SAIL and TISCO

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Short Description
SAIL and TISCO

Description

SAIL and TISCO CAST STUDY solution

Analyse the following case situations and answer the questions at the end.
Have Nerves of Steel to Fight
In a market dominated by behemoths like SAIL and TISCO, finding a niche is of crucial importance for a small player. What could a Lloyds do with a meagre annual capacity of making six lakh tonnes of HR coils while SAIL sold over 1,600 lakh tonnes in the same time? Should Lloyds follow the market leader or adopt its own unique approach to its business strategy? It is in the context of such questions that Lloyd's attention came to rest on the manufacturing process. Almost all steel producers adopt the blast furnace technology. In this, the process starts with a clear differentiation among the ultimate products to be manufactured. So, manufacturing batch size has to be large enough to take up customised orders. The raw material, iron ore, has to pass through several complex stages of manufacturing. Lloyds looked for an alternative technology that could suit its requirements. The solution lay in the Electric Arc Furnace technology where the unique feature was that initial manufacturing stages need not differentiate among different products. Such a differentiation came at a much later stage. Translated into a business proposition what it meant was that Lloyds could operate with a much smaller batch size of, say, 100 tonnes and deliver, quickly. For instance, a 1,000 tonnes small order of specialised product custom-made to buyer's specification could be delivered in as little as 15 days. Such a quick delivery schedule would not be possible for a large, integrated steel manufacturer. In this manner, analogous to small gunboats that could effectively torpedo a large, slow-moving ship, Lloyds carved out a niche in the highly competitive steel market.
Question :
Comment on the nature of the business strategy of Lloyds. What are the conditions in which such a strategy would succeed /fail?

7. No Chain, No Gain T
extile industry is one of the oldest industries in India. Several business houses have thier origin in this industry. In the mid-1980s, the powerloom sector in the unorganised sector started hurting badly the interests of the composite textile mills of the organised sector. Thier cost structure, with lower overheads and no duties, was less than half of MS-91 2 that of the mills for equivalent production. While the powerlooms sold cloth as a commodity, the mills tried to establish thier products as brands. The post liberalisation period has seen a large number of foreign brands enter India. It is in this scenario that the Mayur brand of Rajasthan Spinning and Weaving Mills (RSWM) had to carve out a place for itself. RSWM is the flagship company of the LNJ Bhilwara group. It has been the largest producer and trader of yarn in the country and caters to the large demands for blended yarns and grey cloth fabric used for children's school uniform. In 1994, the yarn

business faced a severe crunch owing to overcapacity. From 1995 onward, RSWM became a late follower of the industry trend as other competitors already moved up the value chain. Textile manufactuirng is basically constituted of the processes of spinning, weaving, processing and marketing. More than 50 per cent of the value is concentrated in weaving and processing. Moving up the value chain from spinning involves large investments in machinery and labour. Graduating to marketing requires getting closer to the customer. This is the challenge that a traditional spinning mill like RSWM had to face if it was to sustain itself in a highly competitive market. At another level, for RSWM, it was a matter of cultural transformation of the organisation long used to a conservative, trader mentality. Imagine a company whose main driving force, Shekhar Agarwal, Vice - Chairman and Managing Director having little interest in watching Hindi movies signing up Shahrukh Khan at a considerable price for celebraity advertising. From the market side, it has long been troubled with its commitment to the loyal middle-class customers as it had to simultaneously pay attention to the upwardly mobile upper middle class customers. Then there was the dilemma of being too many things to a wide range of audience. RSWM wanted to have a stake in the export markets as well as keep its share in the rural markets. It perceived itself as an efficient producer and wished to become a flamboyant retailer. It excelled in basic textile processing yet dreamt of attaining sophistication in in-house production of readymade garments. And all this while it has been a late mover, losing out to early movers such as Raymonds. No wonder it virtually landed up on the fringes of the industry, far behind formidable competitors like Reliance, Grasim, and S. Kumar.

Question :

Suggest how should RSWM manage its value chain effectively. Should it try to imitate the market leaders? If yes, why? If no, why not ? What alternative routes to success do you propose?

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