Liberalisation

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Short Description
Liberalisation

Description

Liberalisation CAST STUDY solution

Read the case carefully and answer the questions given at the end.

During the 1990s, M&M, manufacturer of jeeps and tractors, started facing new challenges. Liberalisation had opened the door to competition from global players. With capacity increases in the industry, the market was shifting in favour of the buyer, and technological advancements were forcing a shift in the product and process parameters. The company realised that it was not geared to meet these emerging demands. There were a number of issues that needed to be addressed, for example, low productivity levels, too

much complacency and segmentation within the company, large variations in technology across locations, duplication of manufacturing activities, fragmented supply base, and a lack of customer focus. The initial efforts to rectify the situation were limited to initiatives like introduction of JQI, Kaizen, quality circles, ISO 9000 pursuits at individual sites, etc. But these efforts were isolated, and the results not very impressive. For instance, at a point of time the company had 127 quality circles, involving 1,200 employees, yet improvements did not seem to be forthcoming because these quality circles were still working within segmented functional boundaries, whereas most of the critical problems were of a cross-functional nature. M&M realised the need for a more radical approach. It was then that M&M decided to set some tough goals for itself : to increase the production of tractors from 40,000 to 60,000 per annum; to reduce customer complaints by 90 percent; to increase sales per employee by 175 percent; to increase productivity by 100 percent; to increase stock turnover fourfold; to achieve 100 percent adherence to schedule, and so on. What made these goals even more challenging was the decision to achieve them without adding any new equipment or personnel to the existing infrastructure. Having fixed the target, M&M was forced to work backward to identify the areas that could be improved. The company bench-marked the systems followed by its suppliers, Lucas Engineering and Sundaram Fasteners, and found that their work practices were superior. This, too, helped the company identify its inefficient operating systems and non-productive work practices. What followed was one of the largest re-engineering exercises in India. M&M redefined itself in terms of its three core processes : logistics, strategic sourcing, and manufacturing. To create a process-based organisation, the tall hierarchy was flattened to reduce flab; at the factory level, the number of years was crunched from eight to three. Additional manpower was retrenched and/or redeployed. The factories were re-engineered both in terms of physical layout and work-flow processes. The shop-floor was restructured into manufacturing cells which were part of the autonomous product units. Each cell, which consisted of many machines, was now to be responsible for a complete process, and product unit for the complete product. M&M was aware that these were more than just structural changes, the successful implementation of which required a mind-set change and a sense of ownership among the workmen. To achieve this, the company took many initiatives; for instance, teams of both workers and managers were sent abroad for training and industrial visits. This provided first-hand exposure to the viability of change. When these teams returned, the members were asked to make presentations to their peers, which helped in dissemination of knowledge. The other initiative to increase the sense of ownership was the formation of teams at the shop-floor level. In the new work design, each cell was managed by a team of workers, who set their own targets. To create greater flexibility within the team, people were trained in multi-skilling and multi-machine manning. The product units too were managed by cross-functional teams, responsible for interacting with customers, and responding to their feedback. This way each unit could interact with the customer and supplier and get a feel of the market-place. For instance, the shop-floor engineers would visit customers across. the country twice a month, videotape their interactions, and play

them back to the workmen. Thus, a customer's complaint or reaction that would have reached the shop-floor via internal memos, could now be heard live by the technical staff. The results of these changes soon started becoming visible. For instance, during April-June 1995, the production of tractors increased by 50 percent. The flat and team-based structure also helped in reducing the bill-processing time from 12 days to less than three. Similarly, productivity increased from 1,100 people producing 85 tractors per day to 670 employees producing 120 tractors per day.

Questions :

(a) Identify and discuss the core issues in the case.

(b) Critically evaluate the structural adjustments initiated by the organisation.

(c) Identify the role of cultural components in the management of change being effected in the organisation.