

Organization profile of the indian tobacco company



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ENVIRONMENT

Every business organization has to interact with its environment. Hence, the business environment has a direct relation with the business organisation. Obviously then, effectiveness of interaction of an enterprise with its environment primarily determines the success or failure of a business. The organization has to consider the importance of business environment as.

1. It helps an organization to develop its broad strategies and long term policies.
- 2 . It enables an organization to analyze its competitor's strategies and there by formulate effective counter strategies.
3. Knowledge about the changing environment will keep the organization dynamic in its approach.
4. Such a study enables the organization to force the impact of socio economic changes at the national and international levels on its stability.
5. Executives are able to adjust to the prevailing conditions and thus influence the environment in order to make it congenial for business.

ITC: ORGANISATON PROFILE

Indian Tobacco Company(ITC) is a subsidiary of the global giant British American Tobacco. Its main stay is tobacco and hotel business. ITC has a diversified presence in Cigarettes, Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business, Packaged Foods & Confectionery, Information Technology, Branded Apparel, Personal Care, Stationery, Safety Matches and

other FMCG products. While ITC is an outstanding market leader in its traditional businesses of Cigarettes, Hotels, Paperboards, Packaging and Agri-Exports, it is rapidly gaining market share even in its nascent businesses of Packaged Foods & Confectionery, Branded Apparel, Personal Care and Stationery.

ITC had completed a journey over 100 years, the journey has been inspiring and transformational in many ways with 1 mission India First. ITC has witnessed evolution from a single product company to one of India's largest multi business corporate enterprises. The journey has been a voyage of leadership to create a sustainable corporation of tomorrow. These 100 inspiring years have been marked by an overarching Vision to serve a larger national purpose, to live by the strong Values of Trusteeship and to nourish internal Vitality to create superior value for all stakeholder. Today ITC is the only corporation of its size to be carbon positive, waste positive and waste recycling positive.

The company's growth strategy is provided by unique business models which enabled the company to contribute a larger measure to creating sustainable livelihoods. The innovation strategy of ITC lies the creation of unique business models that sybergise long term shareholder value growth with that of enhancing societal capital. ITC has sustained through its values and emerge as a conglomerate from its long journey. Let discuss the various factors which reflect the long term sustainability of ITC.

Core values:

Trusteeship

Customer Focus

Respect for People

Excellence

Innovation

Nation Orientation

The governance structure

The structure of the governance is appeared as mentioned in below fig 1.

The 3-tier governance structure ensures:

Corporate Governance Cornerstones:

Trusteeship

Transparency

Empowerment and Accountability

Control

Ethical Corporate Citizenship

PEST ANALYSIS:

Political factors:

The philosophy and approach of the political party in power substantially influences the business environment . ITC had overcome the political factors in there long journey. There is a huge burden of VAT. The excise duty was raised In union budget by 5 % at some point of time. The luxury tax had

been imposed in 10 states. The maximization of the FDI flow up to 100% made the company to with stand more sustainability. The Indian government has banned effective May 2004, tobacco advertising through the print media and hoardings. This move could work both for and against ITC. The company may benefit from the fact that since it is already dominant in India, its rivals may find it difficult to promote their products. ITC may thus actually save money on advertisement expenses. However, it may also have to disassociate some of its popular cigarette brands, such as Wills, for instance , from its tobacco business so that its apparel retail venture. Wills Life style, can be promoted without invoking charges of surrogate advertising.

Economic Factors:

Economic factors , such as percapita income, national income , resource mobilization, exploitation of national resources , infrastructure development, capital formation, employment generation propensity to consume, industrial development, and so on influence the business environment. Although planned economic development has resulted in a considerable economic growth over the years, political instability has resulted in a slow industrial process , price instability , high inflation rates, foreign exchange crises and so on. ITC has been sustaining by the philosophy and commitment to contribute to the triple bottom line which gives in terms of building economic environment. ITC abiding commitment to embrace sustainability makes it a " future- ready " Corporation.

ITC alleged \$ 100- million FERA violation in 1996.

ITC had hike the price on cigarette due to imposition of excise duty on tobacco in the Union Budget for 2010-11.

4 I's Concept:

“ Innovation should be a source for creating consumer delight as well as triple bottom line performance so as to generate greater value for the shareholder and the society.

Value creation for the Indian society is best achieved by creating sustainable livelihoods and replenishing natural capital.” -ITC Chairman Mr. Y C Deveshwar.

Innovation:

Innovation is all about the creating and capturing value by means of non traditional approaches. Innovation had been implemented from agri commodities to print media. ITC has always believed in ceaseless innovation, initiating new insights in manufacturing technology, quality, marketing and distribution. ITC innovated e-Choupal a two way platform to procure from and to sell to farmers, which evolved into a mobile based Chanel. Now e-Choupal becomes a original innovation that able to reach through a VSAT based IT network, even in villages with no proper road connectivity.

Investment:

ITC has a market capitalization of over 1, 00, 000 crores. ITC has lined up a whopping 23, 000-crore invest plan for the next 7-10 years to shell up its FMCG, paperboard, paper, packaging, and hospitality business the chairman said. He further said ITC will not require funds to finance its proposal investment.

Institutions:

ITC's diverse social sector investments are further complemented by the company efforts to create enduring symbols of excellence, be in the field of culture or sustainable development.

ITC sangeet research Academy was set up in 1978 to establish a modern Gurukul, to support the oral tradition of Indian Classic Music and to promote and propagate Indian Classical Music.

CII-ITC Centre of Excellence for Sustainable Development was set up in 2007. It is a joint creation of Confederation of Indian Industry and ITC, it encourage corporate to adopt sustainability.

Information on e-Choupals (rural digital network) , watershed development

Initial Conditions:

ITC was incorporated in 1910 under the name Imperial Tobacco Company of India limited. The initial Company's beginnings were critical. The first six decades of the Company's existence were primarily devoted to the growing consolidation of the Cigarettes and Leaf Tobacco business, and then the seventies witnessed the beginning of a corporate transformation that usher in momentous changes in the life of ITC.

Economic Performance:

ITC has witnessed a rapid growth in its margin from the past years. As the company is becoming conglomerate the investment increases and the financial assistance from government is decline as shown in the fig 2.

Fig. 2 (Source: Sustainability report 2010)

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The company has been investing high figures under the employee benefits, through which the company increases the talent in there employees. The yearly wide allotment of money in crores in mentioned in the fig3.

Fig 3 (Source: Sustainability report 2010)

Waste Management:

WASTES USED AS RAW MATERIALS

ITC has committed to reduce the waste and recycle it. The following tale illustrates the waste management of the company.

2007-08

2008-09

2009-10

Total waste (tones)

352, 970

490, 180

578, 865

% Recycled

98. 9%

98. 8%

99. 8%

Un-recycled Waste (tones)

3706

5893

1099

External wastes used as raw materials (tones)

163, 245

125, 337

125, 931

Waste recycling footprint (%)

145

124

122

Waste recycling footprint (%): $(\text{Waste received} + \text{external waste used as raw material}) \div 100 / \text{Total waste generated in ITC}$

Key Sustainability Concerns:

The below table illustrates the various stakeholders, mode of engagement and key sustainability concerns.

Stakeholder and Mode of Engagement

Key Sustainability Concerns

1. Shareholders: Occurred in Annual General Meeting, through Written Communication

And at Investor Service Centre

Productivity & Growth are the key factors.

2. Government:

Engagement through Regular meetings and structured communication on key economic, EHS & social issues and regulatory trends.

Regulatory Issues & Community Interests are key concerns

3. Employees:

Regular interaction through elected union delegates and Direct Interaction at the workplace. The Implementation of Suggestion Schemes Representation of employees in EHS and Social Committees Participation of employees in EHS and Social Initiatives.

The following are key concerns

Career development opportunities

Maintain Ethical standards in business

Health & Safety

Growth prospects

Employee satisfaction and commitment

Attracting and retaining talent

4. Communities:

Neighborhood societies, public hearings for new projects, surveys through NGO's , need based discussion/written communication

Air & Water quality

Environment quality: Disposal of fly ash

5. Customers:

Customer and market surveys, regular visits by Managers, Customer complaint records, redressal systems etc

Quality, costs, delivery, innovation, services, flexibility

Few milestones:

The following are the few milestones of ITC in the past years, through which one can understand the various steps taken by the company for its long term sustainability.

1910 – The beginning they imperial tobacco company of India limited , a British owned company registered in Calcutta.

1912 – Indian Leaf Tobacco developed Company formed in Guntur, Andhra Pradesh.

1928 – Foundation stone of Virginia House laid in Calcutta

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1946 - ITC helps set up indigenous cigarettes tissue paper making plant.

1954 - Process of Indianisation starts with Indian Shareholders at 6%.

1958- ITC among one of India's first companies to start consumer research.

1960 - ITC helps set up cigarette machinery manufacture (1960) and filter rod manufacture (1963). Total self sufficiency in cigarette making achieves.

1970 - The Imperial Tobacco Company of India Ltd, changes its name to India Tobacco Company Limited. Indian public participation rises from 6% to 25%.

1971 -ITC ushers in the era of brand sponsorship with multiple sporting events.

1972 -The wills " made for each other" campaign defines a new era in marketing. Electronic data processing starts.

1973-ITC set up integrated research at Bangalore.

1974- Name changed to I. T. C. Limited in live with the unfolding diversification problem. Indian share capital increases from 25% to 40%.

1975-Foray into hotels with the opening of Welcom group Hotel Chola on madran.

1976- Indian shareholding goes to over 60%.

1978- First issue of Bonus shares.

1979- ITC promotes Bhadrachalam paperboards a core sector, ecology conscious enterprise in a backward area.

1982- Offer of bonds leading to further indianisation of ownership under the share exchange scheme.

1985- Wills Book of excellence (Sports series) launched becomes a collector's item. ITC goes to Nepal through Surya Tobacco.

1986- ITC classic finance Ltd set up. ITC Agro Tech Ltd. Formed. Bukhara restaurant opens in New York.

1988- Foray into the edible oil Business.

1990- ITC acquires tribeni tissues.

1991- Closure of Bukhara restaurant in New York due to unviable operations.

1992- International Trading Company ITC Global Holding Ltd. Setup in Singapore.

1993- Issue of global depository receipts.

1994- The Company Hotel Business transferred into the listed subsidiary company, ITC hotel limited.

1996- Wills is the title sponsor of the world cup in cricket. YC. Deveshwar takes as a chairman. ITC Global Holdings ltd placed under judicial management.

1997- Corporate Governance structures recrafted to support effective management of multiple businesses while ensuring focus on each.

1998- Exit from financial services. ITC classic finance sold to ICICI Ltd.

Foundation stone laid to the art cigarette factory at Bangalore.

1998- ITC's green journey begin with farm forestry benefiting poor tribal's.

Exit from edible oil business.

2000- ITC path breaking e-choupal initiative started in Madhya Pradesh.

ITC social development initiatives launched with watershed and agriculture development, livestock productivity and women's economic empowerment, primary education, health and sanitation.

ITC enters the stationary products business.

ITC InfoTech India Limited setup.

2001-

Employee stock option scheme structured for the first time.

ITC web portal launched.

ITC InfoTech se up subsidiaries in U. K. and U. S. A.

2002-

Sourcing products from small enterprises, ITC commences marketing of safety matches.

The Foods Business launched in branded atta- ' Asshirva

ITC achieves yet another environmental milestone with the commissioning of the Elemental Chlorine Free Pulp Mill at Bhadrachalam.

2003-

ITC expands its food portfolio with the launch of ' Sun feast ' range of biscuits.

ITC turns water positive a global environmental distribution.

2004-

ITC launches Mangaldeep incense sticks.

Inaugurated UNDP world Business Award for ITC's e-choupal initiative.

ITC green centre, Guargaon becomes the world's first largest green building to receive LEED platinum rating.

2006-

ITC turns global positive yet another global environment distinction

ITC among global top 10 and first from India to publish sustainability report in compliance with G3 guidelines

2007

ITC Sonar first hotel in the world to get carbon credits for energy efficiency.

2008

-ITC ranks 2nd in India's first Environmental, Social and Governance (ESG) index

Kaya Kalp, Asia's largest spa launched at ITC Mougul. It later won the ' Tatler' Award for the world's best spa city.

ITC launched a unique initiative for waste paper recycling-Wealth out of Waste. ITC becomes waste recycling positive.

2009

ITC becomes the first Indian Company to gain WWF GFTN membership an important milestone in ITC's sustainability journey.

ITC upgrade R&D facilities to world class standards.

ITC market capitalization touches Rs. 100, 000 cr. Gross income crosses Rs. 25, 000 cr.

2010

ITC Royal Gardenia becomes the world's largest LEED Platinum rated green hotel.

ITC completes 100 Inspiring Years.

Conclusion:

Today, ITC is already poised in the frontline of multiple businesses that will become the powerhouses of tomorrow as the Indian economy surges ahead. Significant investments in cutting-edge R&D will deliver unique solutions for a better quality of life. ITC's century journey had deep commitment to

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sustainable business practices will be a source of competitive advantage as civil society becomes even more aware, discerning and demanding. An unshakeable commitment to put Country before Corporation, to create enduring value for all stakeholders and to sustain ITC's position as one of the most admired and valuable Indian enterprises.