ABSTRACT

The recession namely the most severe global economic crisis since the depression of the 1930’s. Across countries, fiscal stimulus packages and monetary easing of unprecedented magnitude and scope have been slow in arresting the decline and 2009 is not expected to see a reversal of the trend. The world economy as a whole is expected to grow by just 0.9 percent in 2009, in contrast to 2.5 percent in 2008 and 3.7 percent in 2007, according to the forecast of the World Bank. Alongside, world trade is expected to decline by 2.1 percent, with sharp falls in commodity and oil prices.

The crisis began with the US housing market, the ferocity and speed with which it has spread around the world and even into India has surprised everyone. While this crisis underscores the independence of global economy it is equally true that the impact of the global crisis in India has not been as severe as it has been in the developed world. The fact is that our economy is more regulated and increasingly well managed. In addition domestic consumption continues to be critical driver of growth in India. The numbers support the optimism. India’s GDP is expected to grow between 6.5% and 7% this year. This certainly slower than the close to 9% growth we have seen over the preceding five years. However, it is still good growth particularly at a time when many other economies in the west are actually shrinking. This paper highlights and throws insight to adopt turn around strategies to be thought out among the corporate India.

KEYWORDS

Global Economy, transmission, Global Economic Crisis, Economic Recession, Strategic Change, Porter’s Value Chain Model,
INTRODUCTION

India long thought to be relatively insular is no longer immune to global influences. Trade is one obvious route of transmission, and the closing up of export market has began to affect a wide range of industries including textiles, gems and jewellery, and software. Investment by foreign institutional investors (FIIs) in the stock market is another avenue through the global crisis being transmitted.

The recession is to be seen as an opportunity. The justifications for the statement are clearly verified by the steps taken by the companies to tackle the recession. The successful companies have taken brave steps to tide over the recession. Whether it is product or service, the consumer buying the value. The companies have to make the effort to give more value by:

- Strategic change in their approach as per current requirement of the market.
- Obtaining as usual growth by way of moving along with the valuable customers.
- Understanding the consumers by a close watching.
- Maintain or increasing market shares by proactive to the market scenario.

The future depends on what we do in the present. With this inspiration and spirit the companies have to make suitable strategies and seek to win in these turbulent markets.

The severe global economic crisis since the depression of 1930’s caused major sunami in the economy. It had effected across the country irrespective of geographic boundaries. In the countries which were more exposed to the magic wind of recession find it very difficult to come out of the mental shock it had experienced. Across countries fiscal stimulus packages and monetary easing of unprecedented magnitude and scope have been slow in arresting the downfall and 2009 is not showing any reversal of the trend. The expected growth of the world economy in 2009 is 0.9 percent, in contrast to 2.5 percent in 2008 and 3.7 percent in 2007, according to the World Bank. The world trade is expected to decline by 2.1 percent with the expectation of sharp falls in commodity and oil prices.

The Global Recession

It is important in this context to have the aware of the impact of the global crisis. As a signal of the global crisis, the sub-prime crisis that started in the later half of 2007 which very soon transformed into a global financial crisis in September 2008 and after U.S government allowed the collapse of Lehman Brothers. Lehman’s collapse froze credit flows, stopped even commodity markets from operating normally and stopped equity markets virtually in their tracks. This resulted in financial crisis morphing itself into an economic downturn in advanced economics. Due to the virtual collapse of the global trade which resulted in sharp economic downturn in emerging markets which have witnessed a
collapse of their manufactured exports and large scale rise in unemployment? At the same time, commodity prices have plummeted to record lows with further falls expected in coming months. The Indian economy has offered a rather extreme external shock, which may well have further negative stimuli ahead.

In the industrial economics, the reasons for the slowdown are clear. Consumers in the U.S and the Non-financial corporate sector everywhere are trying to” rebuild.

Their balance sheets...” which means they want to save money and spend less. The global situation is analogous to the problem of Japan in the 1990s, in which corporate attempted to repair their balance sheets while consumers continued to save as before and fiscal stimulus repeatedly proved insufficient.

The New Global Order

For Asian countries like India, keeping international markets open is probably the highest priority in the current environment. Their sustained growth requires something close to the levels of openness seen in the last couple of decades. The developing country like India needs to keep open their door to others as the part of recovery strategy.

Need For More Resources

The U.S. and Europe are in relative decline; the economy of Asia is on the ascendant. The task of rebuilding the old order has become urgent. This new order requires stronger multilateral financial and trade institutions. The IMF needs to have more resources so that it can provide emergency liquidity of the sort provided by U.S. Federal Reserve but can only happen if its governance becomes more democratic and less is beholden to the Atlantic powers; to earn the trust of many emerging market countries. The money supply is set to explode worldwide and boost emerging market stocks as central banks pump cash into financial system to counter global recession .Everyone is scared of deflation, so they are printing money,” Mr. Mobius, who helps oversee about $20 billion of emerging market assets as executive chairman of Templeton. It is beginning to flow out with greater confidence into emerging markets.

Developing Countries & Global Crisis.

A lot has to be learned from the developing countries where they did everything right.—and had better macro economic and regulatory policies than the United States did. --- are feeling the impact. This global crisis requires a global response. Each country.

Japan’s Experience

The global situations is analogous to the problem of Japan in the 1990’s, in which corporates attempted to repair their balance sheets while consumers continued to save as before as fiscal stimulus proved insufficient. In that situations also Japan managed to grow and able to have a current account surplus; this does not work at global level.
Revenue Buoyancy

It was stated initially that the buoyant revenues would take care of this additional commitment. But it has turned out that with the expected buoyancy taking a plunge, the government has to borrow—so there is another case of the government paying the banks by borrowing from them. There have recently been somewhat conflicting the developments in the form of double digit inflation followed by recessionary trends.

The government’s response have been monetary and fiscal measures, perhaps more monetary than fiscal, particularly in the state of continues inflation. A fiscal measure which was taken was addressed to combat recessionary trends. An impression has been created sometimes in official pronouncements and in information from media that all the monetary and fiscal measures will bring about a dramatic change overnight. It was a very clear that a time-lag has to be allowed. This was seen as a remedy to revive the industries during the recession. Interest rate change will be reflected in managerial decisions in industry only when such decisions are needed.

Countering Global Slowdown in the Export Trade

Exporters are now facing new challenges due to the present financial crisis. Fresh orders are drying up; buyers are canceling earlier orders or re-scheduling shipments. The world economy is in turmoil and its impact is being witnessed by all countries around the globe in various degrees. The outlook for 2009 also points to protracted slowdown. Unlike many previous emerging market crises, the present mess has spread from the advanced world due to increasing integration of international trade and financial markets. World trade is projected to fall in 2009 for the first time since 1982 and capital flows to developing countries are forecast to plunge by 50 percent. World trade growth (in volume) declined to 4.1 percent in 2008 from 7.2 percent in 2007. The forecast for 2009 is a negative 2.8 percent. The impact will be more developed countries like the US will contract by 1.5 percent. Euro area by 2 percent and Japan by 2.5 percent.

Asian Economies Hit

Export-oriented Asian economies linked closely to the U.S and Europe is struggling. Japan, Korea, Taiwan Hong Kong and Singapore figure prominently on this list. The export-oriented economies from the region—Malaysia, Indonesia and Thailand—are facing growth deceleration. As for as India is concerned, growth is primarily depend on domestic demand and will not be impacted by change in export.
<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Achievement</th>
<th>Growth (%)</th>
</tr>
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<tr>
<td>2004-05</td>
<td>75</td>
<td>83.5</td>
<td>30.85</td>
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<tr>
<td>2005-06</td>
<td>92</td>
<td>103.1</td>
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<td>2006-07</td>
<td>125</td>
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<td>2007-08</td>
<td>160</td>
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<tr>
<td>2008-09</td>
<td>200</td>
<td>144.3</td>
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The Indian economy remains largely on course and there are several positives. Structural factors driving growth, namely high savings and investments, favourable demographics, rapid urbanization and productivity catch up, remains in place. The economy has relatively weaker global linkages than the rest of Asia.

### Countering Global Slowdown

The India has announced a lot of measures to counter the global slowdown. The main step was to have interest subvention, reduction in excise duties (to stimulate demand) and reduction in service tax, countries in the neighborhood are announcing such measures on a much larger scale as compared to India’s. The Chinese economy is expected to show some signs of recovery after the government’s $585 billion stimulus package; Indonesia’s package size is 73.3 trillion rupiah ($6.15 billion) the U.S. government mega stimulus package of 819 billion besides the massive support that is being extended to banks and financial institutions.

### Gaining and Sustaining Competitive Advantage

Customers are not buying the product or services but buying value. During the recession the customers will be looking for more value while making the purchase. So as sustainable strategy the company has to concentrate more on providing value to the customers. So during this market scenario as a turnaround strategy the companies has to build value on each and every activity they are undertaking which is aimed at their valuable customers.

A value chain is a linked set of value creating activities that begin with the purchase of basic raw materials from suppliers, and ends with distribution of a product or service. A value chain analysis evaluates the organization in the context of it value-creating activities. Firm derives competitive advantage from value creating activities such as designing, producing, marketing, delivering, and supporting activities. Efficiency in one or more than one of these activities can lend either cost advantage from a low- cost physical distribution system, superior sales force utilization or an efficient assembly process. Similarly, differentiation advantage can be gained by procuring high quality raw materials, having a superior design, or a responsive order entry system.
Locating Value Activities

To create and sustain competitive advantage, an analysis and understanding of how various activities interact is essential. Value activities can be classified into two categories, primary and supportive activities.

Primary Activities

These activities include designing, creation, marketing, delivery, support and after sales of the product. Primary activities can be classified into four categories. They are research and development, production marketing and sales and service.

Research and Development (R&D)

These activities are related to the designing of products and production process. The banks are able to provide better value to customers by the way of development of new financial products and innovative distribution. Recent innovations in banking are online banking smart debit cards, ATM machines, credit cards and debit cards.

The effect is during the recession periods their income is protected from declining because of the innovations they have done in the market. The value of a product increases through its superior product design which in turn results in huge profits for organization. Moreover, by designing and developing an efficient production process, production costs can be minimized. This provides competitive advantage to the firm in the long run.

This function is concerned with the manufacturing of a good or a service. The product delivered can be a physical or a service. The objective of the production department is to manufacture superior quality goods the lowest possible price. Those firms who are able to give more value for the products will establish a marking on the consumers mind which cannot be erased by the recession like phenomenon.
Sales and Marketing

There are several ways in which the marketing and sales functions of a company can create value for a product. Marketing and sales activities help increase the perceived value of a product through brand positioning and advertising. In these recession dominated market scenario marketing function plays an important role in reading the consumer’s mind which will help the companies to walk before the customers which make them more loyal towards the companies’ products. Those companies which created a loyal customer base is not at all affected by recession or insulated against all the market tsunami.

Service

This function contributions value to the organizations by solving product-related problems of the customer. More trained service personal can provide a value to the customers by way of delighting the customers in the manner of good service.

Support Activities

Support activities inputs to the primary activities and include activities like materials management. The materials management functions namely an efficient supply chain management system enables the companies to provide more value by way of reducing the inventory management costs which will help to reduce the costs. Similarly, the human resource function also adds value to an enterprise by ensuring the right mix of skilled people to perform value creating activities effectively.

Managing the Strategic Change

Change is an aspect of life that is inevitable especially in the recession scenario. In order to embrace the changes happening in the business environment changes organization also have to change to tide over the recession. The strategies for bringing about change in an organization have to be applied in this type of scenario.

The following strategies have to be used to tide over the recession by the companies:

- Re-engineering-A process is a structured, measured set of activities designed to produce a specified output for a particular customer or market. Reengineering involves the critical analysis and radical redesign of existing business process to achieve breakthrough improvements in measured performance. Reengineering involves developing and prioritizing objectives, defining process structures and assumptions, optimizing trade-offs between processes, zeroing on new product and market opportunities, and developing a strong human resource strategy which will gave the companies to give customer orientation, there by more loyal customer base will be formed .The loyal customer base will not be effected before the recession. To have more customized approach
during the recession the following steps of re-engineering can be used.

- Identify the process to be redesigned.
- Understand and measure the processes that are followed currently.
- Select IT Levers. IT can contribute greatly in improving process design. Proper utilization of IT in re-engineering can ensure lower costs of coordination; can help identify various roles in different areas.
- Create a prototype of new process. Continuous improvement in the customized process.
- Restructuring: Restructuring is a process in which business firms engage in a broad range of activities that change the structure of the firm. These could involve expanding operations, shrinking the asset base by selling off unproductive assets, and changing the ownership structure. The net effect will be savings in cost which will enable the company to have the competitive advantage in the manner of low cost.
- Innovation: Innovation involves the use of a new idea or method. During the recession the innovative product will be enjoying the ‘first mover’ advantage. This advantage can help it to gain market share and later, economies of scale. Thus an innovation correctly exploited, can create a strategic advantage for an organization during the recession. It can be in the form of customization in the form of launching a new product, entering a different industry or operating through a new distribution channel which will give more value to the customers. In these recession period the value concept will help the companies in a big manner. The present strength of the companies has to be the medium \or means to achieve the innovation. Innovation depends on the collective enterprise and expertise of employees. Complacency with the past success comes in the way of potential innovations.
- Successful change of strategy: The recession changed the market place all of a sudden. The companies need to have a strategy and update his strategy to meet the demands of the changed market place. The need for a change in strategy is urgent in the present economy. Radical change in an organization is not always desirable. On the other hand one cannot continue with a given strategy for all time. A strategist should have a balanced and informed view of the situation.
- Judging the extent of change required. The companies must have a clear idea about the extent of change that is required. Industry analysis and clear identifications of buyer needs will help the companies in judging the extent of change required. Subsequently; the companies are needed to prescribe either a drastic solution or a less drastic one as per the emergency of the situation. While considering the various options the companies should consider the ground rules set fourth in the mission statement.
Attention to the rules is important, as they govern firm behavior.

- **Force Field Analysis:** Excellence is needed in each and every aspect of the business. It is the need of the hour. The companies should have a clear understanding of the industry structure, competitive position of the firm, its internal resources, and organizational culture, in order to determine how to make the organization excellence. These changes accompanied by excellence will keep the organization combat-ready. Changes in the structure and control systems must complement the strategy in use. Skills and strategy help the organization in navigating, the recession. According to “force field analysis” there are certain forces that help an organization to reach the company’s vision (pushing force). Acting against these are opposing forces that obstruct the march in the right direction (resisting forces). Improved Quality is the intended strategic change and the pushing forces are pressure from customers, good training programs, a new production department head, modern machinery, and motivated supervision. The resisting forces are poor warehousing, inadequate documentation, poor shop floor attitudes, poor relations between production and inspection and a negative reputation.

A firm pursuing strategic change should strengthen existing, pushing forces. A Company should keep in mind the following aspects when designing a strategic change:

- Before bringing in change, he should have a clear vision as to where the change will lead the organization. Without this clarity, decisions that are in mutual contradiction may be taken, resulting in an internally inconsistent organization.
- An organization cannot afford to move on all fronts. This would spread management resources too thinly. Instead, it should concentrate on things that demand immediate attention.
- The final responsibility for taking action should be vested with a single individual. Committees are useful for getting a balanced perspective, but the ultimate responsibility should lie with only one individual. This ensures accountability.
- An intention relating to strategic change will result in actual strategic change only when the intentions followed by visible management action. The strategist can prepare employees at all levels for change, through the speeches and addresses by senior managers at annual events and other symbolic functions.
- The involvement of employees in designing change can act as a powerful motivator. The more the employees are involved in decisions concerning change, the greater will be their commitment to go through the process of change.
The strategist should also ensure that the management and control systems complement the new strategy. If an organization seeks to develop a competency, it should allocate enough resources and time to build that competency.

Managing the Shift in Buyer Profile

Marketers have to analyze global trends and respond to them in real time if they want to stay in the reckoning. Increased information sharing and gathering through the internet-social media, online communication and easier access is allowing younger consumers to be fully aware of the latest international products and their functional as well as tangible benefits. Product launches and marketing strategies in India cannot lag behind other countries. International developments need to arrive in India much faster than ever before. MNCs those days resort to simultaneous launch of products and concepts worldwide due to as a part of the recession handling.

Crisis as an Opportunity

Albert Einstein once famously remarked. “In the middle of every difficulty lies opportunity” He also said, “The definition of insanity is doing the same thing over and over again and expecting different results.” In the recession the main strategy the companies have to develop is an even sharper understanding of rapidly changing consumer needs and to respond to these changes quickly. They have to see that the new affordable brands and propositions are launched in the market to face the recession. The result will be increasing the relevance of their portfolio to consumers. Consumers will be down trading in periods of sudden crisis; consumers punish brands severely for low quality and poor performance that disappoints. Quality was never compromised. For the companies the cash generation and cost savings were key during the recession, which can be achieved by single mindedly reducing complexity in their operations. As happens in a crisis, new truths are revealed. In most cases the 10% of SKU in their portfolio accounted for two thirds of profit. In that case the companies must decisively to do away with SKUs that were not relevant in the context of times-the number of SKUs dropped by more than 50% freeing up much needed cash. The companies have to put in place a plan to move out obsolete inventories sitting in distributors’ warehouses and holding up their cash. By doing so, the amount of trade capital available to fund purchased of their products increased.

The must be remained committed to employee development by investing in training and entry level recruitment—a clear sign of their confidence that no crisis lasts forever and that things would pick up again.

Finally, it is in tough times that relationships, which have been built over years of great benefit. The most successful operations during the recession will be:
Developing strong market leadership.
Creating unmatched corporate reputation.
Tapping the rural market.
Business as usual growth

India is a very diverse country with millions of consumers at every level of the socio economic pyramid. While needs are different in each segment, every consumers has the same hopes, the same aspirations and same dreams for better life. In the recession periods the company has to take special care to serve the needs of all of their consumers in a manner that is most relevant to them in other words the strategy of straddling the pyramid. As a result the companies have to provide portfolios of powerful brands, packs and customized product formats at varying price points that make their offerings affordable and accessible to the consumers.

Customization

Each and every consumer has to be served as per their taste and preferences. In developing country like India, economic uncertainty often results in simultaneous movements of consumers to upgrade and increase consumption, even as others cut back consumption or indeed down trade. For example, in many parts of rural India, consumption increasing due to growing incomes led by rising food prices and interventions like the National rural employment guarantee Scheme. Straddling the pyramid at a time like this gives the companies the ability to capture the upgrading opportunity while simultaneously insuring the companies against the inevitable downgrading that also occurs. At any given time there are some consumers moving up the ladder and other consumers down trade. Either way the companies must see that they have brands that offer excellent value at every price point. As a consumer sensible companies they have to leverage the power of currency price points and small unit packs to play the pyramid. By the above steps millions of consumers will be able to buy into the same benefits, aspirations and hopes that the company’s brands offer in a manner that is affordable to them. The above steps will convince the consumers the company’s abilities and determination to straddle the pyramid, which will help the companies to get a competitive advantage in the market. Customizations become crucial given the economic uncertainty and allow the companies to retain and strengthen their competitiveness’ through the power of their portfolio. Consumers understanding have to be at the heart of their business. At the same it is crucial to understand and respond to changing consumer and shopping behavior.

Leadership Matters

At the time of recession more than any other it is ultimately leadership that matters.

Today, the role of leadership in business has come under ever more scrutiny. The combination of regulatory oversight, poor judgment but above all hubris is what has been at the core of this crisis. In the end, winning over the
long haul demands a deep seated belief in principles and values that are non-negotiable. That is the moral underpinning of a successful enterprise. As Peter F. Drucker said several decades ago, “For it is Character” through which leadership is exercised, it is character that sets the example and is imitated in turn…what will be decisive above all, in the future even more than tint eh past, is neither education nor skill; it is integrity of character.”

The lessons from the global crisis are simple & must not be lost .Business must me honest, must be fair, must be honest, must be transparent & above all must be responsible. Those that walk a different will attract questions on their very relevance & role in society. Replacing long-term principles with short-term profits cannot be good business- not even in the short form.

CONCLUSION

The companies have had no control over the economic storm that has taken its toll across continents. Some fallout of such a huge event is inevitable but the companies know & recognize that this is an opportunity for them to step up their game to further drive their business for competitiveness.

Equally, it’s crucial to recognize that crisis & opportunity are two sides of the same coin. This must inspire them to push for business as usual on growth – straddling the pyramid, delivering superior value & functionality while pushing the boundaries of their understanding & responding to consumer & shopper behavior. Simultaneously, this is an opportunity to drive business unusual on costs re-engineering core processes, declaring a war on waste, dynamic performance management and cash conservation.

The lessons the companies draw from the economic turmoil reinforce their beliefs, and indeed make them better placed to win at a time when citizens would increasingly prefer business, products & brands they can trust. They continue to passionately believe that their approach of doing well by doing good places them in a privileged position of winning the hearts & minds of their customers & communities. Equally, this is the reason why their employees are to be energized to give their best to the company during good times & difficult times.

In the words of Mahatma Gandhi.” The future depends on what we do in the present.” It is precisely with this inspiration & spirit that the companies should seek to win in these turbulent times.”

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