Media analysis

Business, Company

The article ‘ Tata Motors finds success in Jaguar Land Rover’ by Vikas Bajaj seeks to explore the acquisition of English car brands Jaguar and Land Rover by Indian based auto company Tata Motors. The article discusses how the multinational enterprise has dealt with and reacted to the economic context and cultural differences related to the acquisition. To better comprehend how this acquisition has affected key stakeholders and the implications on top management, we must look to relevant cross-cultural management theories.

Tata Motors Limited is India's largest automobile company; with consolidated revenues of INR 1, 65, 654 crores (USD 32. 5 billion) in 2011-12 (tatamotors. com) . The firm bought the English automotive brands Jaguar and Land Rover back in 2008. The firm since then has implemented and executed key core strategies in order to gain maximum market share and hone in on opportunities associated with developing markets such as those in the countries China and India. Also to minimise risk of failure in stagnant markets that may possibly be at risk of economic decline in the near future such as England.

This article also examines how the acquisition coped with the global financial crisis that hit in 2009 just one year after the deal was made and how the firm in turn generated a large amount of sales in a range of markets from China to England. Foreign acquisitions have created managerial issues in the past and these issues are predominantly motivated by cultural differences. An example of this would be EBay’s failure to succeed in the Japanese marketplace due to not thoroughly understanding and researching the typical Japanese consumer and therefore having no competitive advantage in an unforgiving market.

There are significant differences in purchasing behaviours across countries globally in relation to consumer-to-consumer electronic marketplaces (Zhu, Yan, 2009). With this in mind Tata Motors chose to retain its employees in England as well as its top executives. As quoted by (Kumar, Nagesh, 2008) a relationship between venture and alliance partners is assumed to be one of relative equality and independence; each partner preserves its own cultural identity as well as control over its basic operations.

As stated in the article Tata Motors succeeded primarily because the firm did not seek to run the acquired brands from its Tata headquarters in India. Instead the firm left its operational and tactical management in the hands of its executive counterparts in England. As a result the acquired brands were able to carry on with their previous knowledge and expertise in play and operate efficiently and effectively. Considering the convergence versus divergence theory, transnational managers should aim to work towards consistency and coordination and look to the company a whole across all subsidiaries.

As mentioned in the article Tata Motors recognized that forcing its work ethics and methods on to their British counterparts would negatively affect the company and this damage future success. Foreign acquisitions have increased in popularity over the past decade (Kanter, Rosabeth Moss, 1994) and therefore the emphasis of staffing policies and procedures should be considered of paramount importance to chief management.

It can be said that this strategy Tata Motors used can be linked to Schwartz Value Dimensions, which includes firstly conservatism versus autonomy secondly, hierarchy versus egalitarianism and finally mastery versus harmony (Deresky, H & Christopher E. 2012, pg 116). . In this case the parent company left its British counterparts to work relatively autonomously and actively participate and key decisions. Consequently Jaguar Land Rover enjoyed an increase of 27% in retail sales.

Furthermore management contracts allow foreign companies the rights to manage daily operations of a business as utilised by Tata Motors. The article confirms that given the growth of the MNE, it is important that strategic planning is used cautiously in order to better the organisations' performance. The article also states that growth of the firm was managed by disciplined financial plans and this involved tight controls on costs. Correct staffing arrangements and allowing British executives to be autonomous greatly improved the firms' success during the testing times of the global financial crisis, which struck just a year after the deal was made.

Polycentric policies as adopted by Tata focus on market driven strategies that build on the firms' competitive advantage: its reputation. By ensuring local executives remain in charge of their British counterparts, employees were well informed and experienced in their areas of expertise and as previously mentioned this ensures efficiency and thus increases and maintains productivity. A key opportunity expressed in the article was Jaguar Land Rovers interest in the Chinese marketplace.

Much of the companies new found success was created through Chinese retail sales. In previous years China represented only 1% of total sales for

Jaguar Land Rover. Nevertheless head executives project that not only will sales continue to rise, the country will also become the firms largest market within the coming years. As international managers operate in a global context they should use their firms' skills, power and capital to proactively manager international social and economic problems, this is known as the ' Invisible Hand' theory (Deresky, H & Christopher E. 2012, pg 50).

As China has become the forefront in relation to opportunism for the brand to gain market share, the company have announced they will begin to build and assemble cars locally in china. In effect this method can reduce costs for the company however also generates employment opportunities for the locals and thus boosting their economy. Stakeholders including the Chinese and Indian economies would benefit from venture provided it is successful as it generates profit, which in turn can be put back in local communities.

As the brand has indicated its interest in targeting sales and gaining market share in China the firms' top management must take into account the Chinese consumer behaviour. (Zhang, J 2003) examined that the cultural values of the Chinese are tradition, modernity and collectivism and this should be emphasised when advertising. The company has already commenced developing its efforts and ensure their product is sold in luxury, high-end dealerships across the nation. (Zhang, J 2003) states that the values of these Chinese X generation consumers (18-35years old, high education and income) which would correlate directly to the brands product: are more persuasive in magazines as opposed to television commercials which are targeted towards mass markets and wouldn't appeal to this type of target market. (Stephans, Gregory K, 1995)

Quotes that the firm must seek to create a tailor-made marketing strategy to suit its consumers' needs and in effect increase its market presence and share. This can generate further profits for the firm and cement its presence in China. The article also raised questions into the possible demise of the company's' strategic plans, specifically those relating to China.

It argues that brand has relied heavily upon its future plans in China and ignored other possible threats. This has implications for upper management. Management must seek to adapt its organisations' structures and integrate them on a global scale in order to synthesise organizational practices and thus enable the company to succeed as a whole. Research must be taken out by the company on its consumers worldwide in order to develop a strategy that works efficiently and effectively and in turn increase its profitability for the company.

Also to satisfy the current demand for their product and take full advantage of the opportunity at hand. Additionally, the company must look to the future and gather whether or not the firm has a well-diversified product range to suit the every growing and varying wants and needs of consumers globally. Management must also seek to better organise the allocation and the coordination of valuable resources in order to minimise waste and the risk of failure in other countries that are still in jeopardy of economic decline.

To not do so could possibly lead to a corporate collapse and heavily and negatively effect significant stakeholders such as the local economy and community. In conclusion, various cross-cultural management theories are necessary to examine and assess when considering a multinational acquisition. Various factors such as company culture, language barriers, current contexts and future strategies, marketing plans, and staffing policies are all relevant.

Thorough research must be performed prior to in order to minimise risks and maximise profits. Understanding host and parent countries cultures are imperative and the key to a successful venture. Essentially, internal and external relationships are enabled to grow stronger and this allows the business to be gain a competitive advantage. Lastly to understand the importance of gaining insight in cross-cultural management as being of paramount importance could be the difference between a failed or successful business venture.