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Editor's Desk

It gives us immense pleasure to present before you the second edition of our distinguished the Managereal. We have put together a wide range of interesting articles that would help us to fulfill the primary agenda of the Think Tank Team (working under the Department of Management Studies, Rajiv Gandhi Institute of Petroleum Technology's umbrella). To offer a conjoint platform to the Industry people and academicians to express and to contribute a holistic understanding of the various diverse topics from both the perspectives.

We have in this issue, topics covering the prevalent power crisis in energy sector, an apt combination of Management and law that the world needs in today's scenario, some compelling insights on cashbacks as a marketing strategy, technology as a game changer in healthcare operations. And to complement these subjects, this issue will be dealing with an article on corporate strategy

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About us

Rajiv Gandhi Institute of Petroleum Technology

The Ministry of Petroleum & Natural Gas (MoP&NG), Government of India set up RGIPT at Jais, dist. Amethi, Uttar Pradesh through an Act of Parliament ("Rajiv Gandhi Institute of Petroleum Technology act 2007"). RGIPT has been accorded the eminence of being an "Institute of National Importance" along the lines of the Indian Institutes of Technology (IITs). The institute is empowered to award degrees in its own right. RGIPT is co-promoted as an energy domain specific institute by six leading oil public sector units (ONGC, IOCL, OIL, GAIL, BPCL, and HPCL) in association with the Oil Industry Development Board (OIDB).

The Institute has been associated with leading International Universities/ Institutions specializing in the realm of the Petroleum and Energy sector with an extensive area of focus in the domain of Marketing, Finance, Operations, and Human Resources. The prime objective of the institute is to provide world-class education, training, and research to roll out efficient human resources to meet the growing requirements of the Petroleum & Energy and allied sectors.

RGIPT, Sivasagar offers diploma courses to address the skill gap in the industry. RGIPT, Bangalore centre is being developed to take up advanced research in the energy domain. Currently RGIPT, Jais offers B.Tech and M.Tech in Petroleum and Chemical Engineering. RGIPT offers Master of Business Administration (MBA) and Ph.D. in management. Besides, Ph.D. programs in science and engineering are successfully running from RGIPT, Jais campus.

Management in Law: Can India's Judiciary System be improved?

Neel Parekh | PGP 2019-2021 | IIM Indore | p18neelm@iimidr.ac.in

"The Rule of Law and maintenance of order is the science of governance."

~ Kautilya's Arthashastra, 4th century B.C.

"No branch of knowledge and policy is of any avail if the Rule of Law is neglected."

~ Kamandak's Nitisara, 4th century A.D.

As mentioned above, the relationship between governance and the judiciary has been emphasized long back by great thinkers of ancient India. But if we look today, we seemed to be moving in the other direction when it comes to enforce laws and resolve disputes. The number of cases in Indian courts is piling up and addressing the cases is taking way more prolonged time, that sometimes, when the cases are resolved, one or both the parties had been dead for years.

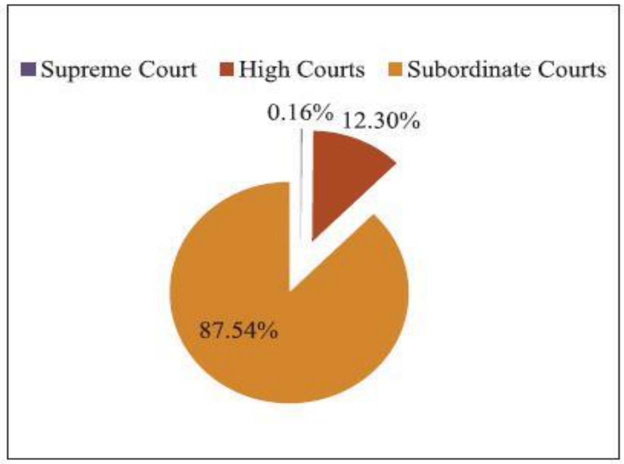
Key Issues

The major issue that is facing the Indian Judiciary is the backlog of cases that weighs down the judiciary system, which further leads to lower economic activities in the country. If we look at the biggest constraint for "Ease of Doing Business in India," that is our inability to rapidly enforcing contracts and resolving disputes. As a result of which, India could climb only one spot in these criteria from 164 to 163, according to the latest EODB report, 2018. This is because the 3.5 crore case is pending in the judicial system. Among these cases, majority of cases are in District and Subordinate Courts, as seen from figure 1 below.

From all these pending cases, more than 64% of cases have been pending for more than a year. Figure 2 shows the percentage distribution of all civil and criminal cases pending for many years in District and Subordinate courts.

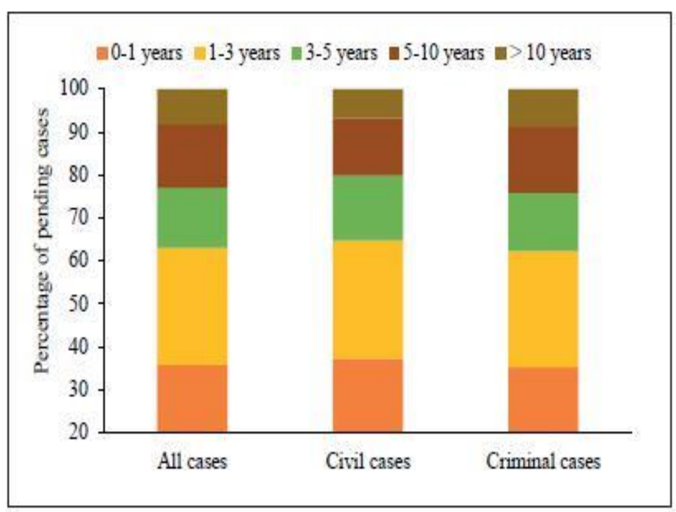
Apart from this, if we look at the number of working days of courts in India, it is quite low

Figure 1: Distribution of Pending Cases among different levels of Courts in India



Also, the number of judges in Indian courts is not sufficient to handle such a high number of pending cases. The sanctioned strength of judges

Figure 2: Distribution of Pending Cases (age-wise) in D&S courts



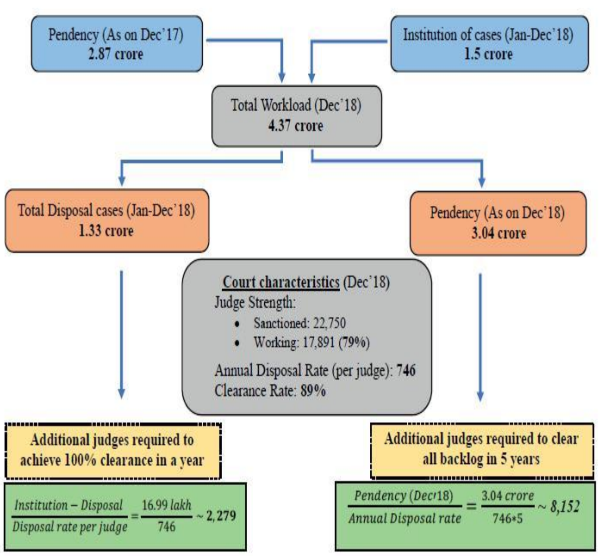
at District courts is 22750, but only 17891 judges are appointed, which is 79% of the sanctioned strength till Dec'18. This number is even lower for the High Courts, which is 62% of the sanctioned strength.

Besides this, there are several other administrative functions to be performed for running the judiciary system like Admission and Denial of cases, Notice/ Summons, etc. These functions constitute the significant portion of the case life cycle which can be seen from the figure given below. Chief Judicial Officer monitors these functions. As a result of which the majority of his time is eaten by these functions, instead of focusing on key activities like hearing the case and delivery of justice. This puts Judiciary Officer as a "Bottleneck" in the system because they are "Critical Resources," but not appropriately utilized.

Solutions

The solution to the above problems can be in two different ways, either by increasing the number of judges, keeping in mind current efficiency or making the system more efficient. If we go for the first solution, it is in the hands of the

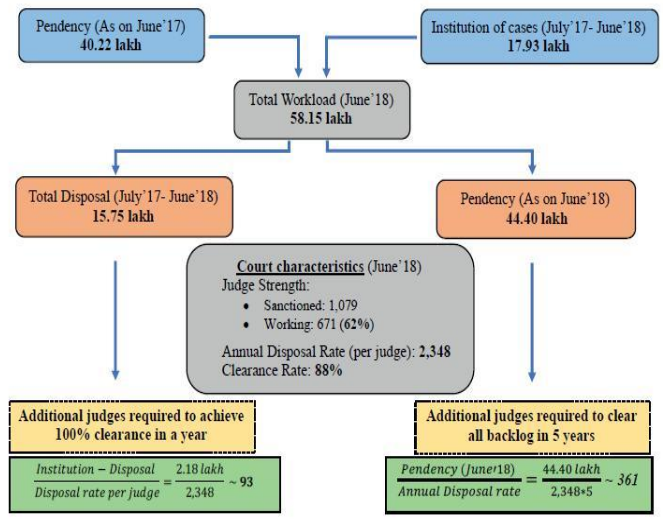
Chart 1: Additional Judges required in D&S courts (At Current Efficiency)



government to increase the number of judges. Calculations for the first solution are shown in below figures for District, High, and Supreme courts.

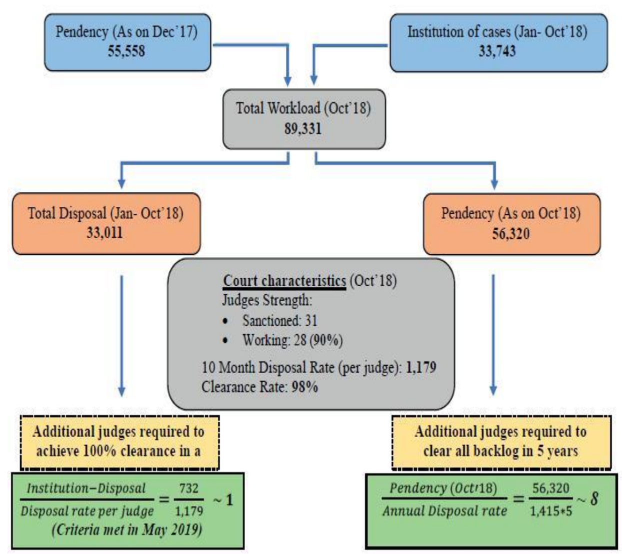
But this solution is not very efficient as the number of new cases in the courts will be increasing year after year because of rising awareness among the common people about their rights. The other solution includes the managerial aspects of it. We need to increase the efficiency of the system with increment in the number of judges. In order to increase the efficiency, first we need to look at the Case Clearance Rate (CCR). It is the ratio of the number of cases disposed of in a given year to the number of cases

Chart 2: Additional Judges required in High Courts (At Current Efficiency)



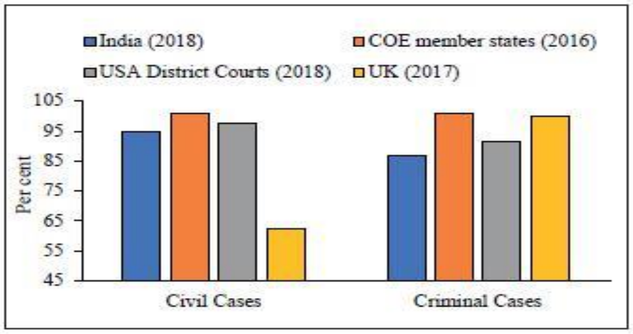
instituted in that year, expressed as a percentage. In order to dispose of pending cases, CCR needs

Chart 3: Additional Judges required in the Supreme Court (At Current Efficiency)



to be above 100 percent. The Case Clearance Rate of civil & criminal cases in India was 94.76 percent and 87.41 percent respectively in 2018. CCR comparison is given in figure 4 with other countries.

Figure 3: International Comparison of CCR



In order to improve CCR, we need to improve the efficiency of the system. As we have seen above, Judges are the "Critical Resources" here, and their unavailability is the real bottleneck. In order to utilize these "Critical Resources," we need to introduce "Law Managers," whose function will be to monitor the administration work and making sure of the availability of all the required documents before it goes to the judge. "Law Managers" will be appointed by the respective states for their high courts and district courts. The Central government can select the same for supreme courts. They will be the link between the lawyers and the judges. We can appoint 3-40 "law managers" per judge.

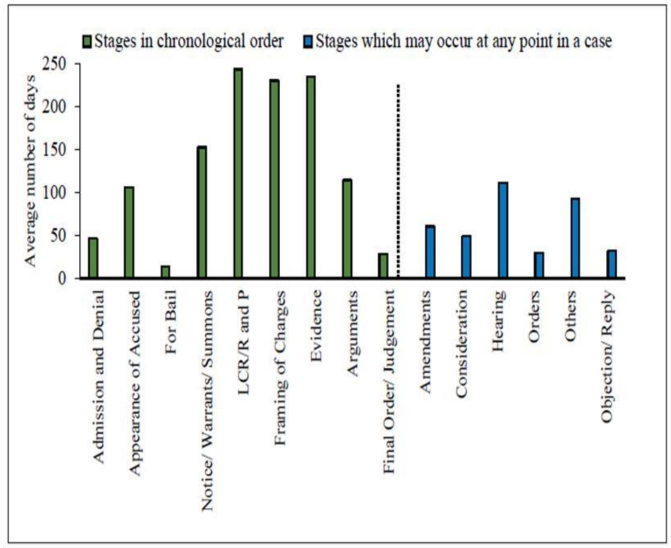


Figure 4: Average number of days spent at given stage- Civil Cases

If we look at different stages in case life cycle (as shown in figure 4), we come to know that major stages that must be handled by judges are Evidence, Arguments, and Final Ordered Judgment. Other stages are more of administrative duties that can be outsourced to law managers. Also, in order to further improve the efficiency of the system, the above mentioned three stages can also partially be handled by law managers, like gathering all evidence and preparing a report, fixing the time limit for the arguments of both parties and other documentation for the Final Ordered Judgment. This way, we can reduce the number of days required for each stage significantly, which can directly be seen in efficiency increment.

In order to achieve this, we need to bring some structural changes in the administrative procedures of judiciary and redefine the functions and duties of lawyers, law managers, and judges. We can form a structure where there is continuous coordination among law managers and lawyers. We can remove the "Bottleneck" of the scarcity of judges by utilizing them for their "Core" activities.

If we can achieve this, the disposal rate per judge, which is 746 (for district court), can easily be improved to at least 900 and with the increased strength of the judges, we can clear all the backlogs in 5-6 years.

The below figures show the calculation for the same with higher efficiency and increased strength of working judges.

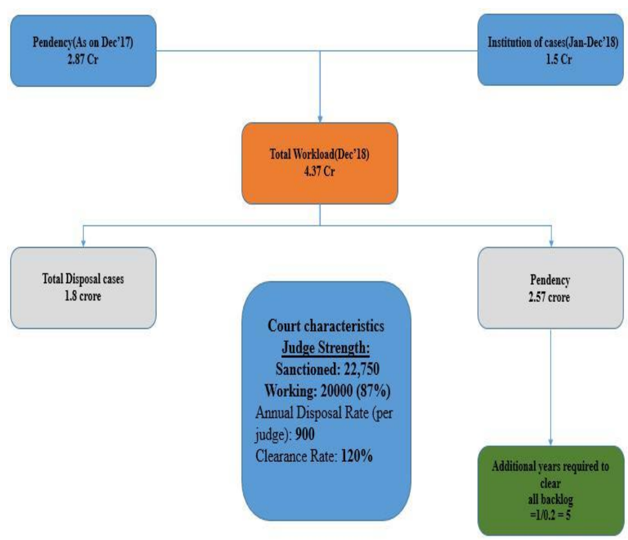


Figure 5: Increasing efficiency with increased strength (District courts)

Figure 5: Increasing efficiency with increased strength (High Courts)

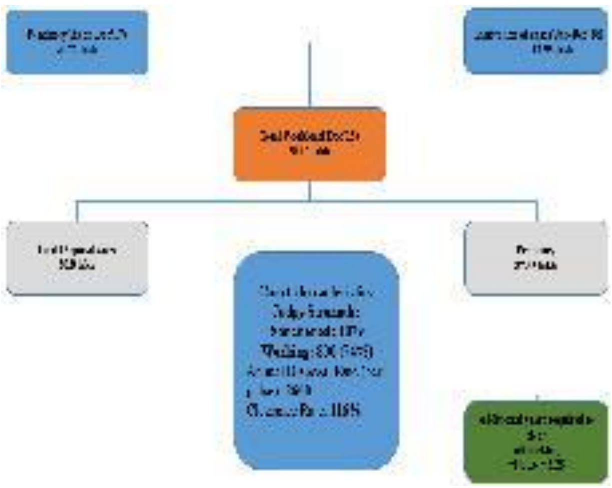
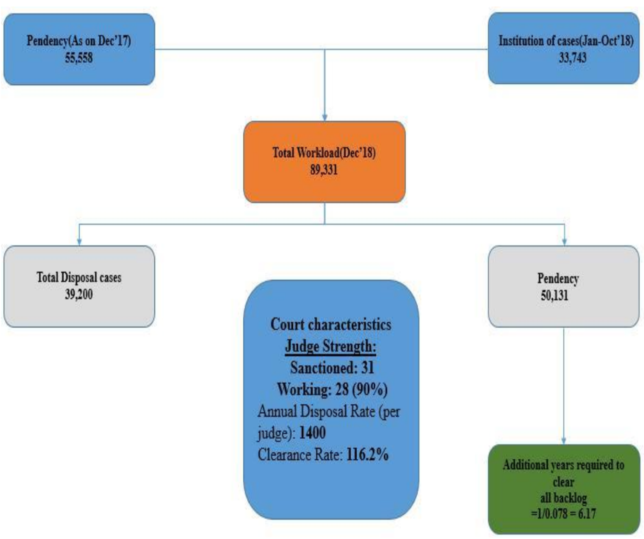


Figure 5: Increasing efficiency with increased strength (Supreme Court)

Importance of Efficient Judiciary System

Judiciary is an important organ of the government. Judiciary helps in interpreting and protecting the constitution of India. Efficient judiciary makes people feel safe and satisfied that their rights are protected and the criminals, who try to harm society, are punished, which leads to



decrease in crime and more peaceful society. The majority of the cases in Indian Judiciary are the cases between internal departments of the government. So, efficient judiciary will address their concerns faster, which will make government more efficient. Also, as discussed above, we are very poor is enforcing contracts and resolving disputes faster. But, efficient judiciary will make that faster, which will boost our ranking in "Ease of Doing business", which will bring more investment in India and generate jobs, which are essential for India's growth.

But all this is just an imagination. As Barbara Sher quotes,

"Doing is a quantum leap from Imagining".

Let's take this leap and make our country, a better home for its 1.3 billion citizens.

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Cash Backs – A Winning Marketing Strategy

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INTRODUCTION:

Cash backs are nothing but one of the major components of Affiliate Marketing which are growing at a rapid pace as that of the e-commerce market. Cashback industry and e-commerce industries complement each other's growth better, especially during Big billion sale seasons. Cashback allows customers to earn when they spend essentially. It is indeed a promotional method of winning over other brands. From a digital standpoint, technology and marketing are emerging, and hence traditional marketing is no longer adequate in this digital era. Companies need to reach their audiences using different channels in order to increase their brand awareness and favorability.

From a seller's viewpoint, cashback keeps the customers coming back. In simple terms, Brands use cash backs to ensure customers keep coming back to them, in exchange for a small benefit that you get as cashback. So technically, customers are just part of the chain that benefits the sellers. It helps the customers to choose from a plethora of cashback options which would make the customers repeat their transactions with the existing companies or sellers.

HOW CASHBACKS ARE DIFFERENT FROM DISCOUNTS WHEN IT COMES TO MARKETING?

Customers get into a psychological feeling that "More the discounts, bad the quality of the product is." They accept discounts only when they are at the initial stages of a business or deep discounts during festive seasons. So this makes them stock up the product and order only when the company comes up with better discounts. This technically makes the brands lose their credibility.

So cashback promotions are way better than continuous discounts as this would not just help in sales enhancement but also improves customer loyalty. Cashback promotions are mostly towards loyal customers and not to those who are looking to save money.

HOW HAVE CASHBACKS IMPACTED THE SELLERS?

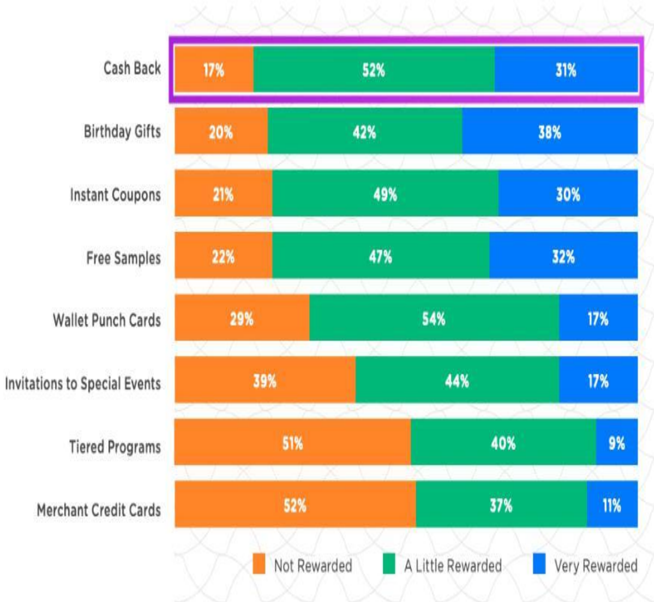
Off late, Cash backs are not just a great way to save but also have become a reason a customer chooses a brand or a product. To sellers, it is a marketing gimmick to hook the customers to their products, but unfortunately, customers have fallen for it as their prey.

This helps the customers to come back to the product often. But how? Cash backs are always not a part of the bill that goes to the customer but also credits the customer's account with store points or coupons, which can be used for future purchases from the same retailer.

Gone are the days when the coupons came with terms and conditions where you need to wait for a certain period of time for it to get redeemed. Cashback credits the customer's account immediately with no absolute delay, thereby attracting more customers.

IS IT REALLY A WINNING MARKETING STRATEGY?

In this era of marketing, this indeed works and has worked for various brands. For example: When Paytm was launched, it incentivized people through **Paytm cash backs** every time a customer makes a transaction, using its app. In



doing so, the customers indeed started getting used to the wallet and continue to use it even if there is no cashback on offer. According to a very recent Cash backs has benefitted the companies to a greater extent, as it is actually seen as a sign of customer loyalty.

BENEFITS OF CASHBACKS TO THE STAKEHOLDERS:

Both the customers and the retailers have benefits attached due to cashback, and they are listed below:

To Consumer:

1. Best available deals at one place
2. Money-saving in cashback
3. Customer Satisfaction

To Retailer:

1. Customer acquisition
2. Revenue generation
3. Brand name
4. Customer loyalty
5. Enhanced sales

CONCLUSION:

Although Cash backs create a Win-Win situation for both the seller as well as customers, how long will this continue? What if, among customers it creates the same image as that of discounts? As far as there is valued benefit on both sides this marketing strategy would be fruitful. Cash backs work on the concept of behavioral economics, which is in terms of sunk cost fallacy or the desire to make the most of something because you have already paid a part of the cost. Also as we know Paytm has set its target on cashback, shifting from online business, which in fact denotes that cashbacks are indeed a winning marketing strategy that companies are trying to adopt for winning their businesses. But, when it comes to India the awareness of cashback is very low as the marketing spend is comparatively less. E-commerce and cashback industries will sustain for at least a decade but cash back industries relying only on e-commerce sites will decrease their chance of existence. So these industries should move ahead by taking steps that would increase their sustenance in the market.

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Technology: Game Changer of Healthcare's Operations & Supply Chain Management

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PGP 2017-2019 | Tata Institute of Social Sciences

The global healthcare is one of the world's largest and rapidly growing sector consists of the diverse sector, which includes medical equipment and supplies, pharmaceuticals, healthcare services, biotechnology, and

Image Courtesy : https://revcycleintelligence.com/images/site/features/_normal/2018-08-17_Health_supplies.jpg

alternative medicine sectors. With massive pricing pressure on healthcare providers to deliver high-quality care while lessening cost is a top strategic priority. Nearly one-third of hospital operating budget is consumed by one area which is often overlooked, i.e., ***Healthcare supply chain.*** As a result, $765Billion is wasted annually in lost, unused, or expired supplies. The supply chain is an intricate domain covering procurement, inventory management, logistics, material handling, transportation, warehousing, distribution, and many other functions both within the four walls of the organization and throughout the external supply chain. Supply chain management is a labour intensive and costly process in any healthcare setting.

The hospital systems grew, several factors came into play: Today, 17 to 30 percent of the organizations spend is for supplies. In the near future, out of the total hospital operating budget, the cost of supply management can exceed 45% and with nearly 30-35% attributable to supply costs alone.

According to a survey conducted in March 2019 by Sage Growth Partners, almost all hospital leaders (98 %) said hospital margins could be improved by supply chain optimization. About 52 % reported there is a high chance for an increase in the margin between 1-3% in case of better management, and 35 % believe margins can increase over 3%.

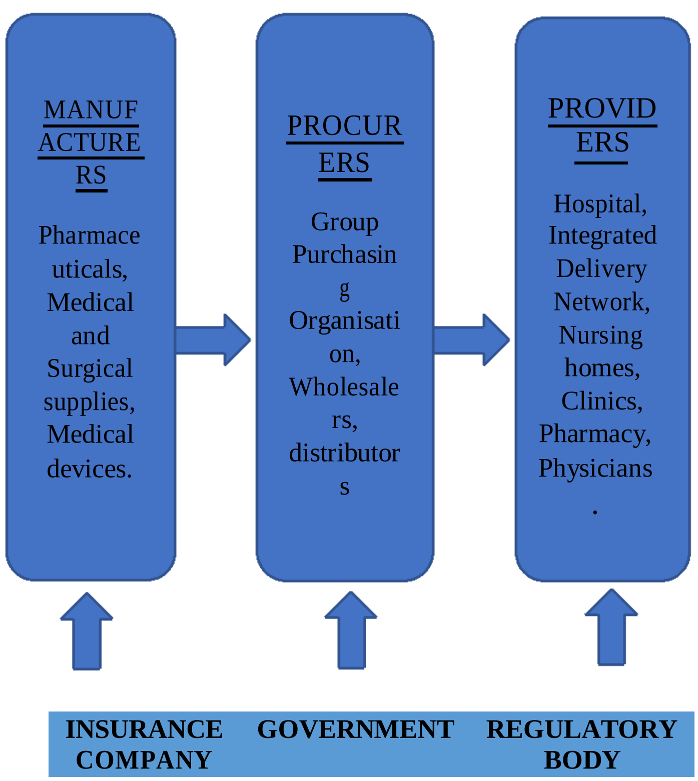
LAST YET SMART RESORT:

It's high time for the healthcare sector to progress ahead from being a technology laggard to a technology leader – or least be somewhere in the middle in the supply chain management.

Healthcare's supply chain is innately intricate, and therefore it's absolutely a difficult task to find a magic button that will take away the inefficiencies to cut down cost.

Finally, a magic button found by supply chain management leaders is turning to technology to provide innovative, affordable quality care with incorporate clinical data.

The survey (Navigant in 2018 on supply chain) found that for supply chain management, 37% of hospital leaders still use Excel or other Microsoft tools to track margins per Operation Research case. Another 27% use low-tech tools or simply don't track margins per Operation Research case or don't know if they do. Only the remaining 36% of respondents have a specific technology solution. The total cost of getting a product from the manufacturer to the end-users which is beyond the initial purchase price includes logistics costs, insurance, duties, taxes, and other fees. Based on their operations, stakeholders in the healthcare supply chain are divided into following groups:



Healthcare supply chain configuration (Adapted from Burns 2002)

HOW CAN TECHNOLOGY BE A GAME CHANGER?

Some of the serious consequences of purchasing through traditional healthcare include excess inventory levels, workflow disturbance, pricey rework, lack of inventory control, missed contract compliance, recurring product flow, stock-outs, expensive emergency deliveries, and increased health system labour requirements. At present, healthcare supply chain management is widely integrated technologically through Radio Frequency Identification [RFID] technology or Automated Guided Vehicles [AGVs].

According to the survey by Navigant 2018 on the supply chain, the adoption of advanced technology in supply chain management can give savings opportunity jump to $ 25.4 billion a year. Average supply expense reducing opportunity approaching 18% per hospital without impacting quality. Purchase decisions in healthcare can be optimized through data visualization and analytics. Main key for the effective supply chain is visibility and communication. And there is technology to help get healthcare there. For improvement of supply chain main valuable resource will be Cloud-based, AI and data visualization.

FUTURE OF HEALTHCARE SUPPLY CHAIN

In optimizing the healthcare supply chain, we depend on a wide range of technologies which include Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), Transportation Management System (TMS), and Radio Frequency Identification (RFID).

According to Global Healthcare Exchanges, Data analytics is the most coveted capability in supply chain management, but compact budgets prevent investment. At this moment, for tight healthcare supply chain budgets, Artificial intelligence, and other advanced data analytics tools are also too pricey to accommodate. Nonetheless over time the artificial intelligence technologies prices are likely to fall, putting them within reach of supply chain experts once these technologies become more integrated into the health IT marketplace.

To streamline the operations and to improve efficiencies in the healthcare supply chain, there are many more promising technologies. A few of them are discussed below.

1. BLOCKCHAIN

https://qtxasset.com/styles/breakpoint_sm_default_480px_w/s3/fiercehealthcare/1538413637/LuckyStep48.jpg/LuckyStep48.jpg?l_K.U6NZ0iy5bjXFW4UX4s08vasxHDAr&itok=FPUWiH9L

The flow of the supply chain starts with the manufacturer, follows updates by intermediaries, and ends by being authenticated by the buyer. In developing countries, almost 10–30% of the drugs sold are counterfeit. Blockchain through "trace and track" regulations can potentially help companies to maintain drug traceability from inception to consumption. Through end-to-end traceability, original drug unit changes non-alteration, serial number duplication, and validating the receipt of a drug can be prevented.

2. ROBOTIC PROCESS AUTOMATION (RPA)

https://www.infosysconsultinginsights.com/wp-content/uploads/2018/03/rpa-pic-3-1.jpg

It can be used to replace the manual, time-consuming and error-prone parts of a supply chain. Introducing Robotic Process Automation (RPA) does not mean that some robot looking machines will take over the tasks, but it is about smart and intelligent software doing high volume, repeatable tasks that are usually mundane and boring for human beings, at the same time reducing errors. Manual tasks such as data entry, back office tasks which are typically time-consuming, repetitive, high in the volume are perfect to be handled by RPA and allow employees to focus on high-quality, complex matters. In spite of the initial upfront investment required to implement RPA technology, the overall rise in productivity and efficiency, along with a reduction in human errors lead to immense cost savings and improved finances. RPA can assist in vendor selection and procurement, shipping status communication and supply, and demand planning, transport materials, performing a preliminary analysis of vendor documents, evaluating the vendor and running a credit check, request for quotation, package, communicating to vendors, as well as helps in finalizing the vendor selection. Through RPA majority of the steps can be automated. Post-automation, RPA cycle time can be improved by 25-50% and processing time by 15-45% and elimination of manual effort by 40-60% and 20-40% improvements in the administration effort and data collation involved in supply and demand planning.

3. ARTIFICIAL INTELLIGENCE (AI)

https://assets.entrepreneur.com/content/3x2/2000/20181127205335-GettyImages-962094932.jpeg?width=700&crop=2:1

AI has a lot of potential applications in the supply chain. Chabot's operational procurement is one example. They can handle all the paperwork with accuracy, efficiency, and speed. **Machine Learning for Supply Chain Planning** help in forecasting inventory, demand, and supply. **Machine Learning for Warehouse Management assists in** supply flaws (overstocking or understocking) and demand forecasting. **Autonomous Vehicles for Logistics and Shipping** helps in speedier and accurate shipping which reduces lead time, transportation expenses, and labour costs. **Machine Learning and Predictive Analytics for Supplier Relationship Management (SRM) and Supplier Selection helps in better** supplier selection and sourcing which is an increasing concern for enhancing supply chain ethics and supply chain sustainability. Data sets, generated from SRM actions such as audits, credit scoring, and supplier assessments, provide an essential room for further decisions regarding supplier selection.

4. INTERNET OF THINGS (IoT)

https://thumbor.forbes.com/thumbor/960x0/https%3A%2F%2Fblogs-images.forbes.com%2Finsights-hitachi%2Ffiles%2F2017%2F12%2FFinancial-future-analyzing.jpg

The most common method for asset tracking is sequence numbers and bar codes. However, IoT sensors and cameras can help supply managers find granular data on the product and its location at any point. IoT also has the ability to improve fleet management by connecting fleets and tracking shipments. Overall, through IoT devices, companies can expedite the route planning and tracking of goods and can identify when and where goods are delayed in transit. This helps in the preparation of alternative routes and contingency planning and to speed up the supply chain.

5. WEARABLES

https://medcitynews.com/wp-content/uploads/2017/03/GettyImages-647410138-600x400.jpg

Product downtime causes revenue loss for organizations involved in logistics and supply chain. Product inspectors may be able to diminish these losses with the use of wearables. Augmented reality glasses have shown promise in helping inspectors detect glitches.

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15. How the Internet of Things Is Transforming Supply Chain Management

Crisis in Power Sector

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About the Author:

Mr. Anil Swarup is an experienced administrator as well as a successful orator with the ability to grab everyone's attention. He was the former Secretary of School Education (2016-2018) and the Secretary of Ministry of Coal. With his history and experience in the coal sector, he brought about several reforms to ensure transparency in the auction of Natural Resources and an unmatched increase in Coal production. He has also formulated and administered one of the largest social sector health insurance scheme for more than 30 million poor in India.

Crisis in Power Sector

The scenario:

The power sector is in serious trouble. No, this is not 2014 when it was indeed in trouble. This is 2018. Look at the following indicators:-

1. Rs. 1.74 lakh crores worth of stressed assets with the banks are from power generating companies. This amount is increasing by the day.
2. Thirty-four power plants are stressed (32 in the private sector and 2 in public). The capacity of these stressed thermal power plants is around 40,000 MWs.
3. Shortage of coal supply and Fuel Supply Agreement. The number of critical plants for want of adequate coal stands at 26 on the 9th of October, 2018 as per Central Electricity Authority data.

The causes

The Parliamentary Standing Committee has identified the following major reasons for the crisis:-

(a) Coal supply shortage: Cancellation of allotted coal blocks in 2014 by the Supreme Court.

(b) Setting up of projects without fuel linkages.

Purchase Agreements are made available by States (out of the stressed commissioned capacity

of 24,405 MWs, there are PPAs only for 16,129 MWs).

2. The inability of the promoters to infuse equity & working capital.

3. Contractual and tariff-related disputes.

4. Inadequate funding by Banks and Financial institutions. (Some instances where the projects are complete but the banks haven't sanctioned working capital)

5. Delays in project implementation, leading to cost overrun.

There are some other aspects also that have contributed to the current crisis:

i. Aggressive and uneconomic bidding in coal blocks auctions by power generating companies. In view of the coal shortage and uncertainty about the future availability of coal, the user entities didn't want to take any further chance. The users wanted coal blocks "at any cost" only to discover subsequently about the actual cost they had to pay.

ii. Across the board cancellation of coal blocks allocation under the Supreme Court orders had a much greater impact than expected. As it was later discovered, there were no takers for a number of blocks because their viability depended upon the user industry existing in the near vicinity.

iii. Mining in a number of coal blocks, stuck up for the requirement of clearances. This had always been a problem in the country and continues to impact progress.

iv. With the cross-subsidization of renewable energy, the coal-based thermal energy sector has had to bear the cost of the ambitious targets set out for renewable energy.

v. The variety of cess imposed on coal has put additional burden on the coal-based power plants

Action so far:

The focus so far had been to grapple with some of the issues for selecting a few generation companies in the following manner:

1. Special linkages for some of the entities by Coal India
2. Recent move to allow cost pass-through to certain entities, to alleviate the burden of increased import-price.

All these piecemeal efforts are not likely to generate a substantial impact on the power sector that is facing with severe crisis though it would reduce some of the entities from the cost-burden, that too would come at someone else's cost.

Moreover, the hydro-electric power generation has not kept pace with the requirements. The grid balancing that could have been done through hydro-electric power for renewable energy is now being "enforced" on the coal-based power plants, and they have been "asked" to back down at a substantial cost to "accommodate" solar power transmission. There is a cost to it, and someone has to bear it. Sadly, the thermal power plants have had to bear this cost.

Possible way forward:

There are two sets of issues that afflict the sector:

1. Demand-side issues
2. Supply-side issues

The demand for power exists, but the DISCOMs (Distribution Companies) are unable to articulate this demand as they are themselves in a financial mess. UDAY (Ujjwal DISCOM Assurance Yojana) requires to be implemented in letter and spirit to get the DISCOMs out of the trouble in a manner as has been done in Gujarat even before the dawn of "UDAY." It is do-able, but the similar commitment & political will have to be demonstrated by the other states. Few initiatives have been taken, but a lot more needs to be done. The DISCOMS holds the key to the power sector.

The supply-side issues will have to be tackled differently and in a comprehensive manner. Let us look at some of them:

i. Coal India must increase the supply of coal by the following strategy pursued during 2014-15 & 2015-16 when coal production witnessed an unprecedented increase. The factors that impact coal production relate to land acquisition, environment, and forest clearances, and evacuation of coal. Most of the issues that impact the first two factors relate to the actions by respective state governments. Hence, the strategy will have to centre around going down to coal-bearing states to resolve such issues. It has been done in the past. There is no reason why it can't be done now.

ii. Facilitate various clearances for the coal blocks that were auctioned/allocated.
These clearances haven't moved forward in the past couple of years. The revival of the Project Monitoring Group (PMG) at the centre and pursue clearances aggressively. This too has been done in the past and be done again.

iii. Setting-up a high-level and empowered committee to examine each stressed-projects & work out a rehabilitation package. The only financial restructuring will not help, so the package has to be a comprehensive one. This could even entail change of ownership/management and/or adequate sanction of funds that are required for the projects. The committee should also be empowered to settle disputes if any. Until and unless such a central mechanism is created, the issues will not be resolved.

iv. The power generating companies should not be saddled with the burden of cross-subsidizing the renewable energy sector. Promoting renewable energy is laudable, but it has a cost, and this has to be borne by society (through taxation) and not be entities that are already in trouble.

The time is of the essence, and with each passing day, the problem will become even more complicated. Since all governments in the past have been notorious for delays, and this government is different. The present team in the Ministry is different. It comprises a team with proven competence. R K Singh was a highly rated civil servant & Ajay Bhalla contributed substantially to the turnaround of the coal-sector. They are capable of turning around the power-sector as well. Hopefully, they will be able to achieve that for the national interest of the country.

Corporate Strategy in changing Energy Market

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Corporate Strategy in Changing Energy Market

Energy companies have been traditionally large. They follow Classic Strategy with annual forecasting and planning. They make long term plans, which typically are investment planning and decisions to enable them to grow production. This method has worked for many years, but now as the market has become more volatile, this rigid approach brings with it many risks. Also, the market is moving from **supply-driven to consumer-driven** where the consumer has more choices on how to fulfill her energy needs, not just rely on a petrol-driven car or utility-supplied electricity.

In this article, I would suggest **"Examine – Change – Review"** method to move forward in this changing market

Changes in the Industry (Oil & Gas, Power, Renewables)

The energy market has long been a Sellers Market. Oil companies or an electricity company would dictate terms. It has always been taken it or leave it. But now the consumer has a choice. He or she can choose from electric car to replace oil, or he can get solar panels to go off-grid.

Within oil industry as well, shale/ tight oil & gas pushed OPEC countries and brought down oil prices. Some companies are pushing to drive out coal from the market by selling cheap solar power.

Apart from what is happening in the market, climate change and global warming are forcing countries to follow Decarbonisation in their countries. COP21 was indeed a game-changer. India too gave decarbonization targets at COP21 to help mitigate global warming.

Apart from the energy sector, this generation is overall more connected and doesn't want to own things. They want experiences, not ownership. The world hence, is moving towards decentralization. There is an ever more interconnected world, and disruptive innovation and technological advancement reach to far-flung areas more quickly. Disruptions are easier than they were 100 years ago. With, interconnected world, economic shock waves travel around the world within days.

Can the Energy sector stay from this change, this volatile nature of the world economy? No, the energy sector has to change with the world

Examine – Change – Review

There are different approaches on how to change your approach to strategy in a volatile environment. ECR is one such approach.

Step 1: Examine

Examine your current practices, how you approach strategy, how responsive your organization is to your strategic initiatives. Lowell Bryan talks about how companies should adopt dynamic management in uncertain times in his article:

"The specifics of how companies should build these muscles will, of course, vary. Well-run organizations—particularly those accustomed to using stage-gate-investment approaches for activities such as oil exploration, venture capital investment, and new-product development—may find that moving toward a more dynamic management style requires a few relatively small, though collectively significant, shifts in their operating practices. Others may find the necessary changes, which include migrating away from rigid, calendar-based approaches to budgeting and planning, more wrenching." [2]

For budgeting, he says:

"Yet it's important to recall why we have them: they enable the efficient delegation of authority between managers and subordinates. In return for the freedom to make decisions and allocate resources, the subordinate contracts through the budget to deliver expected results. The managers of a large company make tens of thousands of operating decisions every day, and if all of them required constant deliberations up and down the chain of command and across the organization, it would grind to a halt. Jettisoning budgeting, therefore, is hardly an option—though it may have seemed reasonable at points over the past year since most of the budgets produced in late 2008 for 2009 proved worthless (as did most companies' earnings guidance to stock analysts). What this underscores is a basic problem with budgets: if developments in the marketplace are sufficiently different from the assumptions used in budgeting, managers can't make their numbers no matter what they do. At best, by the time these developments have surfaced to the top, most of the lead-time needed to address the emerging issues have been exhausted. At worst, the company faces a crisis after being weakened by the hidden costs of all of the short-term actions (such as maintenance cutbacks for manufacturers or excessive risk-taking for financial institutions) undertaken by managers endeavoring to make their numbers." [2]

Step 2: Change

Develop new processes after you have examined what is good and bad about your current strategic processes. Try to create a rigorous and on-going management process to formulate strategic initiatives to deal with the volatile environment. Chris Bradley, Lowell Bryan, and Sven Smit suggest one such management process **"moving from ideas to execution requires seven distinct modes of activity"** [1)]. There are other ways as well to strengthen your strategic management process. After developing the process, formally integrate the strategic-management process with your financial-planning processes as well to integrate budgeting and financial control (financial planning processes have to be changed as well to make them more flexible).

One of the processes that I would like to focus on is Scenario Planning that has been pioneered by **Shell**.

Scenario Planning

Like Shell, companies can develop scenarios based on demographic trends and reversal of unsustainable trends, economic action, and reaction and scheduled events outside the planning horizon.

Charles Roxburgh talks about the need for developing scenarios in his article

"Many winning business models are highly specialized and precisely adapted to the current business environment. Therefore no one should ever assume that today's winners will be in an advantaged position in all possible futures (or even most of them). Therefore, scenarios should be based on creative thinking about how predicted changes in the business environment will alter the competitive landscape. If the environment changes in a scenario but the competitors remain the same, that scenario may not be imaginative enough." [3]

Many variables can easily be predicted, e.g., 'Changes in population size and structure.' Economic variables are hard to predict, as there is a reaction to all economic actions, e.,g. Price changes of oil & gas drive supply and demand reactions in every relevant value chain. These reactions can be found out through careful scenario planning.

Business plans have forecasts or targets that are based on extrapolation of past data, which are more of a wish list than forecasts. Economies, on the other hand, are cyclical. There can be optimistic projections, and there can be pessimist projections. Strategists should always be in touch with the underlying assumptions and data so that they are not lost in the euphoria of projections and investment bubbles. If you are developing scenarios for 25 years, you would be forced to **think beyond cycles and see which trends would hold and which won't**. Also, having scenarios for 25 years or more would help you to look objectively at events that are typically not covered by corporate's long-term plans. E.g. 'adjustable-rate mortgages where you may be required to refinance your projects.'

Scenarios are hard, as Charles Roxburgh concludes in his article

"None of the above is rocket science. Why, then, don't people routinely create robust sets of scenarios, create contingency plans for each of them, watch to see which scenario is emerging, and live by it? Scenarios are, in fact, harder than they look—harder to conceptualize, harder to build, and uncomfortably rich in shortcomings. A good one takes time to build, and so a whole set takes a correspondingly larger investment of time and energy. Scenarios will not provide all of the answers, but they help executives ask better questions and prepare for the unexpected. And that makes them a very valuable tool indeed."[3]

Step 3: Review

Regular discussion about strategy with a top team, board, and periodically revisiting corporate aspirations helps in making any big, directional changes in strategy required by changes in the global forces at work on a company. As the strategic process now regularly brings more insight to the management, they can decide on the changes required or grasp an opportunity before the competitors. One cannot change the direction of a company just by one-time activity; hence, regular discussions are required throughout the year. As Chris Bradley, Lowell Bryan and Sven Smit write.

"Changing the strategy of a large bank, or any large company for that matter is a bit like turning a supertanker. The momentum of the institution is so strong that the ability to change direction quickly is limited. After all, the focus of the senior and top-management teams of most corporations, most of the time, is on near-term operating decisions—particularly on delivering earnings in accordance with the financial plan. As a result, many, if not most, of the decisions that shape the future of organizations are made unconsciously in the flow of running the businesses or through annual planning processes that suffer from trying to cover all businesses and issues simultaneously (or through one-off projects)." [1]

In our turbulent times, companies need to spend time building their strategic capabilities according to the volatility in the market. In the Energy sector, as we have seen, there have been lot of changes. Big Oil & Gas or energy companies cannot keep following the processes they have been following when the market was rigid. They have to build institutional skills and generate strategic ideas to develop themselves further with changing times. To prepare for the future, companies have to change the way they think and make decisions.

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