

Catch-22: A Case of Gyration Tyre Ltd

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Pushpa Negi¹ and Silky Vigg Kushwah¹

Abstract

During the COVID-19 epidemic, the closing of the plants of numerous automakers and component manufacturers resulted in significant losses throughout the world. Due to a delay in the supply chain and a disruption in the workforce, the industry was experiencing difficult times. Even after the lockdown in India was lifted, Gyration Tyre Ltd, the third-largest tyre manufacturer in the world, struggled to get its operations back on track.

This case study highlights the problem of Stock lifting from factories and transporting the same to auto manufacturers after the government announced a nationwide lockdown, effective 25 March 2020, due to the CORONA. Since then, Gyration Tyre Ltd, a multinational company that started making tyres in India in 2010, has kept making tyres, but only at a capacity of at least 20–25%. No one has figured out how the whole amount of production was stored at the factory because there was not enough storage space. The other problem was getting people to work together because the production department needed people there. It also talks about Mr Goal's difficulties of running production shifts. More importantly, it gives the top management of the company a view of the situation and what they can do if there is a pandemic. Also, they will understand how strategic decisions can be made even though the supply chain and labour force are slowing down and being disrupted in a big way.

Keyword

Covid, disruption, India, lockdown

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¹ New Delhi Institute of Management, New Delhi, India

Corresponding Author:

Pushpa Negi, New Delhi Institute of Management, New Delhi, Delhi 110062, India.

E-mail: pushpa.negi@ndimdelhi.org



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Introduction

The outbreak of the COVID-19 pandemic in early 2020 sent shockwaves across the globe, affecting businesses and industries in unprecedented ways. India, like many other countries, implemented a nationwide lockdown, starting on 25 March 2020, to curb the spread of the virus. This lockdown had far-reaching consequences, disrupting supply chains and daily operations for countless companies. Gyration Tyre Ltd, a multinational tire manufacturing company established in Meerut, India, in 2010, was no exception to the challenges brought about by the pandemic. This plant played a crucial role in producing advanced automotive components and systems that contribute to safer, more efficient and sustainable transportation solutions. The plant's operations encompass a wide range of cutting-edge technologies and processes making it a vital part of Gyration's global supply chain.

Gyration Tyre Ltd had established itself as a renowned manufacturer of safe, efficient and high-performance tires designed for various vehicle categories, including passenger cars, commercial vehicles (CV) and two-wheelers (2W). The company had solidified its prominent position within the tire technology and production industry, celebrated for its tire products tailored to diverse conditions and applications. Despite this impressive track record, the onset of the pandemic led Gyration Tyre Ltd to a formidable set of challenges to navigate.

One of the distinguishing features of Gyration India Plant is its steadfast commitment to quality and sustainability. The plant strictly adheres to global manufacturing excellence standards, diligently implementing stringent quality control measures throughout the production process. Moreover, sustainability stands as a core guiding principle, with the plant actively working towards reducing its environmental footprint through responsible practices and resource-efficient processes.

The COVID-19 Disruption: Lockdown and Production Woes

As the government's nationwide lockdown took effect, it affected Gyration Tyre Ltd's supply chain, bringing it to a complete standstill. The seamless transportation of stock from the company's factories to auto manufacturers, an integral part of its operations, ground to an unexpected halt. Gyration Tyre Ltd, however, remained resolute in its commitment to sustain tire production even amidst the crisis. Nevertheless, the stringent lockdown measures forced significant constraints, limiting the company's operations to a mere 20–25% of its standard capacity. Despite these relentless efforts, a glaring absence of offtake for the tires persisted, resulting in the accumulation of the entire production output within the confines of the factory premises.

In the midst of this challenging scenario, Mr. Goal, the Production Head of Gyration Tyre Ltd, found himself confronted with the monumental task of managing this surplus stock. Recognising the urgency of the situation, he communicated the pressing storage space challenges to Mr Gill, the Plant Head of the company. The pandemic had disrupted the previously delicate equilibrium between production and demand, exerting immense pressure on the company's storage facilities.

This unexpected disruption underscored the critical need for new solutions and adaptive strategies to navigate these trying times effectively.

Auto Sector Sales Plunge: The Ripple Effect

The challenges faced by Gyration Tyre Ltd were further drawn out by the sharp decline in sales across the automobile sector during the months of March and April 2020, which sent shockwaves through the entire industry. Sales of 2W, four-wheelers (4W) and CV all observed a substantial and unprecedented drop, ranging between a staggering 80% and 90%. This sales slump was not confined to a single category but rather affected the entire range of vehicles, reflecting the severe impact of the pandemic on consumer confidence and purchasing power.

The automotive market, which typically increases on mobility and transportation needs, suddenly found itself struggling with a historic and unforeseen crisis. Even as May 2020 dawned, the sales slump showed no signs of abating, further exacerbating the challenges faced by Gyration Tyre Ltd. The weak and ambiguous demand for tires persisted, continuing to exert a relentless downward pressure on their prices. This protracted period of reduced sales not only stressed the financial health of the company but also forced it to reconsider its strategies and operations in a rapidly evolving market landscape.

Signs of Recovery: May-End and the Road Ahead

As the month of May drew to a close, there were subtle but positive signs of recovery on the horizon. The gradual reopening of tire sales outlets across the country offered glimmers of expectation for businesses, including Gyration Tyre Ltd. However, much like their counterparts, Gyration Tyre Ltd was not operating at full capacity despite the green shoots of economic revival.

The company found the situation of being constrained to running just one shift, a testament to the persisting challenges brought about by the pandemic. While sales offices had indeed reopened in most locations, the prevailing market conditions remained shrouded in uncertainty. It was a time of cautious optimism, where businesses had to tread carefully, balancing the urgent need to resume operations with the unpredictable nature of the market.

Then, came a significant development. The government, recognising the need to jumpstart the economy, announced a series of relaxations, effective from 1 June 2020. For Gyration Tyre Ltd, this announcement represented a potential turning point. The prospect of returning to full-scale operations was finally within reach. However, the company implemented prudence and foresight, recognising that the road to recovery would be a gradual one. Rather than rushing headlong into a full-scale production frenzy, Gyration Tyre Ltd chose to align its production levels with careful market demand predictions. These projections suggested that, while the worst may be behind them, the demand for tires was expected to remain below average for the probable future. This measured approach, characterised by resilience and adaptability, was a reflection of Gyration Tyre Ltd's commitment to navigating the uncharted waters of a post-pandemic business landscape.

Raw Material Challenge: Balancing the Books

In the midst of all the production and demand problems Mr Goal was dealing with, there was another big issue. It had to do with the raw materials and semi-finished products that were getting closer to their expiration dates. When they had to throw away the half-made stuff that had expired, it caused a really big problem. They lost a lot—80 metric tonnes, which is a huge amount, and it cost them nearly 24 crores. This loss was like a heavy weight on Gyration Tyre Ltd. It reminded them that the business world can be really hard-hitting, especially when things are not going well, like during a crisis. They knew they had to do something about it, and they had to do it fast.

They needed a clear plan to turn the raw materials that were left into finished products speedily. This plan could require not just to stop more losses but also to show how Gyration Tyre Ltd could adapt and stay strong when things got tough. They had to show that they could make quick decisions and use their resources well, even when things were really hard. This moment was a turning point that showed Gyration Tyre Ltd's determination to keep going, even when things were uncertain, and come out of it even stronger.

Mobilising the Workforce: A Human Resource Conundrum

Bringing the workforce back into action was yet another major challenge that needed careful handling. The production department relied heavily on having employees physically present but government guidelines limited the workforce to only 50% of what was considered normal. This created a significant bottleneck in resuming full-scale operations.

Furthermore, workers were in need of transportation assistance because public transportation was not available. Many of the casual workers hailed from its surrounding areas of the company. Their hesitation to return to work stemmed from various factors, including familial pressures and genuine fears related to the ongoing pandemic. The complexities of this situation were undeniable, demanding thoughtful solutions that would not only ensure safety but also rekindle a sense of confidence and motivation among the workforce.

Adapting to the Crisis: A Strategic Decision

In the middle of this complex and changing problem, Mr Goal had to make an important decision. Instead of running the production in three shifts like they normally did, they decided to have only one shift. The production process was split into six parts, and each part needed a different group of workers. But because there were not enough workers, they had to do one part at a time.

The downside of this approach was that each worker only knew how to do their own part and did not know about the other parts. So, they could not easily switch to doing a different job if needed. It was a tough situation that needed a smart solution to keep things running as smoothly as possible.

An Emergency Meeting: Charting the Path Forward

Recognising the urgency of the situation, Mr Gill, the Plant Head, convened an emergency meeting with key stakeholders, including the Production Head, Engineering, Plant Operations, Quality and Technical Teams.

Mr Gill: Good afternoon, everyone! Your presence here is appreciated. I hope you and your loved ones are in good health. I have some significant news to share. We have secured a substantial order from XYZ Ltd, encompassing 58,000 TBR Tires, 1,60,000 PLT Tires and 60,000 TBX Tires, to be delivered within two months.

Mr Goal (Production Head): Two months? Sir, given our current circumstances, how can we manage that? We're already operating at 50% capacity, and our casual workers are hesitant to return.

Mr Gill: Why are they reluctant?

Mr Goal: Fear of COVID-19, sir. Some are willing to return if transportation is provided, but they also want the same healthcare benefits as our full-time employees.

Mr Gill: I'll explore that. Nevertheless, considering our losses due to the pandemic and this new opportunity, we must fulfil this order.

Mr Kumar (GM Engineering): Sir, we're facing workforce shortages too, and getting vendor support for spare parts is a challenge.

Mr Gill: Can we arrange for a vehicle to collect spare parts from the vendor as needed?

Mr Kumar: Yes, sir, that's feasible.

Mr Adhikari (Operation GM): Sir, we're grappling with the supply of synthetic rubber. Ports are restricted, and we can't source goods from Malaysia. Shipping services are severely impacted.

Mr Gill: What's our current inventory?

Mr Adhikari: Only 45 days' worth, sir.

Mr Gill: And the lead time for resupply?

Mr Adhikari: 30 days, sir.

Mr Gill: That leaves us with just 15 days of backup inventory.

Mr Pandey (Technical GM): Sir, I can provide remote support from my team, who are working from home. I can assist with technical aspects, such as rubber mix and temperature requirements.

Mr Gill: Thank you all for your input. Despite the immense challenges we face due to the pandemic, we must remain optimistic and resolute in our efforts to fulfil this order. Let's reconvene next week.

As Mr Goal exited the meeting room, the magnitude of the challenges ahead seemed to hang in the air. The company, Gyration Tyre Ltd, erected at a crossroads, facing a complex and ever-changing set of hurdles. Managing a workforce operating at half-capacity, working with limited production shifts and dealing with the constant ticking of the clock, Mr Goal realised that the road ahead was not for the faint of heart.

The challenges were complex and relentless. The limited workforce meant that every pair of hands was irreplaceable, and the need for efficient resource utilisation had never been greater. With only one shift running, the production process had to be carefully composed to ensure that every step of tire manufacturing was executed immaculately. Yet, the most important challenge lay in the limited cross-functionality of the workforce. Each worker had specialised knowledge in their designated functional area, but the situation demanded adaptability. It required individuals to potentially step out of their limited zones and contribute in other areas as needed, a feat made challenging by the absence of cross-training.

Mr Goal recognised that these difficulties were a test of their organisational resilience as well as their operational skill when he thought about these difficulties. The decisions made and actions taken in the coming days would shape Gyration Tyre Ltd's path in the post-pandemic landscape. It was a tough task, but it was also an opportunity to showcase their mettle and emerge stronger on the other side.

Questions

- Q.1** Read the case carefully and discuss the problem. Identify the main three problems the company will face to meet the target.
- Q.2** How would you have dealt with the situation if you were in Mr Goel's position? Give a step-by-step solution.
- Q.3** How can market demand be met while remaining cost-effective in this situation?

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