

Reliance Infocomm – a Strategic Management Perspective

by Sundar Sankaran*

As the Reliance Infocomm story unfolds, it is interesting to view the developments from a *strategic management perspective*.

On the **commercial attractiveness** of the telecom sector, several opinions exist. On the one hand, it can be argued that regulatory and technology risks have combined to constitute excessive project risk. The other view – which is what Reliance subscribes to – is that there is a huge uncovered telecom market in the country. Having seen this potential, the Dhirubhai Ambani vision on how this can be tapped is crystal clear – "*Make a telephone call cheaper than a post card*".

In India, companies have tasted better retail success through a "low price – mass market" approach, as distinct from the "high price – premium market" approach. This is also evident from the number of companies that have been forced to go "downmarket", after initial pretensions to being premium. Late Dhirubhai Ambani, the son of a school teacher, has obviously learnt his lessons about the Indian market.

Indeed, the **vision statement** of Reliance Infocomm may well go into strategic management text books – just as the vision statement of Ford did several decades ago. Extracts of the two vision statements are presented below:

Ford Motor Co. (formulated in 1907):

"To democratize the automobile

... build a motor car for the great multitude ... It will be so low in price that no man making a good salary will be unable to own one – and enjoy with his family the blessing of hours of pleasure in God's great open spaces ... everybody will be able to afford one, and everyone will have one. The horse will have disappeared from our highways, the automobile will be taken for granted".

Reliance Infocomm:

"Make a telephone call cheaper than a post card.

Reliance Infocomm will help men and women connect and communicate with each other. It will enable citizens to reach out to their work place, home and interests, while on the move. It will enable people to work, shop, educate and entertain themselves round the clock, both in the virtual world and in the physical world. It will make available television programmes, movies and news capsules on demand. It will unfurl new simulated virtual worlds with exhilarating experiences behind the screens of computers and televisions.

Users of Reliance Infocomm's full range of services would no longer need audiotapes and CDs to listen to music. Videotapes and DVDs would not be necessary to see movies. Books and CD ROMs would not be needed to get educated. Newspapers

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and magazines would not be required to keep abreast of events. Vehicles and wallets will become unnecessary for shopping.

Reliance Infocomm will regularly unfold new applications. Continually adapt new digital technologies. Create new customer experiences. Constantly strive to be ahead of the world.

Reliance Infocomm will transform thousands of villages and hundreds of towns and cities across the country.

Above all, Reliance Infocomm will pave the way to make India a global leader in the knowledge age”.

According to Mukesh Ambani, "Reliance Infocomm will ensure that by 2003, India has the most modern information and communication infrastructure in the world. An infrastructure for connecting citizens, networking communities, improving the quality of life, building intellectual capital, enhancing productivity, creating new businesses, building partnerships, and, above all, for taking India to global leadership in the knowledge era."

Generating a vision statement is of course no guarantee for success. Reliance has in the past demonstrated success through its **competencies** in -

1. *Thinking big* – The global scale plants bear testimony to this
2. *Superlative project management* – It has a track record of setting up mega projects at unbelievable speeds.
3. *Innovative financial structuring* – These tend to involve the retail investors.

We see a manifestation of each of these competencies in the infocomm project –

1. A project that entails putting up 60,000 kilometer terabit capacity optic fibre network covering over 600 cities – to progressively expand to 116,000 km, with the ability to seamlessly connect every individual, home, and office in all 640,000 villages and 2,500 towns and cities of India – is stupendous.

“International telecom equipment vendor Nortel, which has supplied critical equipment to the project, says that this is the biggest integrated telecom project in the world yet” (Business World, December 30, 2002)

2. This gigantic project has been set up in record time. Indeed, even 6 months ago Qualcomm, which licenses CDMA chip technology, appeared to have concerns. “As far as Reliance is concerned, they have not met some of the conditions. So Qualcomm is no longer obligated to invest the \$200mn.... The non-fulfilment of conditions by Reliance pertain to the actual placement of CDMA equipment orders within a mutually agreed deadline” (Economic Times, July 30, 2002).

3. The exercise to get subscribers to pay up for 3 years would provide the company “zero cost funding” – even better than the “zero explicit cost funding” through share premium that was the hallmark of Reliance’s funding strategies in the 1980s. Besides, it also addresses the cellular service providers' issue of "subscriber churn".

The group has gained fortuitously through the problems in the technology sector, that brought down the cost of setting up the infrastructure. The customer relationship management exercise to involve all their other product channels is interesting. Thus, the infocomm project lives up to the Reliance **corporate philosophy** to "Think big. Think differently. Think fast. Think ahead. Aim for the best".

The moment we define competencies of companies in terms of *management skills* as distinct from *industries*, the horizon of realistic business options becomes wider. The **concerns** could be –

1. Reliance's remarkable exploits have been in commoditised business-to-business offerings. They have excelled at the retail end with their *investment offering*, rather than *offerings of goods and services*. The imperative is to translate the investment market skills to the product market.
2. At what stage will the plate becomes too big for the group? A global petrochemical venture already in hand - the massive telecom project just launched - major oil finds that can boost their energy presence - ambitions in life sciences – apart from some presence in other sectors; worries about "biting more than they can chew" may well be justified.

The continuing success of the Reliance story will hinge on either of the following strategies –

- (a) The group could approach businesses as *serial entrepreneurs*. In order to reduce the number of businesses that are managed in parallel, they will need to churn their businesses; bring them to scale, divest at an attractive valuation – and then move on to the next venture.
- (b) If the group wishes to retain all the businesses and move up the Fortune 500 ranking, then they would need to *institutionalize management* to a greater extent than what they are known for.

The Fortune 500 option is perhaps what is more appealing for the Ambanis. In Mr. Mukesh Ambani's words: "As I see it, I am at the bottom of the global ladder. I am a pigmy when compared to the global players." (Business Standard, December 28, 2002).

Will the Ambanis emerge as global serial entrepreneurs? Will they gun for the honours in the Fortune 500 ranking? Or will they fall flat on their face? The next five years hold the key.