

Changing business environment of tata motors



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Executive Summary:

Business Environment is the key factor which determines the success and failure of a business. If an organisation has a prior knowledge about its business environment and take strategic decisions from the signs from the environment around the business then the organisation is bound to become a success. The key factor in the business environment is divided into two broad categories namely Micro and Macro Environments. The factors which are can be controlled are the factors of micro environment namely the organisations raw material provider, distributors, sellers, transportation channels, retailers to name a few. But the macro environmental factor are factors which the organisation doesn't have any control over it but the company is bound to follow are adhere to it in order to be successful like the rules and regulations of government, taxations, environmental factors, laws, etc. with the help of these macro and micro environmental factors the company can position itself in such a way that it is sync with the business environment and as well as satisfying the customers and reaching the organisations goals. This research deals about Tata Motor Company which is the largest car manufacturing company in India. With the help of sufficient business models and supporting literatures the resultant research outcome gives an insight about the organisations position in the local as well as the international markets and its progress in the past five years.

Introduction:

Tata Motors was established under the Tata Group of companies in 1945. They became India's largest automobile manufacturing company, after which they were the first Indian automobile company to enter the stock exchange

in New York. In 1954, they began manufacturing commercial vehicles in collaboration with Daimler Benz of Germany. This collaboration led them to become the largest commercial vehicle manufacturing company in India. They are now among the top five world's largest medium and heavy truck, bus manufacturers. They started the passenger vehicles manufacturing unit in 1991, and now they rank second in India's passenger vehicle market.

In this composition, we will implement the business models and methods in the above mentioned company. Relevant literature reviews are given and the facts are gathered using secondary data collection method.

Recommendations are discussed at the end on the basis of the outcome retrieved from the implementation done in the significant business models.

Organization Background:

The Tata Motors group is a passenger and commercial vehicle manufacturer based in India. The group was established as part of the Tata Group in 1945. They have been well known for their commercial vehicles and in the past decade they entered into the passenger vehicle segments. Currently, Tata Motors has an ample line of passenger vehicles and a large line of commercial vehicles such as pickups, trucks, tractors, trailers, tippers, and buses. Both product lines of the Tata Motors group have seen success, but much of this has been built upon the more deeply established commercial vehicle product line.

Tata Motors commercial line has been established for several years in many market segments such as Europe, Africa, The Middle East, Australia, Southeast Asia, and South Asia. They expanded their business and market

share around the world through a series of acquisitions. They acquired Daewoo commercial vehicle Company in South Korea in 2004. This acquisition gave Tata Motors a significant presence in the Korean market. They also had collaborations with companies such as Thonburi Automotive in 2006, which allowed them to manufacture and market pickup trucks in Thailand. The commercial vehicle area of the business has certainly been how Tata Motors have built their reputation, with commercial vehicles accounting for 80-85% of company profits. They are beginning to employ a similar technique as they now expand into the passenger car business.

Tata Motors have been making global headlines in the auto industry recently. The hottest news is their acquisition of Jaguar and Land Rover from Ford. Tata paid 2.3 billion dollars to Ford for the two brands that cost Ford 5.3 billion dollars. This is a major step for the company because it triggers them into the luxury car business which they are not popular for at this situation. As they acquire many businesses they will be managing the luxury car automobile business with their previous management. This is yet another large acquisition for the Tata Motors group and could create great success for the company in the near future.

Tata Motors have increased its earnings over the years through their various acquisitions and joint ventures with truck manufacturers in Southeast Asia. Gross profit in the year 2006 was 1,160.9 million and increased to 1,510.1 million in the year 2007. After a large drop in revenues from 2004 to 2005 when the company first went public on the NYSE, it has been increasing revenues greatly annually, from 4,422.0 million in 2005 to 7,354.0 in

2007. Their net Revenue in 2008-09 was 256. 79 billion, and net profit was 100. 26 billion, due to market disruption.

SWOT Analysis:

Strengths:

Tata motors have a wide variety of products due to its collaborations and joint ventures with other vehicle manufacturing companies and due to the fact that it has acquired many international companies which enabled it to access new technologies and inject them into its existing commercial and passenger vehicles manufacturing line. Tata motors have strong Human resources. It helps its employees to gain knowledge by providing additional support to by providing workshops and trainings.

Weaknesses:

The organisation has a little amount of weakness because it has a wide variety of products with a wide range from cheap cars as low as \$2000 to premium cars which can cost up to \$ 80000. so everyone gets what the desire.

Opportunities:

With its wide variety of products it has a huge opportunity to reach into almost all the sectors of automobile industry. Tata motors have multiple classes of vehicles such as passenger cars, commercial vehicles, busses, defences and support vehicles.

Threats:

With the huge variety of vehicles and different sectors to venture into Tata motors have created serious rivalry from different car manufacturers such as <https://assignbuster.com/changing-business-environment-of-tata-motors/>

Hyundai motors, Maruthi-Suzuki, Ford, Chevrolet, Skoda Motors and so on. The higher the pressure from the rivals creates even more opportunities to discover new innovative ideas and technologies to implement in their manufacturing of vehicles.

The initial stage of any strategic planning is the SWOT analysis. The structure of the SWOT analysis is simple but, after analysing an organisation using this tool a perfect solution for a strategic plan can be obtained from the data collected. SWOT represents Strength, Weakness, Opportunities and Threats. The strength and weakness are internal factors whereas; opportunities and threats are external factors. There are some simple rules to obtain good results from SWOT analysis. The organisation must be realistic about the strengths and weaknesses. It should show the difference between where the organization is and where it is heading to, SWOT must be applied in relation to the competitor. It is better to avoid complexity and over analysis since, SWOT is subjective. (Marketing teacher)

PESTEL analysis:

PESTEL analysis helps to position any organisation with its business environment. It enables to assess the organisations improvement and success with the factors that are uncontrollable by the organisation these factors are also known as micro environmental factors for example factors such as competitors, economy, sellers, buyers, distributors and general consumers. PESTEL analysis gives a clear insight about the organisation and its values and position. This research implements the PESTEL analysis for the TATA motor company.

Political Factors:

In the past few years TATA motors ventured in to new grounds by merging and acquiring new companies in different parts of the world. In 2004 it acquired Daewoo Commercial vehicles company in Korea which helped Tata motors to gain some international ground. With the expansion the Tata motors had to follow certain rules and regulations which caused them to hire employees and staff from the local area and since they had a strict law of labour union they had little or no job redundancy. Since tata motors had its presence in the whole of Asia, Africa, Australia, The Middle East and the United Kingdom it had various rules and regulations to follow and since it was a very difficult task to cope up with and the changes to adhere to it had most of its operations and management planning within India where it has its most of the dealerships and subsidiaries. Therefore Tata motors had a very hard ground to cover and its overseas acquisition of Land Rover and Jaguar from Ford motors enabled it to concentrate on luxury cars and not its traditional economy class cars. On the acquisition of these luxury car companies it had a similar problem as the acquisition of Daewoo motors in Korea. Since UK has a very powerful Labour union, Tata motors made a move not to fire any of its employees from the previous ownership but it made all of its top level managers and staff shifted from other parts of the organisation who were well aware of the companies work culture and ethics.

Economical Factors:

Tata motors is the biggest automobile and commercial vehicle manufacturing company in India. With over 70% of market share in India and it had a 0.81% of market share globally. when Tata Motors acquired Land

Rover and Jaguar in 2008 it had solidified revenue a massive \$16 billion. In 2008 when Tata motors acquired Land Rover and Jaguar the premium car companies it planned to raise funds through its shares, but due to the managements decision it was left in last moment, but in 2010 Tata Motors are pallning to raise around \$700 Million in its shares sales. This decision is is made in order to raise funds for its new manufacturing plants and to enhance its research and development but there are no official reports of when it will be implemented. These shares are sold to the minority share holders in order to safe guard the organisation since the decision was taken it had one tenth of the voting rights of the ordinary shares with a 5% increase in the dividend. Tata motors is the first car manufacturing company to produce the cheapest road car in the world the Nano, which is priced at approximately \$2000. which has made a great difference in India where the booking of these cars are filled up even before the cars are commercially manufactured. Tata motors is a dual listed company it is listed in Bombay Stock Exchange as well as New York Stock Exchange under the sign TTM. Tata commercial vehicle manufacturing company has been in the top five commercial vehicle manufactures in the world and it also one of the top eight companies in India with a annual turn over of \$7 billion. Tata motors since the beginning of its venture with partner ship with daimler-Benz in 1954 have came up with new concepts in car manufaturing but it has always focused upon the mid and small sized cars, this is due to fact that most of its customer base is India where the traffic is highly congested and fuel consumptions are very high with the price of fuel relatively higher. So people tend to have a soft corner over the small sized cars. So Tata Motors introduced Tata Indica a small sized car in 1998, which fits 5 people with a

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very little boot space, It became an instant star among the people and large number of orders were made and even today it is preferred by many people because of its size and a very low fuel consumption and high mileage in the city as well as in the high ways. Tata has its presence in the global economy. It has partnership with different companies in different parts of the world it has a wide variety of products to manufacture. Tata motors has joint ventures between Fiat car manufacturing company and in recent times Tata motors has initiated to bring in new models of its joint ventured company Fiat Motors. Other than manufacturing of commercial and passenger vehicles Tata has its section of defence solution it is an internal wing of Tata motors but specialised in manufacturing of heavy armoured and transportation and support vehicles for the army. It has great potential in India as well as different parts of the globe.

Social Factors:

The Tata motors have more than half a century of experience in manufacturing of locomotives and vehicles either passenger or commercial. Tata motors have heritage of helping the community by opening a trust which helps the community by providing education for the poor people and helping charity and community works. Tata motors are the signatory of United Nations organisation. Every time it builds a new manufacturing plant it recruits staff and labourers who are local to the area this enables the local people to acquaint to the company and it creates huge job opportunities as well. Tata motors induce more than 2% of its annual turnover to research and development of new and innovative equipments to keep the balance

between the ecology and machines and reducing the pollution of the vehicles it manufactures.

Technological Factors:

Tata motors have invested more money into its technological aspects this is due to the fact that the pollution cause by vehicles increase the carbon monoxide content in the atmosphere which in turn gives way to green house effect where the gases stay in the environment and heat up the planets atmosphere which cause global warming. So all the vehicles that tata manufactures are tested n tired in order that they have little contribution to the global warming. Apart from environmental factors the passenger car segment has its own technological advancements such as the v2 engines that the company manufactures are know to be one of the best in its class in terms of power, low consumption of fuel and high mileage, and after acquiring the Land Rover and Jaguar from Ford motors in 2008 Tata motors have discovered that the engines in these vehicles are proved to add more stress to the performance of the vehicles so currently they are researching into finding solutions for fine tuning these engines which in turn makes it to perform well. In the European markets Tata motors have initiated a new method of scrapping the old cars, here they inform there customers to bring in their old vehicles to recycle it for free and they use there own centres and subsidiaries to dismantle the old vehicles which makes most of the parts to be serviced and fitted into other vehicles. These are some of the key technological factors of Tata Motors.

Ecological Factors:

Tata motors have a good standard of manufacturing vehicles adhering to the euro and Indian standards of emission and it also invested into creating greener cars by researching in alternate fuel methods and low consumption of fuel which creates a balance between the eco systems. All the vehicles come with low emission a filter which convert and reduces the carbon monoxide content emitted by the vehicles.

Legal Factors:

Since it has its company's presence in many countries it has a lot of law, rules and regulations to follow. Tata in recent years have been adhere to the governments laws and taxations that the Indian government has awarded Tata Motors as the best car manufacturer. There have been serious frictions in the state of Bihar where it planned to build its new car Nano's manufacturing plant but the state government insisted the Tata motors to shift its base to some other state, which Tata motors did by moving its plan to the state of Gujarat. These are some of the legal issues faced by Tata Motors.

Conclusion:

Tata motor company has been a fore runner in car manufacturing in India. With the market share of 70% it has a potential to capture more and since the company had serious issues with its rivals it has proved to be winning the tests. Apart from its financial part the Tata motors have given back to the community by manufacturing cars which are far cheaper than any other car manufacturing company could produce. It has also helped the community by providing funds for less able people and created more job

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opportunities and supported many community development programs and public organisation. With such high profile the organisation serves the community well and honouring this the United Nations Organisation has acquainted with the company in order to maintain the ecological system of the planet by manufacturing low emission vehicles. In recent years Tata motors has been venturing in to new international grounds by acquiring and jointly venturing with similar manufacturing companies.

Recommendations:

This research recommends that tata motors must implement innovative and technological advancements in manufacturing its vehicles which produce lesser emission and in order to sustain itself in the future the Tata motors must initiate more of its concentration in developing the community by providing awareness about the eco system. Apart from these factors there are limited amount of modification required of the company. In conclusion, Tata motors have proved itself to be a innovative leader with high degree of corporate social responsibility. With its strategic planning and management skills Tata motors will become the leader in automobile manufacturing company in India as well as globally.