



AIMA PAPERPRESENTATION

ON

**INNOVATE, RESTRUCTURE, REORGANISE:
CHALLENGES FOR INDIA INC**

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INNOVATE, RESTRUCTURE, REORGANISE: CHALLENGES FOR INDIA INC

Innovation is a process of generating new ideas that will prevent stagnation and keeps it on growth path. Innovation is generally defined as invention to create value, as J.E Schumpeter has articulated this could be done either by one or combination of any of the five novelties viz - new product , new process , identifying new market, use of new raw material and new form of organization¹. The economy has always been rescued from threatening situations and put back on the growth path by on and other kind of innovation. For examples the world could be rescued from the great depression of thirties by adopting the innovative ideas of proactive fiscal policy, the stagnation of eighties was broken by the innovation in communication technology and similarly of nineties by the innovative ideas of financial derivatives. This is applicable to economy as a whole as well as to individual organizations. Companies need to continuously innovate and to improve their core function process. The other dimension that is also important for any organization is to innovate as per the context. For example in case of India , the Indian companies earlier working in protective environment, with a slow growth rate of economy now has to functioning in globalized and market driven economy in which the rate of growth is not only high but fluctuation is fortunes is accepted norms The other important change has also been in the capital structure of the organizations , which earlier relied heavy on promoters capital and debts is now more and more inclined stock market.

Adoption of new ideas is not the only way to introduce innovation; it can be developed by complex set of process. It requires a thorough commitment to research and development, which generally has two dimension (first) to create new knowledge and (secondly) to apply the existing knowledge in production process. For creating a innovation culture both are important but in case of India later must get priority as much of the existing knowledge is to be used for commercial purposes. The fact is India invests very less on R&D, less than one percent of GDP, and most of it, around 70 percent comes –from public sector. This clearly means industry corporate sector has yet to internalise the fact that innovation is key to keep pace with the dynamic of global economy. Innovation is not only creativity but putting utilising creativity for business purpose. In this process risk is inherent. Indian business is not lagging behind its creativity as it is recently published world innovative process. As it is ranked 15th in top 20 nation known for innovation.²

But this issue is the capacity to put the creativity in use for commercial ends. This requires a very heavy tolerance, accept failures & to move to move with it forward. the other issue in Indian context is of inclusive marketing this is to include

¹ In his seminal work, the theory of Economic Development (1934) Schumpeter has pertinently put forward the idea that innovation is moving force of market. He has mentioned nothing keeps the economy on the path of growth than the gale of creative destruction. This concept of creative destruction, is considered complementary to that of Adam Smith's Idea of Invisible hand - i.e. market forces , to explain the functioning of market economy.

² India is far ahead of innovation among BRIC nation India stands second as far as innovation is concerned among BRIC nation. Only china is ahead to it and Brazil and Russia followed it. Brazil and Russia has much higher per capita income than India.

those who for want of purchasing power and poor market links have not been benefited by the process of globalisation include high growth of Indian economy, Indian inc has shown some innovativeness in this regard. Some examples of inclusive innovation are .

- Deserted cooler are unique in India and cheaper solution to cool the room of lower & middle class people. This product is not manufactured by small scale industry but also by big business houses. Examples are Symphony ,Narendra Brother , Weathberg cooling equipment
- Water purifier is need of all society but they are still costly. TATA house has taken initiative to introduce lower cost anti microbial water system that use no electricity. This will provide pure drinking water to million of families which has been a basic necessity.
- Like wise to provide easy transportation for lower middle class people TATA has successfully launched Nano car ³
- Much before TATA NANO nova has lunchd a two wheeler which runs on battery charged by electricity

Besides these instances of inclusive innovation there are certain examples of innovation which are contextual in nature and help the firm or organisation to gain the lost ground.

- During present recession Future Group pick up the sells has lunchd sales drive and declared independence day ,republic day as SAB SE SASTA DIN .this is not only helped it to pick up sales but also attracted new segment who are hesitant to visit multiplex because they consider that this big shopping centres are privileged of rich.
- .CANON was facing a drop in sales as its customers was drifting away As it could not provide new commodity and additional feature at regular interval .To solve this problem CANON introduces a array of 47 products in one year and to its pleasure it gained the lost ground. This happened because customer except from electronic and it companies to keep on adding feature and offer new products by utilising development in the field of knowledge

Thus above examples make us clear that innovation is the catalyst upon which future of any organisation depends as there is a saying “if you are not growing then decaying”

RESTRUCTURING

³ Capturing this spirit of innovation in India Ratan Tata has mentioned whatever the situation is key to success is innovation In his own words “Cut cost, think out of the box even the world around you is collapsing be bold ,be daring and think big.” April 9 2009 Business Week.

Innovation and restructuring are equally important, both are needed to retain and tap new market, for maintaining and increasing profitability. It is about rebuilding financial portfolios of the company, their legal status to make organisation more effective. It is basically required for meeting out present needs. Reason for restructuring includes a change of ownership, demerger, response to crisis or major change in business such as bankruptcy, repositioning. A company restructures its operation or structures by cutting cost or reducing size by selling asset. To compete in the market strategic restructuring is needed that is to achieve operational inefficiencies in the company. Financial restructuring: it is needed to reduce financial losses, and to overcome from distressed situation, if company restructured effectively, it is better organised with a revised strategic and financial plan. Operational structuring is for better operational efficiency and likewise. Ownership restructuring is for resetting the ownership in the company.

Indian business till initiation of economic reform programmes were living in closed and protective environment, in which profit was almost assured. However with economic reforms the situation changed. Increasing competition external and domestic build pressure on organizations to change or go out of business. To cope up with the situation many corporations including those in public sector started restructuring. For example some entered into stock market and have made equity as a main component of capital structuring this has enabled corporate to retain profits for to ploy back profit for R&D and expanding business. In this manner it is cleared that restructure is not only to cop up with problem of finance but also a better financial management.

Restructuring refers to change in composition of a company's set of business or financial structure. Restructuring can take several forms like downsizing and down scoping. Downsizing refers to a reduction in number of employees and number of operating units and a change in composition of business in corporation's portfolio. Down scoping refers to establishing a focus on company's core business by reducing diversity in business.

However there is an example in which company does not harp on its core activity as the macro environment was not friendly to it. The ITC group has adopted restructuring in a different way. It has transformed itself from a leading cigarette manufacturer to an umbrella group that offers a diversified product mix to enhance its brand image. With anti-tobacco legislations in India, India tobacco company (ITC) anticipates a difficult future. By diversifying its business it has become a major player in the hotel segment. Its position in FMCG is on a growth curve. It has made heavy investment to strengthen its IT segment.

Satyam Computers had manipulated the value of its assets. To overcome from the financial crisis it has to start restructuring. Satyam is negotiating with its 17 lenders, including SBI and ICICI bank to restructure its debt of \$ 34.5mn. Indian builder, Maytas Infrastructure Ltd linked to fraud tainted founder of Satyam computer to restructure. L&T, Spice group, Tech Mahindra come to take the ownership of it by buying its stake.

REORGANISING

The development and growth as well as the uplifting of the image of a company depends on employees behaviour and their performance as they interact mostly with the business intermediaries ,customers, suppliers, distribution channel, competitor. Special attention should be given to the engagement of its workforce and to maintain a systematic organizational environment. In the era of globalization, the demographic characteristics of work force are undergoing tremendous changes right from gender, race to cultural profile. These changes are repository innovation but also pose challenges as well. The issue is to build organization culture that is flexible and dynamic enough to respond to ever evolving market and also put a mechanism in place that foster tendencies to continuously increase skill not only of the top notch but also of the grass roots level workers with effective career conversations.

The Away Ahead conducting various strategic planning to regularly review the purpose of organisation its over all goals &who should be doing what to meet those goal. Using sound principles of employee performance management to regularly review what employs should be doing to produced results how they are doing towards their results and what must be done to help them do a better job of achieving results

Strategic planning determines where an organisation is going over the next year or more. The focus of it is on the entire organisation while the focus of business plan is on the product only .The way that a strategic plan is developed depends on nature of organisation's leadership culture of organisation ,complexity of organisation' environment, size of organisation, expertise of planners. So reorganisation can be best achieved and change can be best carried out as a team wide effort .communication about change should be frequent and with all organisation member

Getting as much feedback as practical from employees. what they think are problems and what should be done to resolve them. Delegate decisions to employees as much as possible granting them the authority & responsibility to get the job done To diagnose the market situation, the financial situation company has to adopt reorganisation which includes merging, division and share exchange for purpose of increasing operational efficiency. There are some examples to buttress the argument:

- On May 31, 2007 United Breweries Holdings Limited (UBH), parent company of Kingfisher Airlines acquired a 26% stake in Deccan Aviation Pvt. Ltd. Which owned Air Deccan, pioneer of low cost airline in India? Kingfisher-Deccan combine became largest.
- Telecommunication Industries are sharing their towers and technical equipments to reduce cost and increase customer satisfaction.

Not to lose skilled and best employees due to uncertainty managers are there to share the perspectives and changes occurring with the top talents .manager should be ready to have effective career development conversation with talented employees.(with specialised skill customer loyalty and long term potential)

- Employees empowerment : by helping them in their own career development understanding the changes & empowering them to be proactive .it will help in increasing productivity
- Redeployment: Adoption of it will support the affected workforce(due to change)but also cut down outplacement search, hiring cost by utilising their talent in other parts of organisation .it will give them chance to develop their internal resumes, enhance their net working skills so that they will be the proper ones for internal position

Energize the survivors before during after recognising (introducing the change)by providing tools to help them to grab the opportunities for their own career aspiration as well as growth in business making them understand to take additional responsibilities and to gain new skill. done To diagnose the market situation ,the financial situation company has to adopt reorganisation which includes merging, division and share exchange for purpose of increasing operational efficiency.

CONCLUSION:

Indian Inc. is in the atmosphere of dynamic competition. Indian economy is undergoing a reform process of globalisation, privatisation and liberalisation. In the changing business scenario, India Inc. needs to innovate, restructure and reorganise to bring excellence and efficiency.