## 7.3 COMBINATION STRATEGIES

Combination strategies (also referred to as mixed or hybrid strategies) are a mixture of stability, expansion or retrenchment strategies, applied either simultaneously (at the same time in different businesses) or sequentially (at different times in the same business).

It would be difficult to find any organisation that has survived and grown by adopting a single 'pure' strategy. The complexity of doing business demands that different strategies be adopted to suit the situational demands made upon the organisation. An organisation which has followed a stability strategy for quite some-time, has to think of expansion. Any organisation which has been on an expansion path for long, has to pause to consolidate its businesses. Multi-business organisations—as most large and medium India companies are now—have to follow multiple strategies either sequentially or simultaneously.

Consider these cases of companies which have adopted multipronged strategies to deal with the complexity of the environment they face.

- The Murugappa group is a pan-Indian diversified group, with major presence in several businesses such as auto components, cycles, tubes and fertilisers. Tube Investments of India (TI), a Murugappa group company, created strategic alliances in its three major businesses: tubes, cycles and strips. EID Parry created joint ventures in the sugar industry. Backward integration took place in the fertiliser and abrasives businesses. Recent strategic moves have been towards aggressive internationalisation.
- ITC Ltd. is a diversified conglomerate having varied corporate portfolio consisting of FMCG, hotels, paperboards and packaging, agribusiness and IT. Starting in 1910, it adopted backward integration in 1925, into the packaging and printing business. It diversified into hotels in 1975 and agribusiness in 1990. It adopted a turnaround strategy for the speciality paper business, Triveni Tissues, after its acquisition and merger with its paperboards business, while the financial services business was divested.
- The Aditya Birla group of companies is a diversified conglomerate with businesses in several sectors. It has applied practically all types of corporate strategies in its illustrious history dating back to 1857. Most recently, it acquired Novelis to become the world's largest aluminum rolling company. It has several joint ventures abroad, notably in South East Asia and China and claims to be India's first multinational company. On the way, it has diversified, divested, acquired and merged and demerged companies and businesses, adopting an array of combination strategies.
- Pidilite Industries, the maker of Fevicol adhesives, contemplated expansion through related diversification through extension of its product portfolio across three business segments: adhesives and sealants, construction paints and chemicals and art materials. It divested its speciality chemicals business and acquired M-Seal from the Mahindras. Its international expansion and joint ventures in recent years, have been in Dubai, Singapore and Brazil.
- Candico's, the domestic confectionery company's, international expansion plans include a combination of organic and inorganic strategies, through strategic acquisitions and mergers, joint ventures or setting up of independent manufacturing facilities in individual markets. It acquired several plants in South Africa to cater to countries in that region. It entered into joint ventures with leading European vendors for manufacturing high quality products through international partnerships. It has a joint venture with Eurobase of Belgium and Curt Georgi of Germany. The company is following an equally aggressive domestic expansion strategy within India.

The examples offer just a glimpse of the constant moves that companies in India make in order to survive, grow and be profitable.

Exhibit 7.3 offers yet another insight into the constant efforts that go into making a company profitable.

**Exhibit 7.3** Sequential combination strategies at Thermax

Thermax Private Ltd. (formerly Wanson India Pvt. Ltd) was formed in 1966 to make small boilers. Building their business definition around the basic customer function of steam generation, they saw the 1973 oil crisis as an opportunity and started making coal-fired boilers. From steam generation to water treatment was a logical extension, extended further to manufacturing pollution-control equipment. For the millennium, the company planned to focus on heating, cooling and power generation from a single fuel source. The mission of Thermax is to provide sustainable solutions in energy and environment.

A historical analysis shows how the company has followed sequential combination strategies in order to ensure survival and growth.

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| The 1960s: | The company is formed; starts making coil-type packaged boiler and thermic fluid heaters. |
| The 1970s: | Expansion to make the first packaged tube boiler for Indian coal and other solid fuels; Related diversification into water-treatment plants; Takeover of Tulsi Fine Chemicals and the establishment of a chemicals division; Expansion for making large field-erected boiler; Related diversification into surface-coating and pollution-control equipment. |
| The 1980s: | Related diversification into energy conservation equipment; Unrelated diversifications into software, financial engineering, electronics and related to oil-field equipment projects; Joint venture with Deviebiss; Joint venture with Babcock and Willcox. |
| The 1990s: | International strategy of setting up a resin plant in the US; Strategic alliances with fuel suppliers; Joint venture with US-based EPS for energy service business; Related diversification into cogeneration business; divestment of Thermax Engineering Construction Company as a wholly-owned subsidiary; Joint venture for Culligan International for water treatment business. |
| The 2000s: | Faced loss for the first time in 2001; Entire board of directors stepped down; Embarked on restructuring and turnaround; Divestments from and abandoning joint ventures in non-core sectors such as electronics and software, and focus on core activities in energy and environment, and power and chemicals; Continual internal expansion; Moving beyond exports through international expansion. |

Thermax represents a typical company that is trying to consolidate its position and absorb the impact of the rapid changes and development it has experienced over the past several years. It is attempting to increase its international presence with higher exports and leveraging its cost advantage, supported by technical expertise in its core competence area of energy and environment through leveraging group synergy.

*Sources:* "Thermax builds up steam", *Business World*, June 21-July 4, 1989, pp.84-88; "On the boil", *Business World*, Mar.29-Apr.11, 1989, p.15; "Steering Thermax through rough times", *Business World*, March 22, 1998; "Tightening Trigen", *Business India*, Sept 20 - Oct 3, 1999; and "Thermax plans to jack up West Asia, South East Asia presence", *Business Standard*, July 22, 2006.

The illustration in Exhibit 7.3 clearly shows that the effort to survive and grow profitably is continual and sustained. Organisations do not depend on one strategy alone and evolve a complex network of combination strategies to deal with the changing environment. In fact, how to deal with and adapt to environmental changes is what strategic management is all about.

In order to complete the discussion, it is important to note that combination strategies are also used simultaneously. Exhibit 7.4 exemplifies a company which adopted simultaneous combination strategies.

**Exhibit 7.4** Adopting combination strategies simultaneously at TTK Group

The well-known companies of the TTK group, based in southern India, were established in 1928 by T.T. Krishnamachari. The group has several well-known brands that include Prestige, Woodward's Gripe water, Kohinoor, Durex, Kiwi and Brylcreem. It adopted a 10-year restructuring plan in 1997 aimed at focusing on its core sectors and reducing the number of its companies from 52 to just eight. The plan involved several combination strategies simultaneously in its different businesses.

- Launched a slew of new products under the TTK Prestige brand—smart pressure cookers, juicers, mixers etc. TTK Ltd. undertook product development, resulting in it being a complete kitchen solutions provider with 150 products and diversified into the related field of making non-stick cooking utensils. The US-based household products, food and beverages company Sara Lee acquired 49 per cent stake of the TTK group, its Indian partner in the joint venture Sara Lee TTK.
- Joint venture with LIG of London, UK for making condoms, TTK LIG bought out Nicholas Piramal's 49-per cent stake in the erstwhile Scholl Piramal India, now called SSL TTK
- Divestments of several businesses like TTK Chromate, Timeaids - the clock manufacturers, Rightaids (which used to manufacture ball pens and ink), the toy company Tortoys, TTK Chemicals and TT Cardboard (paper manufacturers).
- Strategic alliance of Indian Overseas Bank with TTK Services for offering a range of services to NRIs, including healthcare to dependants and property services in India.

These several strategies were contemplated with a view to creating fewer companies and only six operating divisions within the group.

*Source:* "TTK restructures for growth and survival", *Business World*, Aug.16-19, 1989, pp.81 87; "TTK group aims to shed flab and flex its muscles", *Business Line*, Jan 14, 2002; "On low heat", *Business Today*, Nov 2001.

It is easy to recognise that a complex network of strategies would have sequential as well as simultaneous strategies which have to be formulated to deal with the complexities of business.

A restructuring exercise as the one illustrated in Exhibit 7.3 is an attempt on the part of companies to formulate several combination grand strategies. In the next and the last section of this chapter we take up corporate restructuring for discussion.

**Exhibit 7.5** The family tree of strategic alternatives at the corporate-level