

# Organizational Analysis - A Case Study of Mahindra and Mahindra LTD.

Organizational Behaviour

Assignment



# Mahindra

BY

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# Introduction

Few groups can identify as closely with India's destiny and industrial progress as the Mahindra Group. In fact, Mahindra is like a microcosm of India. Both were born around the same time, had the same aspirations and both experienced the inevitable troughs and crests in the journey towards their goals. And both continue to march on the path to progress and global recognition. Mahindra & Mahindra Limited is the flagship company of the around US \$6.7 billion Mahindra Group, an automotive, farm equipment, financial services, trade and logistics, automotive components, after-market, IT and infrastructure conglomerate. The company was set up in 1945 as Mahindra & Mohammed. Later, after the partition of India, Ghulam Muhammad returned to Pakistan and became that nation's first finance minister. Hence, the name was changed from Mahindra & Mohammed to Mahindra & Mahindra in 1948. Initially set up to manufacture general-purpose utility vehicles, Mahindra & Mahindra (M&M) was first known for assembly under licence of the iconic Willys Jeep in India. The company later branched out into manufacture of light commercial vehicles (LCVs) and agricultural tractors, rapidly growing from being a manufacturer of army vehicles and tractors to an automobile major with a growing global market. At present, M&M is the leader in the utility vehicle (UV) segment in India with its flagship UV, the Scorpio.

## Vision & Mission

Tech Mahindra Foundation is the Corporate Social Responsibility (CSR) arm of Tech Mahindra. It was set up in 2007 as a Section 25 Company (referred to as Section 8 Company in the Companies Act, 2013), with a vision of Empowering through Education, and a mission encapsulated in the words below:

Educated, skilled and able women and men are a country's true strength. We aspire to see children who are purposefully engaged, youth that is constructively employed and a society that provides equal opportunities to people with different abilities. Through its corporate social responsibility initiatives, the Mahindra Group commits itself to this .

The key focus areas for Corporate Social Responsibility at Tech Mahindra Foundation are:

- Empowerment of girls/women
- Empowerment of people with disabilities
- Corporate volunteering

These three areas are cross cutting themes for all our projects and programmes at Tech Mahindra Foundation.

## Core Values

These are the core beliefs on which our organisation has been built, and they are the cornerstones of our success. These enduring values guide our actions, decisions and relationships as we work towards fulfilling our mission.

### **Accepting No Limits**

We accept no limits, and ask the same of everyone else. In return, we work relentlessly to provide the tools, information, and inspiration for us to push past limitations and comfort zones.

### **Alternative Thinking**

Alternative thinking means solving problems in ways no one thought of before, by using fewer resources and entering markets thought to be unreachable.

### **Driving Positive Change**

We want you to rise. And not just you. Your family. Your neighborhood. Your whole community. This is why we come to work every day.

# History

The birth of Mahindra & Mahindra began when K.C. Mahindra visited the United States of America as Chairman of the India Supply Mission. He met Barney Roos, inventor of the rugged 'general purpose vehicle' or Jeep and had a flash of inspiration: wouldn't a vehicle that had proved its invincibility on the battlefields of World War II be ideal for India's rugged terrain and its *kutchra* rural roads?

Swift action followed thought. The Mahindra brothers joined hands with a distinguished gentleman called Ghulam Mohammed. And, on October 2<sup>nd</sup>, 1945, Mahindra & Mohammed was set up as a franchise for assembling jeeps from Willys, USA.

Two years later, India became an independent nation and Mahindra & Mohammed changed its name to Mahindra & Mahindra. Ghulam Mohammed migrated to Pakistan post-partition and became the first Finance Minister of Pakistan.

Since then, Mahindra & Mahindra has grown steadily in size and stature and evolved into a Group that occupies a premier position in almost all key sectors of the economy. The Group's history is studded with milestones. Each one taking the Group forward. In fact, today, its total turnover is about 6.7 billion dollars. Mahindra is a group in a hurry, engaged in an ambitious, sustained and prolonged penetration into the global arena. Its spirit can be encapsulated in the words of the poet Robert Frost, a favourite of India's first Prime Minister, Pandit Jawaharlal Nehru:

"The woods are lovely, dark and deep,  
But I have promises to keep,  
And miles to go before I sleep,  
And miles to go before I sleep."

For Mahindra & Mahindra, this translates into many more milestones to be set up before it rests. If ever.

## About the founders

J.C. & K.C. Mahindra, the founders of the Mahindra Group, had the same ambition: to prove to themselves and the world that Indians were capable of being the best at whatever they chose to do. Accordingly, they gave up their professional careers at TISCO and Martin Burn respectively, and risked becoming entrepreneurs by setting up their own company: Mahindra & Mahindra.

It was under their inspiring leadership that Mahindra & Mahindra made the first indigenous Jeep in the country in 1949. Their innovative spirit also showed during the days when the Company was the leading importer of steel in the country. J.C. & K.C. Mahindra had to persuade the Indian Government to buy French rails for the fledgling Indian Railways because they felt that the British specifications were obsolete and not the best suited. To convince government officials of the superiority of the French product, they laid down a short length of rail line with French rails and invited the government authorities for a ride. During the journey, chilled champagne was served in glasses filled to the brim. Legend has it that the train raced along, but not a single drop of champagne was spilled, so smooth were the French rails. Needless to say, they made their point.

Interestingly, J.C. & K.C. Mahindra believed in globalisation decades before it had become a buzzword. Even in the fifties, the Company had British and German engineers on its rolls, and international tie-ups with Mitsubishi, Willys, Perrine and Chrysler. Every venture they set up delivered satisfactory financial results and their company, Mahindra & Mahindra, has grown into one of India's largest corporate groups. Even today the Group is driven by the same vision that drove them then.

Mr. Anand G. Mahindra, Vice Chairman and Managing Director of Mahindra & Mahindra Ltd. – one of India's largest and most respected business houses - graduated from Harvard College, Cambridge, Massachusetts, Magna cum Laude. In 1981 he secured an MBA degree from the Harvard Business School, Boston, Massachusetts. He returned to India that year and joined Mahindra Ugin Steel Company Ltd (MUSCO), the country's foremost producer of speciality steels, as Executive Assistant to the Finance Director. In 1989 he was appointed President and Deputy Managing Director of the company.

During his stint at MUSCO, he initiated the Mahindra Group's diversification into the new business areas of real estate development and hospitality management.

In the summer of 1991, he was appointed Deputy Managing Director of Mahindra & Mahindra Ltd., the country's dominant producer of off-road vehicles and agricultural tractors. He has since been engaged in a comprehensive change programme in Mahindra & Mahindra Ltd. to make the company an efficient and aggressive competitor in the new liberalised economic environment in India. In April 1997, he was appointed Managing Director of Mahindra & Mahindra Ltd and in January 2003 given the additional responsibility of Vice Chairman. Mr. Mahindra was a co-promoter of Kotak Mahindra Finance Ltd., which in 2003 was converted into a bank. Kotak Mahindra Bank is one of the foremost private sector banks today. Mr. Mahindra frequently shares his views and ideas on Indian economy and business through his writings in some of India's leading business magazines.

### **List of Board of Directors**

Keshub Mahindra  
Chairman

Anand G. Mahindra  
Vice-Chairman & Managing Director

Deepak S. Parekh  
Nadir B. Godrej  
M. M. Murugappan  
Narayanan Vaghul  
A. S. Ganguly  
R. K. Kulkarni  
Anupam Puri

Thomas Mathew T.  
Nominee of Life Insurance Corporation of India

Bharat Doshi  
Executive Director

A.K. Nanda  
Executive Director

# The Mahindra Group at a glance

## Automotive

- ✦ Domestic Operations
- ✦ International Operations
- ✦ Mahindra Renault Private Limited (MRPL)
- ✦ Mahindra Navistar Automotives Limited (MNAL)
- ✦ Mahindra Navistar Engines Private Limited (MNEPL)

## After-Market Sector

- ✦ Mahindra Spares Business
- ✦ Mahindra First Choice
- ✦ Mahindra First Choice Wheels Ltd.

**Farm Equipment Sector**

- ✧ Domestic Operations
- ✧ International Operations
- ✧ Mahindra Gujarat Tractor
- ✧ Mahindra Agribusiness
- ✧ Mahindra Powerol
- ✧ Mahindra USA
- ✧ Mahindra Australia
- ✧ Mahindra China Tractors

**Financial Services Sector**

- ✧ Mahindra & Mahindra Financial Services Ltd (Mahindra Finance)
- ✧ Mahindra Insurance Brokers Ltd.
- ✧ Mahindra Rural Housing Finance Ltd (MRHFL)

**Infrastructure Development Sector**

- ✧ Mahindra Holidays & Resorts
- ✧ Mahindra Lifespaces Developers Limited
- ✧ Mahindra World City
- ✧ Mahindra Infrastructure Developers
- ✧ Acres Consulting Engineers

## Information Technology Sector

- ✧ Tech Mahindra
- ✧ Bristlecone

## Mahindra 2 Wheelers

## Mahindra Systech

- ✧ Forgings
  - Mahindra Forgings Limited - India
  - Mahindra Forgings Europe - Ag
    - GSA
    - Schonoweiss & Co GMBH
    - JECO
    - Stokes UK
    - Falkenroth
- ✧ Engineering Services
  - Mahindra Enfineering
  - Engines Engineering Italy
  - Mahindra Aerospace
- ✧ Stampings
- ✧ Steel
- ✧ Ferrites
- ✧ Contract Sourcing
- ✧ Telematics

- ✧ Composites
- ✧ Castings
- ✧ Gears
  - Mahindra Sar Transmissions
  - Metalcastello Italy

### **Speciality Businesses**

- ✧ Mumbai Mantra
- ✧ Mahindra Defence System

### **Mahindra Partners**

- ✧ Mahindra Odyssea
- ✧ Mahindra Intertrade
- ✧ Mahindra Steel Service Center
- ✧ Mahindra MiddleEast Electrical Steel Service Centre (MMESSC)
- ✧ Mahindra Logistics Ltd.
- ✧ Mahindra Retail

**Out of the above Mahindra and Mahindra Ltd. Comprises of Automotive, Farm equipment and international operations.**

### **Automotive business**

The Mahindra Group's Automotive Sector is in the business of manufacturing and marketing utility vehicles and light commercial vehicles, including three-wheelers. It is the market leader in utility vehicles in India since inception, and currently accounts for about half of India's market for utility vehicles.

Although created in 1994 following an organizational restructuring, the Automotive Sector can trace its antecedents back to 1954. The iconic jeep that led American G.I.s to victory in World War II is the very same vehicle that drove the Mahindra Group to success in the Automotive Sector. Mahindra & Mahindra Limited, the flagship company of the Group, was set up as a franchise for assembling general purpose utility vehicles from Willys, USA.

Over the years, the Group has developed a large product portfolio catering to a diverse customer base spanning rural and semi-urban customers, defense requirements and luxurious urban utility vehicles. In 2002, it launched the indigenously engineered world-class sports utility vehicle-Scorpio, which bridges the gap between style and adventure, luxury and ruggedness, and performance and economy.

The Group exports its products to several countries in Europe, Africa, South America, South Asia and the Middle East. The Automotive Sector continues to be a leader in the utility vehicle segment with a diverse portfolio that includes mass transport as well as new generation vehicles like Scorpio, Bolero and the recently launched Xylo.

Mahindra & Mahindra's foray into the three wheeler segment with Alpha and Champion has also made it a leader in its category. The International Operations of the Automotive Sector focuses on the international business. Mahindra Renault (MRPL) announced the launch of Logan, India's first wide body car, sporting a host of class-defying features at an aggressive price. The Logan redefines its segment in terms of spaciousness as well as performance, technology with the latest generation dci common rail engine. It has been designed for the Indian market incorporating a contemporary styling and design.

Mahindra Navistar Automotives Ltd. (MNAL), a joint venture between Mahindra & Mahindra Limited and International Truck and Engine Corporation, will manufacture trucks and buses for India and export markets. It will also provide component sourcing and engineering services to International Truck and Engine Corporation.

Mahindra Navistar (MNEPL) a second joint venture agreement with Mahindra & Mahindra, Ltd. focuses on producing diesel engines for Medium and heavy Commercial vehicles in India. Beginning in 2009, MNEPL's advanced diesel engines will power the full line of trucks and buses produced by MNAL.

### **Farm-Equipment Business**

Farm Equipment Sector (FES) is a part of US \$6.7 billion Mahindra group, which is amongst the top 10 industrial houses in India. The group has a leading presence in key sectors of the Indian economy, including the financial services, trade, retail and logistics, automotive components, after-market, information technology and infrastructure development. Mahindra has recently made an entry in the two-wheeler segment.

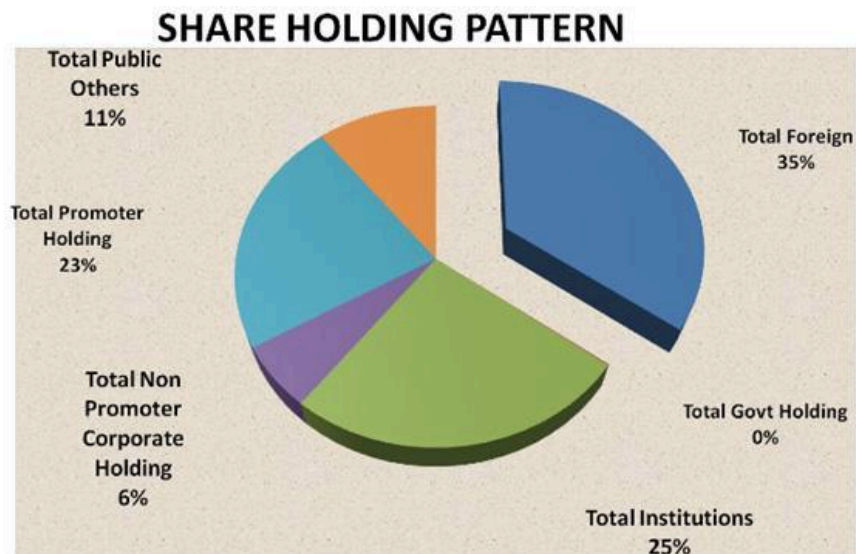
The Mahindra group's Farm Equipment Sector (FES) is amongst the top three tractor brands in the world. It has won the Japan Quality Medal in 2007. It also holds the distinction of being the first tractor company globally to win the Deming Application Prize in 2003. FES is the first tractor company worldwide to win these honors. This shows the strong focus of FES on Quality and Customer Satisfaction. Today, the domestic market share of FES is around 42%. (Mahindra brand: 30% and Swaraj brand: 12%).

The motto of FES is to usher prosperity; for its customers, dealers, employees, society and all other stakeholders. FES has 6 state-of-the-art manufacturing plants (including 2 plants of Swaraj) in India, 2 plants in China, 3 assembly plants in USA and 1 assembly plant in Australia. FES has a presence in around 25 countries across six continents with more than 1000 dealers world-wide.

FES has a subsidiary agricultural tractor manufacturing company in India known as Mahindra Gujarat Tractor Limited (MGTL).

Mahindra Group has commenced the Sustainability Reporting from 2008. Today, M&M group is amongst the few Indian companies to have an A+ GRI certification. As per the commitments given by the Group under GRI framework, significant reduction in usage of electricity, water and solid waste is called for. To make FES employees aware on the tenants of sustainability, various initiatives like easily accessible information on sustainability, setting up of permanent sustainability corners in all FES plants, observing of energy conservation month etc. are undertaken.

FES has a Sustainability Committee in place to take care of the implementation of GRI requirements.



## **Milestones**

M & M shares were listed on the Bombay Stock Exchange in 1956. Manufacture of light commercial vehicles commenced in 1965. In 1983, the company became a market leader among Indian tractor manufacturers. Mahindra USA Inc. was formed in 1994 for the distribution of tractors in the USA. In 2003, M&M s tractor division won the coveted Deming Application Prize 2003, making it the only tractor manufacturing company in the world to secure this prize. A year later, M&M became the first Indian company to achieve sales of one million tractors. In 2005, M&M and Renault entered into a JV to manufacture the mid-sized sedan, Logan, in India. Mahindra's farm equipment sector has recently won the Japan Quality Medal, the only tractor company worldwide to be bestowed this honour. It also holds the distinction of being the only tractor company worldwide to win the Deming Prize. The US based Reputation Institute also ranked Mahindra among the top 10 Indian companies in its Global 200: The World's Best Corporate Reputation list.

## **Growth of the Organisation**

J.C. and K.C. Mahindra believed in globalization, and in the 1950s and 1960s, they tied up with several foreign companies, such as Chrysler, Dr. Beck, International Harvester and Willys.

The second phase began in the 1960s, when India became a "closed" economy. M&M went to sleep, along with India's other business groups. It didn't have to develop or import technology because it didn't face much competition, and in any case, the Indian government did not allow M&M to increase capacity. Instead, the group diversified into several unrelated industries, such as oil-rig leasing, instrumentation, chemicals, fiberglass, and nuclear power.

In 1991, India suddenly opened up, marking the third stage of M&M's evolution. Mr. Anand Mahindra helped restructure the group in 1994 to cope with the liberalization and globalization of the economy. M&M was transformed from a functional organization to a multi-business group of companies. At that stage, it created six sectors -- automotive, automotive components, farm equipment, financial services, infrastructure development, and software -- and moved out of other industries. Reengineered business processes, brought in new people, invested in information technology, and reduced head count. Despite doing all that, M&M's stock price underperformed the stock market index. Investors no longer believed that M&M was a blue chip company. In fact, in January 2002, the Bombay Stock Exchange dropped it from the list of bellwether stocks that constitute the Sensex [BSE Sensitivity Index].

At the 2003 Blue Chip conference, Mr. Mahindra asked every company to go from good to great by innovating to insulate itself from volatility and by striving for higher goals. It made record profits that year, and in 2004 decided that every company in the group should become the most customer-centric in its industry. In 2005, M&M decided to double revenues and triple profits by 2008, which it managed to do. It also tried to intensify its focus on the customer in 2006, and in 2007, Mr. Mahindra again made the case that innovation should become M&M's top priority.

### **Factors that lead to the growth of the Organisation**

1. **Collaboration and tie-up with foreign companies:** M&M believed in collaboration wherever it helped their business. While others were focusing on their narrow domains M&M even during its formative years was looking at collaborative opportunities abroad. The term globalization was hardly coined then. It collaborated with suppliers in U.K. for its steel trading business in 1945. It also made technical collaborations with Mitsubishi / Samcor to manufacture the Mitsubishi L300 in 1995. Established a joint venture with Ford Motor Company, USA, to manufacture passenger cars in 1996. Acquired the Stokes Group of UK, the largest automotive forgings company in the UK in 2006.
2. **Procurement of raw materials from optimal and economically feasible foreign sources:** Like for wagon-building plates from Yawata, Iron & Steel were supplied in 1950. Mahindra & Mahindra also tied up with Renault for Petrol Engines.
3. **Expansion of the product basket, with continued innovation:** M&M has always been increasing the range of goods that it has to offer. This has been one of the prime reasons for its survival in this highly competitive market. It has not stuck to just one or two products but has got itself involved in a wide range. Like a new age tractor, Mahindra

Arjun 605 DI (60 HP), launched in 2000. MaXX Pik Up which was launched in 2003. Invader a sporty open top vehicle was launched in 2003. M&M was the first Indian auto manufacturer to launch the Common Rail Diesel Engine (CRDe) in 2005.

4. **Entry into world market:** M&M is not limited to growth in India only. It has footprints across the globe in Australia, USA, Italy, China and many more. All this has been possible due to its foray into the global markets from time to time. In 1969 M&M exported utility vehicles and spare parts. In 1984, Mahindra Hellenic Auto Industries S.A. established to assemble and market utility vehicles in Europe. Mahindra USA Inc. was established for distribution of tractors in the USA in 1994 . Mahindra World Tractor(75 HP) launched in the International market in 2004.
5. **Backup or contingency plan in times of crisis:** The sign of a great organization is that it plans for the rough weather. M&M did exactly that in 1975, and developed an indigenous engine for its vehicles to beat the fuel crisis
6. **Procurement of licenses from abroad:** License from Automobiles Peugeot, France, for manufacture of XDP 4.90 Diesel Engines.
7. **Environmental-friendly inventions:** Mahindra Tractors launched Indias first bio-diesel tractor in 2008.
8. **Product Redesigning to meet consumer's needs:** Bolero GLX (a utility vehicle) was launched in response to the needs of urban consumers in 2000. India's first Turbo tractor- Mahindra Sarpanch 595 DI Super Turbo was launched in 2003. It launched the Scorpio V-series, a new line-up of India's leading SUV, with the introduction of the Scorpio VLX, equipped with the powerful mHawk engine and a wide array of smart features which gives the SUV an even greater competitive edge in its segment on November 30, 2007.
9. **Making market presence through advertisements and enhancement of brand image:** Mahindra MaXX launched, a multi-utility vehicle positioned with the caption 'Maximum Space, Maximum Comfort' in 2001. Scorpio launched, a new generation, world-class sports utility vehicle that redefined the SUV market and lived up to its positioning: 'Nothing else will do' in 2002. The Madrid Motor Show was led by the Mahindra Goa, the Mahindra Pik-Up and the Bolero Pik- Up range of vehicles.

## **Organisational Values**

Good Corporate Citizenship: M&M continues to seek long term success, which is in alignment with the country's needs, without compromising ethical business standards.

Professionalism: It seeks the best people for the job and gives them the freedom and the opportunity to grow. It supports innovation and well reasoned risk taking, but demands performance.

Customer First: M&M believes that it exists and prospers only because of the customer. Hence responds to the changing needs and expectations of the customers speedily, courteously and effectively.

Quality Focus: Quality is the key to delivering value for money to customers. M&M makes quality a driving value in its work, products and in interactions with others.” We will do it First Time Right “.

Dignity of the Individual: It values individual dignity, upholds the right to express disagreement and respects the time and efforts of others. Through its actions, it nurtures fairness, trust and transparency.

These values are the compass that will guide M&M’s actions, both personal and corporate.

## Organisational Principles

M&M has identified four characteristics that successful companies share. One, they aspire to be leaders in their businesses. Two, they have global potential. Three, they are innovative. Four, they display a ruthless focus on financial returns. Mr. Mahindra announced in 2002 that all the companies in the group would have to conform to the four principles -- particularly the financial goals that were set. If a company didn't meet the financial targets drawn up for the next 12 months, it would have to fold. In just a year's time, there was a near-total turnaround, with almost every company's profits and cash flow shooting up. That marked a turning point, and M&M never looked back.

In Mr. Mahindra's words: "I've told the M&M board that if I get hit by a bus, it can decide who should succeed me. That isn't necessarily going to be anyone from my family. I've given the board a raft of potential successors in the heads of the group's businesses. My personal choice is sealed in an envelope; the chairperson will share it with the board when the time comes."

## Organizational Structure

Mr. Anand Mahindra believes that in emerging markets, businesses structured as groups of companies have an edge over rivals, and he is moving into everything from selling used cars to exporting grapes.

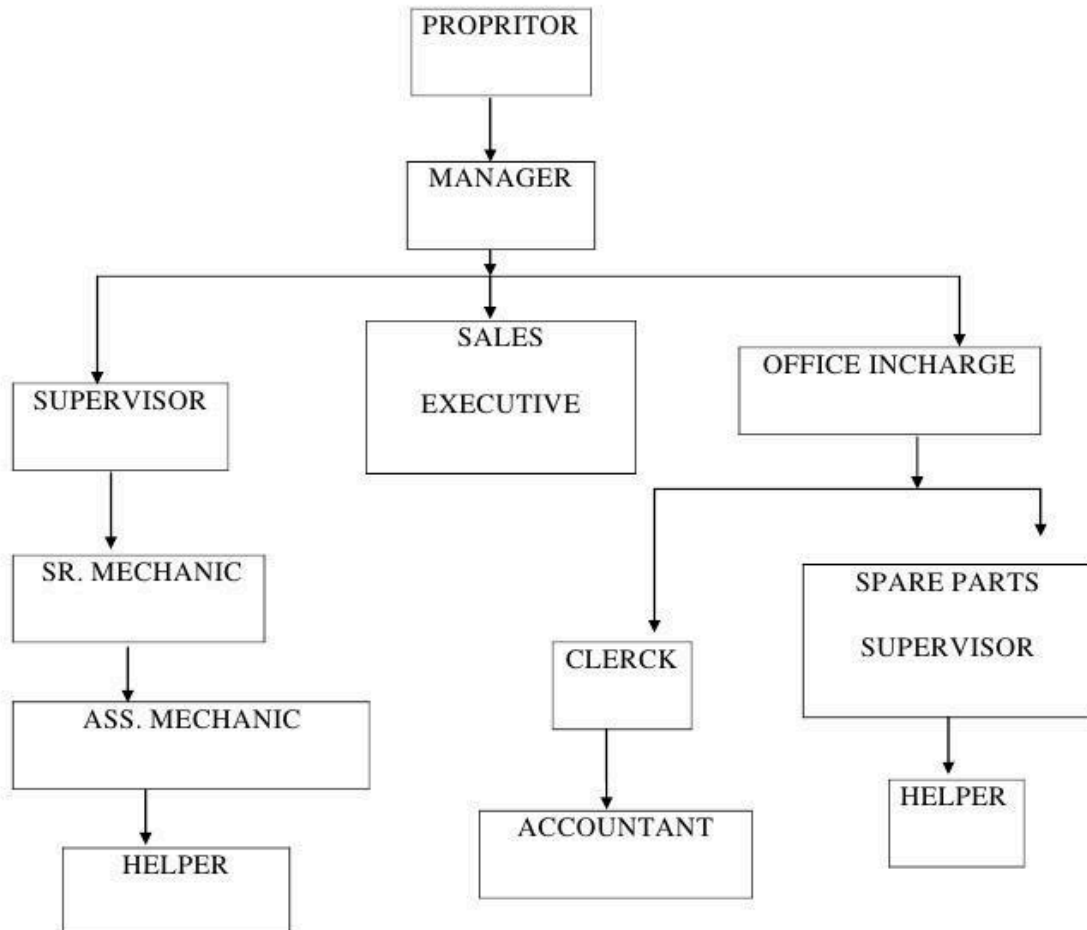
Diversified corporations can build strong competitive advantage in developing economies, as research by [HBS professors] Krishna Palepu and Tarun Khanna 10 years ago showed ["Why Focused Strategies May Be Wrong for Emerging Markets," HBR July-August 1997]. M&M isn't a conglomerate; it's a federation of companies.

Mr. Mahindra believes that: "As long as the subsidiaries grow like weeds and the discount on the flagship company comes down, I will know that the model is working. The proof of concept has taken us almost 20 years, but if we can get all the benefits of being a synergistic group and, at the same time, satisfy the beta trackers, we will be able to prove that a federal structure works. This sounds audacious, but the

M&M model may be better than the conventional conglomerate because it's transparently more than the sum of its parts.”

In 1994, M&M was restructured into sectors, Mr. Mahindra provided managerial focus to all the businesses. Dedicated teams of managers have run the businesses since then. He pushed himself upstairs to make sure the structure would work; otherwise, he'd be breathing down the presidents' necks every day, defeating the idea of managerial focus. He believes that business families should behave like aggressive private equity companies, and that they must allocate capital, demand performance, create synergies, sustain value systems, and implement good governance practices, but they should let professional managers run the companies.

The organisation attaches a lot of importance to innovation and hence adopts an organic structure. Employees are empowered and are encouraged to pursue innovative ideas. It has transformed itself from a family managed organisation to a professionally managed one. All this has been possible due to non-interference of the promoters in the day-to-day activities of the various businesses.

**ORGANISATION STRUCTURE:-****ORGANISATION STRUCTURE OF MARUTHI MOTORS****WITH SPECIAL REGARD TO SALES**

## Organizational Culture

The Mahindra Group is co-creating a culture that offers the freedom to operate without fear. As the Group is rapidly growing, there are great opportunities for career advancement. The Group's hiring decisions favour individuals who demonstrate well-reasoned risk taking and an innovative mind set. It believes that these qualities contribute to a performance driven work culture.

In the words of Mr. Anand Mahindra “When M&M takes over, say, a French company, the CEO's wife is going to say, "Are you sure you want to work for an Indian business group? Are they financially sound, are they quality focused, won't they want Indians to run the company?" There are many preconceived notions about Indians, and they will all come out that evening in the kitchen. To tackle these apprehensions, we organize an annual weeklong executive-development program at Harvard for M&M's senior executives and their spouses. Our apocryphal Frenchman will be invited to the program, and he will be thrilled to attend. Thanks to an Indian company, he and his wife will have the opportunity to study at the world's best B-school, where no national flags fly. They will meet M&M executives from all over the world: China, Germany, Italy, India. They will learn that the company is intellectually open, and it is international in a way that no other enterprise is.”

This is the kind of culture that this dynamic organization has adopted, one of continuous growth and inclusive development. Not only of itself but all its stakeholders. Whatever cultural gaps that exist in such a global organization are bridged through such programs that are organized annually.

## Stakeholder Management

Mahindra & Mahindra has the objective to ensure that stakeholder expectations are the prime consideration while developing their CSR policy and programs. Each sector and business has both informal and formal mechanisms to engage with their stakeholders. The different types of engagement are:

Customers:

- Customer Satisfaction Surveys
- Interest Groups
- Plant Visits
- Structured community meetings.
- Great Escape

Dealers:

- Dealer Meets
- Dealer direct
- Eternal red felicitations
- Dealer performance review and reward
- Systematic sales and service support.

Society/Community:

- Medical camps, blood donation drives.
- Tree plantation drives
- Improvements to public schools
- Coaching students
- ESOPs – health, education, environmental initiatives.

Media:

- Press releases / Press Conferences
- Launches
- Great Escape

Employees:

- Development centers
- Welfare programs
- Performance management systems.
- Talent Management and training

- Get-togethers and employee dinners.

Suppliers:

- Supplier council / Supplier meets
- Monthly/Quarterly panel meetings
- Routine visits
- Great Escape

Labor Unions:

- Regular meetings / Industrial Visits.
- Training of union representatives.

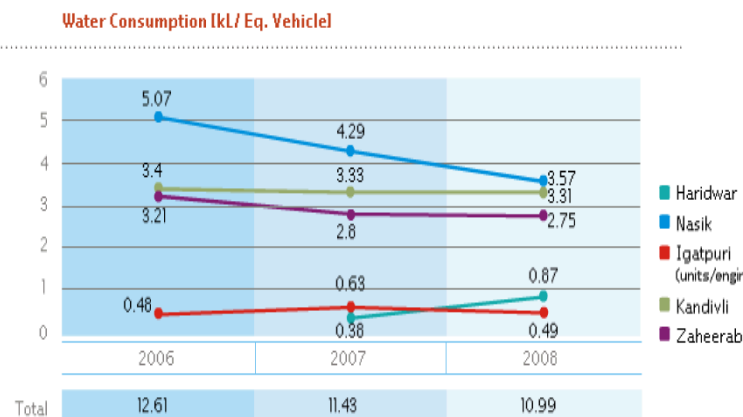
Mahindra and Mahindra also assure to continue strengthening the dialogue with their stakeholders through existing and emerging communication channels.

## Corporate Social responsibility

The Mahindra Group defines Corporate Social Responsibility as making socially responsible products, engaging in socially responsible employee relations and making a commitment to the community around it. At the Mahindra Group, Corporate Social Responsibility is not just a duty; it's a way of life.

In 2005, the Group celebrated its 60th anniversary by renewing its commitment to Corporate Social Responsibility. It pledged to dedicate 1% of its profit (after tax), on a continuous basis towards Corporate Social Responsibility. A unique kind of ESOPs - Employee Social Options was launched to enable Mahindra employees to involve themselves in socially responsible activities of their choice. The Group also announced a special gift: to provide free cochlear implants to 60 profoundly hearing-impaired, under-privileged children.

In addition to giving impetus to the Nanhi Kali project for the girl child and the Mahindra All India Talent Scholarship for the economically disadvantaged, the Mahindra Group is planning to set up two Mahindra Pride Schools. These schools will offer a variety of courses, with an emphasis on employability, including training for Information Technology, Retail, Automotive Engineering etc. They will provide new skills and capabilities to the weaker sections of society, particularly the scheduled castes and scheduled tribe youth. While these projects are already underway, plans for more social initiatives are on the anvil.



### Thermal Energy Consumption (Mkcal/Eq. Vehicle)



## Organizational Change

When M&M decided to change even in the smallest detail, there was a resistance to this change, with majority of it coming from the employees. Employee resistance commonly stems from uncertainty, self-interest, suspicion, conflicting perceptions, bad experiences, or thinking that the change was not in interest of the organization. This was due to the uncertainty that comes from a person being unsure about their abilities to learn new skill and roles that come with change. There are numerous accepted ways to reduce the resistance to change. M&M used tactics such as participation, facilitation and support, education, communication, negotiation, manipulation and also coercion in a limited way. The participation technique was applied before the change was initiated. This technique created in the employee a feeling of responsibility toward the success of the change. Facilitation and support as a technique was also used, using new skills training to try to relieve the anxiety of change. This technique was evident in when employees attended workshops for training of new skills needed to change.

Education and communication were the key tools used to decreasing resistance to change. By teaching employees the reasons and logic for the change, the chances for misinformation or poor communication were lessened. Group meetings throughout the change to explain to employees the facts about the change and clarifying any misunderstandings also helped the implementation process

M&M follows the four-step transformation loop. It is called the ESEE model-- because "easy" is the one thing change isn't. The various parts are:

Envisioning- Before you start any transformation, you have to create a vision of the future. You have to say, "This is where the world is going, and this is where I want to take my company." The vision has to make sense to you; in other words, you must be convinced that your organization fits into the future that you envisage. Then -- and I had to do this time and again -- you have to create a structure. You have to decide what your company will look like; you have to know how to place your troops -- where the generals will be, where the lieutenants will be, what the formations will look like.

The third step is enabling. You have to populate the structure with the right people and give them the financial resources they need. This process is akin to laying the supply lines before a battle. Once you've done that, you must get out of the way as the army starts moving. However, as chief executive, you still have one task to perform: You have to energize the corporation, which is the last E. You drop in on dealers to interact with customers and visit plants to meet employees -- that galvanizes the corporation presence of senior executives on the company's front lines is enough to energize people.

## Technology

Subsequent to the opening of the Indian economy many foreign automobile companies have entered the Indian automobile sector making the sector very competitive. The entry of new automobiles models with superior product features and product performance put immense pressure on existing companies to improve the domestic existing models. To achieve this it was necessary to examine the complete manufacturing setup right from product design to product delivery. An obvious area of improvement was technology upgradation. The new technology that was studied was a Product Data Management (PDM) software that was implemented in the R&D department. This software was used to digitize voluminous design data from various departments and in various formats. To remain competitive in global market Indian firms are becoming technology sensitive and major decisions are technology driven.

## Innovation

According to Mr. Mahindra innovation has to start with insights about the customer. Without identifying a need, you can't come up with new products or processes. Two, great products today have great designs. Like the iPhone, for instance, which is a favourite among people. Three, you have to encourage experimentation. You must hire people who don't listen to you, which M&M always does. You have to create a sandbox where people can play -- and fail, often and early. The organization must celebrate failure. Four, unlike Xerox PARC's inventions, innovations must add value to the company's bottom line. Five, you need to have a sales plan. No innovation sells itself; companies have to find ways of packaging and marketing it. Thus innovation is nothing but Insight, Design, Experimentation, Added value, and Sales plans for innovation –IDEAS

An example of promoting innovation at M&M in Mr. Mahindra's words- "In 1992, Sandesh Dahanukar, one of our little-known R&D engineers, pointed out that the chassis of M&M's utility vehicles kept breaking down. To manufacture stronger chassis, M&M would have to purchase new presses, which would have cost the company Rs 300 million [US\$7.50 million]. However, Sandesh had seen tubular chassis during his interactions with global automobile companies. If we developed one, he told me, we wouldn't need to invest in new presses. It was clear that Sandesh was a loner, who excelled when he worked on his own, so I authorized him to develop a prototype. I gave him a starting budget of Rs 600,000 [US\$15,000], complete autonomy, and a commitment to increase the investment in small doses at every gateway that he successfully crossed. Sandesh made slow but steady progress, and by 1994 he had developed a successful prototype as well as a new manufacturing process that we still use. His innovations saved the company around Rs 299 million I'm convinced that mavericks have a role to play in

our innovation process. We need to find ways of harnessing their talent and enthusiasm even as we strengthen M&M's formal product-development processes.”

How Mahindra developed a new SUV for \$120 million

● Dies	\$25 million
● Press shop	\$20 million
● Venders for tooling and rare oases engineering	\$20 million
● Body shop	\$11 million
● Prototyping and testing	\$10 million
● Model variants	\$10 million
● Assembly line improvement and testing	\$8 million
● Personnel overhead	\$6 million
● Consultants	\$5 million
● Plant infrastructure and utilities	\$5 million

Total spent on developing the Scorpio \$120 million

This is one-fifth the amount that any of the big five spend on developing a new vehicle. This has been possible due to the innovative culture of the organization.

## Tracking effectiveness

M&M periodically has daylong "war rooms," meetings at which Mr. Mahindra reviews each company's performance. The idea is borrowed from Dana Corporation and some elements from GE are also added. The main performance evaluation tool used is a version of the balanced scorecard. Organizationally, an office of strategy management has been set up that, when necessary, rolls out group-wide initiatives and monitors their progress. Also a group management board, consisting of all the sector heads, meets regularly to analyse the company's performance.

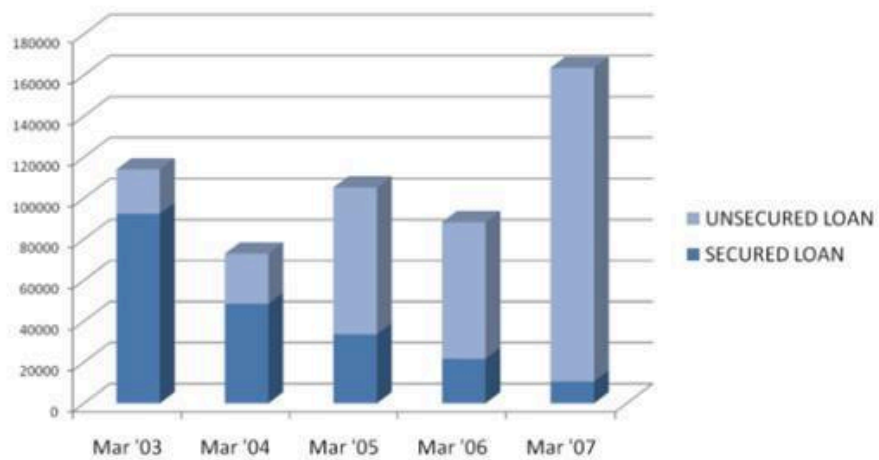
In order to track how innovatively the company is behaving, metrics were created that measure where each sector stands in terms of its innovation capability. After that, the companied can decide how it wants to become more innovative. The sector heads know that at every review, they will be asked what they're doing to improve their innovation scores and how they're faring.

### Problems to tackle

Mahindra&Mahindra must tackle three areas: First, to decide which globalization strategies to back; most of them will have to make big bets to succeed. Second, to find ways of attracting top

talent from several continents and generating synergies between the group's companies. Third, to rethink the role of the corporate center and, perhaps, the promoters own role.

## Data Analysis for Mahindra and Mahindra



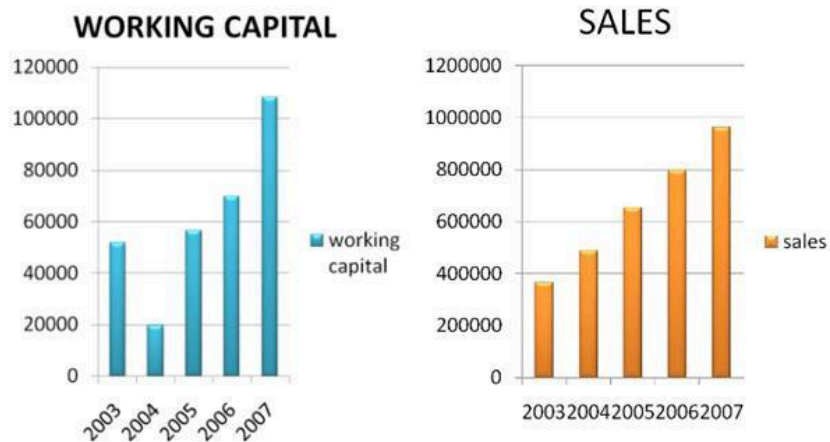
It can be seen that over the years the amount of secured loan has considerably reduced where as the amount of unsecured loan has gone up. This clearly shows that the organization is progressing and lenders are becoming more and more comfortable in lending the organization money without security.

INTER FIRM COMPARISON M&M Vs TATA MOTORS					
M&M	FY03	FY04	FY05	FY06	FY07
EPS	7.61	26.46	43.83	25.61	40.38
OPERATING MARGIN	8.21	10.47	10.90	10.71	11.45
NET PROFIT MARGIN	3.79	6.88	7.56	10.28	10.34
RETURN ON NET WORTH	5.82	17.53	24.79	20.77	27.28
PAT (cr)	88.25	306.91	489.39	597.72	961.28
NO OF EQUITY SHARES (in Lakhs)	1,160.09	1,160.09	1,116.48	2,334.00	2380.33
TATA MOTORS	FY03	FY04	FY05	FY06	FY07
EPS	9.66	23.34	34.08	35.57	43.76
OPERATING MARGIN	11.71	13.25	11.25	10.68	11.71
NET PROFIT MARGIN	3.29	6.10	7.02	7.35	6.94
RETURN ON NET WORTH	12.32	22.98	30.12	24.77	24.67
PAT (cr)	308.83	820.18	1,232.91	1,361.65	1,686.31
NO OF EQUITY SHARES (in Lakhs)	3,197.84	3,529.58	3,617.52	3,828.34	3,853.74

The table above shows a comparison between M&M and TATA Motors on various parameters. It can be seen that TATA Motors is a bigger company with higher values in each category, but M&M has shown continuous improvement and is not far behind TATA. In span of 5 years the PAT of M&M has grown by 992% whereas that of TATA has grown by 474%. Thus it can be seen that it is growing at a faster rate than its competitors.



Over the years the company has increased its current assets. In the graph above we can see a sharp rise in cash in 2007 which is due to the very high sales in 2006.



Over the years M&M has established a name for itself among customers, this is evident from the graphs above. Both graphs give ample signs to indicate the good health of the organization. It can be seen that both working capital and sales have improved in the 5 year period.

## **Conclusion**

Even in these highly turbulent times, Mahindra and Mahindra has managed to do excellent business. The reason for this is its constant endeavour to keep bettering itself, putting customer and quality as their top priorities, setting high performance standards and matching them. The

Gross Revenues and Other Income of Mahindra & Mahindra Ltd. for the quarter ended 30<sup>th</sup> June 2009 is Rs.4751.3 crores as against Rs.3760.7 crores during the corresponding period last year - a growth of 26.3%. The Net Profit after tax is Rs. 400.9 crores for the current quarter as against Rs. 159.3 crores Q1 last year - a growth of 151.7%. This shows us that even when the automobile sector is under tremendous pressure a company like M&M has performed well and lived upto the expectations of the stakeholders.

# Learning

The example of Mahindra and Mahindra is one which mirrors the growth story of India. The organization has evolved with time. It has seen both good and bad days and has emerged as a stronger body each time. What we have learned from M&M is how a family managed business can transcend borders and establish itself as a professionally managed organization. To elaborate this we would make use of an example from within the company. Mr. Bharat Doshi the CEO of Mahindra Group during his youth was faced with a dilemma, whether to join Patel & Patel Co. or Mahindra & Mahindra. Mr. Doshi's father looked at the list of board of directors of both the companies. While the former majorly consisted of Patels, the latter was an eclectic set. His father was convinced that the choice should be M&M. Thus M&M is an organization that can be treated as an example for others to emulate. The structure, culture, values at M&M are such that favouritism to family members is not followed. A meritorious pattern of growth is adhered to. M&M also teaches us that in times of crisis the organization which will survive is the one which can stop cursing the time and start thinking on its feet. Like it did by making fuel efficient cars during the fuel crisis. M&M teaches us that change and innovation are permanent and an organization cannot survive if it suffers from inertia of rest. Thus all in all an exposure to M&M has enriched us with valuable information as to how a local organization can go global by having a vision, following its principles and at the same time adhering to ethics and the laws of the land. M&M is truly an example we would love to emulate.

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