

The tata group is well
known industry
management essay



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The Tata Group is well known industry in the world. It is established in 1906 in Jemshedpur India, which was before Indian Independence. The founder of the Tata group was by J N Tata. The company has flourished in many sectors: Chemicals, Materials, Consumer products, Engineering, Service, Information technology and communication and energy. One of the leading sectors is the iron and steel industry. Tata steel is one of the world's largest producers of steel with the capacity of 28 million tonnes per annum. Tata steel market turnover is 6. 95 billion dollars with the exchange rate of 54. 25. The revenue of the industry is 100. 9 billion operating in 80 countries with 456000 employees served over 85 countries. Tata has acquired more number of subsidiaries and acquisition over the world. The success of the steel industry lies in the strategy.

Introduction:

Tata group is one of the India's leading and the oldest multinational business company. Its vision is to believe strongly in its growth which has emerged as one of the world's leading successful business company. The company is moving ahead to become partners in new geographies. The motivation behind going global is their desire to go places where they are able to create a meaningful presence and participate in the development of the country.

The group revenue of the company is \$ 100. 09 billion FY 2012 (Chart below), where 58% of the revenues were from the international operations other than India. In the global 100 brands of finance, Tata was ranked world's 41st most valuable brand in September 2011. Tata group has flourished in 7 business sector namely Chemicals, Materials, Consumer products, Engineering, Service, Information technology and communication

and energy. The company is operating across 80 countries with product and services available to over 85 countries. In the year 2012 there are over 456000 employees with more than 103 nationalities working for Tata group worldwide. Tata consultancy service is the India's first and the Asia's largest IT service company. Tata communications is one of the world's largest and most advanced network connecting 240 countries. Tata motors are the world's No 4 medium/heavy commercial vehicle and No. 3 bus manufacturer. Tata steel group is one amongst top 10 steel manufacturers in the world. Tata Power is the 1st India's leading hydroelectric energy company generating capacity of over 3200MW. Taj Hotels and resorts is one of the Asia's largest hospitality groups with 93 hotels across 5 continents, Tata global Beverages has awarded as the second largest player in tea globally. Tata Chemicals is the world's 2nd largest Soda Ash Manufacturer which facilitates across 4 continents.

A brief success line is shown in the milestones below:

-2012-Tata Global Beverages and Starbucks form joint venture to open Starbucks cafés across India.

-2011-Tata BP Solar becomes wholly owned Tata Company (now known as Tata Power Solar Systems)

-2010-Tata Tea announces joint venture with PepsiCo for health drinks. Tata tea was established in 1962.

-2009-Tata Teleservices announces pan-India GSM service with NTT DOCOMO.

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-2008-Tata Chemicals acquires General Chemical Industrial Products Inc (now known as Tata Chemicals North America).

-2007-Tata Steel acquires the Anglo-Dutch company Corus.

-2006-Tata Sky satellite television service launched across the country.

-2003-Tata Consultancy service becomes the first Indian Software company to cross \$ 1 billion revenue.

-2000-Tata Tea Acquires the telly group in UK. India's first brand to acquisition with an international brand.

-1999-The new Tata logo was launched.

-1996-Tata Teleservices (TTSL) was established under telecom sector.

-1995-Awarded as National Quality Value of the United States. Laying the foundation of Tata business Excellence Model.

-1971-Company established in Singapore to manufacture and design engineering products.

-1968- Tata Consultancy Services (TCS) was established in the year 1968.

-1996-Tata teleservices (TTSL) was established.

-1962-Tata Finaly was established. (a largest tea producer named after tata tea)

-1954-India's Voltas was established.

- 1945-Tata Motors was established.
- 1939- Tata Chemicals was established.
- 1932-Tata Airlines. Air India was nationalised in 1953.
- 1917-Established consumer goods. Oil Mills, soaps, detergents and cooking oil.
- 1912- Introduces 8 hour working rule. Well before implanted by law.
- 1911- Indian Institute of science was set up in Bangalore.
- 1910- Hydro electric power supply was set up.
- 1907- Tata steel company (now Tata Steel manufacturer) was established. First overseas office Tata Limited in London was set up.
- 1902- Hotel Company was incorporated. (Hotel Taj Mahal Place India's First Luxury hotel)
- 1874- Entry into Textile and its first large-scale industrial venture.
- 1868- Foundation of the Tata Group.

Established Vs Time Period

Tata Steel:

Tata Steel was established and started production in the year 1907 by J N Tata in Jamshedpur the eastern part of India in pursuit of excellence. Tata Steel stands third among the other sector in the Tata group by the market

value \$ 6. 95 billion and in rupee 37710 corers as of December 13, 2012. It holds the first steel plant integrated in manufacturing and marketing the end products in Asia. As per World Steel Association, Tata Steel is one of the world's 7th major producer of steel with 26. 5mtpa annual capacity and US \$ 26. 13 billion turnover FY march 31, 2012. Tata steel employee's 81, 000 workers working under the manufacturing and marketing steel across 5 continents in 26 countries. The major production countries are India, UK, China, Australia, Thailand, Netherland and Singapore (TataSteel, 2012). Tata steel is the only company to win the Deming Grand Prize (DGP) in this year November 14, 2012 in Tokyo (Pralekar, 2012, October 9).

The operating Companies within Tata Group are:

Tata Steel Limited. (India)

Tata Steel Europe Limited. (formerly Europe)

NatSteel.

Tata steel Thailand. (formerly Millennium Steel)

Vision and Mission of Tata steel

Vision statement: " Our vision is to be the global steel industry benchmark for value creation and corporate citizenship"

Vision is achieved by:

People: By leadership capabilities, team work, and training.

Offer: Customer value, supplier choice.

Innovative Approach: Technology and products.

Conduct: Environment, safe work place and caring.

5 core values: Integrity, Understanding, Excellence, Unity and Responsibility.

4 Goals for 2012: Value creation, Safety, Environment and people.

PEST Analysis:

Political factors: A recent rule from the government of UK on the green policy has cut 900 jobs in Tata Steel UK. The rise in electricity bill is expected to be 170 £ this year. Most of the workers and Tata are blaming the government for their loss of jobs due to energy price. The chairmen of Tata decided for the job cuts which were forced by the global warming policy to maintain the competitiveness in Britain due to carbon tariffs (Blackburn, 2012). Tax liabilities are recognized by the company overseas and the local law assets. Fiscal austerity package was executed by the UK government to bring back a balanced budget and project its credit rating by the year 2015-2016.

Tata steel had received a notice from the Odisha government for exceeding the mining on ore in the state. Tata steel are fined Rs 5500 corer to the government (Reuters, 2012). Also federal government of India has revoked the allowance of coal blocks to numerous power and steel companies (Reuters, 2012). The government has announced to promote the skew policy for the growth of Indian economy (SteelGuru, 2012).

Economic factors: Due to the growth in the financial year 2010-2011, the demand for steel has began to temper showing leisure economy in both the

countries which resulted in the economic downturn continually. The major impact due this effect will be on supply and demand price in both the markets company operates.

The Exchange rate has impact the restructuring initiative in Tata steel Europe to shrink the marginal cost. On 31st March there was a decrease in net cash due to the exchange rate on foreign currency. Due to the unfavoured exchange rate net income was decreased this year compared to last year on both the Tata steel India and TSE (Tata Steel Europe) companies. To overcome this, the Tata group has hedged the foreign exchange policies to guard its manufacturing and export/import margins.

The demand for the Tata steel India has slowed down due to the increase interest rate from the central government showed decrease in net income to the industry.

Social factors: The core competence of Tata steel is to make sure the every employee is under the safety line. Tata steel Europe has implemented the governance for improving the regular actions on safety tours among executive members. 2. Tata is a volunteer initiative contributes \$81 million to social wealfare such as HIV, Disabilities etc. 3. The Customers are either direct or indirectly related to Tata steel in the form of manufactures or builders. 4. Tata steel spend 5-7 % of it profit amount on environment and development of the country. (Muthuraman, 2012)

Technological factors: The next stage of the Tata steel Research and development is focused on the development of clean coal technology.

Though the product creation depends on the industry, government
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encourages implementing new technology to the company. The product is investigated in accordance to the design, engineer and performance on service. Example: manufacturing car industry. Tata Steel uses high technology quality machines and innovation for their metals. They implement new strategy to cope up with the changes customer expects.

Industry Analysis: Porter's 5 Forces:

Barriers to entry (High): Govt Policy: Govt ordered it extensive reservation of businesses products for a small sector and public sector and Industrial licensing MRTP Act., Import restriction, restriction on overseas technology and capital. Economies of Scale: Keeps out small players of steel like S. A. L Steel. Depresses even possibly big players like Arcelor Mittal because of danger of big states. Cost and Time: As sector of steel is an extremely extensive sector, there cannot be simple entry into it. It needs a high cost of capital for entry; technology, skills, etc. consumers have a preferred product; they have strong connections with their active suppliers.

Threat of substitute (low): Buyers Inclination to substitute: The demand in TSE is declining than usual and the prices of steel have undermined. Price performance trade-off substitute: The price condition has a significant impact in the performance on both the home and the foreign markets in which it is operating. Switching Cost: In the FY 2011-2012 the steel price has increased compared to the previous financial year which is determined by cost and demand improvement.

Buyer Power: Buyer volume: The production volume has increased by 1. 46 million tonnes to 1. 58 million tonnes this FY 2011-2012 compared to

previous year, by recording high troling and product distribution (Tata annual report 2012(management and discussion). Bargaining Power: If the inputs are vital, integration of backward supports the company to obtain larger control of the value chain and to mitigate the high power of bargaining of suppliers. L & T (Larsen & Toubro) give blast furnace to Tata Steel. Buy of blast furnace is vital to Tata Steel. Tata Steel is not an important consumer of the L & T even L & T supply to Essar, Jindal etc., therefore Tata steel continues with L & T for supply of blast furnace. L&T had supplied blast furnace worth RS 980 cr to TATA steel (William, 2007 pp 66-69). This order for L&T comes close on the heels of another order from Tata Steel to erect the Sinter Plant and the Steel Melt Shop at its project of Kalinganagar. During this year 2012, the company deleveraged and paid its borrowings rupee 3960 corers. The company implemented strict rules to be followed to limit entering into leveraged derivatives. The company has a customer feedback programme where knowledge sharing and the customer engagement on the needs and product application called leveraging feedback to enhance value. (Annual report)

Supplier's power: Most of the suppliers have changed their pricing strategy from annual to the on spot or monthly payment. An example: of seaborne iron and ore mining. The volume of goods from the suppliers will be hard to fully satisfy global giants such as Tata steel. Tata steel has its own subsidiary for mining. The deposits of the hard coal from the Indian mining are of low quality. Therefore, the imports of the hardcore are grown from the FY2010-2011 to nearly 40%.

Porter's Generic Strategy:

Target scope

Advantage

Low cost

Product uniqueness

Broad

Cost leadership strategy

Differentiation strategy

Narrow

Focus strategy (low cost)

Focus strategy (Differentiation)

Product Differentiation: It is complicated to contrast with brand of Tata because Tata steel has excellent image into the business. Consumers are always pleased with product of Tata steel. Tata steel has an oligopoly market, there are some sellers and some buyers' restricted mobility of resources, there is not very free flow knowledge, homogeneous items. To better understand the working culture and operations overseas, repatriate process is held between TSE and TSI. Decision making process was held in accordance from a well developed procedures to negotiate with the trade unions. The research and development have designed a Reheating furnace

for the first time. Steel industry in India has a diversified product mix used in automotive, machinery etc.

Cost Leadership: A plan is there that emphasise on creation the actions additional competent and cutting costs where probable. It can effect from efficiencies of scale/scope, tight overhead control, and cautious choice of consumers, automation and standardization. Cost leadership focuses at having the lowest charges in a market. This creates the Tata best positioned to survive a war of price and makes the highest margins if war of price does not happen. TISCO has been a leader of cost in the steel industry of India. The working capital was a major issue which affected the production to move to a lower level in the FY 2011-2012 but operation cash was more. The investments increases due to capitalising existing subsidiaries whereas decrease due to new subsidiaries. Example: TCIL (Tinplate Company of India Limited). The company rebalanced its capital structure during deleveraging in the last year.

Intuition Analysis: Porter's Diamond.

The attributes in the Diamond methods are the ingredients leads to the comparative advantage:

SWOT Analysis:

Strength:

India is the largest producer of iron ore Contributing 7% of the worlds production. Grade pig iron is majorly produced by Tata Metaliks limited.

The steel consumption grew by 4% in the year 2011 compared to 2010 at 50.5 million tonnes by the consumers as suggested by SEAISI (South East Asia Iron And Steel Institute).

Though the labour cost is low, India has increased the normal wages. The employees in TSE have decreased to 33,300 from 34,200 this year compared to 31st March 2012 due to the economic restructuring and downturn.

The mission of Tata steel is to be an employer choice. In 2011, the HR activities review shown in training the staff, compensation, leadership and talent management was productive. In this year 2012, the company introduced ECBS (enterprise capability building system) for the service.

Weakness:

The cost of the energy price was raised in the TES and also there was increase in the cost for purchase which resulted in increase in Tata steel.

The income tax paid increased to 3298 crores during the FY 2011-2012 compared to 2010-2011 (2870 crores) in rupee.

The price of Coking coal is low and is expected stable price for months.

Low mining maintenance activity resulted in the machinery repair by 9% compared to FY 2010-2011.

Opportunities:

Increase demand from the industries like car manufactures, builders including infrastructure of (steel end users).

In future the solar energy will be one of the major consumers of steel.

Threats:

Continuous downturn in economic and steel price.

The demand growth in China was 6% whereas, India with 4%.

VIRO framework:

Valuable:

The Tata steel has experiences of over 100 years with top high end quality machines and top management executives with loyal experienced work force working for the tata group from around 80 countries in 5 different continents. Tata group has setup its subsidiaries globally.

The competitiveness of captive mines is valuable. The Tata group research and development is very strong which invented reheat able furnace. Steel manufacturing is at low cost with large production capacity and highly diverse product portfolio. Tata has a strong retail and distribution network in India.

Rarity:

Tata steel has large steel production capacity with major retailers around the world. Steel is manufactured at low cost. It started decade ago which is known as experienced company with top managers.

Tata steel has opportunities in accessing other global market. Improve a R&D for further innovation.

Imitate:

Tata is much experienced with 100 years of experiences is the only factor which is difficult to imitate and India is rich in mining's.

The other factors mentioned are developed and have strong attributes than Tata steel.

Substitutes:

Tata steel has the capacity of 26.5 mtpa annually. There are many steel industries with highly qualified and experienced managers and are operating in different countries globally. The research and development are strong in other steel industries compare to Tata steel.

Overall, Competitive advantage of Tata steel having highly experienced managers, Low cost in manufacturing steel, strong retailing and distribution power and production are temporary competitive whereas marketing across the globe, strong R&D department, experienced work force and product portfolio are competitive parity. The captive mines and the experiences of the Tata group are the only sustainable competitive advantage of TaTa.

Impact of Globalization in TATA

6 mtpa green field development in Kalinganagar, Orrisa

12 mt Greenfield development in Jharkhand

5 mtpa green field venture in chhattisgarh

Green field venture in Bangladesh

As the worldwide industry of steel is fragmented and saturated with additional capability worth 15 to 20 % of utilization, setting up Greenfield businesses cannot always be a justified approach. So Tata Steel prepares to take the route of acquisition to globalization in the instant future. It could then use the obtained capability or plant as a foothold for the Greenfield manner.

Impact of globalization on sector

India has ultimately appeared as a steel making place for international players. The worldwide industry of steel emerges to be in a race to funding in zones of high-growth, like, India. The amount of action in the sector has picked up speed in the last few years. The sector has obtained investments of US\$ 5994 million lined up through 102 memorandum of understanding signed through various state governments to add 103 Mt in capacity of steel.

Conclusion:

From all the discussions and applications of the Tata Steel we can say that Tata steel is the fifth largest producer of Steel in the world which produces the steel with less processing cost and good quality. Tata Steel is growing in rapid speed with its geographical foot printembracing different cultures. The sight of its great heritage of social and community responsibility is not forgotten by Tata Steel. Tata Steel is working for its value creation and corporate citizenship with its commitments with the society and performance as the group of global industry. The group Vision use to manifest the goals

and objectives of the group as the key drivers of the group in the coming years.