

Business Strategy: A Case Study of Auto Giant Mahindra & Mahindra Ltd.

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I. Introduction - Automobile sector

India has become a fast-growing auto market over the past two decades. It has witnessed revolutionary changes in the management systems and manufacturing innovations of the world automotive industry. The history of the automobile industry, though brief compared with that of many other industries, has exceptional interest because of its effects on history from the 20th century. Though the automobile originated in Europe in the late 19th century, the United States fully dominated the world industry for the first half of the 20th century through the invention of mass production techniques. In the second half of the century the situation altered sharply as western European countries and Japan became major producers and exporters. The Automobile industry in India is an important driver of macroeconomic growth and technological development. Growth in Indian economy has been driven by rapid economic growth and increasing wealth in double digit over the past decade and more than a three-fold surge in equity markets. It holds a 7.1% share in India's GDP. India is projected to be the world's third-largest automotive market in terms of volume by 2026. India has four large automobile producing hubs: Delhi-Gurgaon-Faridabad in the North, Mumbai-Pune-Nashik-Aurangabad in the West, Chennai- Bengaluru-Hosur in the South and Jamshedpur-Kolkata in the East. The Automobile industry manufactured 30.9 Mn vehicles including passenger vehicles, industrial vehicles, three-wheelers, two-wheelers and quadricycle in FY 2018-19. Out of 30.9 Mn vehicles manufactured in FY 2018-19, India has exported 4.6 Mn. The FDI equity inflow received by the Automobile Industry in FY 2019-20 is valued at USD 2.82 Bn. The Department of Heavy business has helped setup India's first Machine Tool Park (TMPT) is a world class facility that has been developed on 530 acres of land.

History & evolution of M&M

Mahindra & Mahindra was founded as a steel trading company on 2 October 1945 in **Ludhiana as Mahindra & Muhammed by brothers Harikrishnan and Jayakrishnan** and Jagdish Chandra Mahindra along with Malik Ghulam Muhammad. **Anand Mahindra, the present Chairman of Mahindra Group**, is the grandson of Jagdish Chandra Mahindra. After India gained independence and Pakistan was formed, Muhammad emigrated to Pakistan. Muhammad acquired Pakistani citizenship and settled in Lahore, and in 1948 became Pakistan's first finance minister. The Group today is a global federation of companies united by a common purpose – to enable people to 'Rise'. The present chairmen of Mahindra Group, Anand Mahindra is currently handling the company. He was born on May 1, 1955 in Mumbai to Harish and Indira Mahindra. Anand's father, a well-known industrialist, always emphasized the importance of using businesses to benefit society. Over the years, this principle has guided Anand's decisions and shaped the transformation of the Mahindra Group into one of the most admired Indian companies in the world.

Right after independence, the company immediately changed its name to Mahindra and Mahindra. Later, the company saw a chance of expanding the business opportunity in producing the MUV's with the approved license of Willy Jeep in India. After that, the corporate established itself as the Jeep manufacturers of India. Later on, the company indulged itself into the production of light commercial vehicles. Presently the company has different car models and each of them is quite different from one another and with distinctive specifications. Due to its quality and good quality client service, the company has gained overwhelming responses from the customers. It has a history of seventy-four years and within these years, Mahindra and Mahindra have tried their level best to upgrade their services to offer importance to the priority of the customers. Mahindra's approach is "segmented strategy". He looks for niches. Also, there is a central pool of cash that can be used in different businesses. In the Mahindra Group, each company has its own balance sheet and its own cash flow to fund growth.

Evolution

M&M initially went through its share of learning and grew through pragmatic and, orchestrated entrepreneurial risk. The cluster created a very successful transition from a proprietorship model to a professionally managed group. With new entrepreneurs at the helm, **focus was on “make and sell”** with informal relationships binding the corporate together as is expected throughout the growth through creativity phase. Within the next phase, with a powerful leadership and management in place, M&M consolidated its position as a pioneering automobile manufacturer in India (First mover advantage). Efficiency of operations, formal channels of communication and separate functions and processes were centered upon. New ventures were started making the requirements for delegation. This era was thus really growth through direction. Growth further continued with the previously isolated business units re-organized into product teams or service practices.

With restructuring and corporate governance setups within the organization, growth of market was the management focus. Different corporates and collaborations had their own turfs. This era was thus truly growth through delegation. It was followed by quick paced growth via varied strategic initiatives. **The main focus was on the consolidation of the organization with the group being redesigned under six SBU’s** and thus, data passing and synchronizing became necessary. Thus, this was truly an era of growth through coordination in the group. Then came an era wherein the group collaborated with organizations worldwide to build a collaboration network. This was completely in synchronous with the **expansion through collaboration phase**, and currently M&M as a group itself is looking outwards. **Their bold acquisition of Ssangyong** is a true sign of making partnerships and cross ownership. **M&M strategy is to move from traditional business models to innovative business models.**

Pestel analysis of Mahindra and Mahindra:

Political Factors: For Mahindra tractor industry the Government laid stress on mechanism of agriculture to increase food grain production. Modification in Taxation policy. Regaining “Agricultural dynamism” is the key goal in eleventh Five-year set up.

Economic Factors: Cost of tractors in India are cheaper when compared to different countries. 95% of tractors are primarily on credit based. For agriculture inputs less interest rate is charged by the banks.

Social Factors: The significant thing which Mahindra & Mahindra do for its long-term sustainability is CSR (Corporate Social Responsibility). Its activities include K. C. Mahindra Education Trust that provides education at various levels.

Technological: Continuous technological innovation. Continuous improvement in technology will reduce use of Renewable energy development.

Ecological Factors: Global Warming: Mahindra group is making an attempt to release electric cars to reduce the pollution and also reduce the usage of renewable goods.

Legal Factors: Agricultural policy: Collaboration with government which shapes policy issues.

Core Values:

- **Professionalism**
- **Product development**
- **Customer focus**
- **Quality Focus**
- **Individual dignity**
- **Transparency and trust**
- **Firm Infrastructure**

Core Competencies -

Every day M&M team members are developing new applications based on the current core competences that (re)define M&M's knowledge base. Currently we identify three main competences.

1. KNOWLEDGE IN METAL FORMING BY:

- Spinning
- Shear-forming
- Flow-forming
- Necking in
- Roll forming
- Expanding

2. INNOVATIVE DEVELOPMENT OF

Robotics and Numeric machine Controls M&M introduced FORCE CONTROL to the world as the most advanced type of control developed especially for the most difficult applications in metal forming and its processes. The knowledge it builds in TrackTronic the application of these kinds of controls has been growing ever since. Protected by a wide array of patents that enabled M&M to invest heavily in its Research and Development. Because of their non-conventional approach to programming controls M&M engineers have helped renowned providers of CNC (position) control systems in the development of new applications. Therefore M&M engineers know how to combine the best of both worlds, if needed.

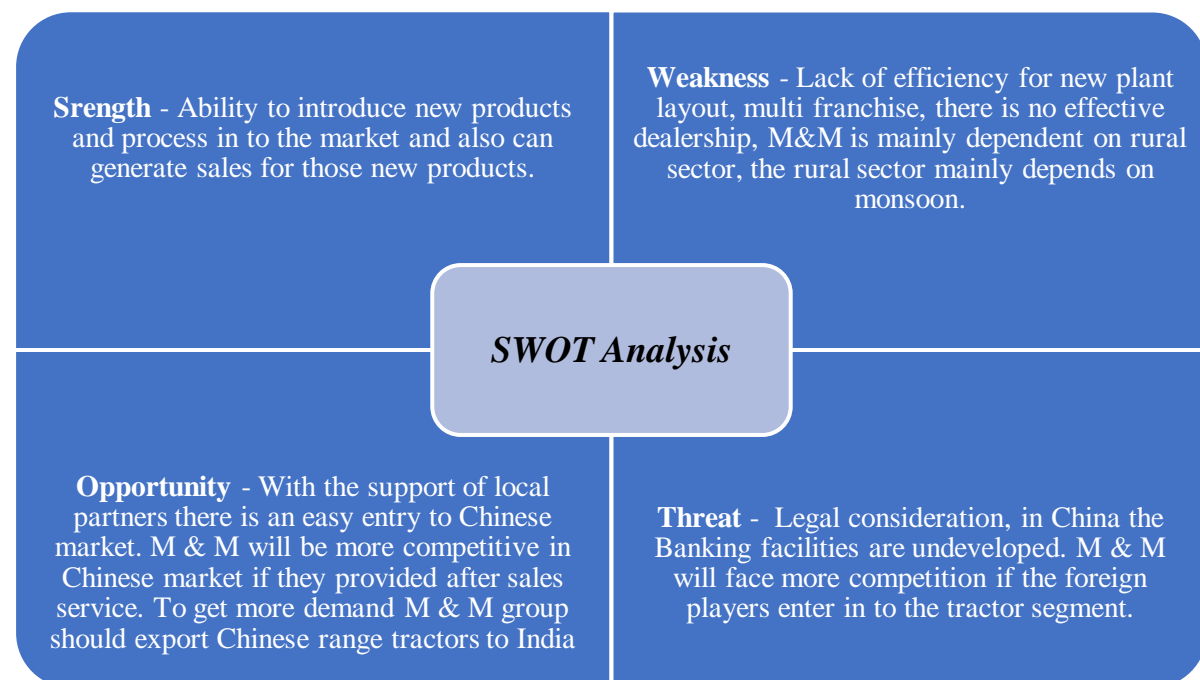
- Force Control
- Position Control
- Force-Position Control
- CNC
- Control Diagnostics

3. PROCESS DEVELOPMENT

Industrial installations, metal forming processes and surface engineering are developed in an integrated manner so as to allow the complete production system to improve its overall performance (including the periphery of the M&M system).

Based on this knowledge M&M has introduced PROCESS INNOVATIONS to various industries such as the automotive and tube forming industry. Innovations that sometimes-rendered processes that had been used for fifty odd years unviable.

SWOT Analysis:



Corporate Strategy of Mahindra and Mahindra:

The decade of 1953 – 63 saw diversification mainly through collaborations and joint ventures with foreign companies. The first international foray in the form of exports of utility vehicles and spare parts started in 1969, making it the first attempt at **geographical diversification** for the group. The next two decades, till 1985, were interspersed with strategic actions aimed at **expansion** in its mainline business of tractors. A major **diversification** occurred in 1986 with the group entering the information technology sector.

A reorganization exercise was carried out in 1994 to create six **strategic business units**: automotive, farm equipment, infrastructure, trade and financial services, information technology and systech.

In the post 2001 period, the group has been focusing on **internationalization** through mergers and acquisitions and joint ventures.

In December 2001, company identified farm equipment sector (FES) as a core business. In 2002, **Operation Blue chip** was implemented, **which aimed at strengthening domestic operations** as a precursor to going global.

Mahindra and Mahindra entered the energy sector in 2002, in response to growing demands for increased electric power in India.

In 2006, it became a major market leader in the telecom segment.

For M&M, Supply Chain Management was the only solution to keep its margin healthy – minimizing costs by reducing the cost of production, logistics, working capital (inventory) and the cost of lost sales.

Mahindra started making passenger vehicles firstly with the Logan in April 2007 under the Mahindra Renault joint venture. **M&M made its maiden entry into the heavy trucks** segment with the Mahindra Truck and Bus Division, the joint venture with international Truck, USA. At first the company was not being able to capture the attention of customers, but with proper media coverage and business strategies, it gained extreme popularity in the automobile industry.

M&M strategy is to provide unrivaled customer service. Gradually the company merged with Kinetic Motors in India.

In 2008, Mahindra commenced its first overseas **Complete Knock Down (CKD) operations** with the launch of the Mahindra Scorpio in Egypt.

In response to growing acceptance of **Solar Power**, it formed a subsidiary, Mahindra Solar, in 2010 to offer a range of solar solutions.

During the year 2010 – 2011 Mahindra and Mahindra took a step in the market of Micro drip irrigation with the takeover of EPC industries in Nashik. Mahindra and Mahindra had stake control in the REVA Electric Car Company and finally took hold of Korea's Ssang Yong Motor Company during the year 2011.

Strategy is influenced by both micro and macro-environment and the industry captains do try to lobby with the state to ensure that the environment conducive for the business is created. The Mahindra group is a USD 15.4 billion turnover multinational conglomerate, with 144,000 employees in over 100 countries across the globe with business interests in fields as diverse as aerospace to agriculture, energy to information technology, hospitality to housing (2011). Mahindra Group became the first real estate company in India to publish a standalone GRI report and expanding their customer base to 100+ clients at the World Cities.

In 2013 it launched a new business vertical - **Happinest** focussed on low cost housing. In 2014, JV along with Sumitomo Corporation established industrial park in North Chennai and Launched its first international office in Dubai.

In 2016, Mahindra and Mahindra partnered with The Energy and Resource Institute (TERI) to set up Mahindra TERI Centre of Excellence for Sustainable Habitats.

M&M strategy is to integrate a set of global acquisitions.

In January 2017, Mahindra and Mahindra Ltd acquired a 75.1 equity stake in Hisarlar, a farm equipment company, marking its entry into Turkey.

Mahindra has also entered an app based intra-city cargo platform known as SMARTSHIFT, a first-of-its-kind load exchange platform for Small commercial vehicles. Mahindra Automotive North America (MANA), the company's U.S. subsidiary, opened a car manufacturing plant in Detroit, Michigan on 20 November 2017.

In October 2019, Mahindra entered into a joint venture with Ford by establishing Ford India in which Mahindra & Mahindra acquired a controlling 51% stake. In April 2020, the company ended its joint venture with Renault, with Mahindra & Mahindra buying out Renault's stake.

Covid Strategy:

Terming Covid-19 as a 'Blackswan event', Mahindra said there has been an enormous erosive effect of the pandemic where the world stopped. The lives were turned upside down and the economy faced an uncertain future.

Pawan Goenka, Managing Director, Mahindra and Mahindra, took to Twitter to offer a glance into the company's top brass' strategy and how things are likely to change at the company.

The first idea on Goenka's list is acceptance of the modern concept of Work from Home. Well, the idea is not exactly modern, but a lot of companies across the globe have long resisted the idea. However, the corona virus pandemic has caused an extensive shift in how the world goes about life. And embracing work from home is decidedly one of the biggest and among the most significant changes caused by the ongoing circumstances.

Other pointers on Pawan Goenka's list focus on efficiency and agility - he noted that Mahindra will now increase the usage of video conferencing (VC) for meetings, cut down on business travel, and also try to keep 'large events' to a minimum.

II. Conclusion

The Indian automobile sector is a key player in the global and Indian economy. The automobile and auto-component industry has emerged as one of the recent success stories. Indian automobile industry is one of the key drivers of industrial growth and employment which will further gain in importance in the coming years. The auto industry is linked with several other sectors in the economy and hence its indirect contribution is much higher than this.

Thus, it is necessary to conclude that currently the automotive industry is experiencing growth. The production and distribution of vehicles in China and other countries with cheap workforce have increased significantly. However, the automobile industry has some problems that require implementation of joint efforts, e.g., environmental, economic problems and technological concerns. The analysis of the automobile industry shows that it is possible to strengthen its growth at the global level. The knowledge of markets should be improved and strong brands should be built to adapt to the changing environment. Because of the large number of players in the automobile industry, the increased competition is the challenge for the industry. Besides, constant fluctuations of fuel prices lead to changes in the prices of cars. Local governments' regulations affect the industry in some way.

The emergence of internet 2.0 is one of the most formidable development within the history of marketing. Within the new promoting era, the social media has made it possible to revolutionize the relationships marketers have with retailers, channels of distribution, their final shoppers. It's a modern era, and shoppers are inundated with overwhelming quantities of data every and each day. Based on the findings from McKinsey (2011), it's disclosed that once corporations act their business and act with people, they're generating an amazing quantity of digital "exhaust information," i.e., information that are created as a by-product of alternative activities. Social media puts shoppers back to the middle of the business world and provides marketers a brand-new set of tools to act with shoppers and to integrate them into the brands through innovative ways that stimulate them. Changes in shopper behavior because of social media one among the foremost intriguing aspects within the modern selling. So, M&M must use market intelligence and study shopper behavior and act accordingly to increase its brand visibility both offline and online.

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