Strategic Factors for Achieving Breakthrough Growth: A Study of Select Firms in Indian Context

by

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CERTIFICATE

This is to certify that the thesis entitled "**Strategic Factors for Achieving Breakthrough Growth: A Study of Select Firms in Indian Context**" which is being submitted by Ms. R. Umamaheswari to the Indian Institute of Technology Delhi for the award of the degree of Doctor of Philosophy (Ph.D.), is a record of bona fide original research work carried out by her. She has worked under our guidance and supervision, and has fulfilled the requirements for the submission of the thesis, which has attained standard required for a Ph.D. degree of the Institute. The results presented in this thesis have not been submitted elsewhere for the award of any degree or diploma.

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ABSTRACT

Strategic discontinuities like liberalization, globalization or birth of a new industry from technological innovations create immense opportunities for growth for both new comers and incumbents. Few firms from India such as Infosys, Bharti Airtel, Tata Motors, TCS and Reliance grew significantly in the past decade, post economic liberalization in India. This study is an attempt to unravel the factors and the process of such phenomenal, accelerated growth in the Indian context.

This research has three core objectives. First objective is to analyze the growth of Firms of Indian Origin (FIO) and identify those firms that achieved breakthrough growth along with their demographic characteristics such as industry, age, initial size of the firm and group affiliation. The second objective is to find the role of internal and external strategic factors (identified from the literature) in achieving breakthrough competitiveness and growth and their associations. The third objective is to examine the strategy (arena, vehicle, differentiation, speed & sequence and economic logic) of those firms that achieved breakthrough growth.

As both startups and established firms have grown in the last decade, key studies in strategic management and entrepreneurship literature and practitioners' literature in the forms of books and articles were surveyed. Literature review undertaken as a part of the study revealed Resources and Capabilities, Business Practices, Innovations, Growth Orientation, Strategic Leadership, Entrepreneurial Orientation, Strategy and Opportunity Development as important internal factors. External factors were identified as Task Environment, and Constraints and Pressures in an emerging economy context.

Study period was chosen as April 1997 to March 2007. Firms of Indian origin whose revenues were above Rs. 2000 crore, as of March 2007, were considered for the

study. Study excluded financial and government sectors. A total of 101 firms satisfied the study criteria. Study required a mix of approaches in order to answer who, what, how and why of growth. Study is divided in to five phases: (i) Pilot Study using select cases from IT industry (ii) Analysis of financial data using different techniques like Cluster and Discriminant analyses to identify breakthrough growth firms, (iii) Opinion Survey that deals with the opinion of 158 respondents from both breakthrough and moderate growth firms (iv) Case Research of select breakthrough growth firms covering different dimensions using SAP-LAP and Strategy Diamond frameworks, and (v) Synthesis of learning from all these above methodologies to provide a cohesive model of breakthrough growth and growth in the Indian Context.

Growth data such as absolute increase in Sales, absolute increase in Assets, Compound Annual Growth Rate, Annual Average Growth Rate, Return on Capital Employed and Absolute Increase in Profits were analyzed using simple statistics, and cluster and discriminant analyses. This analysis helped in identifying twelve breakthrough growth firms.

Opinion survey had two purposes to fulfill: (i) identify strategic factors that distinguish breakthrough growth from moderate growth firms and (ii) identify the enablers and drivers of breakthrough growth and their inter-relationships. A questionnaire was developed based on the literature survey and corrected with inputs from industry and academic experts. Multiple response strategy was followed to collect 158 responses from 64 firms. The questionnaire was tested for validity and reliability. Statistical analyses were carried out to test research hypotheses. All internal strategic factors were found to distinguish breakthrough growth firms from moderate growth firms. Breakthrough growth firms differed significantly in resources and capabilities, innovations and business practices. The conceptual model of breakthrough growth developed on the basis of literature survey has been tested empirically through bivariate and multivariate analyses.

Further, structural equation modeling technique was applied to develop a model for firm growth. The two models were compared to further clarify the breakthrough growth model. Four cases namely Bharti Airtel, Tata Motors, Infosys Technologies and Reliance Industries were analyzed. Various events, important actors, firm strategies and their results were studied for the study period (1997-2007). Cases were selected on the basis of industry/age/market focus/type of business to maximize learning. Comprehensive details of the cases, dynamic SAP-LAP diagrams and strategy diamond analyses are presented.

Learning from different methodologies is synthesized at the end of the study to answer the research questions and to develop a holistic picture of breakthrough growth. A validated model for breakthrough growth is presented. Suggestions for implementing the learning have been provided. Major recommendations and limitations of the study are also presented.

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