

# Business environment of mahindra and mahindra



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Purpose of this study is to understand what the business environment is and why this is important for a company and management student to understand its fundamental concept on business activity. To analyse this objective by using PESTEL analysis, that would be conducted on the Mahindra and Mahindra limited to face the problem of delayed to launch the Mahindra pickup trucks in the U. S. market. This analysis will help to study the main factors in the business environment in the last five years that used to company for formulate specific strategies. This analysis is helpful to generate conclusions and recommendations.

### **Introduction:-**

According to Adrian palmer and bob Hartley (2000) business environment can be defined as an everything which surrounds a system that performance is influenced by a whole range of phenomena in its environment. The business organisation and its environment is an open system and central heating system is closed system

According to Andre Clark (2000) business environment are concerned with those things that affect a firm but not a part of the firm. Closed system is a difficult to what make up the system and element of their environment. Some elements are inconsequential today, but may be in future years it will be affected in business organisation. The test of good business leader is able to read the environment and to understand not only how business and environment work today but also how they involve in future. Business organisation invest input from their for e. g. Material, capital, and labour etc. into goods and services for customers in the environment want to purchase. Business environment can be classified as follows:-

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The macro-environment

The microenvironment

The internal environment

### **The Macro-environment:-**

Some external environmental activities events that are beyond the immediate environment nevertheless affect the organisation and can be described as a macro-environment. The macro-environment can be analysed by using following factors.

### **Political environment:-**

Politicians are responsible for passing legislation and that affects the specific types of organisation. Political environment is one of the less predictable elements in an business organisations, marketing environment and business need to judge the changing political environment for a following reasons.

### **Social and Cultural environment:-**

Culture is concerned with a set of share values which changes between generations. It is a crucial for business especially where an organisation is seeking to do business in a country which is quite different to its own. Business organisation should understand the process of gradual change in value and attitude it would be prepared to satisfy the changing need of consumers.

### **Demographic environment:-**

Population are critical part of many organisations to meet both demand for their products and availability of personal required for production. Analysis of <https://assignbuster.com/business-environment-of-mahindra-and-mahindra/>

demographic environment raises a number of important issues that organisation have monitored the growth of human needs of growing groups.

### **Technological environment:-**

The improvement of technological methods is becoming increasingly rapid and marketers need to understand how the technological need affect them.

### **Ecological environment:-**

Issues affecting the natural ecology have captured the public imagination in recent years. The volcano blast and global warming these are the serious issue for our quality of life.

### **Economical environment:-**

Throughout the economic cycle, the many goods and services tends to increases in boom period and decline during recessionary periods. The difficulty in forecasting the level of demand for a firm's product and future economic prosperity. Gross domestic product (GDP) and household disposal income are the two most common indicator uses to measure the nation's economic health.

**(Adrian palmer and bob Hartley, 2000)**

### **Microenvironment:-**

It can be understood as comprising all other organisation and individuals who directly and indirectly affect the organisation. The following key elements are considered in most companies microenvironments.

**Customer:-**

Customers are a critical part of all organisations. An organisation should be concerned about the customers requirement and changing need in future by gathering useful information.

**Suppliers:-**

Suppliers provide an organisation with goods and services that transformed into value added products for customers. It also responsible to an organisations marketing success, because they supply factor of production or material within a right time, then organisation complete ted or manufacture product within certain period of time.

**Intermediaries:-**

Large production manufacturer companies usually find to difficult to deal with each one of their final customer individually, So they choose to sell their products through intermediaries

**Competitors:-**

In highly competitive market organisation must keeping an eye on competitors and trying to understand their likely next moves can be crucial.

**Government:-**

Government has a number of roles to play as stakeholder in commercial organisations and commercial organisations provide government with taxation revenue, so government interest is to provide healthy business facility for corporate firms.

**Financial community:-**

It is helpful to support the organisation in present or future and achieve its stated objectives.

**(Adrian palmer and bob Hartley, 2000)****Organisation description and background:-**

Mahindra and Mahindra Limited is private limited company was established on 2nd October, 1945. Under the Indian Companies Act of 1913 by two brothers, Mr. J. C. Mahindra and Mr. K. C. Mahindra. In 15th June 1955 it was converted into a public limited company. It is one of the biggest automobiles private sector company in India and is the leading company of the Mahindra Group. The company started his manufacturing plant in 1945 to manufacture General Purpose Utility Vehicles and later on started into manufacturing operation of Light Commercial Vehicles and tractors. Several years later, company has expanded its own operations from automobile sectors to steel, trading and manufacturing of Travelling Water Screens & Ash Handling Plants. The company is focuses to become a world giant in the automobile business. It has already started business like countries in United States of America, Australia, Europe, Latin America, and Africa.

**(www. mahindra. com)**

The Auto-motive Sector has grown as one of the leading arms of the Mahindra Group. It is the business of marketing and productive utility vehicles, three wheelers and light commercial vehicles. Mahindra is a leader in utility vehicles in India and accounts for about half of India's market for utility vehicle. Over the past years, the Group has developed a number of products to a diverse customer with new technology base spanning semi-

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urban and rural customers, luxurious urban utility vehicles and considering defence requirements. In year 2002, it launched the new conceptual world class sport utility vehicle, which establish the gap between new style and adventure, luxury and ruggedness, and performance with good in economical.

‘ Scorpio’ is the sport utility vehicle declared to be the ‘ Car of the Year’ according to BBC Wheels, Business Standard Motoring, CNBC Auto car. It is the flagship vehicle in present automotive sector. It has more different product with best features that have made it more popular with individuals and institutions in all over the world.

## **Alliances**

Mahindra and Mahindra Ltd. having joint venture with French automakers Renault, has seen them launch the spacious Logan, Sedan. With its class, look and affordable cost it gives more popularity in India as well as international market. Mahindra has a recent joint venture with Navistar truck group, USA to manufacture the Trucks and buses for sales in India and Exports market.

**([www.mahindraautoworld.com](http://www.mahindraautoworld.com))**

## **Mahindra and Mahindra Limited**

Mahindra and Mahindra Ltd. is a Manufacturing Company has to face the problem of delayed to launch the Mahindra pickup trucks in the U. S. market. That exposed to PESTEL forces that had a strong impact in the automobiles industry in general and subsequently on the company’s activities, strategies

and decisions. In view of this, the main and decisive factors will be analysed below.

### **THE POLITICAL FACTORS:-**

Mahindra and Mahindra Limited is the first Indian company to sell Indian vehicles (Compact diesel pickup trucks) in the U. S. market. A new truck has been road tested according to U. S. government requirements and it expects to gain certification from the U. S. environmental protection agency (EPA). Production would be started early as possible and truck would be dispatch to U. S. showrooms by December 2010. Initially Mahindra, trucks assembled in India and then imported in U. S., a strategy likely to trigger a 25% U. S. tax on foreign made products, So Mahindra plan to start U. S. production in next year with yet unknown partner.

### **(The Wall Street Journal, Digital Network, May14, 2010.)**

The Mahindra and Mahindra Limited do not support any political party and any particular political affiliations. Therefore no political contribution made directly and indirectly without prior approval of board of directors of the company. They are corporate with government, chambers of commerce and trade associations in matter concerning the industry with a protecting our business interests. Employees are free to contribute to or participate in the political process and trade association, as it does not create a conflict of interest situation and work related commitments. And also they don't have a right to represent you as a spokesperson of the company.



**(www.mahindra.com)**

### **THE ECONOMICAL FACTORS:-**

Mahindra is selling major vehicle in India and other country, its name is new for most Americans, Moreover the U. S. market decline during the recession period. The truck model is TR20 and TR40, these models have 175 prototypes built in India and tested 30 in the U. S. Originally pickup trucks was arrived in U. S. by mid 2009 but it was delayed by the loss of business in automobile sector during recession also government changes the environmental regulations. Mahindra initially entered in small pickups after that seen the result of U. S. market then it will plan to manufacture large pickups vehicle. Mahindra hired Newyork based advertising company Strawberry frog to introduce our new pickup trucks for Americans, They make all vehicles in India and it must absorb the costs of transporting them to the U. S. Mahindra must trust on an informal network of 300 plus dealership, which associated with global vehicle.

**(The Wall Street Journal, Digital Network, May14, 2010.)**

Mahindra currently sell this type of truck in Europe, South America and Africa. According Autodata Corporation, first four month of this year U. S. sales only small pickups have been about flat. But Mahindra sold 240, 000 compact trucks in last year and they are expecting 300, 000 to be sold by 2011. So Mr. Goenka said Mahindra expects 5% to 7% growth of the market I its first year of full production. The end of last financial year, The Indian market rising 30% with an overall increase of 20% and Mahindra truck share market in India grew to 64% from 57% in last fiscal year. The company

expects sales of its trucks and Sport utility vehicles have double digit growth and it capture 80% of the Indian market last year.

**(The Wall Street Journal, Digital Network, May14, 2010.)**

Mahindra is not just lost 300-plus dealers, some of those dealers paid up to \$200, 000 in franchise fees but also waiting for years to see their investment pay off.

**(The Auto green, March29, 2010.)**

Mahindra has been talk with Navistar makers of heavy duty trucks and diesel engines, to have the American company assembles its TR series trucks in America at Navistar owned facility, So Mahindra avoid paying the 25% tariff on import trucks.

**(The Wall Street Journal, Digital Network, Jan08, 2010.)**

Mahindra and Mahindra's parent is Mahindra USA and its US based farm equipment subsidiary Calhoun, Ga. Announced Dec 9 that would be close a tractor assembly plant moves his operations to a new facility in Chattanooga, Tenn. At the same time official announced the farm equipment sectors units head quarters would be move from Tomball, Texas to Houston.

**(The Atlanta International Business News Source.)**

All Mahindra's dealer in U. S. is watching anxiously for selling the pickup trucks. Larry Neuwirth of Safeway in Burgaw, North Carolina, among those are signed contract for dealership with Mahindra and dealers already has order trucks for customer from Mahindra but delay of production they due to EPA law against with Mahindra after certification. All dealers are in trouble

for financial crisis and they also expect that Mahindra need somebody to market and distribute these trucks in U. S.

Mahindra and Mahindra Ltd. Is bidding for South Korean car maker SsangYong Motors, as the Indian company can gain technology benefits from the range of SUV's that the south Korean firms makes.

### **(The Business Standard, August11, 2010.)**

Mr. Anand Mahindra sees opportunity in the U. S. and around the world. Currently they are invested in U. S. in order to grow market share, even though credit today is tight and also they are invested in R & D centre to find attractive acquisition opportunities.

### **(The Centennial Global Business Summit, Oct13, 2008.)**

Mahindra acquire 55. 2% stake of Reva electric car company, based in Bangalore, India by investing 450 million rupees or \$10 million in the company.

### **(The Hindu, May26, 2010.)**

#### **THE SOCIAL FACTORS:-**

According to Azam Siddiqui only Mahindra jeep ride which is run by the local villager in Rajasthan village (like Chaudiya Katta and Sapotra) for every necessary aspects like vegetables, medicines and education the villager have any two options.

Walk across the track of the train.

Take only Mahindra jeep which run by the villager every morning and evening.

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**(www. mahindrauniverse. com)**

Employees of Mahindra group are help for on-site relief activities for those affected in Bihar floods in India, sept15, 2008; they distribute food, clothes and other necessary items for flood affected people.

Mahindra having corporate social responsibility towards an integral part of the vision of Mahindra group and the deviated as a corner stone of our core value and good corporate citizenship. Its corporate social responsibility (CSR) focuses mainly on health and education for society. Also they started Nanhi Kali programme for girl child to his education and supports of thousand of girl's across the India. Mahindra having CSR activities that include the K. C. Mahindra education trust, Mahindra education society, Mahindra united World College and Mahindra foundation. The Mahindra NBA (National Basketball Association) started for youth ages 14-17 and adult 18+ is collaboration with Basketball Federation of India (BFI).

Mahindra and Mahindra Limited celebrated its 60th anniversary in 2005 and they donate 1% of its annual profit after tax to social activities every year. Also they started employee stock options (ESOPS) in 2005 is a set of social work volunteering options. That implies looking beyond on self that means sharing ones skill to make the society healthier, cleaner, greener and more literate and sustainable.

**THE TECHNOLOGICAL FACTORS:-**

Mahindra TR20 and TR40 pickups are having in two cab configuration with two door regular cab band four door crew cab, Both are slightly modified version of Mahindra's mHawk 2. 2 litter inline four cylinder diesel engine. It

expects fuel economy rating as high as 30 mile per gallon without giving up the payload and 1.3 ton hauling capacity. Mahindra expected to start price around \$22,000 to \$25,000 but it would be competitive because other competitor (like Toyota motor corporations Tacoma, Ford motor corporations Ranger and Nissan motor corporations Frontier) no one offered diesel engine. Generally only larger trucks have been sold with diesel engine in the U. S. but according to Mr. Goenka the 2.2 liter, four cylinder vehicle is expected to be first compact diesel vehicle in U. S. they launch. According to Mr. Goenka, Mahindra launched a new sport utility version of Mahindra's current Scorpio model in December 2011 and new small utility vehicle with a gas electric hybrid option by 2013.

**(The Wall Street Journal, Digital Network, May14, 2010.)**

Mahindra working on hybrid technology and implement this technology on the Scorpio and hydrogen Alfa three wheelers. Reva technology would help Mahindra to manufacture electric vehicle like mini pickup, The Maxximo.

**(The Hindu, May26, 2010.)**

Mahindra entering in the U. S. market in between December of this year in which case the use of SAAB technology to network a dealer to sell and service its vehicle. Mahindra associated with satyam and SAAB, they jointly developed battlefield management system (BMS) for the Indian army.

**(www. wheelosphere. org)**

**THE ENVIRONMENTAL FACTORS:-**

Environmental protection is the part of everybody who is joined to Mahindra group. Mahindra produce our vehicle by considering the international

standards of safety and emission, All Mahindra manufacturing plant across the India by setting new policy in efficient water management and natural resource conservation with most recent Green IT. Under the Mahindra Hariyali initiative, the group has rowed to plant a one million trees across the nation by October, 2008 and this is the mass tree plantation is undertaken by every Mahindra location. Shramdaan initiatives by Mahindra employees and dealers with strong and important partnership with various shareholders in the civil society like school, college and Government (Forest department etc.). Mahindra group also help Government to drive ' Green Bombay' Movement by maintaining and developing the municipal gardens.

**(www. mahindra. com)**

### **THE LEGAL FACTORS:-**

Repeatedly delays because of environmental protection agency (EPA) not certified norms according U. S. government standard and its distributor Global Vehicles, USA that scheduled to launch the vehicle are postponed.

**(www. news. pickuptrucks. com)**

Mahindra and Mahindra limited conduct our business under legal framework of the country and its employees also follow the principle, also they spread our business in multiple locations and they follow the common approach in all locations. During the business, the exchange of consideration in operation and implementation, they must follow the legislation procedure to avoid the difficulties.

**(www.mahindra.com)**

## **CONCLUSIONS:-**

To summarise this PESTEL analysis of Mahindra and Mahindra Limited had faced the main challenges is as follows:-

Mahindra has been working several years towards the goal of selling its compact pickup trucks in the U. S. Although the company repeatedly pushed back the project delivery dates for the pickups because it faced the problem of emission and safety testing norms that should require certification from Environmental protection agency (EPA) under U. S. Government. Mahindra distributing his vehicle under Global Vehicle (GV) U. S. A. Inc. and GV spent close to \$35 million for launch of Mahindra vehicles in the U. S. and has signed up more than 300 dealers and they have spent more than \$60 million in franchise fees for the right to sell Mahindra pickup truck.

Mahindra and Reva Corporations having joint venture and they are planning to manufacture new electric vehicle in global market that new concept help Mahindra's to growth company profit and market share price and will try to get a good position between its main competitors.

## **RECOMMENDATIONS:-**

I recommend to Mahindra and Mahindra Limited follows U. S. emission and safety standard according to EPA and start production as early as possible and it assembled in U. S. with the help of Navistar Corporation based in USA. So Mahindra avoid 25% U. S. tax on foreign made pickups. Global vehicle USA is the distributor partner of Mahindra it also get the benefit, if his dealer sold the pickup trucks in the market. Also Mahindra gain market value

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globally if they started production of diesel trucks and electric vehicle with the help of Reva Corporation.

Mahindra also concentrate the latest technological and legal environmental changes in the world, so they avoid that related problems. It is also important for management students, how to understand the business environment and to play an important role for the companies and make new strategically policy for organisations future growth.