

Ratan tata organic growth and change



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1. How did Ratan Tata approach the inorganic growth challenges and in what direction does this inorganic growth take place?

Much of the inorganic growth started with Ratan Tata taking over the Tata Group in 1991. His view to look at big picture- the global operations. He started working with a belief that global operations would mean more competition and expanded market. Another factor which led to global expansion was risk mitigation. When the Group had a loss of Rs. 500 crore in 1997-78 due to bad economic condition, he decided that the group should become independent of one economic cycle. After this, he targeted more markets and acquisitions were not the main aim.

The first acquisition was made by TATA Tea in 2000 when it acquired UK based Tetley Tea for US \$ 432 million. The acquisition was successful because the TATA Tea had become less risk averse in 2000 than that of 1995 when the first acquisition was tried. This acquisition gave Tata a name in the international level.

Another approach was through TCS which was organic started to focus on the acquisitions for global presence and expansion. It wanted to become global leader in technical consultancy services. To pursue this, TATA acquired CMC limited in 2001 and also Videsh Sanchar Nigam Limited (VSNL), also in 2001. Thereafter, in the year 2004, it acquired Tyco International which is an undersea cables company. Likewise many acquisitions were made by Tata Group since 2000.

The great challenges that are approached by TATA include the problem of divesting in the companies which are not performing. There was challenge in retaining of employees and brand at international level.

To tackle these challenges, Tata made plans which included focussing on internal performance, infusion of external equity and monitoring the portfolio. Infusion of more funds into the Tata Group seems a great idea to reduce the debt burden. Equity shares would do really well for the Tata Group. There are emerging challenges coming out from other developing countries as well such as China, Philippines and Vietnam in the technical side.

In another major inorganic growth approach, Tata entered into a joint venture to create Starbucks Coffee which is a well known brand in the world. Such strategic alliances should be appreciated for the growth of the Tata Group as global brand.

The reduction of debt by more than twenty percent in the year 2011 looks like the Group is focussing on the reduction of debts and increasing brand value. Another concern is the ethics image which Tata lost because of a scandal in the telecom sector. This has to be worked out with new internal strategies.

2. How did Ratan Tata approach the organic growth stage?

Ratan Tata believed that technological superior goods are the one of the two things which could which could lead to a good growth. The other was creating newer products which excite the consumers. Several new strategies

focussing on technical advancements were brought out under his leadership. TCS is one of the best examples to show how the Group began to diversify with technology as the main ingredient. The establishment of Tata Research Design and Development Centre (TRDDC) was made to improve the Research and Development skills and create new products. TCS also started making new products in new focus areas such as e-business. TCS started to cater the needs of various fields such as custody, brokerage, stock exchange, clearance, settlement and depository products. It began addressing the technical needs of banks, telecom, financial institutions and other industries.

At the motors front, Tata developed Indica car which has now become a taxi common for people which led it to become one of the best selling cars in the motors industry. Tata also brought out an MPV called Indiva, Indigo Marina which was a station wagon which had combination of luxury and MPV features as well.

It also brought out Xover which was a hybrid of car and SUV in the year 2005 at Geneva. It also with innovative skills unveiled Tata Nano, the world's cheapest car which initially costed \$ 2, 500. The technology was well used in designing Nano which gave way for good engine and space for people to sit comfortably.

The Tata Steel also came up with inventions such as fuel and gas reducing generator which it got patented. Other products include emulsion atomizer and the corrosion resistant steel.

After analysing the similar advancements in Tata Motors by developing the world's cheapest car Nano and Tata Steel products, it can be said that technical advancements were the main reasons for the huge organic growth of Tata.

3. At which level (resources, activity system and product offering) does Tata achieve synergies?

The Tata Group focussed on expansion of products with the acquisitions at international level and the reason was to mitigate risk. The expansion was at such level that there were more than 98 subsidiaries held by Tata Group which diversified from salt to technical consultancies, motors to steels. The entry into other markets both national and international gave way for introduction of new products and become internationally recognised in the old products. Some acquisitions such as Jaguar and Land Rover gave more technical advancements for Tata Group and empowered them to go further. The resources also became more and more with the increasing number of acquisitions at global level.

4. How would you describe Ratan Tata's perspective on corporate level strategy?

The strategies seem good for three reasons:

1. Tata had good organic growth at home and was looking for global level recognition
2. To mitigate risk and be independent of an economic cycle
3. To get more technology and improve the products

This made sure that Tata was moving towards the right path especially after the liberalisation in India in the year 1991. It opened up for new markets and became global player in no time.

However, there are two worries which Tata should address immediately:

1. the huge debt
2. the handling of 98 companies under its cap

These two provide a major challenge for the Tata Group in the near future. Meanwhile, diversification and more acquisitions is not advised as the present assets are not yet fully consolidated. Every company owned by Tata should be given major focus as of now, if it does want to create a recognised global brand.

The Tata had whopping debt of around US \$ 10. 7 billion in the year 2011.

Some suggestions given out include to reduce the costs and increase the profit margins of major products such as Motors and Steel segments.

Reducing the debt seems to be the only great challenge as they are meeting with the technological advancements happening across the world or atleast the acquisitions have ensured that they are not technologically backward.

5. With which corporate management mechanisms does Tata leverage its synergies?

Tata leverages its synergies with the technological advancements. It believes that innovations will improve the market for Tata. Its major acquisitions and growth includes Tata Motors and TCS respectively have been effectively able to generate more profits with the introduction of

technology or gain of technology. All products have been made sure that they met with technology which could be the biggest strength of Tata.