

Entrepreneurship & Management functions (DS3000)

Session 3

<https://sites.google.com/a/iiitdm.ac.in/sudhirvs/courses/entrepreneurship-management>



INDIAN INSTITUTE OF INFORMATION TECHNOLOGY,
DESIGN AND MANUFACTURING,
KANCHEEPURAM

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Contents

Organization and Business

Understanding the business ecosystem ecosystem

Competition Analysis – Porter's Five Forces Model

Value Creation Model

Organization and Business

Continuation from session # 2

Queries to be addressed:

1. Limit of 100 crores for Startup
2. Businesses Classification : Factors of Production

Contents

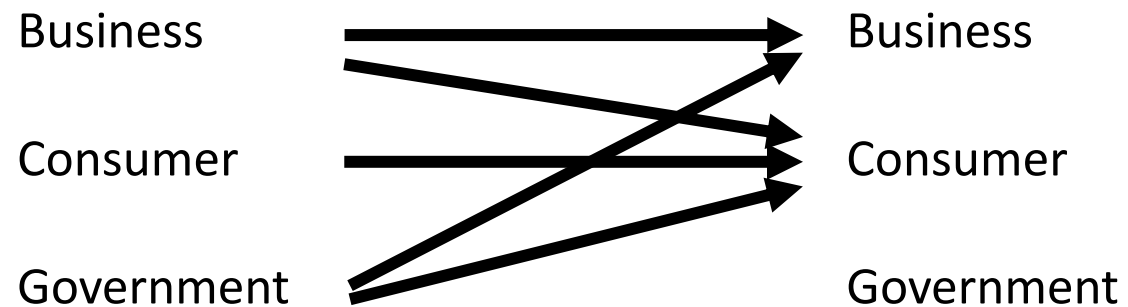
Business and Organization

Understanding the business ecosystem

Competition Analysis – Porter's Five Forces Model

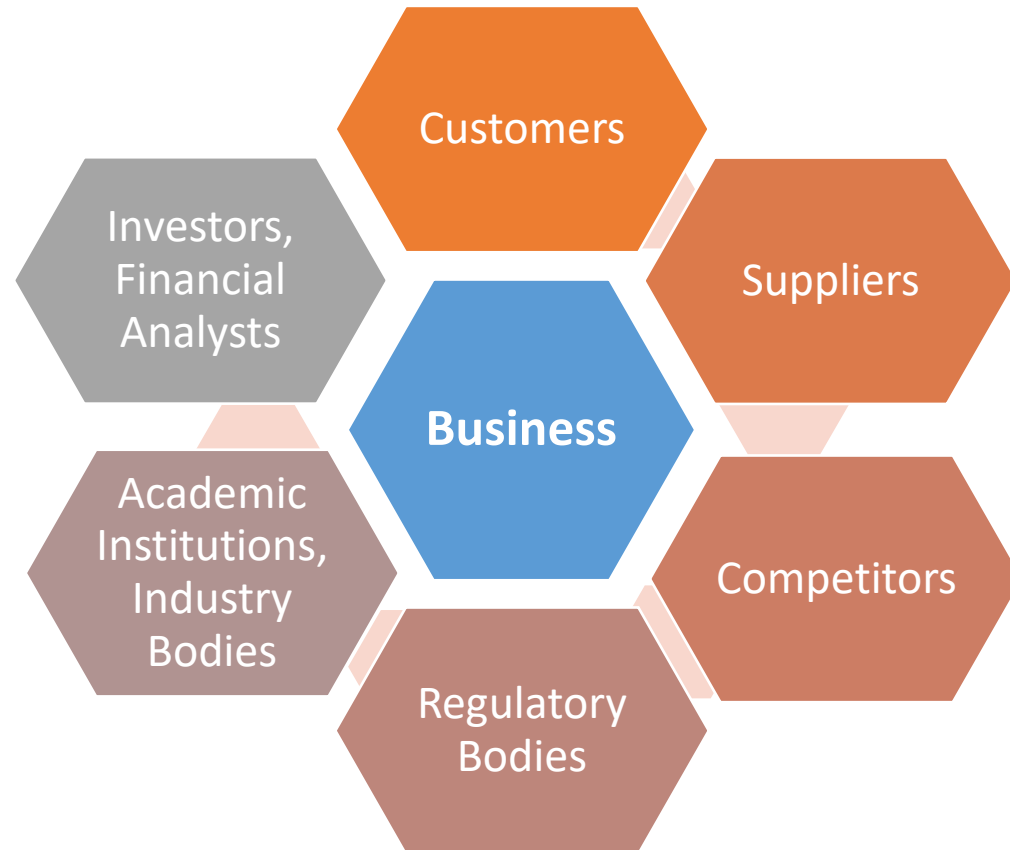
Value Creation

What is a market (noun)?



Physical By types of goods &
Virtual services exchanged (labor,
 finance, commodities)
 Legal vs Illegal

Key players in a Business Ecosystem



Different players will exhibit different kinds of pressures on the business (+ve and –ve)

Understanding these pressures and finding a path of alignment is the key for survival and growth over time

Exercise 3.1: List the key market players for your product / company (20 min)



Contents

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Value Creation Model (VCM)

VCM is based on three simple principles.

1. Identify the "Value Gap" and create a service or product that provides value that is needed or wanted by the customer/user
2. Create a product or service that provides more value to the customer than any other alternative available.
3. Create a product or service that is easy to use and cost a lot less than the competition.

VCM is a "zero-sum game" and the winner is not just the person who provides the most value, but the person who provides the most value at the lowest cost.

Value Creation (Government) : NPCI

National Payments Corporation of India (NPCI) is a public-private partnership between the Reserve Bank of India (RBI) and Indian Banks' Association (IBA)

NPCI has been successful in creating value for its stakeholders by developing several innovative payment products and services, including:



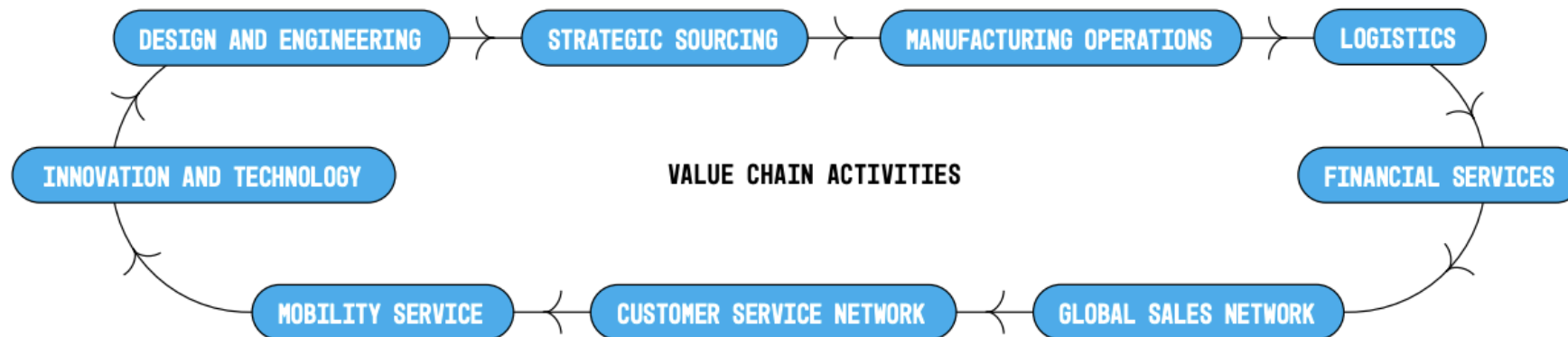
1. Unified Payments Interface (UPI): (Individual user)
 2. BHIM : Bharat Interface for Money :(Individual user)
 3. RuPay: Domestic Debit Card : (Individual user)
 4. NACH : National Automated Clearing House: Business users
- FASTag: Automated Toll Payment system : Individual user

Value Metrics : Accuracy, speed, easy of usage (interface), Problem resolution

Creating value through our business model: Tata Motors

By FY24, we aim to become the most aspirational Indian automotive brand, consistently winning, by:

- Delivering superior financial returns
- Driving sustainable mobility solutions
- Exceeding customer expectations
- Creating a highly engaged work force



OUR RESOURCES

③ Financial capital

- Strong financial foundation supporting sustained business growth
- Planned prioritisation of capital allocation

EQUITY CAPITAL INCL. RESERVES

₹45,322 crore

INVESTMENT SPENDING

₹28,473 crore

NET AUTOMOTIVE DEBT

₹43,687 crore

④ Manufactured capital

- Quality-focused, lean manufacturing expertise
- Globally competitive, scalable and widely accredited manufacturing facilities

TML*

MANUFACTURING FACILITIES

10

R&D/ENGINEERING AND DESIGN CENTRES

3

JLR

MANUFACTURING AND ENGINEERING
FACILITIES WORLDWIDE

12

TECHNOLOGY HUBS

8

** includes data for TML, TMPVL and TPEML*

⑧ Intellectual capital

- Brand trust and reputational advantages
- Innovation-driven R&D and design thinking approach
- Digital platform enabling strategy execution
- Strategic partnerships and collaborations

Product portfolio

R&D SPEND

₹20,265 crore

Design applications

TML	79
JLR	229

Patent applications

TML	158
JLR	137



Our Resources

👤 Human capital

- Diverse Board with strong leadership expertise
- Inclusive workplace policies and practices
- Industry specific specialist skills

TML

TRAINING AND
DEVELOPMENT SPEND

₹24.1 crore

SPECIALISED TRAINING AND
DEVELOPMENT

3,42,368 hours

TOTAL EMPLOYEES

56,727

Permanent employees **27,125**

Temporary employees **29,602**

🤝 Social and relationship capital

- Strong stakeholder relationships and corporate reputation
- Sustainable supply chain management
- Empowering and supporting local communities

TML

Supplier assessments and
screening through sustainable
supply chain initiative

CSR SPEND

₹20.81 crore

VOLUNTEERED BY EMPLOYEES FOR
ACTIVITIES

35,756 hours

🌱 Natural capital

- Delivering low emission mobility solutions
- Focus on water conservation & augmentation
- Sustainable and resource efficient operations
- Renewable energy adoption

TML

SPECIFIC DIRECT
ENERGY CONSUMED

1.07 GJ/vehicle

SPECIFIC INDIRECT
ENERGY CONSUMED

2.00 GJ/vehicle

SPECIFIC TOTAL
ENERGY CONSUMED

3.07 GJ/vehicle

WATER WITHDRAWAL

58,42,982 m³



Output

Financial capital

Enhancing corporate value through sustainable growth in order to return profits to shareholders and investors

REVENUE GENERATED

₹3,45,967 crore

AUTO FREE CASH FLOW

₹7,840 crore

EBITDA MARGIN

10.7%

Dividend declared **₹2** per share for ordinary shareholders and **₹2.1** per share for DVR holders, outflow of **₹771 crore**

TMFL Collection efficiency: **108%**
GNPA: **4.3%**,

SDGs Impacted



Manufactured capital

Delivering best-in-class transportation solutions and progressing towards enabling zero-emission options, while maintaining the highest standards of quality and safety

TOTAL UNITS OF VEHICLES SOLD

13,35,819 vehicles

EV units (leading to significant CO₂ reduction)

TMPVL **9%**
JLR (BEV+PHEV) **12%**

EV CHARGING INFRASTRUCTURE SET UP ACROSS CITIES IN INDIA
165

SDGs Impacted



Intellectual capital

Contributing to needs of electrification, automation and energy savings as well as safety and reliability through development of high-quality products and services

Design applications granted/registered

TML **22**
JLR **338**

Patents granted

TML **71**
JLR **218**

Transition fuels **CNG, LNG**

Battery EVs in **PV, SCV, LCV, Intra City Buses**

Hydrogen fuel cell and hydrogen based IC engine technology concept for **M&HCV, Intra City Buses**

Two fuel-agnostic architectures introduced **Azura, Signa**
Unveiled **AVINYA** concept-pure EV based on GEN 3 architecture

SDGs Impacted



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Make cities and human settlements inclusive, safe, resilient and sustainable



Ensure sustainable consumption and production patterns



Take urgent action to combat climate change and its impacts



Output

Human capital

Fostering employees' work values and empowering them to unlock their full potential by cultivating safe and inclusive work environments for a diverse workforce

TML

FEMALE IN TOTAL WORKFORCE

8.8%

EMPLOYEE TURNOVER

7.9%

LTIFR

0.13

SDGs Impacted



Social and relationship capital

Building long-lasting and meaningful relationships with our customers, suppliers, and local communities while promoting sustainable practices. We believe that through collaboration and partnership, we can create a more equitable, sustainable, and thriving community

Our focus areas include health, education, employability, and environmental protection

TML

SUPPLIER ASSESSMENTS CONDUCTED

134

LIVES EMPOWERED THROUGH CSR ACTIVITIES

8.01 lakh

SDGs Impacted



Natural capital

Proactively working towards enhancing our positive impact on the natural environment. As a resource-intensive business, we focus on climate change, energy efficiency, water conservation, and waste management

TML

SHARE OF RENEWABLE ENERGY IN TOTAL ENERGY CONSUMED

25.9%

REDUCTION IN SPECIFIC SCOPE 1 EMISSIONS

10.9%

REDUCTION IN SPECIFIC SCOPE 2 EMISSIONS

24.1%

REDUCTION IN OPERATIONAL WASTE GENERATED

6.3%

SDGs Impacted



Screenshot



Ensure healthy lives and promote well-being for all at all ages



Achieve gender equality and empower all women and girls



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Make cities and human settlements inclusive, safe, resilient and sustainable



End hunger, achieve food security and improved nutrition and promote sustainable agriculture

INTEGRATED REPORT / 2022-23

<https://sdgs.un.org/goals>



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Question

While Established businesses have established value creation models and reporting, how do entrepreneurial companies track value creation? What are the value creation parameters ?

Exercise 3.2: Identify 3 companies to invest (20 min)

- And each team may invest (Rs 10,000 - virtual) in a portfolio of 3 companies (from the list identified earlier);
- Track the investment every week (closing prices on Friday); Let us see which team does well at the end of Nov 2021
 - <https://templates.office.com/en-in/investment-tracker-tm00414392>
- Read up investor guidance from financial analysts and validate your choice
- You can rebalance portfolio by selling and buying as you learn more about their business; must account for the profit or loss

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Strategy

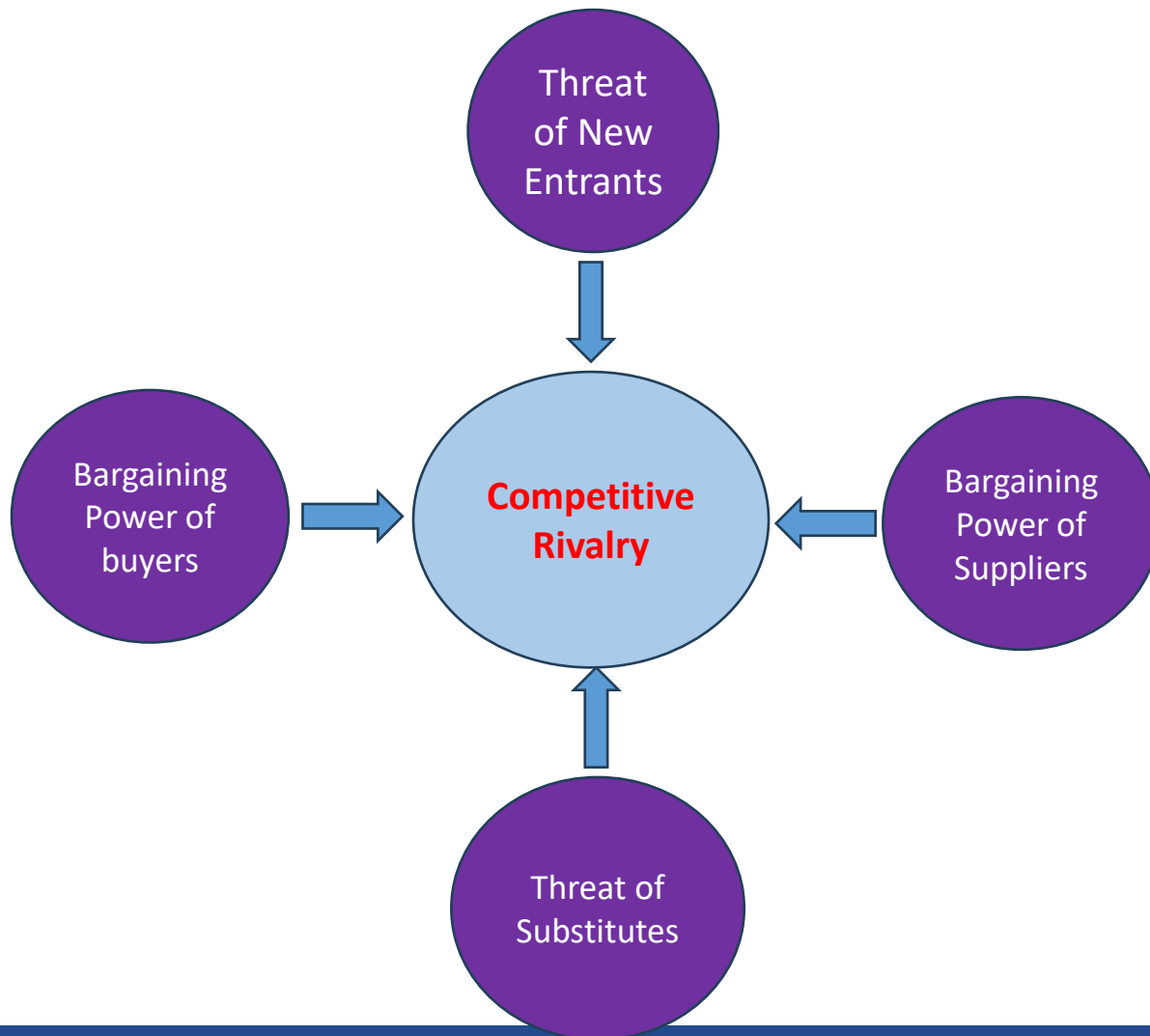
"Strategy is the creation of a unique and valuable position, involving a different set of activities." *Michael Porter*

"Strategy is a pattern in a stream of decisions." *Henry Mintzberg*

"Strategy is the art of creating advantages." *Kenichi Ohmae*

"Strategy is the determination of the basic, long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for those goals." *Alfred Chandler*

Porters Five Forces Model



- Rivalry among existing firms:** This force measures the intensity of competition between existing businesses in the industry.
- Bargaining power of buyers:** This force measures the ability of buyers to negotiate lower prices from businesses.
- Bargaining power of suppliers:** This force measures the ability of suppliers to negotiate higher prices from businesses.
- The threat of new entrants:** This force measures the likelihood of new businesses entering the industry.
- The threat of substitute products or services:** This force measures the likelihood of new products or services replacing existing ones.

Five Forces in the Airlines Industry

- Huge amount of capital investment is a barrier to a new entrant
- Exiting not easy due to lengthy and complex contracts

Threat of New Entrants

Low to Medium

Bargaining Power of Suppliers

Strong

Competitive Rivalry

Bargaining Power of Buyers (customers)

Strong

Three main suppliers of Aircraft, Fuel Labour (Strong Pilot unions)

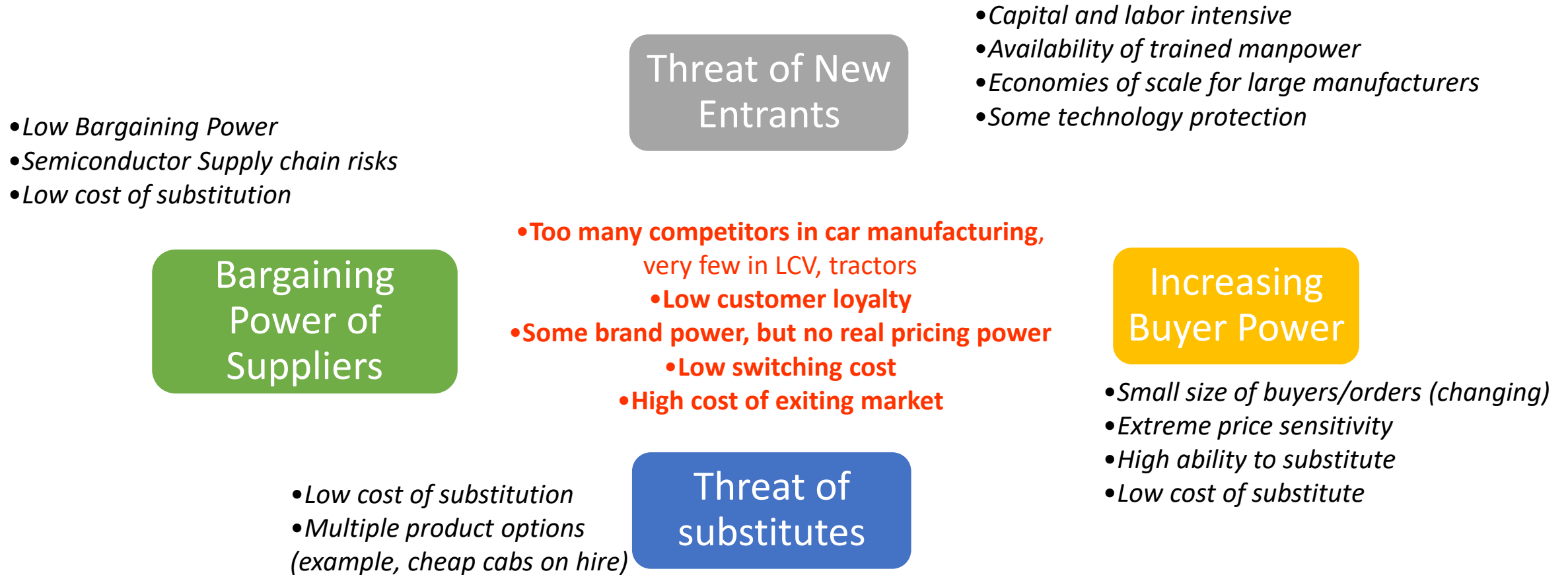
Low to Medium

Threat of Substitutes

Road, Train, Sea

Direct access to schedules, fares etc that helps them make decisions

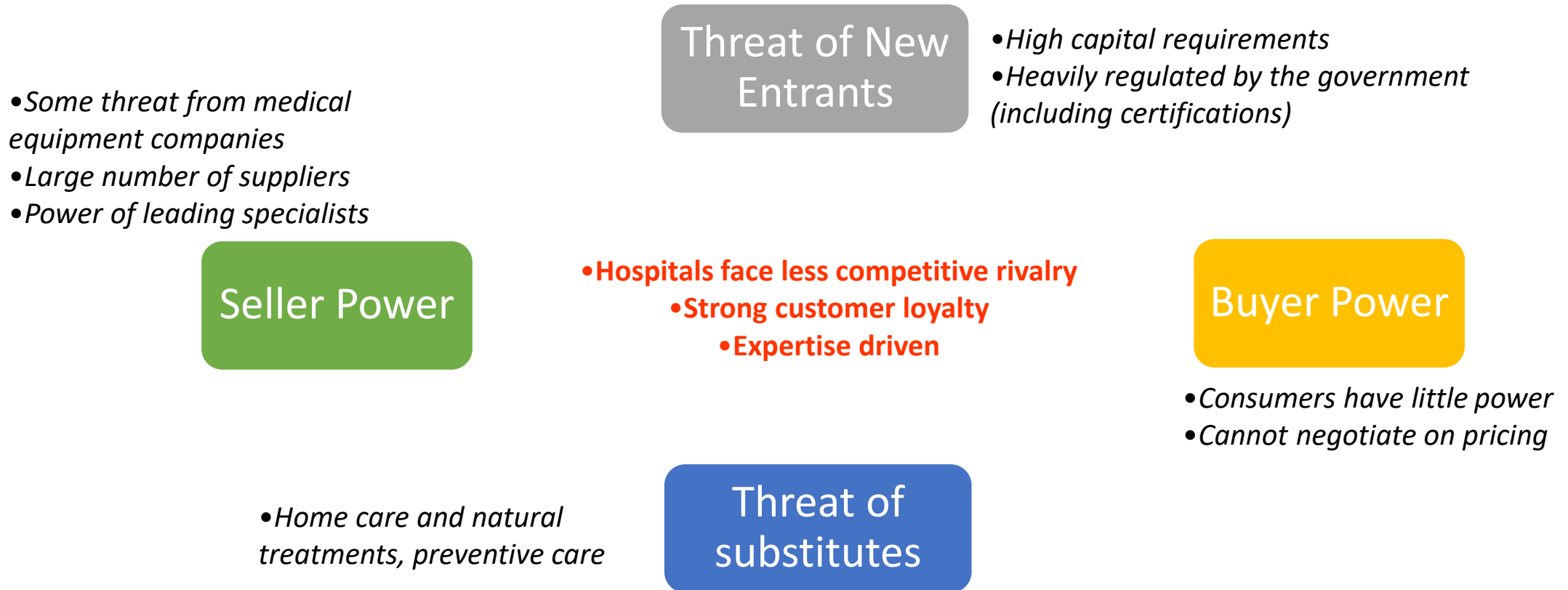
An example from manufacturing: Five Forces in the Indian Automotive Industry (passenger cars)



Source: Public Information

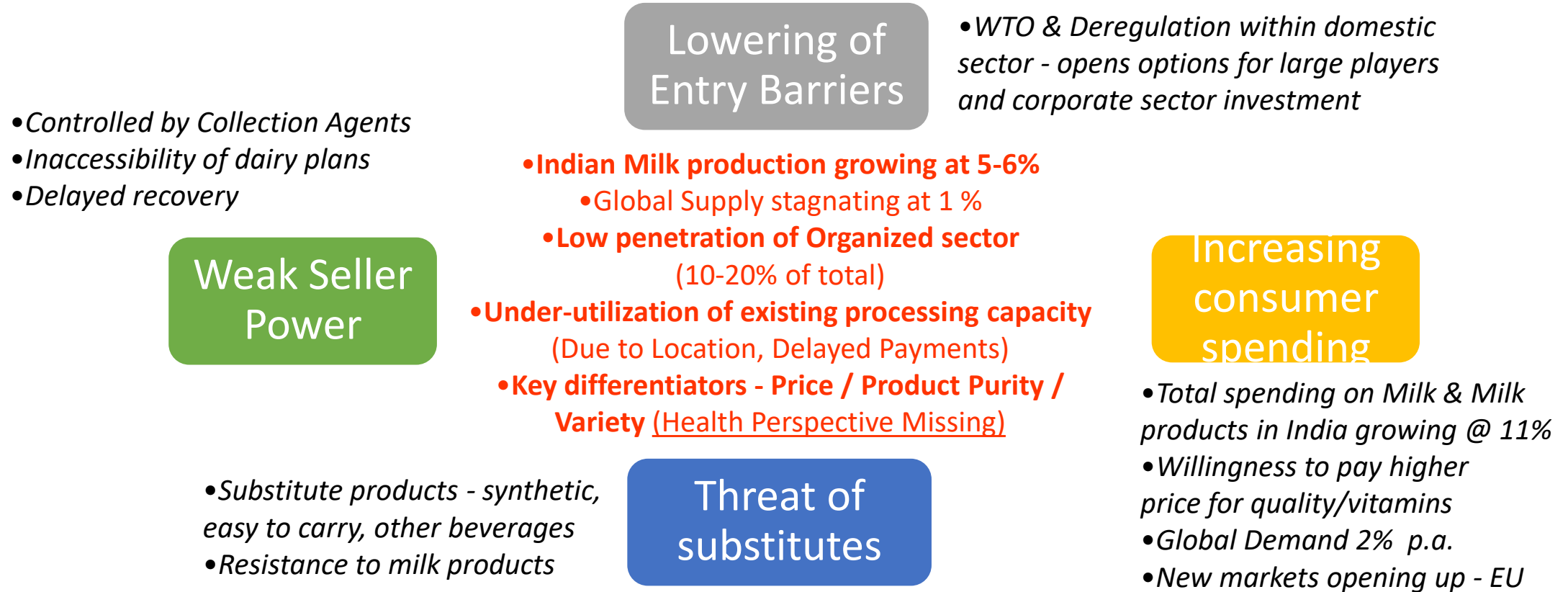


An example from services: Five Forces in the Healthcare Industry (Hospitals)



Source: Public Information

An example of agri-business: Five Forces in the Indian Dairy Industry



Source: Public Information (dated)



Exercise 3.3: Analyze competitive forces for your product-industry (60 min)



Value Chain Analysis and Competitive Strategy

Value Chain Analysis and Competitive Strategy



Additional Notes



Value creation model links

1. Tata Motors Annual report 2023

<https://www.tatamotors.com/wp-content/uploads/2023/06/annual-report-2022-2023.pdf>

2. TATA Power

<https://www.tatapower.com/investor-relations/tata-power/value-creation-model.html#images>