

Tata motors jaguar land rover turnaround



Introduction

Change as we call it is quite inevitable and it is very necessary in today's fast changing environment and competition. Organizational change management is focused at when big changes need to take place. There are numerous change management models that can be used by companies today in order to successfully implement the change and meet its objectives. The Kurt Lewin Model is an old model still used today.

Change management aims at bringing better results than those currently experienced. In change management one understands that there are better ways of performing a particular task in an effective and efficient manner while meeting all the customers' expectations and standards of performance. So we can use the ADKAR model here to manage change.

Change management theory has 5 principles based upon it like:

At first we see that people display and show different reactions to change as each individual is different and unique in their own way.

Secondly people strive to meet their basic needs regardless of their stature, occupation or living standards.

Thirdly for each of the change to take place the person has to loose something initially to help make the implementation of the change successful.

All the people put in varied amounts of efforts for the change as per their perception so the change activity needs to be realistic in nature.

Change brings with it fear and a feeling of mistrust so change management can only take place if these people face their fears.

These five principles need to be implemented properly by the company to actually make the change process feasible and successful.

Change management requires acceptability from all the concerned stakeholders as it cannot succeed by acceptance of one but by only a collective effort of many. (Change Management 100 Success Secrets)

“ A good hockey player plays where the puck is. A great hockey player plays where the puck is going to be” Wayne Gretzky, Canadian ice hockey player

Change Management (2008)

Literature Review & Analysis

Kurt Lewin Change Management Model

In 1947 Kurt Lewin proposed a three stage theory of Change which is very relevant till date and most newer models are quite based on this model. The three stages are:

Unfreeze – This is the most critical stage as it involves preparing oneself before a change is implemented. It involves understanding that a change needs to take place and the employees need to get out of the comfort zone. A deadline needs to there to which some reward/punishment is linked to motivate the people to go for the change and accept it. So unfreezing oneself and seeing the inherent advantages outweighing the disadvantages lead

to a successful change. This refers to another Kurt Lewin's theory called the Force Field Analysis.

So as per the Force Field Analysis if the pros outweigh the cons then change can take place smoothly as it acts as a pushing factor but if not then there is resistance which can be detrimental to the objective and purpose of the change.

We can actually take a practical example to illustrate the above diagram in a better position in the case of Tata motors in the Analysis section.

Change – So the next stage is the transition stage where the change actually happens. Here we see people have inhibitions as they are unsure of the results or consequences from the change process are taking place within the organization. Certain factors like training, guides and mentors can be used to make the learning process easier and faster as it helps the people to adapt and understand the objective and rationale for the change activity. Through self involvement and proper communication one can encourage the change to take place in an easier fashion.

Freeze – This stage is also called the refreezing stage as it involves if there is stability after the change has actually occurred. People now tend to adapt and accept the change and it becomes a part of their daily routine. Change is a continuous process and soon after the implementation of the change the next change process starts off at any point and can finish at any point of time. (Kurt Lewin Change Management Model (1947))

ADKAR: Model for Change

A very innovative and powerful change model was developed by Mr. Jeff Hiatt who was the CEO of Prosci Change Management and it was first published in 2003. This model tells us that organizational change can succeed when each of the individual members of the organization transition through the change management process.

There are five steps in this model:

Awareness of the need for change – This involves understanding why a particular change is necessary is the primary aspect of a successful change. We here find out the rationale and need behind the change. So the logic behind the change can be instilled in the employee.

Desire to support and participate in the change – Here the employee has to take a self decision to be an active participant in the change. Only when the person is confident and convinced that the change is essential then only will he participate in the change activity. Proper incentives need to be formulated in order to motivate the person not to deter from the path of change.

Knowledge on how to change – This is the third stage of the model in which knowledge about the change can be imparted through training, mentorship and other educational methods. 2 types of knowledge is to be focused at:

knowledge on how to change (things to be done during the transition or the time during which the change is being implemented) and

knowledge on how to perform after the change activity is established.

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Ability to implement required skills and behaviors – In this part of the building block Ability is referred to the difference between theory and practice. Once knowledge on how to change is in place then this is the theory being referred to and then comes the practical aspect which is the actual performance of the individual. This is a time consuming process and can be successfully implemented through having a mentor and a feedback process.

Reinforcement to sustain the change – In the final stage of the model there is an essential component in which efforts made by the individual to sustain the change are pressed upon. Here it is ensured that changes made stay in place and that the employee does not slip back to his old ways which can be ensured through positive response, benefits, acknowledgement, measuring of the performance and actions taken to improve the results. ADKAR Model of Change (2003)

Kotter's 8 steps for Leading Change

Dr. John Kotter developed the 8 steps to change which can help organizations to avoid failure and be proactive to change. They are:

Acting with Urgency – It refers to identification of the problem and crisis areas in regards to the company, market and the competitive forces.

Developing the Guiding Coalition – Form a team of employees who would be responsible to handle the change efforts in a collective manner.

Developing a Change Vision – This step involves creating a vision and formulating the strategies to achieve the vision.

Communicating the Vision buy-in – There needs to be clear communication between the employees and the vision and the means to achieve it both need to be known by all the employees while keeping the team as the source of example.

Empowering broad based action – Use varied risky ideas, non-traditional means and other techniques not in the book to remove all the obstacles to the change.

Generating short term wins – Visible improvements need to be planned and all the incumbents should be duly rewarded for their efforts.

Do not let up – To change all the systems, structures and policies new employees maybe needed to be recruited, old ones removed and other promoted to meet the vision by also putting in new projects, ideas, work patterns, etc.

Make change stick – Use the leaders in the organization to show its employees the benefits of the change activity in both qualitative and quantitative terms so that people do not digress from the change activity.

Kotters 8 steps of change (2005)

Beckhard & Harris Change Formulae

In 1987 Beckhard and Harris developed the Change equation which helps the organization to identify all the possibilities to change. The change equation propounded is:

D x V x F > R

=

Dissatisfaction x Vision x First steps > Resistance to Change

All the three components must be present in congruence in order to overcome resistance to change. Dissatisfaction with the current happenings, Vision of what is to come in the near future, and the way/direction/First steps to reach or achieve this vision should all be there to repel the resistance to the change activity. Beckhard and Harris's Change Equation (1987)

CASE STUDY

Tata Motors

Jaguar Cars Limited and Land Rover, based in the UK, are one of the key global auto majors companies that are engaged in manufacturing luxury sports saloons and sports cars that cater to the premium end of the market. On June 22, 2008; Tata Motors, India's largest automobile company, acquired the Jaguar Land Rover businesses from Ford Motor Company for a net consideration of US \$2. 3 billion. (Press Release: 2nd June, 2008)

But just immediately after the acquisition; the global financial sector collapsed and squeezed out global liquidity. The resultant shortage of funds, along with the drastic rise in the prices of commodities and fuel, has a negative impact on the global automotive sector. All the automobile companies, hard hit by the crisis, posted major operating losses. Out of the three major U. S. car makers, General Motors and Chrysler, filed for bankruptcy.

Jaguar Land Rover was hit hard in the second half of the year ended 31st March 2009. In the U. S, Europe and Japan, sales of new cars have declined by 16% in the second half of the year. Stimulus packages designed to rekindle demand were only partially successful. The volumes at JLR over the 10 months post acquisition reduced by 32% as compared to the comparable period in the previous year resulting in a Loss before tax of GB £ 281 million.

Europe was in doldrums. This was a major concern for the Tatas since it is a big market for Jaguar Land Rover. By the end of January 2009, Tata Motors had US\$ 2 billion outstanding as regards the bridge loan. Moreover, JLR required additional investments, that too quickly, in order to sustain its operations that were burning cash at that juncture. Terming the acquisition as “ irrationally exuberant “, critics started questioning the rationale for the company’s move

To compound the company’s woes, the commercial launch of Tata Motor’s small car Nano required much more time than anticipated. “ The Nano was always more than just a car. It was Tata group supremo Ratan Tata’s dream project to bring an affordable transportation solution within reach of the masses. The promise of a small car priced at Rs. 1 lakh had fired the imagination of an entire nation and the global automotive industry” (Forbes)

Faced with the altered dynamics of the new business environment, the company adapted its productive model as well as profit strategy to respond to the need of the hour.

Prompt action was taken to reduce inventory, improve working capital, reduce investments and payroll costs including more than 2000 job losses.

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Transition initiatives were undertaken in marketing, customer financing support, IT and related infrastructure.

The company appointed KPMG International and also Roland Berger Strategy Consultants to suggest appropriate action plans to reduce costs at the two brands.

Around 2, 200 employees were sacked of JLR since it took over the management of JLR. The move was in sharp contrast to the well entrenched business practices followed by the Tata Group where no employees are retrenched. The company to secure flexible arrangements with the workforce in the UK. Tata Motors had Rs 191 crore in employee separation costs at JLR during the year ended 31st March 2009

The company finished with the guarantee arrangements which enable them to access a £340 million loan duly approved through the European Investment Bank. The utilization of these resources will focus towards developing technologies for JLR.

The Company prepaid part of the said facility out of proceeds of a Rights Issue and certain divestments and the balance outstanding as on March 31, 2009 was US\$ 2. 02 billion. For repayment of the said amount, the Company in May 2009 raised resources through further divestments and issued Secured Non-Convertible Credit Enhanced Rupee Debentures in four tranches, having tenors upto 7 years, aggregating Rs. 4, 200 crores on a private placement basis. The balance facility of US\$ 1 billion was rolled over and guaranteed by the Company, by extending the final maturity upto December 2010.

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New launches were planned. Range Rover Evoque is to be launched in summer of 2011.

With a view to capitalize on the growing demand for luxury cars in China, the company gave a major thrust to strategy for China and also explored possible assembly in India

Ravi Kant the non-executive, vice-chairman was quoted as saying: “ A lot of restructuring has happened at JLR but these are early days. We will continue with the cost reduction measures. (Press Meet, November 2010)

Tata Motors Group CEO and Managing Director Carl-Peter Forster said, “ We are focussing on reducing costs and selective hiring for JLR.” (Hindu)

While sales of JLR, along with that of the Indian commercial vehicle segment significantly reduced in 2008-09 during the global meltdown, resulting in a consolidated loss for the company, all these segments registered an impressive recovery in 2009-10, an event that vindicated the sound fundamentals of the Company’s longer-term strategies.

The revival of Jaguar Land Rover was significant in April 2010 with the sales per unit of the two UK companies growing at 61 percent in comparison to the previous year. (Automotive News Europe)

Source: Tata Motors Press Meet

The efforts bore fruit when Tata Motors Limited posted a gain which was more than 100 times in profit for the second-quarter ended 30th September 2010. This was attributable to global economic recovery, growing Chinese

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and US demand. (India Watch) Jaguar Land Rover reported a profit after tax of £238 mn for the quarter ending Sept 2010.

In a time span of eighteen months after the takeover, Tata Motors was able to turnaround the JLR story, adopting a cost reducing and sales booming strategy. (MSN News)

While JLR turnaround has been achieved, the declining sales of the Nano, the world's cheapest car, continue to a major challenge for Tata Motors.

For Nano, again, flexible to change, the company has initiated a pan-India campaign in order to promote and market the car. The strategy is to reach out to that class of buyers who were the original target base of the company. Senior executives at Tata Motors are closely following pro-active measures to reach out to customers. These include ensuring better coordination between banks and customers, facilitating tie-ups with regional finance institutions and opening newer channels to reach out to the end-consumer, among several others. However these efforts are yet to bear fruition. (Rediff)

ANALYSIS AND DISCUSSION

We can see how the Force Field Analysis can be used in the analysis of the Tata Motors case:

From the above example we can clearly see that the advantages outweigh the disadvantages thus change can be possibly be implemented. Successful implementation of change is achieved by either making the driving forces strong or by making the preventive forces weak.

After all these theories we can also look into some of the facts stated in regards to change management by research scholars in their papers.

As per the findings of the paper “ Nobody in charge: Distributed Change agency in Healthcare” we can clearly see that the authors that in complex organizations where a formal structure and environment is not present a more of a “ distributed change agency” can be established where small teams and groups are formed. These teams have a wider scope of roles with distributed responsibility among all the stakeholders which was possible due to the change goals. Here nobody was watching over the other thus change was a lot voluntary. This is a good approach for such organizations to tackle with change.

This concept could have been used by Tata Motors also to help in involving all the levels of management to get the due turnaround strategy in a faster and better manner. Nobody in charge: Distributed change agency in healthcare (2009)

Another paper on change management in a dynamic business process tells us that we can make the execution of any business process flexible and adaptable to any situation through the change management technique. Run time change management software’s are used to make all the business processes in a company flexible and dynamic thus helping cope up with the demand for changes even after the new process has been implemented.

Change Management in Dynamic Business Process (2010)

Prof. Robert E. Ledez in his paper has shown change in a totally different picture. According to him employees perceive change with a very negative connotation and often relate it to downsizing, paycuts, layoffs and relocation. So the employees need to alter their mindset and enable change to take place as in this competitive and ever changing world change needs to take place in all forms like new technology, new ideas, innovations, structural changes and others.

Change Management: Getting A Tuned Up Organization

“ Kaizen” means continuous improvement of productivity and quality which depends on the participation level of the entire workforce. This is a low-cost approach to productivity and quality improvement. Kaizen relates to the manufacturing sector but also can be applied to the service sector, public and non-profit organizations. Kaizen is one of most critical components of Japanese industrial support in developing countries.

Introducing Kaizen (2009)

In the review article of Asian Journal of Management Research it has explained change management as one that incorporates the tools of the company which can be utilized to help individuals to make winning personal evolutions resulting in the adoption and realization of change. This concept of change is known to Indian culture, since change management concepts were applied for ministers in the Indian government and civil service way back during the 1980s.

Change should be implemented smoothly while adapting all concerned stakeholders through planning, idea generation, sharing of information, preparation, evaluation, and reinforcing. There has to be the human resource as the backbone of this change. Implanting Change (2010)

In the research paper Getting Organizational Change Right in Public Services: the Case of European Higher Education has thrown light towards the need or requirement of organizational change and the way to manage this change. Change for the sake of change can be detrimental to the organization so we can use the By's model developed in 2007 called the conscious V/s unconscious change management theory which brings in successful organizational change.

The rationale for the model is that most employees will realize that change initiatives are put forward and drilled into by personal interests, self preservation, indecision, lack of knowledge and incompetence rather than by requirement, knowledge, choice, competence, awareness and what is in the best interest of the sector and its stakeholders. Journal of Change Management (2008)

Conclusion

Actually in Kaizen (kai means change) and (zen mean for good) which is very relevant for all organizations today. The participative attitude of all the employees in any hierarchy can be used to find out different varied suggestions with regards to change in all the areas of the business.

Change Management is a very evoking area and its necessity increases as the current economic and global climate demands constant evolution and

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change if companies want to prosper and grow. The technological innovation, products and rising global competition will only enable the change that will be needed in order to compete. One cannot manage the past but can sure take charge of the future.

In a book on managing change we see that organizations of today need to identify the skill set required controlling, plan and managing the change activity. The employees need to determine the objectives, scope, and the direction of change and then formulate a structured implementation plan to cope with all the changes in the competitive environment.

Managing Change (1991)

In this book we see that today externally we find ourselves in an unpredictable economy with turbulent markets, self eclipsing technology and dramatic demographic trends which makes change imperative. It says that there needs to be a process of change in which there are Inputs are seen then strategy formulated, Transformation process and then Output is derived for the change activity. Through a proper strategic intent can change be formulated.

Managing change (2004) Strategic Intent (1989)

This book talks a lot about change and time period for change. It tells that organizations should focus on certain things for success like:

Don't Delay the change activity as time and tide wait for no man.

Change Today and not Tomorrow as there may be no tomorrow if the problem escalates.

Do not let Bureaucracy hinder change.

Change is for the good and is possible through proper communication.

Change is simple but needs to be adapted well for results.

By Reinventing and Repositioning the organization one can deal with all the oppositions to change.

If we monitor the market and the environment we can anticipate and forecast change easily.

Harvard Business School (2007)