

Internationalizing Business Model for Reinventing the Company's Fortunes

Prashant Salwan

Indian companies' have done extremely well internationally. The success of Indian MNC's is due to leveraging Indian competitiveness through global value chain management. Indian MNCs have reinvented their business models for developing sustainable competitive advantage not only in the domestic market but also in international markets through focusing on a longer horizon even if the present is not positive. Indian companies enhanced their operational efficiency, implemented material cost management, growth of adjacencies, product upgrades and have different strategic intent for developed and developing markets. Inorganic growth provided them access to customers and technologies in new geographies. Indian MNCs have effectively reinvented their business model by developing a global vision and strategy and uniform manufacturing culture and processes for managing successfully inorganic growth.

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Introduction

There are numerous examples of Indian companies who have made their mark on the global business market space. India's top 50 multinationals employ around 0.15 million people abroad and the international revenues are to the tune of Rs. 115 billion in 2007-08 (Global India INC's World Wide Web, Outlook Business 2008). These MNCs crossed Rs 250 billion in revenues from abroad in the year 2008-09, approximately an 80% increase over 2007-08 (IBEF 2009)

Indian multinationals companies have given shareholders returns in the range of 68.6%- 367%. Their overseas revenues as percent of the total revenues is in the range of 54.5-99. The international assets of Indian companies are in the range of 33-60% of their total assets (Global India INC's World Wide Web, Outlook Business 2008).

Indian Investments Abroad

Today's world is very dynamic and unpredictable. To be abreast and help

attain sustained competitive advantage, the companies need to keep on asking themselves: What kind of business should we become? Are we in the right fields? Are there new competitors? What strategies should we pursue? How are our customers changing?

Companies use strategies like organic growth (WOS, greenfield, strategic alliance) or inorganic ones like joint venture (equity and non-equity), FDI and M&A to have sustained competitive advantage. M&A comes under the larger framework of two strategies, which are implemented by the companies to grow both domestically and across the borders. The average M&A deal of Indian companies increased from US\$ 32 million in 2005 to US\$ 47 Million in 2006 and further to US\$ 77million in 2007(IBEF 2009). As per Grant Thornton the Indian companies' aggressive approach can be attributed to their aspirations to enhance global delivery pre-requisites for developing competencies.

For example there were six major factors which resulted in IT services input in India's GDP increase from 1.2 % in 1997-98 to 5.5% in 2007-08 (Salwan 2009). These are: i) technical (quality of product and service), and cheap labor force, ii) factor conditions and government support, iii) English speaking iv) geographic advantage, v) big domestic market and vi) entrepreneurship.

If we look at Indian automobile success story there were four reasons which made India an attractive global manufacturing hub: i) trained and

competitive cost manpower, ii) huge domestic market, iii) global standard of product development and support industries and iv) good relationship with regional trading blocks like EU and ASEAN.

In the financial year 2007-08 the value of foreign acquisitions by Indian companies exceeded that of inbound acquisition as well as the overall foreign direct investment (FDI) coming into the country. India Inc spent US\$ 32.73 billion for its overseas M&A deals against US\$ 15 billion by foreign firms for acquisitions in India (IBEF 2009). In 2007-08 there were 313 domestic M&A deals (both acquirer and target being Indian) with an announced value of US\$ 2.83 billion and 348 cross-border deals with announced value of US\$ 48.34 billion. As many as 240 of the cross-boarder deals were outbound (Indian companies acquiring businesses outside India) with a value of US\$ 32.73\$ billion while 108 were inbound (international companies or their subsidiaries acquiring Indian businesses) with an announced value of close to US\$ 15.61 billion. According to global consultancy KPMG's Emerging Markets International Acquisitions Tracker, due to the rapid growth in Indian companies M&A activity, India has emerged as the most acquisitive nation in the emerging economies. The reasons with value creation objectives and success mantra of a few Indian acquisitions are in Table I.

India has emerged as the most acquisitive nation in the emerging economies.

Table 1: Acquisition Abroad

S.no	M&A	Value	Reason	Value Creation	Success of M&A
1	Tata Steel acquisition of UK based Corus	8\$ billion	<ol style="list-style-type: none"> 1. High value product range. 2. India huge market for acquired firm product range. 3. Leveraging Tata's marketing and managerial knowledge and talent in Asian emerging markets for expanding Corus product line in growing economies. 4. Value chain synergies development(material management, sourcing, R&D) 	<p>High value creation in company's value chain, strong synergies.</p> <p>Domestic competitive advantage.</p> <p>Global sustained competitive advantage.</p>	<p>Cultural similarities.</p> <p>Organization management</p>
2	Suzlon Energy Ltd Acquisition of German firm Re Power Systems AG	US\$1.7 billion	<ol style="list-style-type: none"> 1. Entering EU market 2. Technology transfer in India. 3. Leveraging low cost production of parts in India thus reducing costs and increasing value for customer 	<ol style="list-style-type: none"> 1. Production cost reduction . 2. Technology up gradation of products in India . 	<ol style="list-style-type: none"> 1. Sustained competitive advantage in India. 2. Creating value for customers world wide.
3.	United Spirits acquired Scotch whisky distiller Whyte and Mackay	US\$ 1.11 billion	<ol style="list-style-type: none"> 1. Value added global branded products, WTO regulation 2. Distribution channel in Europe and some parts of the world. 	<ol style="list-style-type: none"> 1. Value added products in product range. 2. leveraging distribution channel by adding Indian products on the same, thus creating synergies. Sustained competitive advantage 	<p>Synergies and value creation for stake holders.</p>
4	Hindalco acquisition of Novelis	US\$ 6 billion	<ol style="list-style-type: none"> 1. Value products. 2. technology 3. Sourcing and material management. 4. Customer profile. 	<ol style="list-style-type: none"> 1. Value product range. 2. Sourcing and material management synergies. 3. Customer for Hindalco products 	<ol style="list-style-type: none"> 1. Value for stake holders. 2. Cultural respect .

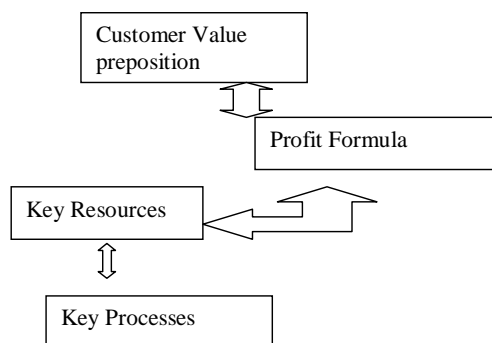
Source: Researched and compiled by the author.

Business Model

Companies adapt to changes in external trends, internal capabilities and resources for achieving Sustained Competitive Advantage. The companies implement this adaptation by effectively formulating, implementing and evaluating strategies, which cultivate into the company a specific business model.

Many a times while discussing growth strategies of a company we use business model and strategy interchangeably. Scott and Linder (2005) defined business model as powerful tools for analyzing, implementing and communicating strategic choices. They defined the components of a business model as a) strategic choices, b) value network, c) create value, and d) capture value.

Mark W. Johnson, Clayton M. Christensen, and Henning Kagermann in their path breaking paper in HBR "Reinventing Your Business Model" named the following four components for evaluation.



For sustainable competitive advantage companies have to ask: how will our new business create value for customers? How will it make a profit for investors and us? And how will the business differentiate itself from competitors? To get the answer to the above questions the company has to look into its core business decisions and tradeoffs employed by a company to earn profit by collecting the revenue sources, cost drives, investment size and, most importantly, the critical success factors (Magretta 2002).

Were does inorganic strategies of Indian MNC's come under the gamut of effective and dynamic business model? In this paper we have studied two successful Indian companies one belonging to automobile industry and another infrastructure electronics, which have successfully developed international business models for reinventing their fortunes on a global landscape.

Mahindra & Mahindra (Automobile Industry)

Indian auto industry has been growing at the rate of 15-27 % over the past five years. For survival, the automobile industry is launching new products at the most cost efficient manner for customer delight. Indian OEM manufacturers like TATA and Mahinda and Mahindra are upgrading their technology and are using cost effective and highly skilled human resource pool to bring down product development cost and manufacture superior designs of vehicles (Salwan

2009). Tata Ace, Indica and world famous and cheapest car Nano and world successful SUV Mahindra Scorpio are a few examples.

The success of M&M lies in the excellent strategy formulation and effective strategic implementation through developing a suitable business model.

Mahindra and Mahindra (M&M) an Indian multinational is one of the most successful companies in farm and equipment sector. The success of M&M lies in the excellent strategy formulation and effective strategic implementation through developing a suitable business model.

In India in the year 2008 the Tractor Industry had a negative growth rate (Mahindra &

Mahindra Web page) (fig.1). Coupled with negative growth in Tractor Industry, materials and general inflation were really high, personnel cost increased and the rupee appreciated against dollar which had a high negative effect on competitiveness in exports.

Even after such negative external effects M&M had increased revenues and improved profits. M&M also increased its domestic share and became the largest player in the Indian Farm and Equipment sector.

Fig. 1 Industry Growth Q-on-Q

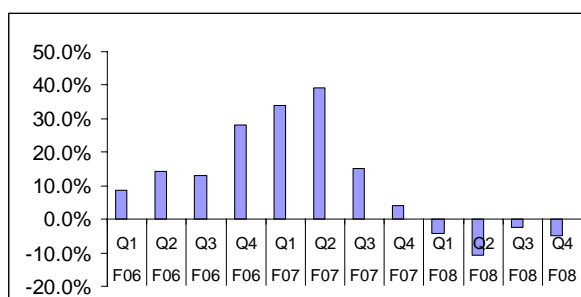


Table 2: M&M Domestic Market Shares in %

Total numbers / manufacturers	226114 tractors	262621 tractors	262621 tractors	302241 tractors
Others in %	6.3	6.1	4.5	3.6
JD in %	3.3	3.5	3.7	4.4
FNH in %	4.0	4.4	4.4	5.3
Sonalika in %	10.3	11.6	11.1	9.8
Escorts in %	12.8	9.3	13.9	14.7
TAFE+EICHER in %	22.3	23.7	23.4	23.5
PTL in %	13.2	11.7	9.2	9.1
M&M in %	26.5	29.7	29.8	29.8
	FY 2005	FY 2006	FY 2007	FY 2008

Source: Mahindra & Mahindra Web page www.mahindra.com

This is not enough, in 1963 M&M entered the tractor market in India through a joint venture with International Harvester to produce tractors for India. In 1983 it became the largest player in India. In 2008 it became the top three tractor brands in the world.

The answer lies in thinking on a longer horizon even if the present is not positive.

How was this possible? The answer lies in thinking on a longer horizon even if the present is not positive. The first step is not to reduce production, but to "Think innovatively." M&M used many innovative processes like:

- I) Due to implementation of flexible factory infrastructure, the factory can be transferred to any location where taxes are the lowest. M&M transferred 87% of its production to low cost locations thus reducing cost (taxes etc) by approx 50%.
- II) Coupled with shifting bases to low cost locations M&M implemented the material cost management where in cost re-engineering and sourcing strategies (synergies) were implemented.
- III) Coupled with low cost locations and material cost management M&M implemented operational efficiency improvement (OEI) also for multiple effects. M&M reduced the variable and fixed expenses.

In financial year 05 the expenses as percentage of net sales was 22.1. This

came down to 19.2 in the financial year 08 (Interview with M& M Officials). After the operation related component of business model M&M implemented product level strategies.

Another strategy implementation step which M&M implemented was growth of adjacencies (Mahindra Powerol) and spares and tractor applications. Mahindra Powerol increased its net revenue from Rs. 40 crores in 2005 to Rs. 484 crores in 2008. In spares and tractor applications the net revenue increased Rs. 111.9 crores in 2005 to Rs.189.5 cores in 2008 (Interview with M& M Officials)

After the related diversification into spares and component businesses M&M launched its product upgrades. For domestic business they launched:

- a) 295 DI 39 HP Tractor which was the 1st Turbo Tractor in 30-40 HP range.
- b) Upgraded 595 DI, 52 HP tractor. Upgraded with side shift for better ergonomics and extended wheel base for better stability.
- c) Product marketing of Arjun Ultra – a, 40-60 HP range, versatile tractor.

After the operations and product component of business model, M&M implemented the market expansion through expansion in international markets.

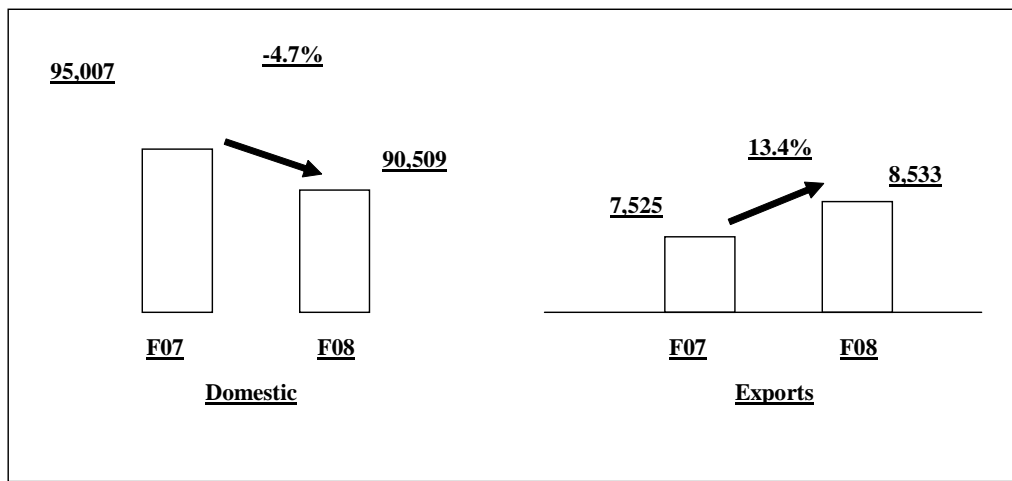
Emerging Markets: M&M expanded in 80 HP Tractor, a key model in Africa.

For creating value assembly plants have been set up at Tchad and Mali in Africa.

Developed markets: M&M launched new 30 Series: 2 WD and 4 WD models in 42-70 HP (2WD and 4WD) ranges for

the United States (US) market. It created value through effortless shifting with Syncro-mesh transmission, HST, I-PTO and loader suitability. Upgraded Tier 3 and Tier 4 through engine up-gradation for meeting stringent emission norms for US market.

Fig. 2. M & M F08 PERFORMANCE



Due to the above value creation steps even when the tractor sales were less (-3.4% compared to FY 2007) the revenues grew by +7.3% and profit by

+8.6% vis- a- vis FY 2007. The success of M&M business model becomes clearer once we see the performance figures (Table 3)

Table 3: M& M Performance Figures

Sales Volume (Nos)	F 07	F 08	Change
M&M Tractor Division	102,531	99,042	-3.4 %
Domestic	95,006	90,509	-4.7%
Exports	7,525	8,533	13.4%
Punjab Tractors	-	22,980	
Mahindra USA	9,301	9,413	1.2%
Mahindra China	3,327	4,459	34.0%

Adjusting to the Future: Due to growth of the economy the tractor industry will grow as tractor ownership is low in India. Government of India due to political and development factors will continue to focus on agriculture sector and rural economy. M&M is emphasizing on: a) cost re-engineering, b) aggressively enhance adjacencies compe-

tencies, c) as the group is huge and has many competencies, M&M is synergizing the competencies of group companies, d) exploit India's skill advantage in R&D and product development to launch new and updated models for domestic and overseas market, and e) launch special series of product lines for developed economies (compact series and FS-25 model).

M&M Automobile Sector

- A) Mahindra's two products Mahindra Scorpio and Mahindra Renault Logan Diesel have been ranked top in the year 2007 TNS TCS customer satisfaction survey.
- B) Mahindra ranking in the JD Power Sales Satisfaction Index jumped from 12th rank in the year 2004 to rank 3rd in the year 2007 survey.

- C) Bolero product from the SUV segment of M&M became India's first SUV brand to cross 50,000 mark and remained India's largest selling SUV for three consecutive years.
- D) M&M upgraded the product value chain by launching Scorpio VLX with m- Hawk engine with cruise control, Intellipark, Tyre-tronics, intelligent headlamps, Rain sensor, Anti pinch windows, Immobiliser, audio control on steering.
- E) For developing core competencies M&M went in to JV with Navistar for commercial vehicle engines.
- F) TO strengthen design and engineering for using India's skill advantage it acquired GRD of Italy.
- G) To meet emerging economies' and local requirements CKD plants were implemented in Egypt and Brazil.

Table 4: Industry Performance vs M&M's

M&M participation segments	Industry			M&M		
	FY08 (Nos)	FY07 (Nos)	Growth (%)	FY08 (Nos)	FY 07 (Nos)	Growth (%)
Cars (C-Segment)	230,988	199,153	16.0	25,907	0	-
UVs	288,601	274,520	5.1	148,761	127,856	16.4%
LCV upto 4T	44,957	43113	4.3	9799	8374	17.0%
Large 3W (0.75T) load	28,109	44,831	-37.3	9799	14,146	-30.6%
Small 3W (0.5T) load	111718	137194	-18.6	21564	19554	10.3%

Source: Mahindra & Mahindra Web page www.mahindra.com

Elements of M&M Successful Business Model:

Customer Value Proposition (CVP)	M&M Business Model
<p>Target customer Job to be done to solve an important problem or fulfill an important need for the target customer and Offering, which satisfies the problem or fulfills the need. This is defined not only by what is sold but also by how it's sold</p>	<p>Using world class technology and develop products for local marker requirements.</p> <p>Indian Example :</p> <p>M&M developed the first car from its stable with a joint venture with Renault named as Mahindra Renault Logan by tailoring the product for Indian customer needs by re-engineering the air conditioning along with the steering system to accommodate right-handed driving at a localized cost 10 percent less than anywhere in the Renault world (Nirmalya Kumar 2009)</p> <p>USA Example:</p> <p>“I’ve been around farm equipment all my life, and for \$27,000, the 5500 is by far the best for the money . . . When you lock it into 4WD, you can move 3,000 pounds like it’s nothing. The thing’s an animal.” (<i>Business Week July 2006</i>)</p> <p>M&M launched new 30 Series: 2 WD and 4 WD models in 42-70 HP (2WD and 4WD) ranges for the United States (US) market. It created value through effortless shifting with Syncro-mesh transmission, HST, I-PTO and loader suitability. Upgraded Tier 3 and Tier 4 through engine up-gradation for meeting stringent emission norms for US market.</p>
Profit Formula	M&M Business Model
<p>■ Revenue model How much money can be made: price x volume. Volume can be thought of in terms of market size, purchase frequency, ancillary sales, etc. ■ Cost structure How costs are allocated: : includes cost of key assets, direct costs, indirect costs, economies of scale. ■ Margin model How much each transaction should net to achieve desired profit levels. ■ Resource velocity How quickly resources need to be used to support target volume. Includes lead times, throughput, inventory turns, asset utilization, and so on.</p>	<p>Change of Mind set from :“If it happens, it happens”— to “Let’s make it happen.” Market based on resource based thinking. M&M implemented was growth of adjacencies (Mahindra Powerol) and spares and tractor applications. Mahindra Powerol increased its net revenue from Rs. 40 crores in 2005 to Rs. 484 crores in 2008.</p> <p>M&M implemented the material cost management where in cost re-engineering and sourcing strategies (synergies)</p> <p>Change in Strategic intent .M&M to be the world leader in terms of units of sale to world leader in terms of brand. The revenue strategy inclined to service operations and intangible resource. flexible factory infrastructure. M&M transferred 87% of its production to low cost locations thus reducing cost (taxes etc) by approx 50%.</p>

KEY RESOURCES needed to deliver the M&M Business Model customer value proposition profitably. Might include:

People	Take the best human resource from the world and implement knowledge management organization structure.
Technology, products and Equipment	
Information Channels Partnerships, alliances	For developing core competencies M&M went in to JV with Navistar for commercial vehicle engines. TO strengthen design and engineering it acquired GRD of Italy. M&M leveraged its unique positioning in USA in China when Chinese happily allowed M&M to start producing tractors in China through the majority acquisition of Jiangling Tractors.(Nirmalya Kumar 2009) Use alliance channels to sell Scorpio and other products in of Europe and the Middle East as well as South Africa, To meet emerging economies' and local requirements CKD plants were implemented in Egypt and Brazil Leveraging world value chain M&M developed a product called Scorpio with help of world class suppliers engine from Renault, its axle from Dana Corporation, and metal coatings from Visteon Corporation and leveraging Indian R&D ,design and assembling in India.
Brand	World top three global Brand in Tractors.

KEY PROCESSES, as well as rules, metrics, and norms, that make the profitable delivery of the customer value proposition repeatable and scalable.

M&M Business Model

■ Processes: design, product development, sourcing, marketing, hiring and training, IT	Alliance with the suppliers and added designing and and testing in their account thus reducing product development cost
Rules & metrics: margin requirements for investment, credit terms, lead times, supplier terms	In the American market, 40 percent of M&M sales come from selling tractors not manufactured by M&M. M&M sells Tomyang and Mitsubishi tractors under its brand name. (Nirmalya Kumar 2009)

M&M passenger vehicle segment's highlights value creation to customers by developing the service component of the vehicle, launch of customer required products, JV and acquisition and launching of CKD operations, led to a growth greater than of the industry's.

M&M international market grew by 54% from FY 2007 to FY 2008. M&M

saved Rs 353 crores in three years by implementing innovative processes. To further reduce production cost and increase new product launches around the globe, new product platforms like Ingenio MPV, New SUV, Mass market platform for cargo and passenger applications and in commercial vehicle segment new truck and bus platform was commissioned.

Re-invention of the Business Model in 2008	Upgrading the Business Model in FY 2009
Upholding the profit making product segment UV	Upholding the profit making product segment UV
Improve market share in growth product segments LCV and 3W and ramp up Logan.	Improve market share in growth product Further increase Logan volumes
Aggressive cost reduction	Aggressive cost reduction
Customer satisfaction focus	Customer satisfaction focus through IT
New product development	New product development
Capacity enhancement	Launch new product platforms
Organic and inorganic growth	Strengthen international marketing
Global production	Greenfield growth in India

M&M implemented the four components of the business model: a) strategic choices, b) value network, c) create value and d) capture value successfully

Crompton Greaves

“The Company had registered for the first time in history, a loss of Rs.147 crores in 1999-2000. It was a disastrous situation on many accounts. And then, just in a matter of two years, the Company turns around, wipes out its losses and in fact goes to register a Rs.4

crores symbolic profit. All this was accomplished against a backdrop of falling Sensex, war hysteria, attack on WTO, political uncertainties, economic depression and what not. Was this a Miracle! No not really, it was the act of Ordinary People with Extraordinary Commitment who made this magic possible. Mind, they say, is above matter. Mind that conquers all overcomes all and achieves all”, S M Threhan (Interview with Mr Threhan MD, CG).

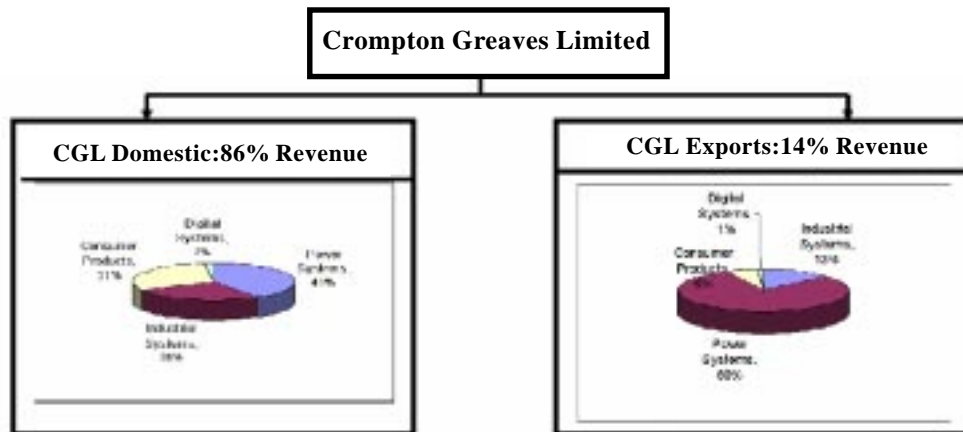
CG took the following steps first to come on tracks - Internal Actions

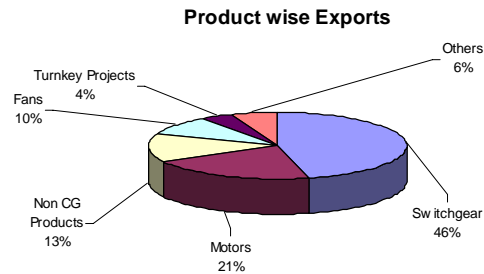
<p>A) Consolidation in Home Industry</p> <ul style="list-style-type: none"> • Cost reduction • Shift to low cost locations • Divestment of non core • Productivity Improvement • Focus on working capital • Best Practices Six Sigma, E-sourcing <p>B) Cost Focus</p> <ul style="list-style-type: none"> • Better management of borrowings and WC reduction on material costs • Intelligent product substitution and low cost process automation: waste reduction and material cost savings • Capitalize on long-term vendor agreements • Progressive substitution of high cost LPG with natural gas • Maintain power factory closer to unity • E-sourcing through cost-effective international bidding <p>C) Productivity Focus</p> <ul style="list-style-type: none"> • Implement the Crompton Greaves Production System based on Maynard Oper- 	<p>ations Sequence Technique</p> <ul style="list-style-type: none"> • Jobs measured in terms of time and man-effort • Rightsizing from 9965 to 5707 permanent employees • Generated meaningful value engineering • Lower costs and reduced material input, no quality compromise • Shrunk customer deliver schedules from months to weeks <p>D) Research Focus</p> <ul style="list-style-type: none"> • Focus directed towards products development with best-in-class benchmarks: production of highest quality at reasonable price • Consultancy agreements with experts and organizations • Joint effort of Division's Product Technologists and Analysts and Material Specialists • Backed with a Rs. 14.59 Cr investment • Many new/improved products/processes in all segments
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Introspection

Once CGL did the changes in its internal operations, it looked to introspect on its businesses and the

prospects there in. The domestic revenue was 86% and the exports revenue was 14%. So it started to focus on expanding its business globally. The distribution of revenues in the domestic and the export market were as shown below:





Export View

CG export performance was studied and it was found that:

In addition, 14% of the sales come from exports. 82% of total exports of CGL was from SBU “Power systems”. Compound Annual Growth in 04-05 was 28.0% and power system was 34%. Consumer products were 6%, Industrial system 13% and digital 1% of total exports.

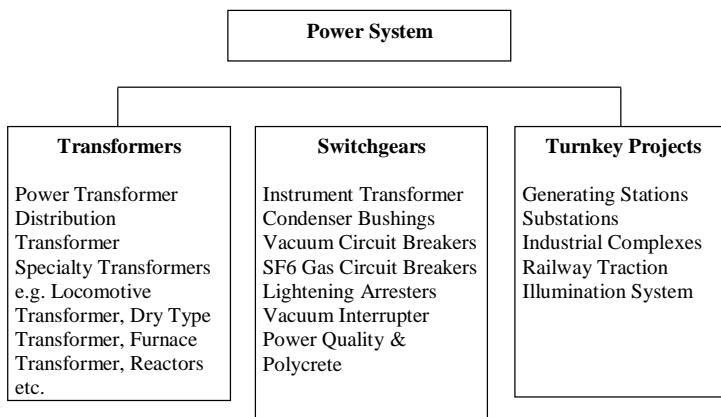
The major growth in the exports revenue was in the power systems which accounted for 80% of the revenue. This was as mainly a result of the growth in the transformers sales by 30% to 40%. The transformer business doing well, CGL decided to focus on the prospects in this business for its global expansion.

Transformer Market

The domestic transformer market was less than 3% of the \$11 billion market globally. With reforms in the

power systems there was increased demand in the market.

The REC range from 15-200 kV required low investment, technology and had lesser entry barrier. On the other hand the HDVC and the 800 kV power transformers needed high investment,



technology and had greater entry barrier. CGL entered with tie-up with TMTD for this sector. In the global market China contributed 20% and US, Europe and Far East contributed to 60% of the sales. There was increased replacement demand for transformers.

In the transformer market, brand was the ‘key’. Products only of acceptable world-class quality were in demand. CGL was focused on providing that. Also

it focused on transforming itself from a “Product Company” into a “Solutions Company”. Hence it had to look for avenues to invest in outside India for growing the transformer market share and making a global presence.

Global Market – The Characteristics

Demand in the industrialized world would be mainly the “replacement demand”. Customer access/brand is vital for addressing 60% of the world market.

Global Transformers Market			Growth rate of net electricity consumption 2001-2015	Nature of market/ demand in future
Industrialized Economies				
West Europe	2524	22.5%	1.6%	Market with better price realization. Brand – a key for these markets. Demand to be mainly of “replacement
North America	1827	16.3%		
Far East	2425	21.6%		
Sub-total	6776	60.5%		
Transitional Economies	568	5.1%	2.2%	Replacement and fresh demand (more of replacement)
Developing Economies				
South America	640	5.7%	3.6%	In addition to replacement, growth mainly come from fresh demand
Africa	260	2.3%		
Indian & South Asia	342	3.1%		
Middle East	310	2.8%		
China	2189	19.5%		
Oceania & Others	117	1.0%		
Sub-total	4426	39.5%		
Total World Market (USD bn)	11202			

CGL major export markets today are Middle East and South America, which account for 8% of world market. Any further growth of CGL in these markets gets limited due to “other world class brands”.

PAUWELS as an Opportunity to Acquire

Pauwels had a low material cost and had a share of 2.8% of the world transformer market. 70% of its exports were to

Europe, NAFTA and Middle East. It had a complementary product range compared to CGL. It was an international brand with a very wide distribution network.

On the other hand CGL boasted of low employee costs. Its world market share was 0.6% and 80% of its export revenues came from South America, Malaysia and Middle East. Pauwels provided a great opportunity to acquire and reap benefits for Crompton Greaves.

Together with Pauwels it could address 75% of the world transformer market geographically. It could become among the Top 10 transformer manufacturers of the world. It could become a complete solutions company as it aspired to be.

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The Acquisition Process

Crompton Greaves entered into an agreement in February 2005 to acquire entire stake in Pauwels for 28.25 million Euros. The synergies that could be brought about were in the following:

- Design and Technology
- Purchasing
- Manufacturing Engineering

Integration was decided to be done by “Best of Both and Transformation Process”. Cross functional teams of HR, quality etc. were set up for further integration easiness.

Performance and creative lead was given to an employee to oversee the smooth integration. Mr. Trehan had direct meetings with the employees and major customers and vendors, who gave him direct feedback on the process. The major goal of the acquisition was to gain economies of scale for the transformer production.

With this acquisition, Crompton Greaves began its foray into global-

ization by entering international markets via acquisitions and investments. It wanted to gain the industry wide leadership with standardized products, economies of scale and cross-cultural learning.

CGL has got access to US and European markets with 71% sales of Pauwels Group coming from these markets.

CGL now has manufacturing facilities in 6 countries –India, Belgium, Ireland, USA, Canada and Indonesia, with international business accounting for 47% of its consolidated turnover.

Factors for Success

Strategic Acquisitions: Crompton Greaves has successfully acquired the companies that complement its product portfolio. With access to the specialty and high-voltage transformers of the Pauwels Group, the company can better serve the power systems market, which presents a US \$ 23 billion opportunity. Thus, the acquisitions have extended the market reach of the company (range extension, international markets, technology upgradation)

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Leverage Strong Brand Equity: The Pauwels Group has a well-established

customer base in developed markets such as Europe, Americas and the Middle East. Crompton Greaves not only benefited from the operations of the Pauwels Group in these countries but also leverages Pauwels' strong brand equity to market its own products. This resulted in industry wide leadership (top 5) by having standardized products, economies of scale and cross-cultural learning.

CG made judicious investments in acquiring superior technology, graduating to international quality standards and best-in-class facilities. It also made vital product differentiation in low voltage package in price sensitive

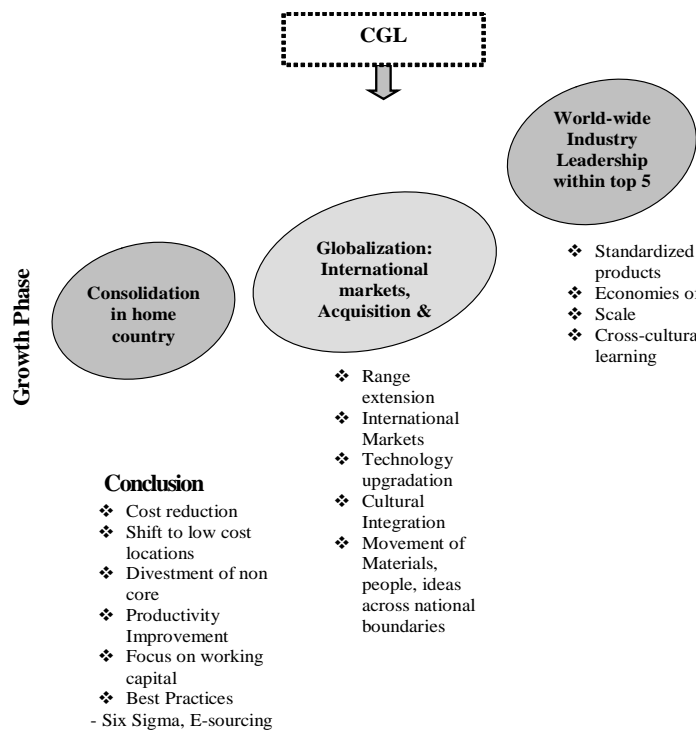
markets: ceiling fan in W Europe, Australia, N America. CG also established branding and distribution with reputed international names. CG now has several approvals like UL (USA), CSA (Canada), VDE & TUV (Europe) and export to 60 countries including G7.

Crompton Greaves Business Model can be clubbed into the growth strategies and can be shown as in Fig.3.

Conclusion

Looking at the above two companies' examples we can say that strategy is one part but implementation through business models also requires leadership and a holistic process. Like strategy, business models also have to reinvent themselves, lest they themselves will become redundant and the company loses its competitive advantage. To develop sustained competitive advantage the company needs to reinvent its business model periodically. Indian companies have in an exceptional way reinvented their business models by adding competitiveness through internationalization and process enhancement.

Fig 3 Strategic Growth Plan of CGL



Indian companies have in an exceptional way reinvented their business models by adding competitiveness through internationalization and process enhancement.

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