A Case of Ashok Leyland

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It all began in 1948, when, the than Prime Minister of India Pandit Jawaharlal Nehru asked Raghunanandan Saran to set up an automobile plant in Chennai. The plant named after Saran's son 'Ashok Motors'. It started assembling Austin cars. The plant was set up in Ennore near the sea shore which was not a wise decision, as, it would be seen later on that it corroded the metal.

Suddenly after the death of Saran, his wife started running it. But in 1955, British Leyland acquired and took over the company to make trucks and buses at Ennore. Acquisition by British Leyland and Changing the name from 'Ashok Motors' to 'Ashok Leyland' was the first strategic move. It then brought in four major area of changes i.e. product technology, production capacity, people and sales and marketing from its international experience.

Till 1980's the politicians in Delhi called the shots on any major decisions. As forex reserves were scarce, import substitution was the rule. The 'license raj' was totally active and even technology transfer was dictated by the centre. This was an era of second class technology. British Leyland had to toe the centre's dictat. What emerges from this is there was extreme interference from the government and decision making on important issues, i.e. place, technology, resources etc, were all under the purview of the government. Till 1978 the managing directors were from Britain. This entire phase of development of Ashok Leyland can be looked upon as a highly restrictive and government controlled environment. The major decision making was restricted by government which gave an impression of an quasi- government organization.

Though Ashok Leyland was facing a crippling external environment the next game changer was the appointment of a public sector manager, R J Shahaney as managing director. He brought in technological interventions in the form of bringing in new products and getting in to agreements with Hino Motors for engines and ZF for transmissions.

In 1987 Hindujas acquired Ashok Leyland in collaboration with Iveco who had experience in automobile engineering. Iveco played a big role in determining products, engines and technology.

The collaboration brought in business experience from Hindujas and technological experience from Iveco. Hindujas had no experience in manufacturing as they had been in trading and finance. So collaborating with Iveco was a natural out come.

In 1998 R Seshasayee became the managing director. Getting technology from out side was not possible and easy for the company. So Seshasayee understood that this state of affairs would get the company into problems and he pressed in for technological self reliance. The Hino engine platform was revived and the process of creating new engine variants kicked off in parallel. By this time the liberalization of the economy had taken place. India was entering in to a new phase of economic liberalization, privatization and globalization; the 'license raj' was now passé.

While the 1950's and 1960's were flourishing years, things changed in the 1970's. Labour movement took a militant approach and reflected a progressive deterioration. The union was dominant on the shop floor well into the 1990's. The Indian companies went through challenging times.

When Seshasayee took over as MD, he engaged with employees directly, going, beyond just the unions. He turned around the militant workers into productive, committed workforce and he has been duly credited for it. Employee engagement brought in the desired results and made the employees open up and committed.

In 2006, Seshasayee persuaded the Hindujas to call off the joint venture with Iveco and buy back the stakes. By this time there was a huge demand for engines and commercial vehicles. According to industry observers, the Technology Centre was a key initiative and critical contribution by Seshasayee. Experts were hired from Detroit. The old days were gone and new days set in. Recounting the license regime post-independence, Ashok Leyland Ltd, Once produced 1625 industrial engines when the licensed capacity was 1500. Its management had to defend before the politicians in Delhi and seek exemption from being fined, in spite of having a high demand for industrial engines.

British Leyland had to dilute its share to 51 percent as a condition for expansion, but did not agree to fund the exercise.

Getting a license for expassion required factories to be located in backward areas. Units were set up in Hosur (Karnataka) Bhandara (Maharastra) and Alwar (Rajsthan).

The market abruptly collapsed and capacity remained underused across the plants. When liberalization set in during 1991, the licensing was scrapped. The pantnagar plant was innaguarated in 2010, today it is a global benchmark for truck production.

With the advent of liberalization not only had the companies to compete with foreign firms they themselves, also, had to spread globally to manufacture and market their products. Suddenly from a restrictive environment to an open competitive and market driven economy the Indian industries have come a long way, the resilient and efficient ones have survived.

Sales and marketing were confined to a handful of dealerships in the North and the East, Today, under Vinod Dasari as MD, there is a stronger footprint of sales and marketing and the market share has also gone up.

On the subject of governance, there were concerns over whether Hindujas could emulate the British when they took charge of Ashok Leyland Ltd, in 1987. They did not disturb the management and both Shahaney and Seshasayee continued their work uninterrupted in the new ownership regime. The Hindujas consistently supported professional management and helped establish standards of governance comparable to the best in the country.

There is a sequence of interventions which helped 'Ashok Leyland' to survive and flourish.

1) Firstly it was started by R Saran in 1948.
2) After the sudden death of Saran his wife started running it.
3) In 1955, British Leyland acquired the company.
4) 'Ashok Motors' was named 'Ashok Leyland'.
5) British Leyland brought with it latest technology of those times.
6) There was a lot of political interference in 1980's.
7) Till 1978 the Managing Director were all from Britain.
8) First Indian Managing Director R J Shahaney was appointed in 1978.
9) In 1987 HIndujas acquired Ashok Leyland in Collaboration with Iveco.
10) In 1987, R Seshasayee was appointed Managing Director.
11) In 2006, Seshasayee persuaded Hindujas to call off the joint venture with Ivecco.
12) Technology Centre was established.
13) With liberalization in 1991 licensing was scrapped.
14) In 2010, Pantnagar plant came up. It is a global benchmark for truck production.
15) 1950's and 1960's were flourishing years.
16) From 1970's to 1990's labour union had become militant.
17) Under Vinod Dasari as Managing Director the market share has gone up.
18) Hinduja's supported professional management and established high standards of governance.

So it is observable from the above events that the organization faced an hostile environment in its earlier years, Its ownership changed hands and inspite of this it maintained a professional management style. It faced all the problems head on. With the dawning of liberalization it entered an era of high growth and a competitive business environment.

Looking in to the organizations resilience it weathered all odds and came as a winner. The processes brought in by the management were very effective, especially the appointment of R J Shahaney and R Seshasayee and collaborating with Hino ZF and Iveco were critical interventions for the organization.

1. What changes were brought about by British Leyland after acquiring Ashok Motors.
2. Describe the industrial scene from 1950's through 1990's on Ashok Leyland ?
3. Describe the impact of globalization on Ashok Leyland ?
4. What was the impact on Governance when the company changed hands from British Leyland to Hindujas?

SOURCE

[1]. Business Line Monday August 15, 2016.