
Strategic Decision Making:
Deploying the optimal external
partnering strategy for continuous
growth in subdued market



Strategic Decision Making



- ◆ Process of anticipating and building for tomorrow
- ◆ Forecasting & Planning for future, factoring the present conditions
- ◆ Adjusting the sail to emerging changes



Strategic Shift in Consumer Behaviour

- ◆ Personal savings rise to 2% in U.S. from near zero for last several years
- ◆ Huge cut in personal spending
- ◆ Repayment of personal debt
- ◆ Slowdown in retail sales leading to closure of some big names, discounts as high as 90 per cent being offered
- ◆ Job cuts / layoffs
- ◆ Crisis in banking / financial services
- ◆ Crisis in commodity, manufacturing
- ◆ Losing faith in financial system shows shift to demand for gold
- ◆ Expanding dimensions to all countries of the world

Continued...



Strategic Shift in Consumer Behaviour (Continued)

- ◆ First ever reduction in outstanding mortgage debt and credit card outstanding in 56 years in America despite falling rates of interest
- ◆ China and Germany - personal savings rates cross the average of 20-30 % and 12-15% respectively
- ◆ Groceries reporting rise of cheaper class of edible goods compared to expensive class of food items
- ◆ Investor preference shifting to cash surplus, low risk, un-leveraged companies hitherto discounted by investors as too conservative.
- ◆ Impending shift to growing service sector and consumer preference measuring value of experience behind each expenditure

Some possible expectations...

- ◆ Gradual Turnaround in banking and financial services
- ◆ Stimulus packages of respective Govt. and US in particular start showing effect by generating demand, employment and spurring the economic activity
- ◆ Crude oil prices stabilise in the range of 70-90 \$ per barrel
- ◆ Demand for Govt. bonds to rise as central banks gobble them to prevent a rise in rates of interest
- ◆ An imminent imbalance in food and agricultural sector due to growth in population higher than the growth in output
- ◆ Possibility of floatations by corporates stemming from the stimulus packages
- ◆ Wait and watch, cautious and lie low approach as the common behavior
- ◆ Advance signs of Moderate signs of growth would propel the Equities up



Emerging Shift in Investor Strategies



- ◆ Shifting focus to Efficiency, Innovation and Cost leadership
- ◆ Shifting focus to slim and trim
- ◆ Shifting focus to less risk and stay liquid
- ◆ Park short term surpluses in fixed income near secure debt instruments
- ◆ Opportunity for acquiring good quality investments in Equity
- ◆ Opportunity for diversifying into Emerging sectors
- ◆ Opportunity for acquiring potential and good quality assets at reasonable values
i.e. distress sales or restructuring of portfolio



Strategic Shift in Investor Companies

- ◆ Restructuring of Portfolio- hiving off the unrelated, uneconomic, capital consuming, low return businesses
- ◆ Conserving cash and scale down vis a vis growth planning



Emerging Opportunities

- ◆ Service Sector
- ◆ Food and Agriculture
- ◆ Possible revival of real estate / construction particularly in emerging markets

Educomp Solutions Ltd: An Emerging company in India

Salient Highlights:

- ◆ Using IT and Internet to deliver education to school kids
- ◆ Signs contract with schools to assist students prepare better for tough subjects. Eg. Maths, Science, etc.
- ◆ Designing new software for expeditions learning of students
- ◆ Creating Value to customers
- ◆ Enjoys market capitalization of \$ 1Bn.
- ◆ Financial stats:
 - Paid up capital of Rs. 172 MI. (AED 13 MI)
 - EPS : Rs. 40+
 - Annualized growth: Approximately 50%
- ◆ Achievement:
 - Educomp was chosen as the “FUTURE TITAN” by Outlook Business Magazine in Novemeber 2006.
 - It was also rated the best performing IPO of the year 2006 across all sectors in India.

Strategic Shift – An Economist’s Perspective

“What makes this meltdown different is that we have built such an elaborate house of cards on the fiendish financial schemes of ‘brilliant’ MIT and Wharton school graduates that it will take a great deal of time to unwind the mess and rebuild confidence in the financial system. They created instruments so complex that no CEO understood them. They lacked transparency that the meltdown came as a surprise”

“Salary of top executives - 40 times of median wage to 400 times the median wage”

“Bridges to nowhere won't lead to recovery; they have to be bridges that connect economic activity between two places so net growth is produced over the long run”

“From Export orientation to building domestic consumption for sustainable economic growth”

-Paul Samuelson

Thank you
