the responses of small, large, and medium firms differ? How are the responses of single business firms different from those of a diversified corporation? How do enterprises in two different industries under similar policy regimes respond? Are there differences in their responses? How can we explain this? This is another set of questions for enquiry. The possibilities of insightful findings in this area are also immense. They would provide significant feedback to policy makers.

**Enterprise Response and Country Context**

Like the ownership question, there is the issue of linking enterprise response with the country context. How do the responses vary between developing and developed countries? What have been the responses of the former socialistic and now market-oriented economies? Such an inter-country study would throw up the limitations of existing models, frameworks and checklists, and prompt researchers to rethink.

**Operationalizing Market-orientation**

As government control of the economic activities of non-governmental bodies diminishes, the 'market-orientation' of organizations assumes relevance. How can one define this market-orientation? Do organizations become more market-oriented after deregulation? What organizational arrangements in terms of structures, systems, and processes for environmental scanning, dissemination of market information, and designing and implementing responses do they adopt? Research into these and related questions can form yet another rich and useful stream of research.

**Policy Response to Enterprise Change**

We did not come across studies that examined the
public policy reformulation in the context of enterprise response. The liberalization programme is new to the public policy makers as well. They may have made certain conjectures and assumption in formulating the programme and announcing it to the enterprises. How do they react when the assumptions go wrong or new insights are provided by the way enterprises recognize, interpret the liberalization programme, and respond? This is an area worth looking into. The above elements of the agenda are summarized in Exhibit 2.

In developing the broad agenda as above, it is not our contention that all the research gaps should be addressed in one single paper. They need to come through a wide base of research projects. Our aim is to provide a stimulus to the research on enterprise response to public policy reforms by pointing to the vast scope that exists. It is hoped that our effort would fructify into useful research projects and extend the knowledge base of the interaction between the enterprise and the environment.

Bibliography


Vikalpa


