

# Emergent Strategic Approach and MC Kinsey's 7S Framework Adoption at Saigal Polymers

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**Abstract:** In the recent studies a lot of attention is given to large scale organizations and how they underwent a variety of transformations during Covid times. However, the real challenge lied with resource scant small and mid-sized organizations and with the entrepreneurs responsible for taking decisions for their organization. It is a critical case focusing on the phenomenon of strategy formulation and implementation in context of covid by theoretically anchoring the 7 S model for implementation and highlighting the dynamic capability approach.

## 1 INTRODUCTION

The announcement of countrywide lockdown on 24<sup>th</sup> March, 2020 in India on account of rise in the Covid19 cases dragged businesses into unexpected times with no experience to handle the situation. Mr. Saigal, director of a family owned rubber sheet manufacturing unit in a semi-urban town of India could not foresee what's going to come his way. Extended lockdown had a negative multiplier impact on the supply of finished goods, availability of employees to work, product demand shift, mounting costs, liquidity etc. The challenge during this period was of survival of the business rather than growth. It was during this time that Mr Saigal introduced some new strategies with the hope of making the most of the situation. While some of his strategies worked, others did not.

## 2 LITERATURE

There have been researches done to understand the impact of COVID on the MSME sector and how entrepreneurs have to adapt in order to sustain and grow. Margarida et.al. (2021) highlights that pandemic has caused a lot of destruction and SMEs have been hit the most. The paper highlights the principle obstacle faced by SMEs in resilient

response is limited liquidity, human resources, digitalization, and use of information technology. The onus of the response lies with the manager/entrepreneurs and his capabilities of dynamic response. Muneer M. Alshater et.al. (2021) in a bibliometric review highlights that most of the researches revolve around dynamics of COVID-19 in business and management research, COVID-19 and global economy, COVID-19 and its implication for tourism & hospitality industry, COVID-19 and financial markets, dynamic of supply chain and COVID-19 and COVID-19- functionality of government. These researches closely review the small businesses and their response to the pandemic. Martinez (2021) highlights the motivation to change in Covid in small organisations led to business model innovations to allow uninterrupted operations during Covid and afterwards. Elias (2021) highlights the importance of Psychological resilience to adapt or thrive in the face of uncertainties as were noticed in a longitudinal study of small business owners during the covid crisis.

### 2.1 Emergent/Dynamic Approach to Strategic Management

Strategic management takes two approaches to strategic planning namely, Prescriptive and Emergent. While Prescriptive approach plans in advance the intended strategy according to the

priorities of the top management, in Emergent approach the strategy emerge as managers take strategic decisions from time to time to adapt to the business environment changes. Dynamic capability approach as a part of emergent theory has evolved during the pandemic. Zahra et al. (2006: p. 918) explain dynamic capabilities as the ability of the management “to reconfigure a firm's resources and routines in the manner envisioned and deemed appropriate.” Dynamic capabilities are valuable in highly turbulent settings (Zahra et al., 2006). This is how companies especially MSMEs have responded to the crisis as there was a shift in objectives from growth to survival.

**Mc Kinsey's 7 S Framework.** 7S Framework was introduced by Mc Kinsey in 1970s and stresses on the requirements and interdependence of elements for successful implementation of a business strategy. The model is based on the premise that all the 7 elements: Hard S-Strategy, Structure and System and Soft S-Shared values, Skills, Style, Staff are interwoven and they should be aligned. The model can be used as a static parameter to access how effectively the strategy is being implemented and can help to guide the improvement and revise action plans in case of a planning or performance gap.

### 3 METHODOLOGY

Exploratory research design has been adopted for the purpose of this case as the researchers wanted to explore and get in-depth data with respect to the topic. Further, qualitative case study method was implemented which provides a detailed information of one entity and judgemental analyses is conducted from the perception of those involved and the researchers (Chawla & Sondhi, 2011). For preparing this case study, the authors conducted a personal interview with Mr. Saigal, the owner of Saigal Polymers Pvt. Ltd. The focus of the interview was to understand how Covid 19 had an impact on organizations (especially in the MSME sector) in India, how the organizations had to change their strategies in light of Covid 19 and the implement the same. The questionnaire used was unstructured in nature, with most questions being open ended. The interview was conducted in February 2022. As the researchers adopted the case study method, only one organization was selected and studied. Further, the organization was selected based on non-probability judgement sampling method. As qualitative case

study method has been adopted, statistical testing was not permissible to draw generalizable conclusions.

**Case company.** Saigal Polymers Private Limited was established in 1990 in Sitapur, Uttar Pradesh, India and is a renowned manufacturer and supplier of a wide range of rubber foams and sheets that includes Excel Polyethylene Foam, Polyolefin Foam, Cross-Linked Polyolefin Foam among others. They also offer Rubber Sole Sheets for footwears, High Styrene Raisen Sheets and Micro-cellular Rubber Heat & Foam (Ethyl Vinyl Acetate). They mainly supply their material to footwear manufacturers, the defense sector, and to the packaging industry. The organization is a MSME engaged in manufacturing activity in India and is one of the many small businesses supporting the Indian rural economy. Mr. Saigal, is currently the Managing Director of the business and the organization currently consists of 55 employees.

**Overview of MSME sector in India.** SME or Micro Small and Medium enterprises are businesses that employ less than 250 people. MSMEs play an even more important role for an economy in terms of generation of employment at a comparatively lower capital cost, contributing to the country's GDP and reducing imbalances though industrialization of rural and backward areas.

As per the Annual Report 2020-21, published by Ministry of Micro Small and Medium enterprises, Government of India; during the period 2015-16, there were 633.88 lakh MSMEs in the country out of which 196.65 lakh were mainly engaged in Manufacturing. In addition, Uttar Pradesh leads with approx. 90 Lakh registered MSMEs. Further, the MSME sector provides employment to around 1100 Lakh people in the country and contributes to around 30% of India's GDP (Source-MSME Annual Report). Saigal Polymers a MSME engaged in manufacturing sector of the biggest contributing state of the country, Uttar Pradesh. It is a good representative sample of the working of MSMEs in India.

**Impact of covid on MSME in India.** Covid19 has had a huge impact on the MSME sector. As per the reports published by Ministry of Statistics and Programme Implementation 2020, April to September 2020 data shows a drastic fall in industrial production during lockdown and subsequent months. Index of Industrial Production (IIP) is used to analyze current and future trends of output of the industrial sector. As per the IIP report, year on year growth rate

was 2.5% in April 2019. However, there was a contraction 66.6% in production during April 2020 because of Covid19. IIP gradually improved in the subsequent months while the growth rate remained negative. The impact was seen more in labor intensive industries which are majorly micro and small in size like metal, rubber, textile etc. As a result, in order to sustain and grow during this period, organizations have had to incorporate various strategies.

**The covid story and strategies adopted.** In December 2019, a mysterious pneumonia outbreak was reported in Wuhan, Hubei, China. By February 2020, a total of 28,276 confirmed cases with 565 deaths globally were documented by WHO, involving at least 25 countries and was named 2019 novel coronavirus. (Source-WHO report).

Due to this growing number of Covid cases and casualty globally, most countries started imposing restrictions. On 24<sup>th</sup> March 2020, complete nationwide lockdown was announced in India for a period of 21 days which was later extended in phases upto 31<sup>st</sup> May 2020. Post this, India entered the 'Unlock Phase' where the lockdown and restrictions were slowly being lifted in a phased manner. During this period, factories were shut, demand was at an all-time low, people were scared and the focus had shifted to essential and healthcare products and services.

During the period of lockdown, Mr. Saigal faced a number of challenges, as there were a number of financial commitments that he was expected to fulfil (salaries to staff, rents etc.) without any sources of revenue. Further, Mr. Saigal realized that the market started showing a product shift. The footwear manufacturers saw a huge decline in the demand of party and outdoor footwear, which directly affected Mr. Saigal business as these footwear manufacturers were the focus customer group of his company's manufactured rubber sheets. However, during this period, Hawai slippers were in high demand in the market. In the scenario, he decided to start manufacturing Hawai slippers along with his usual business of making rubber sole sheets for footwear, to take advantage of the changing trends of the market and to survive.

The manufacturing of the Hawai slippers were to take place in the existing factory itself and the existing staff were going to be absorbed in the manufacturing of this product. However, for manufacturing Hawaii slippers, certain activities had to be added in the production process. For example, to manufacture rubber sheets, melting and binding of rubber granules is carried out followed by pressing and packaging the

rubber sheets. Whereas, for the manufacturing of Hawai slippers, additional steps of pressing, printing, strapping has to be carried out post the pressing and before packaging of the products.

For the same, Mr. Saigal had to carry out a number of activities in order to get the organization ready to undertake the production of Hawai slippers. Firstly, Mr. Saigal had to acquire the required knowledge to manufacture slippers through trial error, experimentation, talking to peers etc. Once he was confident, he procured molds and dyes for manufacturing the final product for which he approached dealers in Ludhiana. Then staff had to be trained to work at different temperatures and follow a different procedure in addition to the rubber sheet manufacturing process.

However, Mr. Saigal faced certain challenges in the production of Hawai slippers. Initially, when plain rubber sheets were manufactured, the Hydraulic Press could be easily used as the rubber sheets that were being manufactured were of a single quality and colour. However, while producing slippers, sheets of different colors, sizes, quality had to be integrated together which required additional synergy to be maintained between different compounds that have to be pressed against each other. Further, since initially the rubber sheets were part of the input, quality standards for the same were not as stringent as when it came to the quality standards and checks for the slippers (finished products). Another issue with the manufacturing of Hawai slippers is that it is comparatively a more labor-intensive process than manufacturing rubber sheets.

Once the manufacturing had started, the next step that came their way was of product testing. For product testing, Mr. Saigal decided to distribute samples of his product to the family of his staff and encouraged them to wear. Feedback was taken in order to understand the shortcomings of the product in order to make improvements in the same.

The shift from B2B to B2C market led to a change in the marketing approach of the company. Previously, the rubber sheets were sold with the help of dealer networks to manufacturers. However, as Hawai slippers are finished products, Mr. Saigal had to directly connect with distributor and retailers. While trying to tap into the urban markets, he realized that brands like Roopani, Bata, Relaxo, Lakhani etc. already have a very big market share in the urban market and the existing urban retailers were hesitant in promoting and selling an unbranded product. Further, these brands could not compete with the brand name, variety, and the margins offered by the existing players to the retailers and customers. Hence,

Mr. Saigal decided to focus on taking the product to the rural markets. His team conducted market research in the rural markets in order to understand how this category works in the rural markets. Some major findings of the research were: rural market is a price sensitive market, they prefer slippers that are usually sturdy and heavier in weight, there is a dominance of non-branded products, and big companies only use the market to dump their rejected products. This seemed to be an attractive market for the company and they decided to enter the rural markets with sturdy and heavy slippers with attractive prints to differentiate in the market. Since the organization was initially involved in the manufacturing of semi-finished goods, they never had to actually market the product to the final customers so they lacked the expertise in the area of marketing. Mr. Saigal soon realized that in order to succeed in the rural markets: 1. He had to make products available in the target market without relying on the retailers, 2. Collect the information and response of the customers in order to improve the product. Hence, Mr Saigal put stalls in the weekly mela or bazaar organized in every village and tehsil of Uttar Pradesh to promote and sell his products.

One major focus while implementing this strategy was the type of leadership style that Mr. Saigal adopted. He used paternalistic style of leadership. For Mr. Saigal, his employees are like family and despite the problems the organization faced on account of Covid19, Mr. Saigal was not only willing to support his employees but was also willing to undertake decisions that would help them sustain their livelihoods during COVID pandemic. Further, he was very open in his communication with his employees and explained them the need to undertake this strategy, helped answer their doubts/apprehensions, provided necessary motivational support to keep them productive and uphold their morale.

Initially, this strategy worked and business started picking. However, Mr Saigal faced the challenge of credit and refinancing. To run a new business vertical, a company has to create a parallel credit ecosystem, which was very difficult to form and maintain for Mr. Saigal amid crisis. Retailers were not ready to give credit and with the 2<sup>nd</sup> wave of pandemic approaching every form of refinancing stopped.

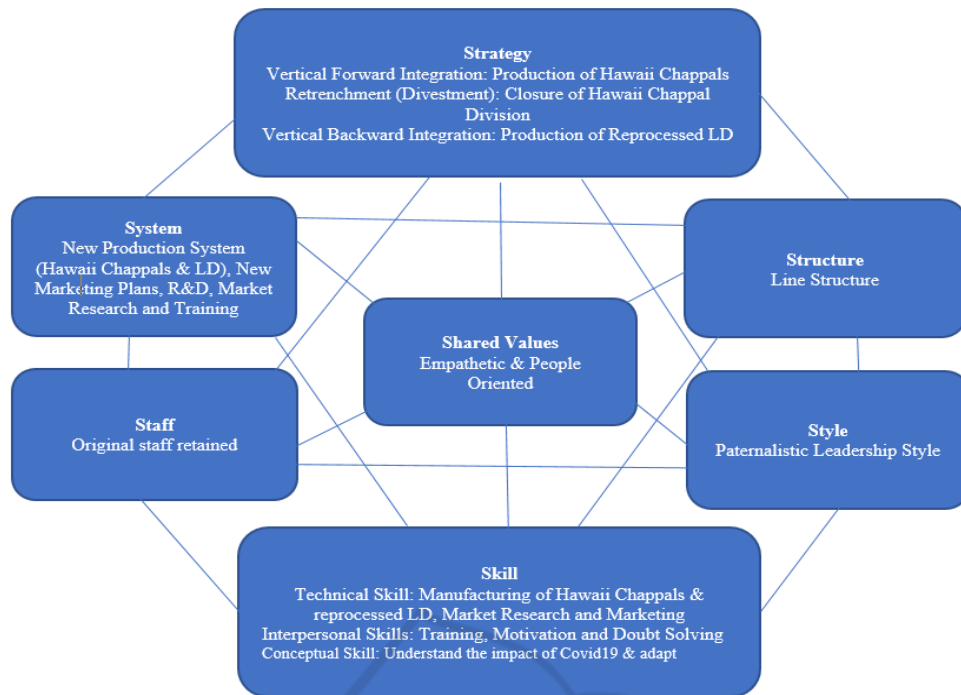
Furthermore, the second wave of Covid 19, which began in India in March 2021, had a much more devastating impact than the first. Even though India did not see a national wide lockdown during this period, there were some form of statewide and localized restrictions imposed in India. Restrictions in the operations of industries further negatively

affected the organizations that were trying to re-establish themselves after the challenges they faced during the 1<sup>st</sup> wave of the pandemic.

To add to these problems, the rubber MSME sector during this period faced scarcity in the raw material supply mainly due to global shipping container shortage. Rubber sheet manufacturers are dependent on imports of many raw materials, for example, rubber industry imports 100% of EPDM Polychloroprene and 40% of Styrene-Butadiene Rubber (SBR) and Nitrile Butadiene Rubber (NBR) required for manufacturing. Additionally, reduction in the imports, closure of factories manufacturing these components, shortage of containers and subsequent increase in their rents, reducing number of importers serving the general markets among others led to rise in raw material price by 200-400%. For example, EVA (Ethylene-Vinyl Acetate) required in the manufacturing of rubber sheets costed approximately Rs 125/kg during 2019 and the cost of the same has risen to approximately Rs 400/kg as on 2021.

It was because of these factors Mr. Saigal realized that it is not economically and operationally viable to continue the production of Hawaii slippers for the market, so he decided to stop the manufacturing activity. After all the efforts, Mr. Saigal was still facing the question of survival. Labor were idle, demand was low, cost of raw material was rising. He decided to backward integrate and start producing inputs required to produce rubber sheets. Initially in order to manufacture rubber sheets, Mr. Saigal used to purchase LDPE (Low-density polyethylene) and reprocessed LDPE (Low-density polyethylene). LD are low-density polythene made by virgin chemical while reprocessed LD is made by recycling used polybags. Mr. Saigal now decided to make reprocessed LD instead of buying the same from suppliers with an ambitious vision of later becoming a supplier.

For the same, he bought a second hand machine and started the process of producing reprocessed LD, which required procuring polythenes, sorting them, shredding, melting and mixing and finally compressing them into sheets. For the production of reprocessed LD, the entrepreneur started buying unsorted cleaned polybags from different suppliers. The idle labor were given the task of sorting the polythenes and running the process. The entrepreneur himself decided to train the employees to carry out the process as only a handful of consultants were available for training people.



Source: Primary Data

Figure 1: Strategy Link to McKinsey's 7S Framework.

This strategy worked for the company mainly due to reasons such as the entrepreneur was always involved in production of semi-finished products and the new strategy matched his strengths. Further, marketing skills that were also not a core competence of the entrepreneur were not that important in the new strategy. Additionally, there were a number of things that were out of the control of the business in case of forwards vertical integration strategy but the functions under backward integration strategy were fully under control. This strategy also helped overcome the problems faced by Mr. Saigal when he purchased reprocessed LD from suppliers in the past. Most of the suppliers mix calcium in the material to increase the weight and command high prices which interferes with the manufacturing process later. Through this approach quality could be improved and price fluctuations in the market can be managed better. The new manufacturing process led to better utilization of fixed cost, better labour utilization, decrease in variable cost, and increase in profitability. All of this led to success in the market with this new strategy. With the improvement in the general economic condition, Mr. Saigal is now out of survival instinct and now moving forward with a vision to become supplier of better and innovative reprocess

LD. He plans to supply reprocess LD but under a different business name. Findings  
Dynamic capability approach is a crises driven approach to use competencies to respond to the changing market conditions. The entrepreneur responded with vertical- backward and forward integration along with retrenchment at suitable times. The snapshot of strategy is summarized in Figure 1.

#### 4 DISCUSSIONS & SUGGESTIONS

This is a typical case of a small business and its response to uncertainties. The pandemic has presented new insights to how the post covid business world should look at resilience from the lens of rapid and effective adaptation to change. Systems should be designed to actively sense new insights, developing responses on these insights, revising business models in terms of creating value for customers, company and collaborators. A broad framework is designed for small scale organizations like these where a new way of working could be adopted which include: Cognize: Awareness is the key to follow the approach of dynamic capability. Research conducted by Mudey,

A., Ambekar, S., Goyal, R. C., Agarekar, S., & Wagh, V. V. (2011) suggested that people living in rural communities have strong social relations and social participation. Rural organisations can utilise their social skills to their advantage to extract insights of the market to identify new opportunities and threats. Devise: Once the insights are gained, the strategic priorities of the organization should be revisited and in small organizations, the entrepreneur acts as the pilot and leads everything. The entrepreneurial rather than bureaucratic culture will help such organizations in collecting ideas (David J. Teece, 2020). Seize: Entrepreneur along with experienced employees prepare plans and decisions to move ahead in the market. It should be a continuous process of seizing the opportunities identified. Revive: Entrepreneur has to be a risk taker in the dynamic environment and should not be afraid to change systems in light of the new findings. This will help him to stay ahead in the market and bring an extraordinary zeal in the organization. As these changes will be implemented, it will generate new data, which can be used to take decisions to grow or retrench.

## 5 CONCLUSION

The COVID pandemic scenario has created a sea change in the way business especially small scale businesses operate. The pandemic broke monotony of these organization and forced them to rethink. In this case the entrepreneur tried his best to extend its resources and capabilities to fulfill survival needs. In the post COVID world these organizations should continue to innovate and develop systems to counter the dynamic times.

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