The Murugappa Group case offers us a vantage point to view many of the ups and downs that organisations experience in their life cycle. They emerge and grow; they falter and survive and then resurface as stronger entities. The world of business and industry is, in many ways, like an individual's world. There are times of joy and elation and there are times of introspection and sorrow. In the previous chapter, we saw some of the 'glamorous' strategic alternatives. In this chapter, we peep into the harsh realities of the business world. From the staid strategic posture of looking for stability to downright depressing retrenchment and on to the mending of broken homes and building afresh in restructuring, we will cover a lot of ground.

7.1 STABILITY STRATEGIES

Stability strategies result from attempts by an organisation at incremental improvement of functional performance. This corporate strategy can be relevant for an organisation operating in a reasonably certain and predictable environment. Usually followed by small and medium-sized organisations, stability strategies can be useful in the short run when such organisations are satisfied with their current performance.

Stability strategies could be of three types, each of which is discussed below.[2]

No-change Strategy

As the term indicates, this stability strategy is a conscious decision to do nothing new, i.e., to continue with the present business definition. This could be characterised as an absence of strategy though in reality, it is not so. Taking no decision sometimes, is a decision too!

When faced with a predictable and certain external environment and stable organisational environment, an organisation decides to continue with its present strategy. This is so because the organisation does not find it worthwhile to alter the present situation by changing its strategy. There are no significant opportunities or threats operating in the external and industry environments. There are no major new strengths and weaknesses within the organisation. There are no new competitors and no obvious threat of substitute products. Taking into account the external and internal environmental situation, the organisation decides not to do anything new.

One must, however, make a distinction between an inactive organisation that does not wish to change its strategy owing to inertia and an organisation that consciously decides to continue with its present strategy. In the former case, it would be dangerous and even reckless, for the organisation to be complacent. In the latter case, it would be prudent for the organisation to continue with its present strategies.

Several small and medium-sized organisations operating in a familiar market—more often a niche market that is limited in scope—and offering products or services through a time-tested technology, rely on the no-change strategy. Such a strategy serves the organisations well until it is time to wake up in the face of threats emerging in the environment or some major upset occurring which threatens the existence of the organisation.

Profit Strategy

No organisation can indefinitely continue with a no-change strategy. Things do change—and they do so often in the present business environment in India—and the organisation is faced with a situation where it has to do something. An organisation may assess the situation and assume that its problems are short-lived and will go away with time. Till then, the organisation tries to sustain its profitability by artificial measures, by adopting a profit strategy. For instance, in a situation where the profitability is drifting lower, organisations undertake measures to reduce investments, cut costs, raise prices, increase productivity or adopt some such measures to tide over what are assumed to be temporary difficulties. The problems are ascribed to unfavourable and transient external factors such as economic recession, government attitude, industry downturn, competitive pressures and the like. The organisation assumes that these problems are going to remain only in the short run and the situation would turn favourable after some time. Till that time, it is better to lie low and sustain profitability by whatever means possible. Obviously, such a strategy could only work if the problems indeed are temporary. If the problems persist, then such a strategy only deteriorates the organisation's strategic position.

Examples abound of Indian companies taking desperate measures to hold on in times of crises. A frequent method to tide over temporary difficulties and to keep afloat through a profit strategy, is to sell off assets such as prime land in a commercial locality and move out to the suburbs. Others have hived off some divisions in non-core businesses to raise money while a few have resorted to provide services to other organisation needing outsourcing facilities.

Pause/Proceed-with-caution Strategy

Imagine an advance reconnaissance party going ahead to monitor the situation before the troops move in full strength to encounter the enemy. Pause/proceed-with-caution strategy is such a tactic. It is employed by organisations that wish to test the ground before moving ahead with a full-fledged corporate strategy or organisations that have had a blistering pace of expansion and wish to rest awhile before moving ahead. This is essential in several cases where an intervening phase of consolidation is necessary before an organisation could embark on further expansion strategies. The purpose is to let the strategic changes seep down the organisational levels, let structural changes to take place and let the systems to adapt to the new strategies. In this manner, pause/proceed-with-caution strategy is a temporary strategy just like the profit strategy. It differs though from the profit strategy in the way the objectives are defined. While profit strategies are a forced choice, aimed at sustaining profitability till such time that environmental conditions become more hospitable, the pause/proceed-with-caution strategies is a deliberate and conscious attempt to adjourn major strategic changes to a more opportune time or when the organisation is ready to move on with rapid strides again.

In the Indian shoe market dominated by Bata and Liberty, with increasing presence of global brands such as Adidas, Nike or Reebok, not many of you might be aware that Hindustan Levers, better known for soaps and detergents, produced substantial quantities of shoes and shoe uppers for the export markets. In late-2000, it started unobtrusively to sell a few thousand pairs in the cities to gauge market reaction. This was a proceed-with-caution strategy before it decided to focus on the export markets through Ponds Exports based at Pondicherry. Shoes were clearly a non-core area for Hindustan Levers.