

# History and future of mahindra and mahindra limited business essay



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Mahindra and Mahindra limited is a part of the huge Mahindra group.

Mahindra is a company, which has started before independence under K. C Mahindra and J. C Mahindra along with Malik Gulam Mohammed. In 1945 the company was called as Mahindra and Mohammed later after independence Malik Gulam Mohammed left the elite and he became the finance minister for Pakistan. After his exit the company changed its name into Mahindra and Mahindra (M&M).

In 1947, the company started its business from assembling jeeps and slowly moved on to making utility vehicles and agricultural tractors. With in no time M&M as emerged as one of the leading brand's in India. Today M&M is a diversified group employing more that 65, 000 people directly. M&M has substantial presence in sectors like automobile, equipment for farms, financial services, automobile components, after-market, IT and infrastructure.

M&M is one of the India's most respected and reputed business groups.

Reputation Institute declared M&M as one of the most reputed companies in the world. M&M is also only one of the ten Indian companies to get featured in the prestigious Forbes magazine.

Over the past few decades the company has grown in the international automotive segment. M&M has a strong presence in several countries across the world including Italy, Spain, Turkey, Australia, South Africa, Brazil, Chile and South Asia.

Few of the core values of the M&M are Good Corporate Citizenship,

Professionalism, Customer First, Quality Focus and Dignity Of The Individual.

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‘ We don’t have a group-wide mission statement. Our Core Purpose is what makes all of us want to get up and come to work in the morning’ – Anand G. Mahindra.

The core purpose of M&M:

‘ Indians are second to none in the world. The Founders of our nation and of our Company passionately believed this. We will prove them right by believing in ourselves and by making Mahindra & Mahindra Limited known worldwide for the quality of its products and services’.

### **Milestones achieved M&M:**

1945 – 2nd October 1945 Mahindra and Mohammed established.

1949 – Jeep assembly started.

1956 – Company shares were listed on Bombay Stock Exchange (BSE).

1969 – M&M started their venture into the world market by exporting utility vehicles and spare parts.

1975 – M&M developed diesel engine for over coming the fuel crisis.

1983 – M&M became the market leader in the Indian tractor market.

1986 – established Tech Mahindra.

1994 – Implemented BPR programs.

2000 – M&M adopted a new logo.

2002 – Launched SUV Scorpio.

2004 – Launched Mahindra World tractor in International Market.

2009 – M&M launched Xylo.

2010 – M&M acquired Ssangyong and a major share in electric car company Reva.

Few factors that affect the business environments are:

### **Social factors:**

Every business organisation operates within the norms of the society and exists primarily to satisfy its needs. Hence, a business organisation has an important position in social system. The social factors influence the policy and strategy of business; the organisation strives to satisfy the needs and wants of the society.

There are many social factors that affect the policy and strategy of corporate management. Culture, value, tastes and preferences, social integration and disintegration, and so on must be a part of every business organisation.

As observed by Keith Davis and Robert Blomstrom, business is a “ social institution performing a social mission and having a broad influence on the way people live and work together”.

Many companies that are hugely successful contribute a lot to the society.

At M&M corporate social responsibility is taken very seriously in 2009 M&M’s employees contributed 49, 280 man-hours towards social programs.

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Mahindra and Mahindra contribute 1% of its profit after tax (PAT) for developing the society every year. M&M considered education and training as powerful tools to address majority of Indian social challenges.

“ Corporate Social Responsibility has always been an integral part of the vision of the Mahindra Group and the corner stone of our core value of good corporate citizenship” - Keshub Mahindra.

In a way by helping the society, M&M is enjoying the fruits of it, after all business is only a part of the society. I think because of M&M's strong CSR activities it is winning the hearts of the people and not allowing any NGO to point fingers.

### **Ecological Factors:**

“ Protection of the environment and preservation of ecological balance is the responsibility of every business organisation”.

Ecology deals with the study of the environment, biotic factors, abiotic factors, and their interactions with one another. A change in any biotic or a biotic factor causes ecological imbalance. Industrial activities, automobiles, emission of fumes or smoke and effluents, and so on, result in environmental degradation. M&M is committed to the preservation of ecological balance. M&M has turned 400 acres of barren land in to a park; M&M had planted across 7000 trees near its factories to counterfeit the pollution.

Environment is the key factor that no company tries to neglect. M&M takes up lot of activities to help the environment. It's a fact that buildings consume 40 percent of the world's energy; keeping this in mind M&M started

retrofitting their towers for Energy efficiency. The result was that they started consuming 10 percent less energy when compared with their previous consumptions. The retrofitting has affected an average savings of 36, 185 kWh / month, the equivalent CO<sub>2</sub> saved is 29.3 tonnes / month.

As carbon-di-oxide is one of those gases that contribute to global warming M&M decided to reduce the consumption of paper. Now M&M uses different software to keep the use of paper as low as possible. M&M took up an activity of refurbishing of water reservoir, which is now helping 4000 dwellers.

### **Economic Factors:**

Economic factors, such as per capita income, national income, resource mobilisation, infrastructure development, capital formation, employment generation, and so on, influence the business environment. The economic performance of a company also determines its business environment. The economic factors helped M&M to some extent to become successful, like getting cheap labourers etc. but M&M had really worked very hard to overcome the other things like formation of capital in not so strong economy, dealing with infrastructure problems etc.

### **Government Policies:**

The government policies provide the basic environment for business. Industrial and licensing policies, trade policies, labour policies, export-import policies, foreign exchange policies, taxation policies etc pave the way for business environment.

In brief the policies that were changed and their effect on M&M. In between the period of 1947 to 1979 the government intervention was too much and indirectly the government was playing the major role. As M&M was not a huge company at that time the government protected it. The policies gave an encouragement to the industry that in turn means encouragement to the company. The one disadvantage M&M faced was due to licensing competition was curbed. In between period 1980 to 1990 the policies were a bit liberal and government less involved in companies activities. In this time frame competition slowly picked up which helped M&M to be more efficient and effective.

After 1991 government never played a direct role but played an indirect role. Due to liberalization M&M started raising its standards and started simulating demand. Only after 1991 M&M started exporting a lot and investing in R&D a lot.

The above snap shot shows how important are policies for a business. The success tool for M&M was having the flexible nature, which allowed it to take advantage of the policies.

### **Cultural Factors:**

The cultural factors of a business environment should also be taken into consideration while scanning the environment and during the policy formation. Policymakers in a global business cannot disregard cultural variables like social and religious practices, education, knowledge, rural community norms and beliefs. A company like M&M, which has its growth in a globally oriented way, takes these cultural factors very seriously; one

example is that M&M supplies customised jeeps to Australia, which suits their local style or culture.

### **Geographical factors:**

In a global business environment, geographical locations, seasonal variations, climatic conditions etc. considerably affect the tastes and preferences of customers, and also prospects and the labour force. The pace of development in various geographical locations considerably influences the policies of the government regarding industrial locations.

Some times this helped M&M because, if the government wants to develop some particular region it gives a lot of subsidies for the companies that are interested in setting up their plant in that region.

### **Legal Factors:**

Law in India regulates every aspect of business. Hence, the legal government plays a very vital role in the business. The legal factors in India (pre - liberalisation) that effected M&M are like heavy protection from government by using the licenses, huge excise duties, discrimination done by the government on the basis of price, very high import duties and liberal policies for the foreign players. During this period M&M was not so successful in expanding but after liberalisation M&M grew at a huge rate.

The legal factors post - liberalisation period that helped M&M grow are like the complete removal of the license raj system, excise duties were continuously restructured, reducing the duties on import and allowing fdi.



**Labour factors:**

Although labour within the organisation constitutes its internal environment, general labour policies and climate may form a part of the external environment.

M&M always strictly followed Labour laws in compensating their employees and other things that fall under that law. One incident where M&M dealt with its employees very well was in 1994 when the company went for Business Process Reengineering (BPR) there was huge opposition from the labour unions then the company after few months managed the situation and till date the company enjoys the support of its employees.

One of the core principles of M&M states that their employees are considered as a very valuable resource.

**Technological Factors:**

Technology is considered to be one of the most important factors of any business environment. That is why the Government has always stressed about sophisticated technology and technology transfer in most of its policies. Foreign investment up to 100 percent is allowed in industries with sophisticated technology. M&M has always laid emphasis on R&D and always tried to make technologically sound products. The recent acquisition of Ssangyong motors by M&M was mainly for the technology, this shows the company's quest for technology. M&M recently acquired the electric car company Reva that shows their prediction for the future and they want to be ready by not considering technology as a barrier to their success.

## **Competitive Market Condition:**

Competitive market condition is an important environmental factor, especially in a global business environment. In a socialist economic environment, a centralised authority -the government - controls the market whereas the competitive forces determine the market in a fully capitalist economy. India, which has accepted the middle path, had been fostering both the conditions. As a result of liberalisation, some characteristics integrating the Indian economy with the global economy has emerged. As a result, a competitive market condition has emerged in India, creating a competitive business environment. A situation of perfect competition is seen in automobiles, fmcg etc.

This is often taken as an opportunity by M&M to grow and to show its capability in the market. Creating competitive market is the responsibility of every player in the market. M&M keeps its responsibility by having competition in terms of both price and non-price with its other counter parts. In a way M&M is helping itself and also the economy.

A competitive business environment is an essential characteristic of globalisation. The nature of competition varies in different economic systems. In the context of widespread globalisation process, tremendous changes are taking place in the business environment of economic systems. M&M concern for the international business environment is understandable in relation to the globalisation of business.

## **Conclusions:**

All the above factors have affected M&M in positive and negative way. But by studying these very closely has helped M&M to take or to develop broad strategies and very long term policies for itself, by having clear understanding of the different environment factors M&M was able to analyse its competitor's strategies and, thereby, formulate effective counter strategies.

Knowledge about the environment helped M&M to be dynamic in its approach, which means that M&M had very flexible structure for their strategies or policies that helped them to be dynamic in nature. Being a company that has expanded overseas needs to understand the above factors to have a visibility over the changing socio-economic factors at the national and international level for its stability.

The executives of M&M were able to adjust to the prevailing conditions and, thus, influence the environment in order to make it congenial for business.

The environmental factor plays a major role for M&M to expand overseas.

In the post liberalisation period government reducing the import duties helped the company to improve its infrastructure and technologies. With the allowance of fdi in to the country M&M started expanding and in a way made it a conglomerate.

The structure of the industry, which includes the company and the competitors in addition to the potential entrants, suppliers, buyers, and so on determines the level of competition. Hence, the environment is influenced by

all of them in some manner or the other. The business policy of every player has, therefore, to take cognisance of the treats posed by every other player including the entrants. Thus, subject to the influence of a number of factors, the business environment provides opportunities and threats, while its internal environment provides its strengths and weaknesses.