

Internal and external environment of tata motors



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Introduction:

Tata Motors Limited is the biggest automobile company in India. The consolidated revenues of Tata Motors Ltd. in 2009-10 are \$20 billion. . It has the largest market cap in commercial vehicle segment in India, and second largest in the passenger car segment. Tata Motors was established in 1945 and today has more than 5. 9 million vehicles on Indian roads. In manufacturing truck, Tata motors ltd. has become the fourth in the world and second largest in bus manufacturing. Currently, 24000 employees are working with Tata motors Ltd. and their main dream is to be the best in comportsment and to distribute the best product and also to best in ethics and value system.

Before 1990s, Tata mainly focused on the commercial vehicle sector and different kinds of vehicle like commercial trucks, military trucks, and construction vehicles was made by them. Their first movement was to introduce utility vehicles in passenger car sector with two main models, Tata Safari and Tata Sumo. After that Tata has got great success and satisfactoriness among customers with these two model car and also got big support then entered into small business car sector in India.

Tata Motors the first listed Automobile company in the New York Stock Exchange (September 2004) that is from India's engineering sector, it has also emerged as a global automobile company. Tata has also operations in different countries of the world. These are UK, South Korea, Spain and Thailand.

In 1998, Tata motors first launched fully indigenous passenger car Tata Indica. After two years of launch, it has got popularity and was become the largest wholesale car in its division. In 2005, Tata Motors launched the Tata Ace and became India's first indigenously developed mini-truck.

Current situation of Tata Motors:

Overview of Company:

The Tata Motors group is an established passenger and commercial vehicle manufacturer in 1945 and it was the part of larger Tata Group. Tata motors were holding their recognitions for the last ten years in the passenger car market. Currently, Tata Motors are operating on five passenger vehicles and these are pickups, trucks, tractor trailers, tippers, and buses. Tata Motors commercial contour has been recognized for a number of years in various market segments such as Europe, Africa, The Middle East, Australia, Southeast Asia, and South Asia. It has gained high market share by expanding their business around the world through a series of acquisitions. In 2004, they acquired Daewoo commercial vehicle Company in South Korea which was the second largest truck manufacturer in South Africa. This acquisition gave Tata Motors a considerable charisma in the Korean market. After that they have merged in companies as a joint venture such as Thonburi Automotive in 2006, which gave them access to manufacture and sell pickup trucks in Thailand. This is how they built their reputations which hold 80-85% of company profits with respect commercial vehicle. Their largest acquisition was with Ford and they paid to Ford \$2.3 billion for taking of Jaguar and Land Rover from Ford. In January 2008, Tata Motors induced a new Car that is Tata Nano. Tata Nano has been consequently launched, as it

planned before, in India in March 2009. It signifies the global automobile industry, the price of the car is affordable and it is only Rs. 10 million. In May 2009, Tata Motors introduced new trucks name Prima in modern era it practices best utilization of power, speediness, good carrying ability, functioning economy and trims, which will bring in the latest benchmarks in India and equivalent the best in the world in presentation at a minor life-cycle cost.

Tata Motors is equally concentrating on environment-friendly technologies especially in emissions and substitute fuels. . There are many electric and hybrid vehicles developed by Tata motors especially for personal and public transportation. Tata also involve in many activities such as engineering and automotive solutions, production equipment manufacturing, automotive motor vehicle machinery built-up and supply chain conduct, machine tools and factory mechanization solutions, high-precision tooling and plastic and electronic machinery for automotive and computer applications, and automotive retailing and service operations through subsidiaries.

Tata Motors is also working on four plunge areas for improving quality of life-employability, education, health and environment. The activities help the lives of more than a million citizens. With the foundation of its rich heritage, Tata Motors today is engraving a refulgent future

Financial Situation:

The earnings of Tata Motors are increasing day by day because of various acquisitions and joint ventures with truck manufacturers in Southeast Asia. In 2006-07, the Gross profit was \$1, 160. 9 million and in 2007 it increased to

\$1, 510. 1 million. Moreover, overall Earnings also increased significantly after paying tax . It was \$410 million in between 2006 and 2007 and \$434. 7 million in 2007-08. The net profit was \$214. 5million in 2008-09. In 2009-10(year ended 31st march), profit after tax will be \$550. 8million it is more than the previous year. There was a large drop in profit in between 2008-09 and 2009-10 financial years because of acquisition of Jaguar Land Rover in June 2008.

Impact and influence of external environment in an organisation:

External environment has many influences on business to run that effectively. It involves many factors outside the organisations that can give opportunities or pressure to the business. The overall success of any business organisations depends on its consciousness about its surroundings, environment and flexibility to cope up with the changing environment. Business environment may be defined as combination of some factors that cannot be controlled in nature and it affects on organisational decisions; these are economical, demographical, legal and governmental, social and cultural and so on.

Technological

Political

Economical

Legal

An organisation

Environmental

Social

PESTEL analysis of Tata Motors Ltd.:

Political:

Company needs to give attention on these factors-

Government laws and regulations-

Tax

Political motivation for globalisation

Tata motors are doing their business in different countries across the world such as Africa, Europe, Middle East and Australia. The countries where Tata motors are going to operate should concentrate on political climate as well as the regional leading bodies. The business trade, expansion and investment are reliant on laws and regulations on business imposed by the local government. How much they will be flourishing in markets and economies for the effect of home and national influences.

Tata Motors made a deal with Ford for purchasing Jaguar and Land Rover on 26th March'2008. For fulfilling this achievement, Tata Motors need to understand the laws and regulations of the home country related to commerce, the United Kingdom, but also in countries Jaguar and Land Rover operate in. UK political environment analysis: Government offers impressive tax benefits to attract the investors from other countries, Strong political

inspiration regarding globalization, Strong reputation and trust, and political stability and goodwill, adaptive governmental support.

In India Tata Motors strictly maintain government laws and regulations and also keep in eye on labour laws in different countries where they are going to establish their manufacturing plant. Political changes always need to consider by the organisations this will facilitate them to spread out in new market. These all things maintained by the headquarters of Tata Motors which situated in Mumbai that all branches are maintaining and obeying local laws or not.

Economical:

Tata Motors is operating through different countries across the world; they are functioning by focusing on individual market with considering global economical standpoint. They are spreading out by forming joint ventures over the five different countries in the world. Tata Motors have the experiences about the changes in market that occurs and can easily acclimatize by using resources they have around the globe. For example Tata Motors need raw materials for production of engine blocks but the price of raw materials is high in South Africa. They have suppliers for raw materials in Europe, so they can easily get it from Russia because they are operating globally. One important things need to consider that is the currency rate of that country. Suppose they are investing at a higher rates but when they get return rate is lower because it will impact on profit or loss. The demand of product also can vary with the fluctuations of currency. The rate of currency and its variations also influence the company to invest. Another important thing needs to consider labour cost is that cheap or high

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and available or not with related to business. In case of Tata Motors deals with Ford in UK economic advantages-huge movable workforce, reasonable labour cost, good in export, supportive authority to invest in technology.

Social:

The organisations are largely affected by shareholders idea, opinions and attitude. This includes every aspects of the organisational stake holder as of chief executive officer to president, investor to customers, down to line workers. The future of an organisation relies on stake holder's mores and attitudes whether it will be beneficial or not. For this reason, Tata Motors tends to use assimilation and rarely partition technique with foreign companies they get hold of. In other aspect, there are some financial issues Tata motors have to consider on the basis of localize point of view. Firstly, India's car market is different from car market in Italy or in UK depending on the size of population. Secondly, it has to consider the affect on demographics and the standard income of every market. Indians have a lower average income per capita than Italians and citizens of Italian likes to drive larger and fancier cars. In that case, the Tata Nano may not perfect for Italian market. Above all Tata Motors are operating their business globally by local market understanding and gaining knowledge through different markets. In 2004, the largest Korea's truck manufacturing company Daewoo Commercial Vehicle was owned by Tata Motors. Tata used an incorporated approach, and nonstop building and marketing Daewoo's current models as well as introducing some new models internationally and it had been completed under supervision of Korean management, rather than assimilating Daewoo. When Tata purchase the Jaguar and Land Rover then

they need to be careful about how they hold it. Industry analysts of Tata thought that what could be the best value that can be added with Ford. They found a separation approach for the near future and they kept the names of Jaguar and Land Rover apparent. After that they coupled it with the luxury automobile market. They found that separation was important from the name Tata may be precious in social areas.

Technological:

Tata Motors and its parent company, the Tata Group, are developed in the technology field. Tata Group has great publicity over 20 listed enterprises and operates in more than 80 countries world-wide. From this Tata Motors gain lots of experience and resources that actually help them to get success in research and development.

“ The growth of this company based on deep understanding of economic stimuli and needs for customer, and the skill to interpret them into customer-desired offerings through most important edge R&D” (Tata). Tata Motors’ Research and Development team is in advance in India’s market and accurate with all other fields internationally. In 1998, Tata Motors first developed a fully indigenous passenger car ‘ Tata Indica’ and after that ‘ Tata Nano’ the cheapest car which was cheap in production.

Nowadays, it has become critical for manufacturers to hold their ground in business. It is now going to become very hard to maintain the technology curve because of problems arising. These problems are gas prices increasing and pollution problems. Tata spent lots of resources and time on research and development purposes to stay in top of rivals, global trends, and with

economies changes. Tata is doing the right thing for maintaining rapid growth, and extensive research and development to adapt with technological changes.

Legal:

Determinants of national advantages using Porter's Diamond Techniques:

It is very important for organisations to achieve competitive advantages over competitors. When an organisation is going to start business in new countries primarily they have some disadvantages over existing home competitors such as better market knowledge, reputable local customer relationship and supply chain. A new company must need competitive advantages to rise above such things. Porter Diamond explains the positive needs of competitive advantages to sustain in company. He suggests four national determinants of interacting. These are as follows:-

Factor conditions:

It refers to factors of production that needs in manufacturing of product or services for example: labour, raw material and land. These advantages in national level are considered as general competitive advantages of national firm in international markets. In compared to Tata Motors they have cheap labour, raw material and land.

Home demand conditions:

The customers in home country can produce competitive advantages. Sophisticated and high demanding customer and successful deal with them

helps to train a company to be useful overseas. Tata motors have use population has high demand of cheapest car.

Related and supporting industries:

It will create competitive advantages if there are some mutually supporting industries. Sometime it may base on region and it will make personal communication easier.

Firm strategy, structure and rivalry

Factor conditions

Demand conditions

Relating and supporting industries

Figure: Porter's Diamond-Determinants of national advantages (Porter, 1998)

Firm strategy, industry structure and rivalry:

The characteristics of strategies, structures of industry and rivalry from different countries can be good competitive advantages. In considering with Tata motors is the best on the basis of good strategies making, experienced because it is operating globally.

SWOT analysis of Tata Motors:

Organisations need strategic planning to run the business effectively and These SWOT analysis carry one of the major parts in strategic planning. It can be useful to any where such as any unit in an organisation, team or individuals. The performance of an organisation with respect to the impact of <https://assignbuster.com/internal-and-external-environment-of-tata-motors/>

external and internal demand and influences can identify through SWOT analysis as a part performance audit. Sometimes it helps to collect data for stakeholder analysis, analysis of competitors, and analysis of some issues in an organisation, scanning of environment and scenario analysis. SWOT analysis also carries out the major influences on behaviour and the success on results in an organisation.

SWOT stand for-

S-Strengths

W-Weakness

O-Opportunities

T-Threats

Strengths:

Tata Motors is a leading market taker and dominating biggest part of automobile industry as well as they are holding high market share. Tata Motors is good employee based company and high productivity of Tata manufacturing unit. They have high reputation in brand in India. Their biggest strength is that it produces the cheapest car in world history 'Tata Nano' with low fuel consumption. Its gives competitive advantages to Tata Motors that is ahead compared to other company. It also helps Tata to capture huge Market as well as customers. Tata motors have 3500 touch points in dealership, sales and service. Tata is developed in some segments like Tata Acc and Tata Magic. There is no substitution of these products in the market yet. Another more important strong point is that it possesses

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soaring corporate responsibility. They also keep in eye in specific charity through donating from profit by escalating stock. This highlights that community improvement is their overall desire. Tata Motors has been insistently acquiring overseas brands to enhance its global presence. Tata motors are very strong in research and development.

Weakness:

Main weakness of Tata motor is low return on share investment. Their vehicle is not maintaining safety standards at that much require with compared to its competitors. The product sale of Tata motors is not up to the score in domestic market. The sales of cars in India are less than 1 million yearly. This creates a problem for the company because if people don't want to buy cars how can they sell. Technological advancement is not up to the mark as compared to its competitors. Tata owned Jaguar and Land Rover but Tata has not got enough recognition in producing luxury vehicles. Tata's new innovation One CAT still has some rough spots that require working out on problems like it exhaust pollutant emissions and greenhouse gas emissions from the generation of electricity used to compress the air. It is the technical fault and this is another weakness. Moreover, One CAT only goes 62 miles per hour for 56 miles in an urban cycle. This is not very far and Tata Motors will have to recover this weakness as well as the emission weakness in order to attract more consumers to buy this new automobile.

Opportunities:

Tata motors can get benefits from low cost car; they can enter into third world countries where people can afford this car. Though this low cost car is fuel efficient and cheap so they can easily capture the market. They have

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export opportunities to other countries as well. Tata motors should focus in developing luxury cars. Tata motors can bring in additional safety features in vehicles to achieve added customer satisfaction. They can easily access into new markets though they have joint ventures with other countries.

The estimated car sales in China is about \$8 million dollars yearly and in 2006 China was the second largest car market in the world. China's government forecasts that demand for cars will increase to 20 million within 2020. Tata Motors cheapest car in the market will bring change and demand for the car in China market will raise drastically. This is in turn increase in sales for Tata Motors.

In 2008, Tata Motors completed a deal with Ford Motor Company . This will create a great chance for Tata Motors to achieve experienced knowledge and technologies for manufacturing and marketing luxury vehicles. This acquisition helps them to submerge into the additional established markets in Japan, Europe and the United States as well. The exchange of knowledge between two companies will significantly progress Tata Motors ability to continue to grow and boom in both developing and developed market segments.

Threats:

Tata motors have low cost advantage over its competitors, if the competitors manage to find out production method of low costs, and then there will no longer have competitive advantage over competitors.

In case of market, their competitors are already started to compete with that. In fact, the Pakistan's Transmission Motor Company has built a basic
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four-wheeler for only \$2, 100. This car is considerably cheap and they started exporting them to Sudan, Qatar, and Chile. This is going to be the beginning of new emerging car manufactures that will be producing low priced cars. Another threat for Tata motors is that the increases in price of raw materials like steel, aluminium and plastic. The low standard in safety may reduce sell of cars.