

SUPPLY CHAIN MANAGEMENT OF TATA STEEL: A STUDY OF GLOBAL LOGISTICS

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ABSTRACT

This research basically focuses on the Global business operations of TATA STEEL COMPANY formerly known as Tata Iron and Steel Company Limited (TISCO). It is a steel making multinational company based in India, Headquartered in Mumbai and working as a subsidiary of TATA GROUP. At present TATA STEEL is operating and having manufacturing plants in more than 26 countries in the world including Netherlands, Singapore china and Australia etc.

INTRODUCTION

TATA STEEL is subsidiary of TATA GROUP which is an Indian multinational Conglomerate holding company. Further it is owned by TATA sons and it was founded by Sir Jamsedji tata in the year 1868, It is one of the fastest growing and world Leader Company in the area of steel manufacturing But Company gained its international presence when bought several multinational companies. TATA owns and holds no. of subsidiaries which includes Tata Motors, Tata consultancy services, Tata global beverages, Tata Telecom services Titan, Voltas and Tata Steel. But TISCO was founded by Jamsed Ji Tata and established by Dorab Ji Tata in the year 1907. According to Wikipedia it was largest steel plant working in British Empire. In the year 2004 Tata Steel bought the business operations of NAT steel a Singapore based company for \$486.4 million. There after it acquire majority of the stake in the Millennium steel a Thailand steel making company for \$130 Million. Tata Steel believes in customization of product and services which should be based on the requirement of customer. They are not selling what they make rather the make what they can sell. It serves customer in different areas ranging from automotive, aerospace, power, shipbuilding, rail, defense and engineering etc.

(TATA STEEL- COMPANY PROFILE)

PORTFOLIO ORGANIZATION PERSPECTIVE

An organization which is having large scale operation or having different divisions of product and services produced needs to make a sound portfolio of projects as some new featured products might be added and some need to be subtracted from portfolio. Generally it is the selection of project, prioritization of project, having effective control over project and capability to operate it in well effective manner. The portfolio organization needs to study and review the balance of cost and benefits, starting and shut down of business units. It needs to make different decisions related with change management, strategic planning, project and programmed management. A large scale or multinational company generally makes segments into different categories and budgeting the project. For such type of organization it is better to have to different strategies for different projects and another strategy for whole business. Different projects may be having different shareholders, finance, Human resources and business operation distinctively. Entire business operations of various subsidiaries are in the hands of holding company, Holding company balances the cash flows and risk-return factor of the same. (CHARTERED BODY PROJECT PROFESSION, 2019)

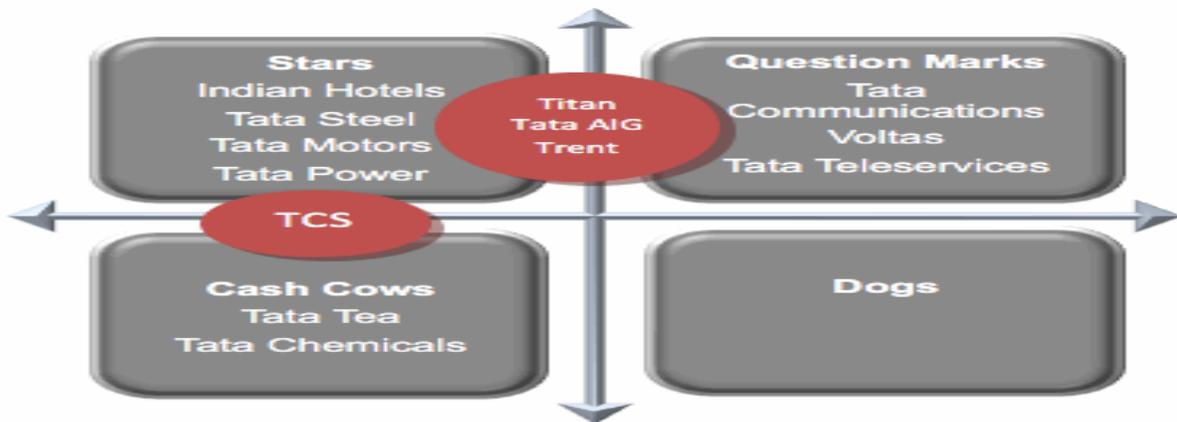
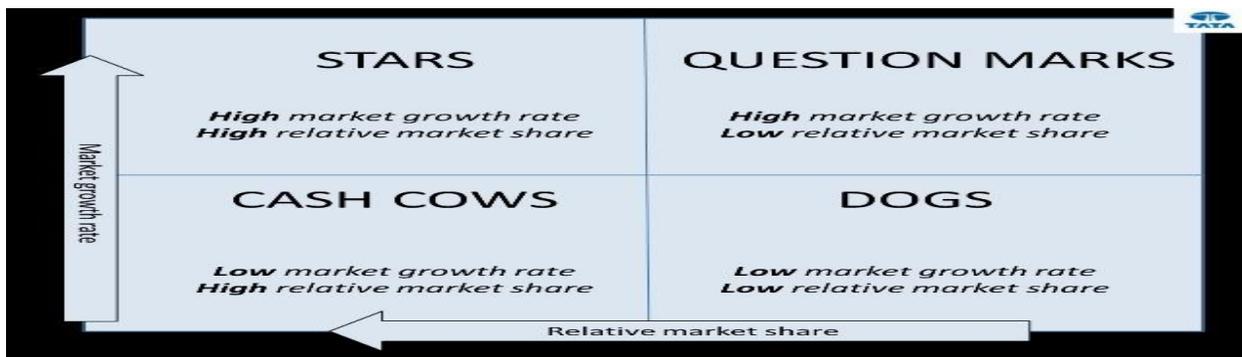
TATA GROUP MKT CAP



Compiled by BS Research Bureau

(BUSINESS REDIFF, 2019)

As we have already discussed TATA group is having several portfolio which are managed and operated worldwide. The group operates in more than 100 countries worldwide and having a mission of improving the quality of life. As shown in above chart there are total 28 public listed tata companies comprises of Tata Consultancy services having major share of 68 % , Tata Motors at 15%, Titan watches at 4% Tata power at 2% and Tata steel at 3% and others. Moreover to evaluate the strategic positioning of the business portfolio and potential power, it analyse its operation by BCG (Boston consulting group) which classifies business operations in to four major categories based on growth of an industry as follows



Portfolio analysis of the Tata Group using the BCG matrix

(Sourav Mukherji)

In above figure it shows that Tata steel is one of the profitable units of Tata group and as per BCG matrix analysis it exist in first quadrant emerge as clear star with high market share and high profits. Whereas other units like Tata communication and Tele services still having question mark. Tata steel consistently get feedback and follow up action for smooth functioning and removal of defects. Moreover they have appointed several experts for monitoring their working which further helps in optimum utilization of resources and decreases cost of the portfolio. The prime motive of Tata steel is to expand its business operation and getting prestige on the globe, they are not working for just getting profits or the development of goods and services. They are having different plans and policies for maintaining such a huge business under one roof of TATA group having transparent remuneration for employees, they will get paid as per their performance as higher the performance higher will be the remuneration.

INTEGRATED ORGANIZATION PRESPECTIVE

IOP (Integrated organization perspective means collaborations of various internal and external factors of an industry. Every company whether operating at large scale or small scale have some internal characteristics including leadership styles, management styles, structure, values and beliefs of organization and some external characteristics which include inputs and outputs, political, technological, social factors and other stakeholders. Integration of all these factors is way to success and new ways for the success of business operations. It also states that there should be one owner or supreme power for the multi business firms operating under him/her. When a single supreme power makes control over entire business operations then it will be very easy to maintain core competencies i.e. mission and vision, skills and values of business. In IOP approach it generally said that resources and benefits are concerned with same link. This perspective is beneficial as entire business firm follows a same policies and plans made by supreme and cut the cost because we don't have to make different strategies for different business. Top level management and executives of an organization makes important decisions and policies for business operations. It further allows departmental heads and manager to select and implement these core decisions by aligning with their own ideas and concepts. Another

thing it is complex because it follows standardization of policies and strategies etc entire business because it is generally said that a same answer cannot be given to all the questions. It is not correct to follow same strategy for all the units because needs are different so it is good to use multi business strategies and makes it liberal so that they can make their own decisions. It can result to a massive failure to follow same strategy for all. In spite of various companies and portfolio it shares common value and beliefs which makes it one of the dominant firms in the domestic as well as international market.

As we are talking about Tata Industries, which is operating at international level having a huge product width and product depth. They are offering a variety of products and services ranging from steel, chemicals, consultancy services, tea, motors, coffee and many other things. Tata follows above given i.e. Portfolio approach because they are having different products under different companies. TATA group makes it liberal for its companies to make their own decisions and make their strategies by their own but in case of most important decisions it should consulted with Holding company. Every subsidiary company needs different approaches for their business operation because they have different customer base, different processes, different employees etc meanwhile they are making strategies as per their requirement. In the case of TATA steel, they implement integrated organization perspective having same strategies for all. It can be useful as it is time saver and standardization form, but at the same time it is argued that they do not follow IOP as it removes flexibility from the organization.

For the conglomerate like TATA group, integrated organization approach is not suitable because of diversification of business operations. Requirements of every subsidiary are different from each other and having different customer base. Even if they are adopting Integrated approach then it makes organization rigid to the given plans and procedures. It will definitely minimize efficiency and reduces their productivity. That is why IOP approach is not recommended for TATA group.

BUSINESS MODEL INNOVATION AND TECHNOLOGY INNOVATION THROUGH STRATEGIC ALLIANCE, M&A'S

Business model innovation is the creation of new business model by replacing the pattern of an existing business model for the betterment of an organization and needs of customers than existing business models. It includes the creation of more values to the customers and for the organization itself. Even a minor innovative change in the organization through business model can be great beneficial to the business and customers. It makes the alignment of the business with technology, process, modernization and products available in the market. Furthermore it not only restrict to domestic level rather it leads to merger and acquisition of company at national and international level. It expands and diversified the business in the areas of production, target market and distribution etc. At this stage R&D becomes important factors as rapid change in technology put huge impact on such multinational firms. Innovation in the process and products leads to the growth of an organization. Strategic alliance approach helps to collaborate with other companies in the areas of Innovation and R&D. Merger happens when two firms join together whereas acquisition happens when one company acquire another company and work as holding company of another.

INTELLIGENT INNOVATION AND TECHNOLOGY THROUGH STRATEGIC ALLIANCE AND M&A

For international presence and outsourcing of certain things, M&A is one of the faster sources as it quickly innovate certain things makes it available for the organization. Merger and acquisition enables firms to indulge in Research and developmental activities in the areas technical up gradation and product development etc. As we have discussed Tata steel company is one if the biggest and largest steel making company in the world operating in more than 26 countries. So R&D plays a vital role in their working.

TATA group is having its operations in more 100 countries and of these TATA steel is operating in more 26 countries. They are having certain manufacturing plants in Britain, Europe and other

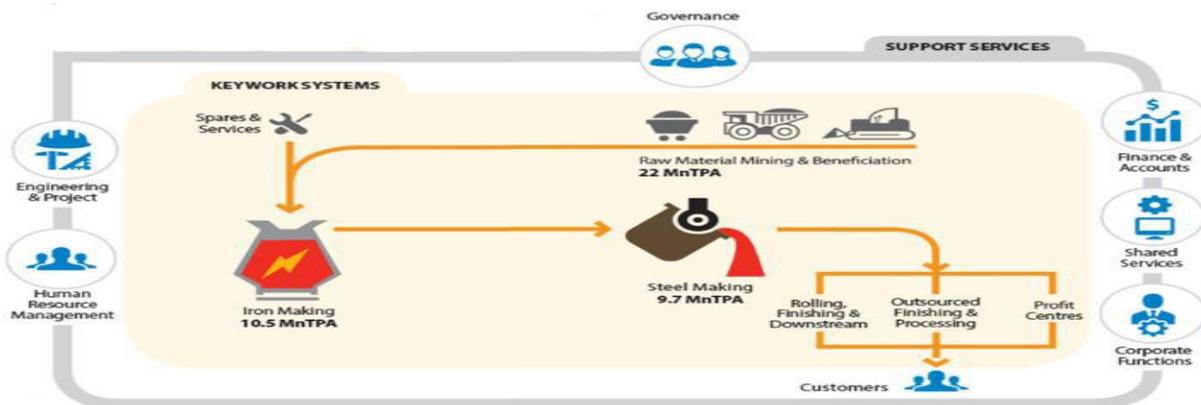
parts of world. They are having various acquisitions which include NAT STEEL which they acquired in the year 2004. Nat steel was Singaporean steel company with the capacity of making 2 million tones of fine and finished steel. Nat steel proved as major sources of R&D as located in Singapore. In the year 2005 Tata Steel acquired a major stake in the Millennium steel a Thailand based company for \$130 million. At the time of acquisition Millennium steel was the largest company of making steel in the Thailand with the capacity of making steel 1.7 million metric tonnes annually. In the year 2004 It had net profits of \$29 million and total revenue was \$406 million. It was renamed as TATA steel Thailand now Headquartered in Bangkok city. 2007 the year when there was a race between Tata Steel and CSN (a Bazillion steel making company) when Tata steel signed an agreement with Corus steel (Anglo-Dutch company) to buy its operation for 455 pence per share and CSN makes an offer to Corus for 475 pence per share but here also TATA steel win the race by giving 500 pence per share. To become a champion of steel making in Europe Tata Steel in the year 2018 signed a joint venture with ThyssenKrupp steel (A German based steel making company). At present Tata Group created their new and standard profile by acquiring world famous steel making factory of “Usha Martin” Located in Jamshedpur and now they have spread their steel business in across eastern India. (TATA STEEL, 2019)(Mazumdar, 2018)Acquisition of “Corus” It was milestone step in the journey of TATA steel because now it ranked as 6 rather than 56. At initial time it was continuously named as Corus but later on name has been changed to TATA steel. There Tata steel appointed 900 employees just to promote R&D activities. There work is to check skills requirements as per modern trends and making a flow of information and knowledge in the organization. These efforts makes Tata steel make it largest steel manufacturers in the world with low cost and highest profits.

Companies generally doing better and better but in the case of companies like TATA group, they have emerged with new thing i.e. INDUSTRIAL ACADEMIA INTERFACE so that the gap between educational institutions and industries ca be removed. TATA is now collaborating with universities and colleges to promote R&D. They are signing MOUs and agreements with

educational institutions for the sake of innovations and industry ready students. Tata helps by these institutions by providing credit facilities, required resources and other things to faculty and students to make projects and conducting for future projects. Tata finance various projects made by these students and implement policies suggested by the same of these institutions. Tata has collaborated both at domestic and at international level which includes IIT Madras, Imperial College of London, and Harvard University and University of Sheffield etc. It directly impacts Tata steel as they are now working with young minds and emerging scientists of world, definitely it helps in modernization and technological improvements in the organization.

(TATA STEEL - EXTERNAL COLLABRATION, 2019)

The basic principal in the success of Tata steel is importance of customer, as satisfaction of customer is their primary objective and meanwhile earning profits. Secondly they are continuously making changes for making improvements in their products. From the primary of origin of product to the distribution in the market, entire supply chain management system is operating in Tata steel is designed in such a manner that every value addition satisfies their customers. It makes them strong in the market against their competitors. By following these strategies of supply chain and the capacity extension plans in their plants of Jamshedpur and Kalinganagar is going to strength their product portfolio in India.

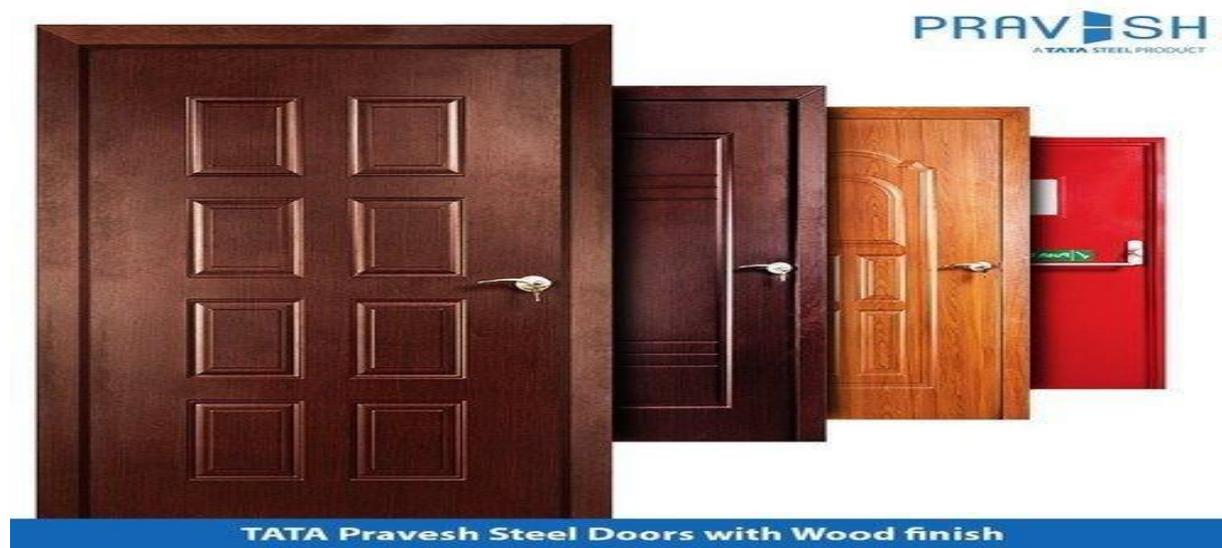


(TATA STEEL BUSINESS MODEL, 2019)

TATA STEEL DIGITAL AND MOBILE TECHNOLOGY

Tata has developed its own application and outsourcing various digital services to develop and promote new innovations and modernizations at the workplace. In the world there is huge competition in steel manufacturing so Tata Involved itself in something new, innovative and R&D. Tata steel signed an agreement and collaborated with Cap Gemini for the growth of Digitization of work. Now Tata steel do check their work performance, progression and control over working with this system.

TATA STEEL PRAVESH DOOR



Tata parvesh is the new brand and product entered in the portfolio of Tata Steel. It offers wide variety of stunning and strong steel doors and windows with the facilities of incubations and ventilations. They are having with double benefits, it is the strength of steel but finishing and beauty of wood. Moreover Parvesh doors are upto the mark from the view point of quality, price, looks and durability etc. These doors are made of high quality material of steel, modernized technology which ensure complete safety and security for the family and offices etc. Apart from it, installation process is very much easy which offers happiness to its users. After the success of

parvesh door they have started the range of windows with security and beauty. Tata offers windows in steel cases and vision glasses. These are not affordable only but energy efficient as well. Another part of parvesh window is their working, it can be hinged and opened and closed, uses swinging or not as per the requirement of customers.

(TATA PARVESH - DOORS OF INDIA, 2019)

At international level especially in Europe, TATA classifies their product in four categories, Firstly engineering which consist Hot Rolled, Direct Rolled, Cold Rolled, Electro-plated steel, Tubes, Cretinism and raw material etc. Secondly it have Automotives consisting Tailored welded blanks, Metallic coated and Aurora online etc. Other two categories of Construction and Packaging includes Floor plate, Roofs, Renewable, ECCS and Protact etc.

TATA AND CSR

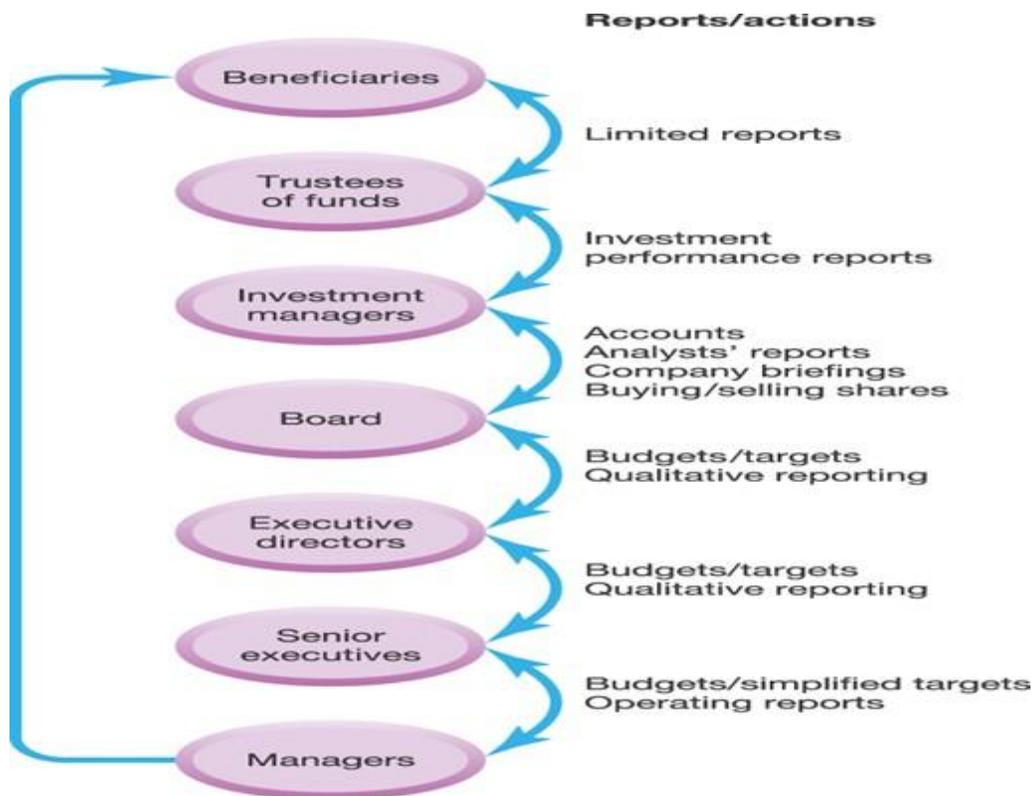


(The CSR Journal, 2018)

Tata group believes that being a multinational and one of the largest company in the world, it is their duty to perform some social activities for the betterment of society. Tata gave scholarship to 891 students of higher education and developed better infrastructure in more than 100 schools. Another social step taken by TATA group is the environment protection by which they have

planted more than 290850 trees under GREEN COVER mission. They also contributed to NGOs by donating more than 50 vehicles for various social programmes.

(Vishal, 2016)



CHAIN OF CORPORATE GOVERNANCE

As we have discussed Corporate governance is the way that how to govern a corporate unit. It is the technique or mechanism by which units are controlled and directed. Above mentioned figures show the chain which represent the active and actionable groups. Implementation of corporate governance is totally dependent upon the practices which is settled down for all the members of CG and other stakeholder. It aims to make profit and achieve organizational objectives by the way of Proper mechanism. As shown above there is relationship among

Beneficiaries of the units and trustee of funds which shows ultimate and final reports to them. As it goes downward flow increases and reports and paper work is also more which specify certain things.

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