

# Strategies adopted by tata for integrated excellence



TATA is one of the prestigious and the largest private sector companies in India. It has a large number of different dimensions among which it provides its products and services. They are leaders in the field of steel, luxury hotels and are also having their own largest private power utility. This prestigious Group dedicated India her first steel plant, hydroelectric plant, inorganic chemistry plant and even produced a reservoir of scientific and technological workforce for the nation. Currently TATA is working in 7 different sectors like information systems and communication, services, energy, engineering, chemical fields and consumer goods products. Its area of operation is in 54 countries and it is sending its product and services to 120 nations. People have a high value for TATA products and services and its working due to the good social image of the company. Not even one person in India is untouched from the products or services of TATA. To get wide recognition, TATA adopted a lot of strategies for make their brand so reliable and first choice in many cases. This article will discuss some of their strategies that they implemented.

### **Introduction (put Chicago format for reference i didn't put)**

Tata Group is one of India's most prominent and esteemed business groups. Tata Group's site is substitutable with India's industrialisation. As the Tata Group is a worldwide concern operating in more than 100 countries with thousands of products, there is almost no industry which seems to be untouched by the group. This article has tried to analyse the Tata group as a group of industries based on the data found and the recent trend of globalisation and markets, while exploring the facts of Tata's current strategies.

## **Strategies based on Culture and values**

In every decision making process TATA gives great importance for culture and values. Through this media TATA wants to convey its vision to everyone. TATA Group's aim is to meliorate the quality of life of the communities it serves. TATA groups share a set of five main core values which are listed below:

Integrity

Understanding

Excellence

Responsibility

Unity

They are briefly explained as follows,

**Integrity:** We must conduct our business fairly, with honesty and transparency. Everything we do must stand the test of public scrutiny.

**Understanding:** We must be caring, show respect, compassion and humanity for our colleagues and customers around the world, and always work for the benefit of India.

**Excellence:** We must constantly strive to achieve the highest possible standards in our day-to-day work and in the quality of the goods and services we provide.

Unity: We must work cohesively with our colleagues across the group and with our customers and partners around the world, building strong relationships based on tolerance, understanding and mutual cooperation.

Responsibility: We must continue to be responsible, sensitive to the countries, communities and environments in which we work, always ensuring that what comes from the people goes back to the people many times over.

It works a lot for the upliftment of the India in various fields, its contribution in education, science and technology is revolutionary. They established many institutes.

Based on the SWOT analysis TATA make their own strategies in order to capture the large market share and minimise the threats of their competitors. TATA's vision " Improving the quality of life" is influenced by the strategies developed by them for overcoming their weakness and to grabs the new opportunities and reduces the threats. Figure (1) explains that the group's recent strategies are founded on the analysis, afterward the group tried to go abroad to explore the new markets. The main strengths of the Tata Group are resources and capabilities (People and Raw Material), vast experience (Steel and Automobile) and the business model. The opportunities are the new markets, exports and acquisitions. The group requires overcoming the weakness; such as distribution, value chain innovation and macro environment, in order to serve the global markets with high quality and low price. Within the home country the threats are developing due to the India's recent mergers of global markets and in global markets threats are already exist.

Figure 1. The Tata Group SWOT Analysis

## **Strategic intent**

The current strategic intent of Tata's is acquisition and mergers of other businesses globally. The group intends to acquire the raw material industries in first place to serve the other industries with a value added and low price of material, for example acquisition of steel industry and then serving the automobile industry with the lowest possible price of steel. As a Result, the group can successfully overcome the weakness of distribution because the products such as steel and cement add a high cost of distribution and transportation, while exporting. In regards, the group wants the critical raw materials at the place of production. The use of other strength " experience" led the group to authoritatively enter the new markets such as acquisition with " Tetley Group" and " Corus Steel" in the UK. With the acquisitions and mergers the group also intends to capture a high market share. However, to establish and stand in a new market it requires a high degree of value drivers. In order to achieve the goals Tata Group's first strategic intension must be to acquire the industries such as steel so that they can have an authoritative access to the raw material suppliers in order to serve the automobile market. However, the group requires ensuring that there are resources and strategic capabilities in order to fulfil these strategic intents.

## **Resource and strategic capabilities**

Tata Group is packed with both tangible and intangible resources and with the help of these resources they are able to perform at the level required to survive. As per the core value of the group to serve quality in life of

customers, the core strategic capability of Tata is Cost Efficiency.

<https://assignbuster.com/strategies-adopted-by-tata-for-integrated-excellence/>

The source of cost efficiency comes from Economies of scale, Supply cost, Experience, and Product/ Process design. The main profit pools are Automobile, technology, pharmaceutical and chemicals. In order to serve these industries Tata is trying to expand the reach to potential markets and repeatedly expanding the value network in Africa, East-Asia and Latin America.

The below table explains the source of cost efficiency strategy of the group. To achieve the cost leadership and differentiation strategies there is a need to analyse

the strategic position and business model of a company.

Table 1. Tata's Source of Cost Efficiency

## **Strategic position and Business model**

The strategic positioning of an organization admits inventing the desired future position of the organization on the groundwork of present and predictable exploitations, and the constructing of programs to realize that positioning. Strategic positioning can be analysed by Porters SWOT analysis approach and Boston Consultants Group (BCG) Matrix (See Figure 2). BCG Product portfolio matrix indicates the ' Cash Cows' refers to the industries with a high market share and low growth such as Power (Energy), Steel and Oil & Gas. ' Dogs' refer the industries with low market share and low growth such as Tata Sky, Tata Tele services etc. the stars shows the industries such as Automotive, Tea, and Chemicals with high market share and high growth. However; " the each industry position in the matrix is an opportunity open to business".

<https://assignbuster.com/strategies-adopted-by-tata-for-integrated-excellence/>

## Figure 2. BCG Product Portfolio Matrix

Business excellence has been embedded in the Tata Group through a holistic methodology that enables the group to paying attention on quality. The Tata Business Excellence Model (TBEM) is adopted by the group in the early 1990's from the renowned " Malcolm Baldrige" to achieve chiselled degrees of business excellence. TBEM is a model determining the quality movement in the group. The Model works under the protection of Tata Quality Management Services (TQMS). The TBEM methodology has been influenced to deliver strategic focus and aim business melioration. The Tata's business model takes care the value proportion of what is proposed to the market; and makes sure that the target customer segments are also addressed by the value proposition. For example; the Tata's recent announcement, of launching the cheapest cars for the Indian market for the target market of two wheeler owners such as motorcycle and scooter. The group developed the effective distribution channels to reach customers to offer the value proposition and to establish the relationship with the customers. The group uses the core capacities needed to make the business model possible, and effectively configure the activities to implement the business model. An excellent business model should be able to generate the effective competitive advantage and the value chain of a company, in order to fit with the company's strategies.

## **Tata's competitive advantage and value chain**

In Tata's case, as a steel industry where the industry structure is that of low cost, it is the source of competitive advantage, then the group can achieve success only if they takes a broad approach and go for cost leadership.

In case of Tata automobile parts industry, the standardisation of product will help the

group to achieve the lowest cost for products and while adopting the cost focus strategy. Cost focus strategy will also help the group to sweep out the highest cost producer competitors from the market. In differentiation strategy the group will succeed only if they take a broad approach and differentiate its whole range of products; for example Tata's Automobile; the launch of lowest cost car in Indian market.

The value chain of Tata group is highly independent of company's resources; the value chain of Tata's is developed in a manner to produce the resources at the place of manufacturing. The groups cost leadership strategy in steel industry led the group to develop the city of Jamshedpur. The core strategies of the group are to acquire the resources and feed the other industries such as steel and automobile. However; having an excellent business model, a good competitive advantage and an effective value chain depends on the exploitation of resources and competence.

## **Exploitation of resources and competence**

The Tata's core strategies of exploiting its resources and competence to meet the challenge of external environment are somehow similar to the



dimensions of business excellence. The dimensions relates to the pattern in the sequence of strategic action taken by the group. The group built their strengths and core competences and never diversifies far away from these.

The senior management has a clear understanding of their business as well as micro and macro environment. The Group's knowledge and experience provides the basics of their management intuition and credibility. They only do what they know and avoid what they don't. For example the group sticks to the steel industry as the main aim of strategic development to achieve cost leadership.

The group actively is a Customer and Market Oriented corporate, listens to the customers and place excellent emphasis to deliver quality, reliability and high level of service. Another example of customer orientation is Tata's marketing campaign for Rallis India Ltd. (One of the Tata Group Company's). Rellis manufactures and sells agrochemicals,

pharmaceuticals and fine chemicals. For a new innovative product the group involved the end users in this project, they named the campaign " The Silent Revolver" because of the strategy involved talking directly to the end consumer - the farmer, without making a noise. The operation was successful and now; the agrochemicals division of " Rallis India Ltd" is the largest and most profitable, engaged in the development, manufacture and marketing of pesticides (Agarwal, 2007). The strategic approach to involve the customers and act on the voice of customers (VOC) led the group to spend more in research and development of innovative products.

The other value drivers of the group to successfully exploit the resources are the productivity through the people and liberty and entrepreneurship. The group empowers people to make decisions about their own jobs, the culture values are that the people are not penalized for failures they should be educated and led them to continuous improvement. The group also express concern for the feeling of their employees and try to foster attitude in which people perceive themselves as belonging to an extended family.

## **Conclusion**

The group is acquiring the different strategy in the different market; such as, in the home country Tata's strategies are same as to cost leadership and differentiations. As per the Bowman's Strategic Clock analysis which is as follows,

Figure 3. Bowman's Strategic Clock

The figure 3 is explained as follows,

- 1) No frill strategy; a low frill strategy combine a low price, low perceived product/services benefits and a focus on a price sensitive market segment.
- 2) A Low price strategy seeks to achieve a lower price than competitors whilst trying to maintain similar perceived product or service benefit to those offered by competitors.
- 3) A hybrid strategy seeks simultaneously to achieve differentiation and a price lower than that of competitors.

4) A differentiation strategy seeks to provide products and services benefits that's are different from those of competitors and that are widely value by buyers.

5) A focused Differentiation strategy seeks to provide high perceived product/services benefits justify a substantial price premium, usually to a selected market segment.

6) Route 6, 7 and 8 are failure strategies,

A failure strategy is one that does not provide perceived value for money in terms of product features, price or both.

Based on this strategic few strategies were formulated for TATA group of Industries. They are,

(1) No frill strategy- " a low frill strategy combine a low price and low value added, low perceived product/services benefits and a focus on a price sensitive market segment." The group is using the strategy in Oil industry.

(2) A Low price strategy- It seeks to achieve a lower price than competitors whilst trying to maintain similar perceived product or service benefit to those offered by competitors. The Group is trying to achieve the low price strategy in markets such as automobile industry in order to provide lowest price cars and achieve a high share in the market.

(3) A hybrid strategy- Seeks simultaneously to achieve differentiation and a price lower than that of competitors. The hybrid strategy is used by the company in various industries, it involved a higher degree of organisational

excellence and integration of all the departments. Here the strategy of the group is to maintain the cost of raw materials as lowest as possible and to achieve the lowest cost of final products. The group also invested a huge amount in research and development in order to achieve the highest degree of quality at the lowest price.