

Organizational structure of tata motors



**ASSIGN
BUSTER**

2001 witnessed one of the most marked turnarounds for an Indian automobile company in the history of Indian automobile manufacturing on market. The company is Tata Motors and it was the M. D. Ravikant who played a major role in the process of change. That the turnaround process has been successful is evident in the fact that Tata Motors ranks as the fifth largest manufacturer of medium and heavy trucks in the world. In the Indian market, Tata Motors ranks second in the passenger vehicles segment. The company also has significant stakes in former Soviet Republics, the Middle East South Africa, South Asia and Turkey. There also have been takeovers such as that of Daewoo's commercial vehicle business in South Korea and a 21% stake in Hispano Corracera, the Spanish automobile producer. The commercial-vehicle market in India shrank by more than 40% for Tata Motors. The 5 billion rupee loss in 2001 triggered off a rethinking within the organization. A recovery strategy was planned upon and the path towards a better future was chalked out in three phases-each of which would last two years. Phase one looked to stop the damage. Cost reduction was on the cards. This was going to be a huge challenge as the company had been till then operating in seller's market and used a cost-plus approach to pricing. The second phase looked at consolidating the company's position in India, and the third phase would look at global markets and international expansion.

Phase1

Phase 1 aimed at building up a system of market pricing and to decrease the break even point. These called for major cut down in variable costs, dived costs and interest cost. The organization put into use various approaches for

cost-reduction such as bench marking rivals. The organization also went in for e-sourcing, and this has reaped positive results. In two and a half years, Tata Motors brought down the break-even from nearly two-thirds. The first phase aimed to stem the bleeding and Tata Motors wanted to fully utilize information technology to drive business goals and reduce cost.

Phase 2

While phase one focused on reducing costs, phase two was all about taking action in areas that would affect the other phases. In phase two, the focus clearly was on boosting product quality and upgrading product features. The process of making products more competitive also entailed working on developing new products for the future market. Phase 2 also involved setting up a new sales planning process, tightening credit regulations, improving the liquidity and profitability of dealers, rethinking customer satisfaction levels, and expanding the range of distribution network.

Phase 3

The next phase, i. e. phase 3 then concentrated on looking towards international markets. The key was to recognize a comprehensive plan to improve Tata Motors's position in the market. In phase 3, the company also focused on inorganic. The cyclical nature of domestic sales had to be taken into account first. Thereafter, as part of the transformational strategy, international diversification was the next logical step. Seeking new demographics and geographies for growth in order to face limitations that the domestic market imposes is the company's prerogative. What Tata Motors really wanted was to optimize products globally.

P2. Organizational structure of Tata Motors:

The structure of an organization has to do with the organizational climate along with knowledge management. In the case of Tata Motors, the organization has understood the importance of interactions between employers and workers. The process could be both formal and informal and the objective is to make employees feel more bound to the organization. Gathering and sharing knowledge is another way. Tata Motors has a relatively flat structure, thus it facilitates easy interaction between the different levels in the organization.

Advantages of being bureaucratic:

A stable environment is created.

Managers at a lower-level are not enabled in the decision-making process as managers at the upper-level.

Decisions are relatively minor and often managers at a lower-level do not want to have a say in the decision-making process.

Disadvantages of being bureaucratic:

The environment becomes static and complex.

Strengths of Tata Motors:

The transformational strategy which looked at international markets has been to keep local managers at new acquisitions and to transfer a few senior managers from the Indian market to the newer markets. This way Tata Motors can continue to exchange talent and expertise.

Tata Motors has formulated a strategy for the next phase of expansion. The organization is focusing on new products and acquisition. It also has in place a program of intensive management development to ensure a good leadership for the future.

Tata Motors shares an effective and successful partnership with Italian automobile giant Fiat since 2006. What this has done is that Tata and Fiat has enhanced the terms of production and exchange of knowledge. For instance, the Fiat Polio Style was launched by Tata Motors in 2007, and the two firms have plans to develop a vehicle for the central and South American market segment.

Weaknesses of Tata:

One of the disadvantages has been that the company's passenger car products are dependent on 3rd and 4th generation platforms.

Tata Motors has bought out Jaguar and Land Rover brands. Yet, the company has not been able to get a steady hold in the luxury car segment in the domestic Indian market. The question that comes up is: Has the company's brand imaging as a producer of commercial and low-cost passenger cars isolated it from the lucrative luxury segment in the emerging Indian economy.

In English, the word 'Tat' means rubbish. Perhaps, this works negatively for the sensitive British consumer who decides not to buy into such a brand name. However, Fiat, Jaguar and Land Rover do not carry such inhibitions.

P3. Alternative forms of organizational development

Mechanistic Organization:

A structure of organization which is rigid and controlled tightly.

Highly specialized atmosphere

Rigid departmentalization.

Narrow periods of control.

High formalization

Limited information network.

Advantages:

Mechanistic organizational structures are advantageous in highly complex environments where the tasks are interrelated and complex. Every employee specializes in a specific task and consequently makes only a small contribution to the company's final output. The emphasis is on improving technical processes and it is the senior level managers who decide how the tasks are to be accomplished. Instances would be the new stonecutters Bridge construction or daily operations at MTR.

Disadvantages:

Mechanistic organizational structure tends to be very rigid and static which slows it down and resists adaptation to change in environmental situations. Mechanistic structure is also not suitable for turbulent or highly competitive markets such as that of the telecommunication market segment. Also, this

structure is not advisable when a major portion of the workforce is highly skilled professionals.

Organic Organization:

A structure which is highly flexible and ready to adapt to changes

Non-standardized jobs

Fluid team-based structure

Little direct supervision

Minimal formal rules

Open communication network.

Advantages:

Organic management structures are applicable when the work environment is highly uncertain not stable or subject to very rapid changes in market conditions. It is also used in situations where the workforce is enabled and empowered to make decisions and resolve problems. An example would be professional consulting forms.

Disadvantages:

Organic structure cannot work when the organization faces a crisis, or when the firm is large. Also, when effective implementation of company strategies is dependent on the capacity of managers to have a say in the decision-making process

Transferring the structure into organic:

From Mechanistic

To Organic

Function driven

Closed

Parts

Top down-hierarchical

Controlled

Corporate

Centralized

Departmentalized

Sameness

Stability

Purpose driven

Open

Whole

Local focus

Empowered

Boundary less

Distributed/Networked

Connected

Diversity

Growth/Change

P4. CHANGE IN WORKFORCE AND CULTURE

Formulation of a clear strategic vision: An organization must have a clear vision of the new strategy, values and attitude to direct and ensure an effective cultural change.

Display Top-management commitment: In order to effectively facilitate a cultural change, the top level of the management must show commitment to change. This is a crucial indicator of the chances of the company's successful transition. De Caluwe & Vermaak (2004. P9) have presented a framework with five various ways of thinking about change.

Model Culture change at the highest level: It is important to ensure and show that the management force is in favor of the change. This can be done through the behavior of the management team to symbolize the kind of values and attitudes it desires.

Modify the organization to support organizational change:

Select and socialize newcomers and terminate deviants: A way to incorporate culture is to connect it to membership and adaptability.

Develop ethical and legal sensitivity.

Features of the radical change at Tata Motors:

Tata Nanos, the latest offering by Tata Motors has been called the ‘ people’s car’. With a price tag of US \$2500, it is an amazingly cheap car. Nano is indeed an affordable middle class family car. The average Indian dream of owning and driving a car will become a realistic one with Tata Nano. What follows is an analysis of this newest offering by Tata Motors which promises economic and social mobility for the masses.

Achieving the cost objective:

In presenting the world’s cheapest car, Tata Motors has overcome conventions and challenges within the industry. The Nano is a wonder of a product with economical and mechanical simplification. Nano has achieved a breakthrough in frugal engineering where innovation is accompanied by cost savings and sheer ingenuity. Tata Motors has been able to envision the basic tenets of efficiency, while building up Nano, The Company has achieved this by including only the necessary items and excluding not so relevant ones. The product features have excluded radio, air conditioning, power steering. The instrument panel consists of only a speedometer, odometer, and fuel gauge similar to that of a two-wheeler. These features are essentially functional in nature. Tata has brought down the overall cost by coming up with innovative and practical ways. Nano uses a 623 cc two cylinder petrol engine which is comparatively smaller and lighter than other car engines. Another innovation has been the placement of the engine at the back of the car and a front space for luggage. These weight reduction measures have brought the weight of Tata Nano to about 592 Kg.

Safety in mind:

Tata Nano has installed commensurate features that meet the required minimum safety standards. It has a sheet-metal body with strong passenger compartment equipped with safety features such as crumple 3 ones, instruction resistant doors, seat belts, strong seats and anchorages. The rear tail glass is fixed to the car's body and tubeless tires ensure safety too.

Ownership cost:

The next question that crops up for the owner of a Tata Nano is that does owning the car yield significant savings and benefits in the long run. Other than the low price-tag, other factor like the running cost of the car is also taken into account. Petrol prices have crossed the US\$100 mark with no signs of coming down in the near future. An insurgence of Tata Nanos on Indian roads might translate into higher petrol prices in the long run. These surging energy costs will also have to be factored in by the owners of Nano along with the cost of replacement parts and service maintenance for the car. In addition, there is also uncertainty over the vehicle's reliability, durability and longevity of the component parts.

Nano overseas:

In view of rising energy costs, consumers look for low cost car alternatives. Tata Motors aims to target this aspiration beyond Indian market. One potential market has been Thailand which is a major automobile manufacturing hub in the ASEAN region. Thailand has introduced the 'Eco-car' project, an initiative to build green cars which are fuel and cost efficient. This offer is a viable one for Nano. Tata Motors features among the seven manufacturers that have applied for the 'Eco-Car' project.

P5. Evaluation of the System:

Taking into consideration the organizational change in culture, Tata Motors follows a variety of approaches. These include ascertaining fundamental assumptions, questioning cultural gaps and managerial behavior in the organization. These are distinct models for looking at organizational culture. We have followed the 'Denison' model. The Denison model divides the organizational culture into four parts based on two axes: the degree of focus and degree of stability. By horizontal analysis, cooperation and compatibility focus on internal dynamics of the organization, while adaptability and mission in the external environment. By vertical dissection, involvement and partnership show a company's attitude towards flexibility and change, while compatibility and mission stress on stability and clear envisioned path.

These four cultural characteristics are discussed below

Adaptability: Adaptability refers to the organization's capacity to make the demands of the market practical. The Denison model considers three aspects of adaptability which affect the organization's capacity. The first aspect is called the ability of realization and reacting to the external environment. These include taking note of customer behavior and competitor actions. The second aspect is the ability to react to internal events without looking at level, department, function and output. The third factor is the ability to organize and rearrange process and behavioral structures to help the firm to adapt to new situations.

Standards for adaptability are:

Making the changes

Customer focus

Organizational learning

Constancy:

Constancy refers to the values and systems which contribute to a strong culture. Constancy allows a central point for consolidating and harmonizing the organizational structure. Constancy in the firm is developed by a coordination between the employers and the employees. Constancy, when properly inculcated, creates an impactful organizational culture based on joint beliefs, values and symbols for the workforce.

Integrity and coordination

Core values

Agreement

Involvement:

Involvement is realized when employees feel responsible for the organization. The workforce attached to their work and that translates into better performance. The structure becomes informal and voluntary instead of being formal and forced. Involvement includes commitment among the employees.

Standards of involvement are:

Employment

Capability development

Team orientation

Mission: Mission defines a long term direction for the organization. Mission brings together the goals of the company, the social role and external objectives of the organization. Activities and strategies are identified in accordance with the desired position that an organization aspires to.

Standards of Mission are:

Strategic direction and intent

Goals and objectives

Vision

P6. Appropriate models for the change

Kurt Lewin has recommended three phases in bringing in change:

Unfreezing:

Older ideals and systems must be either upgraded or eliminated to make way for newer ones. This process must be facilitated by the leader through unlearning (and not learning) and providing emotional support.

Changing:

The step is practicing:

What I hear, I forget

What I see, I remember

What I do, I understand

This process of practice involves the contrasting emotions of confusion and hope, overload and discovery, despair and excitement.

Refreezing:

This stage implies the acceptance of the new processes. What has been learned is now been practiced. The process is continuous and one must learn on the job.

P7. Implementation process and contingency plan for Tata Motors

Feedback: This involves the awareness at the individual level, group level and organizational work dynamics.

Awareness of changing socio-cultural environment: One must be aware of the processes that influence and shape one's behavior. Change becomes necessary when there is a gap between present outcomes and desired results.

Increased interaction and communication: Encouraging interaction leads to changes in attitude and behavior.

Confrontation: A confrontation brings to the surface differences in beliefs, values, and norms and thus facilitates a negotiation.

Education: Educational activities aim at upgrading knowledge and concepts, beliefs, attitudes and skills.

Participation: Participation facilitates problem solving, goal setting and innovation.

Contingency plan for the change at Tata Motors:

An awareness of the situation so that the employees can adapt successfully to organizational changes and whole heartedly accept change.

A support structure to ensure that employees take change easily and get adequate support from the management.

Strategy analysis to ensure that the employee understands their role in the organization.

Training program to orient the employee before the change.

Encouraging communication and interaction between management and employees at all levels.

Career opportunities and incentives to motivate the workforce.