Corporate Strategy of Indian Organizations: The ‘Root-Branch’ Framework

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Executive Summary

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

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

- From the evolutionary context — Correcting the mindset of dependency on the government; going beyond rationalization of businesses; establishing tight linkages between corporate and business strategies with operations; venturing into new areas; and, building on success against multinational corporations.
- From the emerging context — Large, growing, and internationalizing Indian economy; globally integrated capital markets; information and communication technologies; tenets of governance; and, management resource and capability.

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

A ‘root-branch’ corporate strategy framework addresses the contextual patterns and imperatives of an organization. It conceptualizes corporate strategy of an organization as a gestalt of three sets of components — ‘root’ as the first level response to the commonalities in the context shared by all the organizations; a ‘branch’ or types of strategic direction depending on its match with requirements and characteristics of a type; and components based on its industry-and company-specific factors. The framework can be applied to any geographical or sectoral situation, and root and branch components can be delineated based on the analysis of imperatives in evolutionary and emerging contexts.

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

- the root of ‘being honest’ and ‘being world-class’
- one of the three viable branches or types of strategic direction — ‘India focused,’ ‘India diversified,’ and ‘global focused.’

In conclusion, the three viable and effective corporate strategies for Indian organizations in the coming decade are — “Being honest + Being world-class + India focused,” “Being honest + Being world-class + India diversified,” and “Being honest + Being world-class + Global focused.” To be successful, the agenda of an organization is to achieve and sustain consistency among the various components and with the requirements of ‘root’ and chosen ‘branch’ or strategic direction. And the agenda will need to be translated into and be implemented through a well-calibrated sequence of business and organizational initiatives.
Strategic behaviour of corporations is a reflection of and a response to the prevailing socio-economic trends and patterns. Corporate strategy questions, which have been central to the strategic management discipline, relate to the appropriate measures of corporate performance, the rate of growth and extent of diversification, and the ways of mobilizing resources and developing requisite competencies. These questions are of great importance for the Indian organizations as they prepare to navigate the competitive, fast changing, and globalizing business environment. They need to adopt rigorous and appropriate corporate strategy approaches to realize their potential in the coming decade.

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

Strategic management is currently in pre-paradigmatic stage with many propositions and theoretical constructs on superior strategic behaviour existing simultaneously. However, the need to evolve and sustain ‘fit’ between requirements of a corporation’s business environment and its organizational competencies has remained a guiding premise since the beginning. The concept of ‘fit’ is multi-faceted and complex in terms of operationalization, and, over the years, various corporate strategy frameworks were evolved to elaborate on the ways to analyse a corporate situation and to define the characteristics of a superior fit. Among the frameworks, there are differences in perspectives and emphases, whether on internal or external factors or on current versus future scenarios.

Therefore, this paper has two objectives — one, to assess the major corporate strategy frameworks and draw relevant insights for corporate strategy of Indian organizations, and two, to incorporate insights and analysis of Indian business situation for evolving appropriate strategy approaches in the coming years.

MAJOR CORPORATE STRATEGY FRAMEWORKS: AN ASSESSMENT

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

Each framework was influential during its respective decade and following the suggested corporate response became the popular way. As these frameworks were extensively discussed and referred to in the media and investment circles, the American corporations often felt compelled to follow the prevailing trend. On the other hand, the latter frameworks did not disprove or subsume the earlier ones and it was more of supplanting the influence, somewhat akin to the ‘fashion of the decade.’ Building on our earlier paper (Karki, 2002), the major features of the four corporate strategy frameworks are outlined in Box 1. A few conclusions that can be drawn are as follows:

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

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

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

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

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

The corporate strategy issues faced by Indian or-

**Box 1: Major Corporate Strategy Frameworks over the Years**

<table>
<thead>
<tr>
<th>Framework</th>
<th>1960s</th>
<th>1970s</th>
<th>1980s</th>
<th>1990s</th>
</tr>
</thead>
<tbody>
<tr>
<td>SWOT²</td>
<td>Strategic Planning Matrix</td>
<td>Competitiveness</td>
<td>Core Competency³</td>
<td></td>
</tr>
<tr>
<td>Kenneth A. Andrews</td>
<td>Boston Consulting Group</td>
<td>Michael E. Porter</td>
<td>C K Prahlad and Gary Hamel</td>
<td></td>
</tr>
<tr>
<td>Theme and Suggested Response</td>
<td>Match opportunities and risks in the environment with the internal capabilities and orientation and be in businesses that pass through the screens of what a company ‘might do,’ ‘can do,’ and would ‘like to do’</td>
<td>Have a balanced portfolio in terms of the growth through entry into emerging areas and the profitability through high market share and learning curve effects</td>
<td>Achieve and sustain competitiveness in the businesses individually based on five-force industry attractiveness analysis and on following one of the three generic strategies, i.e., cost, differentiation or focus</td>
<td>Find a few basic activities the corporation is good at and build the business and the organization around harnessing this core(s) competency and also to exit from businesses that do not relate to it</td>
</tr>
<tr>
<td>Perspective</td>
<td>Inside-out and current</td>
<td>Inside-out and future</td>
<td>Outside-in and current</td>
<td>Inside-out and current</td>
</tr>
<tr>
<td>Key Contextual Patterns for American Business</td>
<td>• Continuation of post-world war boom</td>
<td>• Sobering influence of oil price shocks</td>
<td>• Challenge from Japanese companies</td>
<td>• Continued success of Japanese companies and their expansion into multiple product-markets</td>
</tr>
<tr>
<td></td>
<td>• Emergence of new industries like chemicals and electronics</td>
<td>• Emerging evidence on differing profitability levels and linkages with market share</td>
<td>• Disappointing results of earlier merger and acquisitions wave</td>
<td>• Below par profitability and market capitalization of US conglomerates</td>
</tr>
<tr>
<td></td>
<td>• Opening of opportunities in overseas markets</td>
<td>• Realization that industries go through ‘S’ type lifecycle curve</td>
<td>• Diverse and unwieldy business portfolio of corporations</td>
<td></td>
</tr>
</tbody>
</table>

¹There is a vast body of research and publication on each of the frameworks and the representative references are Andrews et al. (1965); Boston Consulting Group (1975); Porter (1980); and Prahlad and Hamel (1990) respectively.

²Though Andrews et al. (1965) did not explicitly use SWOT in writings, the framework was generally known and referred to by this term.

ganizations in the coming decade, due to the ways and
the reasons therein of their evolution till now, are de-
liberated upon in the next section. Thereafter, the major
new forces that will impact on the strategic choices
during the coming decade are outlined. An original
corporate strategy framework for the Indian organiza-
tions is developed through juxtaposition of the issues
and forces of evolutionary and emerging contexts in the
section prior to ‘conclusions.’ The primary focus is on
the private sector organizations, predominantly owned
and managed by domestic promoters or investors and
institutions, as the sector is likely to be the largest
component and the principal driver of Indian business
in the coming decade. However, the issues and forces
as well as the corporate strategy framework will be
broadly applicable to the other two sectors of corporate
India — public sector organizations and the multination-
al subsidiaries.

EVOLUTIONARY CONTEXT:
ISSUES AND IMPERATIVES

Since independence, the business environment and the
corporate responses in India have been very different
from the premises and assumptions of strategic manage-
ment literature. The primary reason was the adoption
of a ‘nationally planned self-reliance’ based economic
thinking in India. The thinking pervasively and tightly
defined the do’s and don’ts for Indian business organi-
zations. It was operationalized through licences and
controls and was administered through an elaborate
mechanism of planning bodies at the top to factory
inspectors at the bottom. After some sporadic and indus-
try-specific loosening-up during the 1980s, the turn-
ning point was the economic reforms initiated in 1991.
This marked a deliberate shift towards ‘market-orient-
ed-globally integrated’ economic thinking and the pro-
cess became irreversible and covered considerable ground
by the late 1990s.

The evolution of business environment and corpo-
rate strategy responses of Indian organizations fall into
two distinct stages — first, during the ‘planned self-
reliance’ oriented economy till the 1980s, and second,
during the transition decade of the 1990s and after.
Various aspects of these stages, documented in our earlier
article (Karki, 2001), have left a distinct imprint on the
business profile and the mindsets and behavioural
characteristics of the Indian organizations. The key
corporate strategy issues and imperatives in the coming
decade, as consequences of the approaches followed by
the Indian organizations in earlier two stages, are:

- **Correcting the mindset of dependency on govern-
ment:** While the discretionary and direct control is
now considerably reduced, Indian corporations often
carry a hangover from the ‘license control’ era of
high dependence on government for directions. This
orientation is counter-productive as corporate stra-
tegy will be primarily dependent on market oppor-
tunities and organizational capabilities for most of
the Indian organizations. It is inappropriate too
because in a market-oriented economy, it is the
corporations that generally set the relevant agenda
for governments. However, the government moves
on disinvestment could throw exceedingly good
opportunities to diversify as in the case of entry of
Reliance into power and the ability to anticipate and
influence policies can be a source of significant
advantage in areas where the policy framework is
still evolving, e.g., banking, retail, and infrastruc-
ture.

- **Going beyond rationalization of businesses:** As a
consequence of strategic approaches during the ‘li-
cense control’ era, a majority of Indian organiza-
tions had unwieldy business portfolios, outdated
technologies, and low scale and operating efficien-
cies. The rationalization phase undertaken in the
1990s is nearing completion in case of most of the
organizations, and the corporate portfolios are now
relatively balanced, and individual businesses are
operating at currently viable cost levels. Now, they
need to go further and build long-term sustainabil-
ity especially in terms of creating product and process
innovation capabilities and evolving an organiza-
tion culture of continuous efficiency improvements.

- **Establishing tight linkages between corporate and
business strategies with operations:** Before the 1990s,
the growth and diversification of Indian organiza-
tions were almost de-linked from the performance
and efficiencies in existing businesses. The de-link-
ing was further manifested during stock market
surges of early and late 1990s. The orientation of
business success being determined by fundamen-
tals that led to superior market valuations, and not
the other way round, is yet to be fully internalized.
The aspects that need to be worked upon are —
ability to make calibrated investments in techno-
logy development and operating infrastructure that
will pay over a longer horizon; processes to review market developments and current performance in terms of long-term implications; and, organizational framework to balance dynamics at individual business level with the corporate portfolio currently and in the future.

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

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

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

**EMERGING CONTEXT: MAJOR FORCES AND IMPLICATIONS**

Five forces that broadly capture the emerging context of Indian organizations in the coming decade are: large, growing, and internationalizing Indian economy; globally integrated capital markets; information and communication technologies; tenets of governance; and management resource and capability. These forces are relatively independent and can be analysed for implications separately.

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

**Force 2: Globally integrated capital markets**: Since the late 1990s, Indian capital markets have been closely influenced by overseas trends, and with gradual liberalization of two-way capital flows, the integration will be completed in the coming decade. Venture capital has come of age and will become pervasive, promoting entrepreneurship especially among conventionally less business-oriented social groups. All this leads to capital ceasing to be a constraint for a sound idea and for a well-managed Indian organization. On the other hand, integration has brought in exogenous considerations to Indian capital markets and has led to greater pressure for performance and transparency on organizations. In the coming decade, there will be obliteration of distinction between overseas and domestic capital both in primary or secondary markets and in terms of availability and costs and convergence with global trends and patterns.
related to market expectations, volatility, and discipline. **Force 3: Information and communication technologies:** In essence, a business activity is the exchange of goods and services for money which is made possible by the exchange of information at various points and stages. The efficiency and efficacy of information exchange is a powerful explanation for creation and for determination of boundaries of organized entities. The developments in information and communication technologies, especially since the coming of internet in the 1990s, have revolutionized the scope and costs of capturing, processing, and exchanging information. These developments have the potential to alter the concept of business and organization in corporations around the world. With the proven capabilities of Indian IT companies and fast creation of relevant infrastructure in the country, the impact on Indian organizations will be equally strong and almost simultaneous. The impact of IT on operational tasks and efficiencies has been fairly dramatic and the implication for corporate strategy, already visible, will be equally profound. For Indian organizations, this force will lead to opening out of hitherto inconceivable business opportunities, for instance, business process outsourcing; redefinition of the boundaries of industries and scope of companies by breaking-up or integrating value chains; and making feasible new organizational concepts and designs. **Force 4: Tenets of governance:** In spite of several initiatives in the last few years, corporate governance is an Achilles’ heel of Indian organizations. There are infirmities at procedural levels but more germane are the orientation and behavioural level issues. On the one hand, promoters in a large proportion of Indian organizations continue to have proprietary attitude towards publicly owned companies leading to biased business decisions and indiscretionary handling of company funds. On the other hand, some promoters thrive on access to privileged information and company resources to exploit the situation for personal benefits. Inculcating appropriate corporate governance standards and orientations will be a *sine qua non* for Indian organizations to realize their potential. In the coming decade, they will need to clearly outline the roles, rights, and boundaries of various stakeholders; evolve adequate checks and balances; and realize the unequivocal need and show the will to enforce high governance standards. **Force 5: Management resources and capability:** Capital that was central to the growth and evolution of Indian organizations is increasingly being replaced by the management capability. It is a complex outcome of the knowledge and orientation of members and the efficacy of organizational framework and culture. Owing to proliferation of career options and socio-cultural changes, there is a shift among potential employees from a ‘loyal and life-time company man’ to being a ‘professional executive’ looking to use and develop their knowledge and skills at the right place and often for a few years. Attracting and usefully deploying such personnel will require organizational approaches to be transparent, demanding, and well integrated. To aid responsiveness to the customer and market dynamics, the organizations will also need to enable decision-making at lowest possible levels and then to evolve symbiotic linkages with strategic direction and policies. For Indian organizations, this force will lead to shift of power towards professionals; need for greater decentralization and openness in organizations; adoption of institutionalized organizational structures and processes; and need for calibrated approaches for developing and honing managerial resources.

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

**THE ‘ROOT-BRANCH’ FRAMEWORK**

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

A ‘root-branch’ framework, based on the concept of
configuration,* incorporates the contextual patterns and imperatives for evolving corporate strategy in a business environment. The framework is based on three premises:

- effective corporate strategy is a configuration like ‘fit’ between business environment and competencies of an organization
- more than one configuration could be equally viable and successful in a business environment over a period
- the agenda of an organization is to undertake business and organizational initiatives that create and sustain the fit.

It conceptualizes strategic behaviour of organizations as a response to complex and multi-faceted interplay of imperatives from the evolutionary and emerging contexts and that effective configurations or corporate strategies comprise of few components that interact and reinforce each other in a gestalt like phenomenon.** The corporate strategy components fall into three categories:

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

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

For Indian organizations in the coming decade, the two components of root are ‘being honest’ and ‘being world-class’ and the three mutually exclusive branch or strategic directions are ‘India focused,’ ‘India diversified,’ and ‘global focused.’ A possible strategic direction ‘global diversified’ is ruled out as no Indian organization is likely to have more than one business global in scale and scope in the coming decade. The three strategic directions along with the components of root are three viable and effective corporate configurations which the Indian organizations can adopt to successfully navigate the coming decade. They can evolve their specific corporate strategy and agenda by overlaying and integrating the components of root and the chosen strategic direction with industry- and company-specific factors. Table 1 outlines the linkages between the imperatives in the evolutionary and emerging contexts and the root and branch components of the corporate strategy of Indian organizations in the coming decade.

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

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

The branch or types of strategic directions have two dimensions. One, whether presence is required in single and tightly related or ‘focused’ business activities or in multiple and unrelated or ‘diversified’ businesses. Two, whether the targeted market is domestic and whatever engagement with overseas markets happens through exports and progressive expansion into neighbouring and similar markets or ‘India’ with internationalization or the targeted market is worldwide or ‘global’ with concomitantly integrated business, organizational, and financial approaches. It will not be possible to simultaneously follow more than one strategic direction as the requirements and characteristics for a stable configuration are different and mutually exclusive. The characteristics determining the choice of branch or type of strategic direction for an organization are:

- presence of India-based global advantages in business
- relative gap between resources required and available for realizing the business potential in a single business in the domestic market or globally
- characteristics of the existing organizational framework, whether suited for managing single or multiple businesses
- orientation and capability of the top management, whether tuned to domestic market or outward looking.

Table 2 outlines the ‘fit’ between the characteristics and the type of strategic direction. Organizations will need to align all the characteristics with chosen direction to be viable and successful, often through a well-defined agenda of initiatives. For instance, an organization adopting ‘global focused’ strategic direction may need the top management to develop orientation and capabilities to do business internationally and an organization following ‘India diversified’ direction may need to rectify the organizational framework.

An organization can switch from one branch or strategic direction to another when there is a dramatic change with respect to one or more reasons and there is willingness and determination to change the remain-

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

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>India Focused</th>
<th>India Diversified</th>
<th>Global Focused</th>
</tr>
</thead>
<tbody>
<tr>
<td>India-based global advantages</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Resources outweigh single-business potential</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Framework to manage multiple businesses</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Top management orientation and capability</td>
<td>Domestic</td>
<td>Domestic</td>
<td>International</td>
</tr>
</tbody>
</table>

* High — Strong, direct and at multiple levels, Medium — Moderate and at one or two levels, and Low — Weak and indirect.
ing. And, for the switch to be successful, it will need to transform fully into the new configuration with change in business profile and direction accompanied by concomitant changes in organizational characteristics. Given the excruciating nature and the uncertainty and risks of transformational change, the natural tendency would be to continue on the chosen strategic direction. The switch will generally happen when there are extraordinary changes in the attractiveness of existing and potential businesses; dramatic shifts in resource situation; taking charge by a new leader; and top management having significantly different orientation, e.g., Ranbaxy in mid-1990s.

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

The Root: Being Honest

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

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

The Root: Being World-class

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

A majority, if not most, of the Indian companies have undertaken benchmarking and business process reengineering initiatives to ascertain where they stand and set efficiency expectations. The cost improvement will need to become institutionalized by being part of annual planning and monitoring mechanisms and of organization culture. From not being aware or concerned about the customer in the license-control era, Indian organizations have progressed but they need to reach much higher levels. The routine areas relating to effective and quicker handling of customer complaints can be programmed and enabling organizational approaches be created for translating customer feedback to make refinements and fresh designs in products and services, e.g., Indica car of Telco and OTC products such as Itchguard and Krack of Paras Pharmaceuticals.

**Branch 1: India Focused**

This strategic direction is appropriate for Indian organizations that are in high growth industries or have enough ground to cover in terms of market share and entry into closely related product-market segments and geographical areas. The opportunity in domestic market is often disproportionately higher than their financial and organizational resources and they generally operate in industries in which India-based companies do not have significant advantages or face serious handicaps in the global market. However, as they exhaust domestic market opportunity, they could go for expansion into neighbouring and similar developing countries taking advantage of scale economies and branding, technology, and organizational skills. A case in point is Bharti Telecom (Box 2).

The organizations following this branch or strategic direction will need to balance the growth and profitability objectives by fortifying competitive position in existing segments and generate profits and cash flows and by expanding into new geographical, product, and

**Box 2: Bharti Telecom**

India’s private sector leader in telecommunications industry, Bharti Telecom was incorporated in 1985 to manufacture electronic push button phones. Subsequently, Bharti Cellular was formed in 1992 to offer cellular services and, in 1998, it became the first private fixed-line service provider in India. Bharti currently provides mobile services in most of the telecom circles; basic services in a few states; and national long distance (NLD) and international long distance (ILD) data and voice services. In the 1990s, Bharti energetically focused on the deregulated telecommunications sector and formed joint ventures with foreign firms for finances and technology but got out of all of them over the years and then mobilized finances from international investors like Singtel, Warburg Pincus, New York Life, etc., in late 1990s onwards and from IPO in mid-2002. In the coming decade, Bharti will continue to focus on telecom as there is a lot of ground yet to be covered. And from being driven by entrepreneurs, it will move further in its efforts to build an organization and institution.
customer segments at the fastest possible manner. The primary agenda will be to develop understanding of consumer and market trends and respond with new product, marketing, and selling approaches; build competencies to sustain position in existing areas while being able to enter new segments; and, create management systems and management depth. Organization structures will preferably be functional though in some cases where number of product segments is high and each segment is of sufficient size, limited divisionalization of sales and production activities will be more appropriate. Organization ethos and culture will need to be tuned to attracting and nurturing managerial talent. The organizations would need to aim for good governance standards in order to create a culture of excellence and to meet generally large fund requirements from domestic and international sources.

**Branch 2: India Diversified**

This strategic direction is appropriate for the Indian organizations that possess and can mobilize financial and managerial resources far more than required for a single business area. Generally, the current operations of these companies tend to cover the entire geography of the country and their businesses either do not enjoy India-based advantages or face many handicaps in international markets. They have strengths in domestic market with closely aligned top management orientation. The strategies at corporate level and for each of the business could have different degrees of integration and consistency and internationalization efforts will generally happen at the individual business level rather than at the corporate level. Reliance Industries is a good example following this strategic direction (Box 3). In the coming decade, organizations following this strategic direction will fall into two classes — one, that inherited unrelated businesses from controlled economy era and have retained competitive position in multiple businesses afterwards, e.g., Aditya Birla; and two, that generate or leverage resources in excess of what is required for exhausting opportunities and for enhancing competitiveness in existing business and diversified into new areas, e.g., Nirma.

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

**Branch 3: Global Focused**

This strategic direction is appropriate in the industry sectors where India has certain advantages at the global level and for the organizations that have achieved size and capability levels that can be deployed in international markets, i.e., textiles, tea, diamond cutting, information technology, pharmaceuticals, etc. (Box 4 discuss-

**Box 3: Reliance Industries**

Reliance became the first ‘Fortune Global 500’ Indian private sector company in 2002. The company started as a manufacturer of synthetic textiles in 1966 and integrated backward first into yarn and fibre manufacture and then into input materials like PTA and MEG. All the capacities were of globally efficient scale and the trend continued with facilities for commodity plastics like PVC, polypropylene, and polyethylene; petrochemical cracker complex; and, finally, the 27 million tonne oil refinery. Besides, it has a large stake in oil and gas exploration, presence in financial services, presence and major plans in power, and has made large investments in telecom covering all areas of communication services across the country. In addition to its ability to influence the regulatory environment, Reliance developed competencies in large-scale project management and in funds mobilization through the 1980s and 1990s with founder Dhirubhai Ambani being a visionary and the strategist. From an earlier strategy of backward integration till mid-1990s, Reliance started moving into related and unrelated areas in newly opened sectors and will continue to diversify in the coming decade by leveraging its standing and resources. It continues to be more of a task-based organization, an anomaly given the size, and will need to evolve into a role-based organization and further on into an institution.
es the case of Ranbaxy, India’s largest pharmaceutical company). The global advantages could be rooted either singly or through a combination of natural, cost, and skill factors. Indian organizations may initially base their global business on a single advantage but will tend to build second order advantages like technological and managerial skills or product and institutional brands over a period to strengthen and create sustainable positions in global markets. However, Indian organizations can either be born global, e.g., Infosys, acquire into, e.g., Tata Tea or grow into one, e.g., Ranbaxy and Aptech. The top management of these companies have a global mindset or an international orientation and are thus able to outline a global positioning-based vision and objectives and are able to accordingly commit and focus their organizations.

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

CONCLUSION

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

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

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


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Everything harmonizes with me, which is harmonious to thee, O Universe. Nothing for me is too early nor too late, which is in due time for thee. Everything is fruit to me which thy seasons bring, O Nature: from thee are all things, in thee are all things, to thee all things return.

Marcus Aurelius

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