

Innovation in tata motors



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Innovation is very important aspect for ongoing businesses. If a business wants to survive longer, changes should be done for the products they are producing or services they are rendering from time to time according to the tastes and preferences of the customers. Those changes should reach the tastes and preferences of customers by innovative products and services offering by a business organization. If a business organization fails to do so, it will be beaten up by the other organization those who can do. Innovation is becoming more and more important in survival of the business organizations in these days. [1]

Innovation is not only to invent new products, but also in developing the existing products and services to get the upper hand on the competitors. For example apple company introduced iphone with many advanced features and that is been a wave in mobile phone sales, HTC, Sony Ericsson and Nokia introduced new model mobile phone with the features and iphone at low cost with in short time. If they are unable to innovate new model mobiles, they will be losing their market share in mobile phones sales. Another example for importance of innovation is, ' Bajaj auto' was producing scooters from 1970s' in India. They are the market leaders for 3 decades in two wheeler manufacturing industry by selling the same " Bajaj Chetak" scooter and neglected innovations. From mid 1990s' there has been change in the customers' preferences to motor bikes, that is neglected by the Bajaj company, as a result ' the market leader' became the ' sick industry' in the early 2000s'.

The process of innovation is not an easy task. Many businesses fail to innovate and to create what their customers want. Many small and medium

sized industries fail in innovating new products and services. Because they neglect the future customer preferences by being busy with the present day-to-day activities. Big business may also fail some times in the innovation process by wrong assumption of customer preferences or wrong decisions in the process of innovation. [1]

In this report I am going to compare TATA motors, the market leader in manufacturing commercial vehicles in India and Volkswagen in the UK. Both companies are in manufacturing and marketing of commercial vehicles in different ranges. These two companies operating their businesses internationally by acquiring other brands in different countries and/or through joint ventures with other companies in different countries. Both companies are technologically sound and they have research and development centers in the different parts of the world and they can compete in 'innovating new products' for their customers. The needs and requirements of customers in India and Britain will be varying in different terms because of the differences in the culture, climatic and economic conditions.

Introduction to companies:

TATA engineering and Locomotive company ltd started in the year 1945 to manufacture locomotives and other engineering products. They have introduced steam road roller in the year 1948 in collaboration with Marshall Sons (UK). The company setup a Research & Development department in the year 1959 in Jamshedpur. They setup a engineering research centre in Pune in the year 1966 to provide impetus automobile Research & Development. The company became the largest automobile manufacturer in India by the <https://assignbuster.com/innovation-in-tata-motors/>

year 2008-09 with consolidated revenues of 14 billion US Dollars. The company became the world's second largest bus manufacturer and fourth largest truck manufacturer. TATA motors listed in New York Stock Exchange in September 2004 and set record as the first Indian Engineering company listed in NYSE and it became to international automobile company. [2]

TATA motors is major automobile manufacturer, who spends huge amounts on research and development. Before 1990s they used to be in producing heavy commercial vehicles with less amounts of annual sales. They used to spend very less percentage of amounts on research and development. At that time Bajaj Auto used to be market leader in light commercial vehicles manufacturing. From 1990s Tata motors started concentrating on light commercial vehicles. They have developed their research and development departments with innovative engineers. As a result they became the market leaders in commercial vehicles and passenger car segments in the Indian automobile market. [2]

Volkswagen was found in the year 1937 as "The Society for preparation of German people's car" by German Labor Front. In the year 1938 the company was renamed as "Volkswagen Factory Limited Liability Company".

Volkswagen is the largest automobile company in the world in terms of production of vehicles. It is a subsidiary of Volkswagen Aktiengesellschaft group. Volkswagen acquired many different brands worldwide, their subsidiaries includes well known brands like Skoda, SEAT, Bugatti, Lamborghini, Bentley and Audi. Their commercial vehicle making subsidiaries include Swedish truck, Scania AB and some controlling stake in MAN SE. [2]

The company operates worldwide, but its core market is Europe, the second largest market for Volkswagen is china. Volkswagen is major market shareholder in manufacturing and sales of commercial vehicles in the UK. They have doing the business all around the world for long time, with this competitive advantage of the global business they have setup their research and development departments all around the world where ever they can get the best results.

Managing innovation:

Managing innovation can be divided into three core steps. The first and basic one is Generation new ideas; this will come from the needs of the users, market demand, research results and competition in the market. Second one is the selection on good ideas to implement; this is very important step in the process of managing innovation. Success of the selection of an idea is totally depends on experience in guessing whether it is going to be success or not. The third one in managing innovation is the implementation of idea; implementation of new idea is doing something against the background of uncertainty. Even they can make changes according to the changes in the environment during the process of implementation it is not guarantee that it will be succeeded. [1]

The organizations must create good climate for innovation to encourage of personnel in the organization to think and act creatively, that can lead to new innovations. The creative and innovative climate provides new ways of working, generation and consideration of new products and services. The climate for creativity and innovation provides the support for the development and utilization of new concepts, approaches and practices. [1]

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The innovative product should make the differentiation with the products in the market. Higher differentiation will result in capturing high market share and higher rate of return on investment. There are different factors that affect the success of new product in the market.

Customer perception is the primary and key factor for the success of new product. Customer should be able to identify the differential advantage, receiving unique benefits and high performance-to-cost ratio.

Vital homework should be done before going to the market, very good market knowledge is essential for the success of new product. Detailed market studies and preliminary technical appraisals should be conducted. Assessment of the customer needs and requirements is critical for the success of the new product.

Clear positioning strategy, clear definition of targeted markets, clear concept definition and benefits to be delivered, features and attributes or use of a priority criteria list agreed before development begins.

Project organization is also an important factor for the success of new product. Multidisciplinary and cross-functional teams should be carrying their responsibilities from starting to ending of the project.

Sufficient resources should be provided for the success of the new project. The organization must possess the required technological skills for the design and development of new product. Sufficient human resources, finances and materials should be available for the success of the project.

Support of the top management should be available in each and every aspect of the process of innovation. Management must create an atmosphere of co-ordination, trust and control for the process of a new project.

Innovation in tata-motors:

Tata motors is basically gives huge preference to the creating and innovation new products. They says it is the part of their legacy. They have been innovating new products continuously over decades starting from the steam road roller in the year 1948. The company designed different products which have changed market dynamics of the Indian automobile market. [2]

The Products: The company designed model ' 407 platform' using Japanese technology which suits the Indian conditions in the 1980, that has been huge success. This model has been occupying the 2/3 of the market even in the third decade of its existence in the Indian automobile market. They introduced ' indica platform' in 1990, that also been huge success and this model improved many times and has been improving even in the second decade of its existence. India was recorded huge record sales in the Indian auto mobile market which is unbeatable in near future. Another example for the innovative capacity of the Tata motors is TATA - ACE, the India's first mini truck launched in the year 2005, which is recorded huge success in the small commercial vehicles market. Another mile stone for the innovation of Tata motors is TATA - NANO, the peoples car/1 lakh car. When Tata motors announced that they are going to innovate car at the price of Rupees one lakh, many experts laughed at them said that it is impossible to produce a

car at the cost. But with in a little time Tata motors innovated and launched the TATA - NANO, which show the innovative capabilities of Tata motors.

The process: Tata motors maintain the sustainability in the process of innovation. They have adopted Tata Business Excellence Model (TBEM), it has created a culture of exploring various innovative models for excellence in the various organizational processes. In terms of product development process, they have adopted the Stage Gate Process, which sets the benchmark for the development and innovation of right product for the market.

The people: Tata motors have adopted innovative ways to leverage its human resource capabilities to achieve challenging goals. They have identified young and dynamic managers through assessment centers to perform as innovative leaders that have been effectively contributed in the success in terms of innovations by Tata motors. For example the young leaders and engineers contributed in most prestigious innovations by Tata motors, the TATA - ACE and TATA - NANO. Tata motors says “ While innovation is normally understood as introduction of new and radical ideas in the area of products and services, our experience says there are several other areas that also require innovation and tandem, so as to effect an innovation in a company”. They have implemented 7Ps model that leads to innovation, those are;

When comparing TATA motors and Volkswagen, the first and foremost factor is the product range. Both companies gone through the customers interests deeply and designed wide range of products for different customer needs.

TATA motors and Volkswagen both companies have spent more percentage of their finance in innovating new products. Their innovative research and development team designed a vehicle called 'Tata sumo' that has been huge success in the market for a decade. Volkswagen also given huge importance to designing new vehicles, they have established workshops for innovating new vehicles for the world in different countries where they can find more resources for innovation. For example they established Volkswagen research laboratory in China, Volkswagen technical representative in Tokyo and Electronics research laboratory in California.

It has been observed that the Tata motors have been mostly depending on human recourses for their innovation. They have been identifying strategic leaders and engineers through different ways and providing them resources for innovations. Tata engineering research center established with 3000 engineers in 1966 to innovate pioneering technologies and products. Their innovative teams have been recording excellent results over a period of time. Every product designed by them has been huge success starting from TATA-SUMO to recent TATA-MAGIC. Volkswagen has been putting its efforts to various facilities for innovations and technical alliances with different other brands for the innovation of new products. They are mostly depending on the factors other than human resources, like finding different places for the innovation of different segments where there is resources and facilities for specific segments. But Tata motors depending on human resources for their innovations other than facilitative places and technical alliances. Even they have some technical alliances with other brands, the alliance is limited the country where the other brand operating.

When we have a look at the innovation strategies in both companies Tata motors follows the “ customer pull strategy”. For example when they have introduced TATA - SUMO in the year 1994, there is no 8+1 seating cars in luxury cars segments, except some public transportation jeeps, Tata - sumo has been big success, when they have introduced TATA - Ace, there is no other light commercial goods transportation vehicle, except some old generation three wheeler Bajaj vehicles. As an improvement to TATA - Ace, they introduced Tata-magic for public transportation for semi-urban and rural areas. When we look at Volkswagen, they follow “ market push strategy”. They have been introducing different range of cars for different customers. Even in terms of commercial vehicles they have introduced vehicles in three ranges, large sized, medium sized and small commercial vehicles to attract different customers.

In terms of monetary matters of creativity and innovation, Tata motors have been spending more amount of money on research and innovating new products when compared to Volkswagen. Tata motors have been spending two percent of its turnover for research and development to innovative technologies for the world.

Broadly it can be contrasted between Tata motors and Volkswagen that the Tata motors innovation is people oriented and Volkswagen’s innovation process is process oriented. Because Tata motors has been concentrating on the development of their human resources for the new innovations by using different methods like balance score cards and other tools. They are making technological leaders for innovation within the organization. Even they have existence all around the world in automobile industry; they are getting

familiarized with the cultures of new nations and making innovative leaders in those countries. They are not trying to implement the one country's technologies in other countries. Whereas Volkswagen's innovative strategy is process oriented. They established research centers at different parts of the world and making innovations and developments from those centers all around the world. Their major concentration is on finding the research and innovation facilities and improving the ways of new innovations through different processes.

Culture:

Cultural factors plays an important role in the creation of environment of creativity and innovation. Below is the list of environmental factors that contribute to stifling innovation, provided by Kanter.

Dominance of restrictive vertical relationships.

Poor lateral communications,

Limited tools and resources,

Top-down dictates,

Formal, restricted vehicles for change,

Reinforcing a culture of inferiority,

Unfocused innovative activity,

Unsupportive accounting practices.

These factors will inhibit the creativity and innovation by creating and reinforcing the behavioral norms in the organizations. Culture is basically equates the agreed norms which shape behavior, pattern of shared values and beliefs. Broadly it can be said that ‘ the way of doing things around the organization’. Culture is something shared by a social group and shapes their behavior and perceptions. Culture can be described as collective programming of the mind. Greet Hofstede called it as “ software of the mind”. This will distinguish the members of a social group from another group. [1]

Freeman & Brown (2004)’s three aspects of culture can make differentiation between India and UK. The three aspects he identified are;

Values eg attitudes & norms.

Practices eg bureaucracy.

Institutions eg education and government.

Attitudes and norms are widely varied in between two countries India and UK. Indian attitude gives importance to work as well as personal interactions and friendly relationships, that leads to the benefits of team work and that will help for the initiatives for innovation. But in the UK there will be limited relationships at work place, every one concentrates on their assigned work, but not look at others unless it is necessary. In these attitudes innovations can be done when there is particular target to be achieved or specified product, service or technology to innovate. Bureaucracy is more regulated in the UK than India, in this environment there will be lack of interactions

between superiors and subordinates in the organization. Low level employees may hesitate to share their ideas with their superiors, that may be some loss for the innovation in the organization. When there is strict bureaucracy there will be barriers for low level employees to bring out their innovative ideas. UK is the more educated than India, which provides more advantage for business and innovation in the UK than India. Government and institutions like universities, business organizations will take initiations for innovations, which lead to creation of more innovative technologies and creation of innovative personnel.

Conclusion:

Innovation is very important aspect for ongoing businesses. If a business wants to survive longer, it should keep innovating new products and services for their customers, according to changes and preferences. If a business fails to innovate new products and services, it will be losing their customers and the organization will be out the game. Continues innovation is not an easy task for small and medium sized businesses. They are busy in their daily business with limited resources. So, they could not find time for new innovations and developments of the products and services they are offering. They will concentrate on new innovations or developments when the existing product or service completely rejected by the market. Large companies those who have good financial and human resources can do continues innovations and developments for their products and services.

An innovation can be done in three basic steps, the first one is generating new ideas, from the requirements of the markets and customers. Second one is the selection of good idea from many ideas. Third one is implementing the

idea to innovate new product or service or to develop the existing product or a service. The implementation of new idea always uncertain, the innovation or development may fail even the organization put more efforts on it. If an organizations want to be successful over a period of time, it must create good climate for innovation and to encourage of people in the organization to think and act creatively, that can lead to new innovations. The creative and innovative climate provides new ways of working, generation and consideration of new products and services. The climate for creativity and innovation provides the support for the development and utilization of new concepts, approaches and practices.

A countries culture is an important aspect in facilitating innovating in that particular country. Attitudes and norms in the people plays vital role when they are working in an organization. Culture decides the way of interaction between people in the organization, which leads to effective innovation in the organization. The level of education in the country and the bureaucracy also decides the climate for creativity and innovation in a country.

Tata motors and Volkswagen both companies have been giving huge importance to creativity and innovation. Both companies has been spending lot of money on research and development to innovate new products and technologies. These two companies operating internationally and have their research centers in many countries. In contrast, Tata motors innovation strategy is people oriented; they give lot importance to human resources development for innovations. Whereas Volkswagen's innovation strategy is process oriented, they give importance to improving research facilities then human resources.