

IDENTIFYING NEW STRATEGIC FIELDS FOR STUs IN THE CHANGING ENVIRONMENT

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The liberalisation era with sweeping macro economic adjustments in vogue since July '91 has radically transformed every sector of economy from a static state to dynamic state. The reforms apart from signalling farewell to the centralised system of planning, show a clear commitment to give market orientation to economy and all that it implies. With such cataclysmic changes taking place within and outside the country and ceaseless explosion of scientific knowledge transforming the socio-economic structure of the societies and with the world emerging as a single unified market for goods and services, the State Transport Undertakings (STUs) will have to shed their traditional perceptions, policies and practices in response to the fast changing economic scenario. They will no longer be able to purr under the sunshine of monopoly and will have to compete on equal term "sans any props", in the shape of subsidies and whatever. The revised Motor Vehicle Act 1988 provides for liberal issues of permits and paves the way for more entrants in passenger road transport sectors. Under these new economic dispensation STUs will have to tear themselves free and sooner the better from the protectionist environment and demonstrate their willingness to stand up and compete with the private sector.

Transformation of economy in the process of liberalisation has brought an urgent need for STUs to reexamine their strategies. The change in government policy brings in an imperative need for every STU to examine the policies of the State governments, environment, external and internal strengths and weakness and identifying its best strategy to face the threats and

harvest on the opportunities. STUs have to formulate their strategies to sustain in the changed situation. The objective of this paper is to discuss some of the strategic option available for implementation in STUs.

Identifying New Strategic Fields

All organisations live and perform in two periods i.e. Today and Tomorrow. Tomorrow is being made today and irrevocably in many cases. With continuing losses since inception, currently, managers of STUs can't assume tomorrow to be an extension of today. On the contrary, they must consider change as an opportunity and not as a threat.

Many STUs are not sensitive to changes that are taking place in the world which are going to discipline the organisations. Generally an organisation is either benefitted economically by adopting the change well or penalised if adopted poorly or not at all. Presently, many STUs focus greater attention on their internal aspects though the opportunities and threats are from external environment. While there is always room for improvement in internal management in any organisation in STUs, the strategic management appears to be totally neglected. The time is ripe today, for STUs to identify new strategic fields, to cope with the new perils of the external environment.

In the context, let us look at some of the strategic fields for action to cope with the changed environment.

- Growth
- Operation and Service Mix
- Social Obligations.
- Marketing Approach
- Publicity and Public Relations.

Adequate and Proportionate Growth

Traditional competition in public utility services like transport is considered as harmful, since it results in wastage of resources. Many states have opted for complete expulsion of private bus services. The implication of this policy is that the STUs are required to provide expansion of services in tune with needs. For example

the population growth rate in India was 2.11% during 1981-91 while it was 2.2% in earlier decade and the economy has registered a growth rate of 5.0% during the eighties as against 3.8% during the seventies. These increased population and growth in economy result in higher traffic demand and STUs have to meet this increased demand. The average growth of traffic demand in India is generally estimated 10 to 13% per annum. The percentage growth of fleet in all STUs was 4.1 during eighties.

Operations and Service

The STUs are operating traditionally various types of services such as express services, ordinary services, luxury services, city services etc. The performance and profitability of these services vary widely. Since State Govts. do not allow STUs to withdraw from non-economic and non-remunerative areas, the question is what type of help STUs should seek from the Govt. ? Thus STUs have to develop proper strategies for service mix.

Social Obligations

STUs being a limb of State Govt. can not avoid bearing the burden of social obligations. A wide variety of concessions to students and other passengers are generally granted by the State Govts, the financial burden of which falls on the STUs. The financial burden due to grant of concessions in some selective major states are Karnataka Rs. 72.72 crores, Maharashtra Rs. 33.46 crores, Gujarat Rs. 51.64 crores, Delhi Rs.23.00 crores, Kerala Rs. 20.00 crores, Haryana Rs. 19.00 crores, Rajasthan Rs. 10.00 crores, TN Rs. 26.34 crores. Orissa Rs. 2.60 crores in the year 1991-92. There is an urgent need to formulate necessary strategies to deal with these aspects a view of the precarious financial position of STUs. Similarly majority of STUs operate unremunerative routes for various reasons, because these services are socially desirable though financially loss making. If market forces are allowed to operate most of the routes will close down and vast areas hitherto remaining inaccessible will continue to remain so.

Marketing approach

The concept of marketing of STU services is required to be given higher priority. Studies on the demand side are generally not given adequate attention in STUs as the problem is always seen from the supply angle. Peculiarity in transport industry is that, here supply creates demand, hence adequate supply of desired quality is to be provided for generation of demand.

Publicity and Public Relations

Generally, it is a fact that the few shortcomings of STUs are highlighted and many creditable achievements are not brought to light or forgotten. There is a need to bring to the focus of the general public the problems faced by STUs to create a better image for the organisation.

STRATEGIES FOR IMPIEMENTATION

Strategies may take offensive or defensive action to create a strong position in an industry to cope successfully with changing environment. The overall growth of STUs shall depend on total infrastructure development alongwith overall transport strategy and basically with public transport strategy (see Fig.6. 1) which are likely to change in the future.

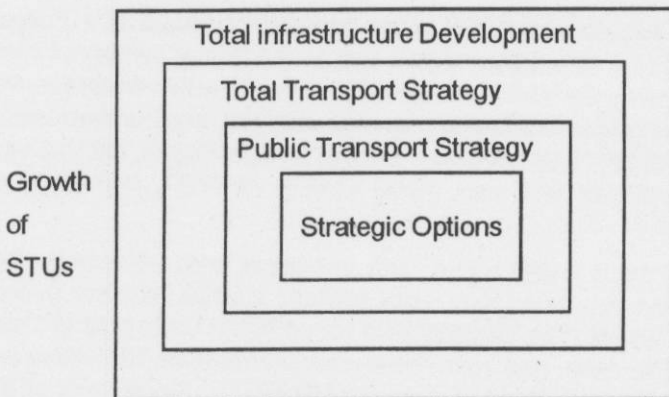


Fig. 6.1

To face the challenges of the foreseeable future we have identified the following strategies to be implemented for creating a strong position in the long run and for performing effectively with other competitors:

- Cost Leadership
- Target
- Differentiation
- Quality of Service
- Strategic Integration.

Cost Leadership

The overall cost reduction and cost control comprise the main theme of this strategy. Adoption of this strategy requires efficient control measures and stringent control on unnecessary cost. The strategy should aim at to have an edge over the private operators. But cost should not be curtailed at the expenses of quality. The low cost operation of STUs shall provide an edge for the entry of private operators. Economies in the scale of operation can be achieved by judicious purchase of spare parts, which is not available to private operators due to their minimal fleet capacity. Similarly, personnel cost which comes 42 per cent of revenue per effective Km is alarming and there is need to cut it down to a manageable level. In this area private operators have an competitive edge.

High bus-staff ratio which varies from a low 5.56 in Punjab to a high 18.42 in Bihar contributes to the heavy personnel cost. Even among the well run large STUs there is wide variation in the bus-staff ratio and effective Kms per staff per day. For example in Kamatak SRTC the effective Km per bus per day in 1991-92 was 51.57 kms. while it was 35.05 kms in APSRTC and 33.38 in MSRTC.

On a likely footing, with personnel cost, other costs like tyre and tubes and spare parts attribute a large chunk or overall cost. There is thus, considerable scope for STUs to control these costs. The tyres and spare parts cost varied from 70.7 paise per Km is UPSRTC to 133.5 paise in MPSRTC. Since most of the STUs have already made proposals for fare hikes to reduce the

losses they will find it difficult to bloc the legal or illegal entry of private operators at lower fares. Hence, the need for the hour for the management and trade unions in STUs is to closely examine the wage levels and productivity of their employees.

Target

The target may be a particular customer group, a segment of a customer group or a geographical area etc. the strategy rests on the promise that the firm is thus able to serve its narrow strategic target more effectively and efficiently than the competitors. By optimising its strategy for the target segment the STUs can achieve a competitive advantage.

Thus providing extra bus facilities on the occasions of festivals, melas and big congregations they can exploit in a big way. Similarly, targeting other revenue earning areas, like advertisement, courier services, etc. can also fetch better profits (earnings).

Differentiation

Uniqueness of an organisation or of a concern in respect of product and services distinguishes itself from others. Customers value these extra features with a premium price. Thus in case of STUs the differentiation strategy requires that the services offered by it shall distinguish itself from other private operators.

There are several distinguishing features of STUs which are not present in case of private operators. STUs have a wider network and operate in every nook and corner of respective states. These wide net work enables them to carry out ancilliary services like parcel transport, courier services, advertisement on buses, shelters, bus stations and other commercial spaces. Another uniqueness is that STUs have bus-stations and depots of there own which are not with others.

Differentiation allows an STU to provide something unique i.e. valuable to passengers. It leads to superior service like delux, luxury tranport, limited stop facilities which can be offered to the commuters at a premium price. Hence, detailed traffic survey like origin destination, loading, service mix, journey time survey in the

pattern of market research are required to be done if differentiation strategy is to be implemented effectively.

Quality of Service

Quality occupies a significant role in corporate growth. In an open economy it is very difficult to compete without a quality brand image. According to Peter Drucker "Quality is not what the supplier puts in. It is what he /she is willing to pay for. Customers pay only for what gives them value. Nothing else constitute quality". Quality of service attracts passengers for an STU. In case of STUs, quality of service is assessed at the time of its rendering.

Thus to provide quality service an STU shall try to be punctual in both arrival and departure schedule, to provide immediate first aid service in case of accidents, to keep spare parts ready on the occasion of casual bus failure on the road, to provide safety drinking water and toilet facility at the bus stations etc. However, the quality of service means differently to its users on their expectation and requirement such as reaching the village for a rural poor and comfortable door step service to a urban commuter. Besides on an average most of the passengers expect punctuality, safety and lower fares.

To achieve a quality standard in above areas it is necessary to train the entire staff at each level. Creating work culture with proper motivation and introducing quality circles throughout the organisation alongwith proper control and feedback shall ensure these quality requirements.

Strategic Integration

Integration in operation can be made in both ways i.e. vertical and horizontal, Vertical integration represents a decision by the firm to utilize internal or administrative transaction rather than market transactions to accomplish its economic purposes. Horizontal integration represents product diversification or expansion of a firm. The former is a feasible option for STU where the later is not. Hence strategy lies on the vertical integration of internal activities. The strategy is based on financial calculation of make or buy decisions. For example an STU can get the bus bodies, building, tyre retreading and workshop facility from outside agencies

or can develop its own. In depots servicing can be contracted out. An STU can either build its own bus stand or depend on the bus stands built by other agencies like municipalities. Even in its own bus stations it can contract out most of the facilities like sweeping, sanitation etc or can maintain them by employing its own staff.

This strategic options depends on the cost and capabilities of the STUs. The balancing of economic benefits with economic cost is the crucial factor which guides such decisions.

Conclusion

The sweeping changes envisaged in the liberalised-era has dramatically pierced into the bastion of centralised economy. The arguments for privatisation of public sector have now become more and more common to a lay man. Every where people have started changing in keeping pace with the speed of reform. However, STUs being an essential public service have remained as it were before these changes. But it is going to be very difficult day by day for STUs to operate in the traditional environment. The government support is decreasing for such loss making undertakings. Thus the need of the hour is to wake up and take the challenge of such reform into own hands. The managers of STUs should rethink over their long run strategies for their very survival. They have to adopt those strategic options which will pay them dividend in the years to come. Unless the Managers come up to challenges of the liberalisation process and adopt strategies suitable to their needs then their future will be at a cross road.

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