Capability Building in the Indian Automobile Industry: A Study of Maruti Suzuki India Limited

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ABSTRACT

In the era of global competition, firms, in general, should develop innovative capabilities for their survival and growth. Firms rely either on their internal technological capabilities or their external linkages as the sources of innovation. With the pace of technology development, access to knowledge and resources from outside the firm is becoming increasingly important. The study analyses the capability building as seen in expenditure on ‘Research and Development’ in the leading auto manufacturer in India, Maruti Suzuki—a joint venture between the Indian government and Suzuki Motors Corporation, Japan. The analysis shows that the Maruti Suzuki has integrated and built internal and external competences to address the rapidly changing environment and has consolidated its position as the top automobile manufacturer with the right blend of capacity building activities.

Keywords: Capacity building, Maruti Suzuki, Automobile industry, Innovation.

1.0 Introduction

The resource-based view of the firm (RBV) is an influential theoretical framework for understanding how competitive advantage within firms is achieved and how that advantage might be sustained over time. The RBV assumes that firms can be conceptualised as bundles of resources that are heterogeneously distributed across firms, and that resource differences persist over time. Resources are those specific physical (e.g., specialised equipment, geographic location), human (e.g., expertise in chemistry), and organisational (e.g., superior sales force) assets that can be used to implement value-creating strategies. Resources form the basis of unique value-creating strategies and their related activity systems that address specific markets and customers in distinctive ways, and so lead to competitive advantage. The RBV brings forth the concept of resources and capabilities as the means of value creation in an organisation.

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1.1 Capabilities – The basis of competitive advantage

According to the resource-based view of the company, sustainable competitive advantage is achieved by continuously developing existing and creating new resources and capabilities in response to rapidly changing market conditions. Capabilities have been defined as the ability of a firm to deploy its resources in the best possible manner to gain competitive advantage. Capabilities fill the gap between intention and outcome, and they fill it in such a way that the outcome bears a definite resemblance to what was intended. Among capabilities, knowledge represents the most important value-creating asset. McKinsey defines a capability as anything an organisation does well that drives meaningful business results. Through continued use, capabilities become stronger and more difficult for competitors to understand and imitate.

The following are the key characteristics of capabilities:
- They are valuable across multiple products and markets.
- They are embedded in organisational routines (well-honed patterns of performing activities)
- They are tacit (i.e., difficult to reduce to procedure guides).

1.2 Dynamic capability- The new buzzword in Strategic Management

In the capability debate, the issues of volatile markets, environmental uncertainty, and change have come to the fore. Building on the observation that markets and superior market positions have increasingly become subject to erosion processes, the reliance on a specific set of nurtured capabilities has been called into question. Instead the emphasis has shifted to the ability to change and quickly develop new organisational capabilities as a critical prerequisite for sustaining competitive advantages.

Dynamic capability is the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. They are the organisational and strategic routines by which firms achieve new resource configurations as markets emerge and evolve over a period of time. Dynamic capabilities thus reflect an organisation's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions. Dynamic capabilities are a set of specific and identifiable processes such as product development, strategic decision making, and alliancing.
Deploying dynamic capabilities involves both capability exploitation and capability building. Capability exploitation concerns the extent to which a firm exploits rent-generating resources that are firm specific, difficult to imitate, and able to generate abnormal returns. Capability building involves the extent to which a firm commits to building new capabilities through learning from other organisations, creating new skills, or revitalising existing skills in new situations. Capability building is a key building block and a major source of sustained competitive advantages. The enhanced capability building that results from organisational learning and combinative innovations ensures on-going growth of the firm.

1.3 Dynamic capability development

The concept of dynamic capabilities arose from a key shortcoming of the resource-based view of the firm. The RBV has been criticised for ignoring factors surrounding resources, and assuming that they simply “exist”. Considerations such as how resources are developed, how they are integrated within the firm and how they are released have been under-explored in the literature. Dynamic capabilities attempt to bridge these gaps by adopting a process approach: by acting as a buffer between firm resources and the changing business environment, dynamic resources help a firm adjust its resource mix and thereby maintain the sustainability of the firm’s competitive advantage, which otherwise might be quickly eroded. So, while the RBV emphasises resource choice, or the selecting of appropriate resources, dynamic capabilities emphasise resource development and renewal. "A dynamic capability is a learned and stable pattern of collective activity through which the organisation systematically generates and modifies its operating routines in pursuit of improved effectiveness."(Zollo, 2002)

Starting from the characterization of dynamic capabilities as systematic patterns of organisational activity aimed at the generation and adaptation of operating routines, Zollo and Winter (2002) proposed that dynamic capabilities develop through the co-evolution of three mechanisms:

- **tacit accumulation of past experience** - the relative effectiveness or accumulated experience increases directly with task frequency.
- **knowledge articulation** - articulation builds capability more quickly than experience itself for low to medium volume task frequencies.
- **knowledge codification processes** - codification efforts force the drawing of explicit conclusions about the action implications of experience, something that articulation alone, much less experience alone, does not do. Codification's more effective than
experience accumulation and articulation for infrequent tasks, including newly created tasks.

2.0 Objectives of the Paper

Automotive industry, globally, as well in India, is one of the key sectors of the economy. Due to its deep forward and backward linkages with several major segments of the economy, the industry has a strong multiplier effect of industrial growth. The rise in efficiency and productivity helps directly and indirectly to accelerate the efficiency of other sectors through factor movements of goods and people in the economy. Therefore, the industry is recognised as one of the drivers of economic growth as it contributes significantly to the overall GDP of the nation. It has been identified at different forums as a sector with a high potential to increase exports and employment. Innovation and capability building are believed to be the key to success in automobile industry.

In view of the above, the main objectives of the study are as follows:

- To track the capability development in the Indian automobile industry.
- To understand the factors, both internal and external, that have shaped innovative capabilities with special reference to capability building at Maruti Suzuki India Limited.
- To analyse technological innovations undertaken at the company over the past 10 years, which have emerged as important sources of competitive strength.
- To look into the development of unique capabilities (financial, strategic, technological and organisational) at this firm, that add value for customers and helps it to attain and sustain competitive advantage in the marketplace.
- To analyse the major strategic alliances of the company. (e.g. IMI, Maruti Suzuki sign pact for capability building)

3.0 Review of Literature

This section reviews studies that have examined capacity building in different studies. Ulrich and Lake (1991) analyse the environmental factors affecting the firms in America during 1980s and state that executives should learn the skills of creating strategic and organisational capability that can establish shared mindsets to cope with change and not only survive and cope, but flourish in turbulent environments. Kim (1998) develops a model of organisational learning in an imitative catching-up process,
and at the same time a model of crisis construction and organizational learning with emphasis on importance of capabilities.

Chang (1995) examines the sequential entry process of Japanese electronic manufacturing firms into the United States during the period 1976-89 and finds that in order to build organisational capabilities to operate overseas firms should sequentially enter their core businesses where they have a stronger competitive advantage over local firms in order to reduce the risk of failure. Eisenheart and Martin (2000) study the nature of dynamic capabilities, the impact of market dynamism, and their evolution. They conclude that dynamic capabilities consist of specific strategic and organisational processes like product development, alliancing, and strategic decision making that create value for firms within dynamic markets by manipulating resources into new value-creating strategies.


Dixit and Sharma (2008) attempt to build a unified theory of capability building process which takes into account both internal as well as external perspective and explains it for new as well as established firms, successful as well as not so successful firms. Kale (2011) traces the capability development in the Indian auto industry and seeks to understand the factors; both internal and external to firms that have shaped innovative capabilities.

4.0 Evolution of the Indian Automobile Industry

The evolution of the Indian Automobile Industry can be traced through the following stages:

Phase I: Licensing (1970-84)

Between 1970 and 1982 cars were considered a luxury product; manufacturing was licensed, expansion was restricted; there were quantitative restriction (QR) on imports
and a tariff structure designed to restrict the market. A policy of import substitution and indigenous content requirements (up to 95%) led global automakers such as Ford and GM to exit India in the 1950s and the primary emphasis of domestic automakers shifted to producing commercial vehicles. During this highly regulated period, a significant portion of the auto components industry was reserved by the government for small, privately owned firms. Domestic automakers were required to purchase a number of components from these and other independent auto components firms. Consequently, the auto components industry became very fragmented with low production volumes, low technological intensity and low quality consciousness. The market was dominated by six manufacturers - Telco (now Tata Motors), Ashok Leyland, Mahindra & Mahindra, Hindustan Motors, Premier Automobiles and Bajaj Auto.

**Phase II: Deregulation (1985-1995)**

The creation of Maruti Udyog Limited (MUL), a joint venture between the Indian government and Suzuki Motors of Japan, for manufacturing cheap, small cars heralded the first tentative steps by the Indian government to deregulate the Indian auto and auto components industries. The government also permitted domestic firms to set up new units, add capacity and enter into technical/financial collaborations with global automakers and components firms.


Multinational automakers were allowed to enter the Indian market and set up majority-owned ventures. Technology licensing and transfer were allowed and encouraged. Between 1992 and 1997, many global automakers such as Daewoo, Daimler, Ford, Honda, GM, Peugeot and Toyota entered the Indian market, primarily through joint venture assembly operations with domestic incumbents. This decade witnessed the emergence of Hero Honda as a major player in the two wheeler segment and Maruti Udyog as the market leader in the passenger car segment.

**Phase IV: Transformation (2000-2005)**

Starting in 2000, several landmark policy changes like removal of quantitative restrictions (QR) and 100 percent FDI through automatic route were introduced. Indigenously developed (Made in India) vehicles were introduced in the domestic market and exports were given a thrust. In 2003, Core-group on Automotive R&D (C.A.R.) was set up to identify priority areas for automotive R&D in India.

**Phase V: Automotive Mission Plan (2006-16)**

The Automotive Mission Plan (AMP) 2006-2016 aims at doubling the contribution
of automotive sector in GDP by taking the turnover to 145 USD in 2016 with special emphasis on export of small cars, MUVs, two & three wheelers and auto components. The future challenges for the Indian automobile industry in achieving the targets defined in the Automotive Mission Plan would primarily consist of developing a supply base in terms of technical and human capabilities, achieving economies of scale and lowering manufacturing costs, overcoming infrastructural bottlenecks, while at the same time stimulating domestic demand and exploiting export and international business opportunities.

5.0 Case Study of Maruti Suzuki

The Automotive Mission Plan (2006-16) emphasises the need to develop dynamic capabilities in the Indian automobile industry. Keeping this target in mind we focus our study on the development of capabilities in the biggest player in the automobile sector, Maruti Suzuki. According to SIAM India, Maruti Suzuki is the leader in the passenger vehicle segment with market share of 48.74%.

The study covers the growth in capabilities at Maruti Suzuki over a 10 year period from the year 2001 to 2011. Data for this analysis is drawn mostly from the balance sheets and annual reports of individual company and publications of Automobile Components Manufacturers Association (ACMA), and Society of Indian Automobile Manufacturers (SIAM).

5.1 Maruti Suzuki- The numero uno in Indian market

Maruti Suzuki India Limited (MSIL, formerly known as Maruti Udyog Limited) is a subsidiary of Suzuki Motor Corporation, Japan. MSIL has been the leader of the Indian car market for over two and a half decades. Maruti Udyog Limited (MUL) was established in February 1981, though the actual production commenced in 1983 with the Maruti 800, based on the Suzuki Alto kei car which at the time was the only modern car available in India. Its only competitors- the Hindustan Ambassador and Premier Padmini were both around 25 years out of date at that point.

It was the first company in India to mass-produce and sell more than a million cars. It is largely credited for having brought in an automobile revolution to India. It is the market leader in India, and on 17 September 2007, Maruti Udyog Limited was renamed as Maruti Suzuki India Limited. The company’s headquarters are located in New Delhi.
5.2 Latest facts about the company

- The company has two manufacturing facilities located at Gurgaon and Manesar, south of New Delhi, India. Both the facilities have a combined capability to produce over a 1.2 million (1,200,000) vehicles annually.
- The company plans to expand its manufacturing capacity to 1.75 million by 2013.
- In an environment friendly initiative, in August 2010 Maruti Suzuki introduced factory fitted CNG option on 5 models across vehicle segments. These include Eeco, Alto, Estilo, Wagon R and SX4.
- In fiscal 2009-10, Maruti Suzuki became the only Indian company to manufacture and sell one million cars in a year.
- Maruti Suzuki has employee strength over 8,500 (as at end March 2011)
- In 2010-11, the company sold over 1.27 Million vehicles including 1,38,266 units of exports
- With this, at the end of March 2011, Maruti Suzuki had a market share of 44.9 per cent of the Indian passenger car market.
- In February 2012, the company sold its 10th million vehicle in India.
- Maruti Suzuki is India and Nepal’s number one leading automobile manufacturer and the market leader in the car segment, both in terms of volume of vehicles sold and revenue earned.

5.3 Capability building at Maruti Suzuki

Before proceeding to capability development at Maruti Suzuki, we define the meaning of each dynamic capability used by us for analysis.

- **Learning capability** - A firm's proficiency at generating, and then acting on, strategic knowledge. Organisational learning might be defined as the process through which organisations change or modify their mental models, rules, processes or knowledge, to sustain or improve their performance. Organisational learning capability (OLC) has therefore been considered a key indicator of an organization’s effectiveness and potential to innovate and grow. This capability has been positively related to variables like job satisfaction or innovation performance.
- **Technological capability** - Technological capabilities are defined here as the knowledge and skills required to identify, appraise, utilise and develop technologies
and techniques relevant to the automobile industry. Through the application and extension of knowledge and skills (in particular technologies and techniques), the firm is building its stock of both explicit and tacit knowledge accordingly.

- **Managerial capability** - Inputs to managerial capability are education and qualifications, on-going training and development, experience and management rules and systems.
- **Manufacturing capability** - It is the ability of a firm to expand its production capacity i.e. steps taken over the years to increase production at the plants.
- **Environmental capability** - Ability of the company to move on the path of environmental efficiency by reconciling economic targets with environmental targets.
- **Financial capability** - Managing the financial decisions which are crucial to the health and survival of the firm.
- **Relational capability** - Measured by strategic alliances of the firm with other firms and suppliers.
- **Organisational capability** - Changes brought about in the organisational structure to increase efficiency at work.

### 5.4 Capability: Journey over the years

#### 1. Learning Capability

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<tr>
<th>Progress</th>
<th>Advantage</th>
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<tr>
<td>In 2011, Maruti Suzuki India Limited (MSIL) has tied up with India’s top B-School International Management Institute (IMI) for its executives to gain cutting-edge management education. These executives will be enrolled in IMI’s highly rated PGDM (part-time) program at their Delhi campus.</td>
<td>After the completion of their education, Maruti Suzuki executives will return to their organization as better business managers with skills to take on future leadership positions.</td>
</tr>
<tr>
<td>2010-Tie up with National Hybrid Propulsion Programme (NHPP) for the development of Hybrid and Electric vehicles.</td>
<td>Through this exercise Maruti Suzuki is keen to expand its learning’s on green technologies that put minimal stress on non-renewable energy.</td>
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<td>Patents have been filed in the key</td>
<td>This has helped in preventing infringement of</td>
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technology areas such as engine design and body design. technical knowhow.

Knowledge Management techniques have been employed by the company wherein knowledge base of various design processes have been maintained. This has reduced the time taken by a designer/engineer for iterative design processes and capture expertise knowledge to come up with accurate results in the minimum span of time

Source: Annual reports of Maruti Suzuki 2001-2011

2. Technological Capability

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<tr>
<td>2011-Huge investments are being made in setting up dedicated R&amp;D facility at Rohtak (Haryana).</td>
<td>It will develop in-house capabilities to design cars for Indian and export markets.</td>
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<tr>
<td>Maruti Suzuki Ltd, is set to expand its R&amp;D capability by increasing its headcount up from 1,060 to 1,300 by the end of this fiscal as it works on a fully India developed car and sets up a test track.</td>
<td>The company is aiming to expand presence in the country by opening new dealerships and strengthening after-sales and service network.</td>
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<tr>
<td>Engineering capability development: design and development of full body change followed by development of new platform(s).</td>
<td>To speed up new product development and helps in meeting future challenges.</td>
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<tr>
<td>Capability enhancement in the areas such as instrument panel, door, fuel tank and seating systems.</td>
<td>Helps in carrying out full body change.</td>
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<tr>
<td>Digital engineering and engineering information management techniques are being effectively used.</td>
<td>Has enhanced the virtual validation skills and has reduced design cycle time and development cost.</td>
</tr>
<tr>
<td>Design and development of the new 'K12M' and 'G12' engine and the up-gradation of the Company's vehicles to meet BSIV norms.</td>
<td>Enhanced capability in engine development.</td>
</tr>
<tr>
<td>Thermal Shock Tester set up for engine dyno.</td>
<td>With the setting up of this facility, it has been possible to evaluate in-house various parts which are subjected to thermal load/ thermal shock e.g. Cylinder Head gasket, cylinder block, piston train, seals etc. for their durability.</td>
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The setting up of the durability tester for endurance testing of various transmission parts.

Localisation, development and testing of parts for existing & new models.

Capabilities strengthened in component and vehicle evaluation, benchmarking and design optimization.

Capabilities being further strengthened in area of alternative fuels like Diesel, CNG and LPG.

VA – VE at time of design & localization to maximize cost benefit.

Source: Annual reports of Maruti Suzuki 2001-2011

3. Managerial Capability

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<tr>
<td>The company has acquired experienced R&amp;D professionals from abroad for senior and middle management positions.</td>
<td>This will help the company to build capability to completely design and develop new models with the help of their own engineers in the coming years. Develop managerial capabilities for better advancements in work efficiency.</td>
</tr>
<tr>
<td>To develop capabilities, engineers are being provided exposure to live projects in Suzuki, Japan.</td>
<td>“On the job” development that is customized to the individual.</td>
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<tr>
<td>Mentoring/Coaching for all Campus Joinees (Graduate Engineer Trainees, fresh CAs, MBAs &amp; graduates).</td>
<td>To ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition.</td>
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<tr>
<td>The Company has institutionalised a robust system of internal controls.</td>
<td>All transactions are authorised, recorded and reported correctly.</td>
</tr>
<tr>
<td>The Company’s extensive training calendar covers all categories of employees i.e. associates, supervisors, junior, middle, senior and top management who are given behavioral training, functional training and safety training.</td>
<td>All round development of employees as this learning is the key catalyst for organisation’s survival and success.</td>
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<tr>
<td>Information Management systems are implemented.</td>
<td>This move has ensured effective and efficient flow of information.</td>
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<tr>
<td>The Company is now doing systematic</td>
<td>This move has enhanced speed, flexibility and</td>
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Capability Building in the Indian Automobile Industry

succession planning, at middle management and has also completed an exhaustive project on Role Clarity across all levels and all functions.

Suggestion Scheme, wherein each employee has both targets and incentives for contributing suggestions. This step has enhanced innovation and also increased motivation in the employees.

The Company conducts programs such as “Bulandi” and “Chunauti” for the workmen and technicians. This is done to enhance their pride in being an employee of the Company and also to create team synergy.

The Company is using the Japanese practice of Kiken Youchi Training or KYT, employees across the shop floor regularly identify potential safety hazards in their area of operations. Based on this feedback, the layout and sequence of the manufacturing process is modified to prevent accidents.

Source: Annual reports of Maruti Suzuki 2001-2011

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<tr>
<td>The carmaker plans to spend 35 billion yen ($416 million) to build an additional factory in Manesar which will be operational by 2012.</td>
<td>This will boost production capacity 46% and it will be able to make as many as 1.75 million vehicles annually.</td>
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<tr>
<td>Suzuki Motor announced in 2011 that it will locate a planned $1.3 billion passenger car factory in Gujarat.</td>
<td>Expand production capability.</td>
</tr>
<tr>
<td>New manufacturing plant at Manesar which started commercial production in 2006-07.</td>
<td>Additional production capacity of about 1.3 million units. The Manesar plant is responsible for the production of the Swift, Swift DZire, A-star and SX4.</td>
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<tr>
<td>New Engine and transmission facility started in 2006.</td>
<td>Has aided the increased production of diesel engines in the company.</td>
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<td></td>
<td><strong>Source: Annual reports of Maruti Suzuki 2001-2011</strong></td>
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<tr>
<td>Exchange risk management policy.-The Company manages its exchange risk by using appropriate hedge instruments depending on the market conditions and the view on the currency.</td>
<td>To reduce foreign exchange risk as the company is exposed to risks associated with fluctuations in foreign exchange rates mainly on import of components, raw materials, royalty payments and export of vehicles.</td>
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</table>
Company has been focusing on localising the vendor imported components. This will help reduce cost, bring immunity against foreign exchange fluctuations and at the same time, provide a boost to small and medium scale local industries.

The Company invests its surplus funds in debt schemes of mutual funds and short-term bank fixed deposits. This has enabled the Company to earn reasonable and stable returns in a volatile interest rate scenario.

Around 75% of the Company's components by value are outsourced, and manufacturing is undertaken based on Just-In-Time (JIT) inventory principles. The inventory turnover ratio of the Company has increased over the years.

The company maintains a low debt-equity ratio. The company maintains a low debt-equity ratio. As a result it has low risk associated with capital gearing.

The company became a publically listed company in 2003. This increased the investor base of the company.

Source: Annual reports of Maruti Suzuki 2001-2011

6. Relational Capability

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<tr>
<td>Maruti Suzuki has been launched as a joint venture between the State-owned industrial group Maruti Udyog and the Japanese car-maker Suzuki.</td>
<td>Company brought in an automobile revolution to India and is the market leader for past two and half decades.</td>
</tr>
<tr>
<td>Maruti Suzuki India Limited has tied up with 8 major banks for financing Maruti vehicles on an all India basis. This consortium comprises Citicorp Maruti, Maruti Countrywide, ICICI Bank, HDFC Bank, Kotak Mahindra, Sundaram Finance, Bank of Punjab and IndusInd Bank Ltd.</td>
<td>Maruti has expanded its presence across the country including rural and semi urban markets.</td>
</tr>
<tr>
<td>Maruti has brought all car insurance needs under one roof. Maruti has tied up with National Insurance Company, Bajaj Allianz, New India Assurance and Royal Sundaram to bring this service for its customers.</td>
<td>Maruti Insurance has become a hassle-free way for customers to have their cars repaired and claims processed at any Maruti dealer workshop in India.</td>
</tr>
<tr>
<td>In 2007-08, strategic alliance with ‘Magneti Marelli Powertrain S.p.A.’ (Magneti Marelli) for manufacture of Electric Control Units (ECUs).</td>
<td>This joint venture has enabled the Company to procure ECUs locally which has resulted not only in reduction in the cost but has also ensured a highly reliable and regular supply of</td>
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</table>
In 2007-08 another strategic alliance with Futaba Industrial Co., Ltd.’ (Futaba) for manufacture of Exhaust Systems Components (ESCs).

ECUs.

This joint venture has ensured supply of high quality ESCs to the Company.

In 2007, the Company entered into an agreement with Mundra Port and Special Economic Zone Limited (MPSEZL) to develop a mega car terminal at Mundra Port for export of Company’s products.

This has resulted in exports of a considerable high volume of products from India.

The Suzuki-Nissan tie up in year 2005-06.

Maruti will make cars which Nissan will export to Europe.

Maruti has developed a strong supplier base over the last two and half decades.

Uninterrupted flow of supplies to the company as well as mitigation of commodity price risk because of this diversified supplier base.

The Company embarked upon new project in Collaboration with SMC for the manufacture of diesel engines, petrol engines and transmission assemblies for four wheeled vehicles in the year 2004-05.

As a result the total plant capacity is 300,000 diesel engines per annum.

Source: Annual reports of Maruti Suzuki 2001-2011

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<tr>
<td>Risk assessment framework has been formulated and implemented.</td>
<td>This methodology helps in assessing and identifying risks on an ongoing basis, risk prioritising, risk mitigation, monitoring plan and comprehensive reporting on management of enterprise wide risks.</td>
</tr>
<tr>
<td>The Company has developed comprehensive legal compliance scheduling and management software by which specific compliance tasks are assigned to each individual.</td>
<td>The software enables in planning and monitoring all compliance activities across the Company.</td>
</tr>
<tr>
<td>The Company is fully committed to practising sound corporate governance.</td>
<td>This provides the management with the strategic direction needed to create long-term shareholder value.</td>
</tr>
<tr>
<td>“Maruti Centre of Excellence” (MACE) is a team dedicated to the development of vendors' employees.</td>
<td>Cordial long term relations with the vendors.</td>
</tr>
<tr>
<td>The Company has instituted a</td>
<td>This has kept a check on insider trading.</td>
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7. Organisational Capability

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<tr>
<td>Company has implemented the Maruti Production System (MPS) on the shop floor which is a systematic way to identify and eliminate waste in operations, such as unnecessary movement of men and material, in-process waiting and so on.</td>
<td>This has improved productivity.</td>
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<tr>
<td>To streamline inventory movement within the factory, a comprehensive “Warehouse Management Solution” for imported components was introduced.</td>
<td>This system helps in saving time and effort considerably while handling inventory.</td>
</tr>
<tr>
<td>The Company has deployed a world class Dealer Management Solution across its vast network of dealers throughout the country.</td>
<td>The solution has helped dealer managements to access a wide range of information about their operations, as also customer satisfaction and feedback.</td>
</tr>
<tr>
<td>Maruti True Value for sale, purchase and exchange of pre-owned cars. This shows the strength of diversification by the Company.</td>
<td>It is the largest organised pre-owned car sales network in India.</td>
</tr>
<tr>
<td>Maruti Driving School is another subsidiary of the company.</td>
<td>Maruti has taken a step in the direction of addressing the overall Road Safety through these driving schools.</td>
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Source: Annual reports of Maruti Suzuki 2001-2011

### 6.0 Conclusion

Building organisational capabilities, such as leadership development or lean operations, is a top priority for most companies. - McKinsey Global Survey 2010.

Maruti had done a long and successful journey in the Indian roads and still continues its journey in the country as well as globally. The thirst for Maruti Suzuki cars is never ending in India. With the right blend of capability building activities, Maruti Suzuki has already consolidated its position as ‘the numero uno’ in the Indian market.

Dynamic capability is the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. The basic assumption of the dynamic capabilities framework is that core competencies should be used to create short term competitive positions that can be used to build longer-term competitive advantage. Dynamic capabilities are viewed as drivers behind creation, evolution, and recombination of other resources into a new source of competitive advantage. The dynamic capabilities also have to balance the present and future. This includes managing
both the creation of new products and the operational management of present production, improvements of present competence and routines and the removal of competences and traces of earlier paths that may hamper the renewal processes of the firm. Developing a dynamic capability is especially important for companies in emerging economies like India, given their turbulent and unprecedented environments. Exploiting existing strategic assets will not create long-term competitive advantage. In a dynamic world, only firms who are able to continually build new strategic assets faster and cheaper than their competitors will earn superior returns in the long run as demonstrated through this case of Maruti Suzuki Limited.

References


