

Growth and change management in hyundai



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One of South Korea's largest conglomerates Hyundai group displayed extraordinary growth ever since it was founded in 1947. The area of growth covered car manufacturing, ship building, construction work, electronics and finance related services. The growth pattern of Hyundai was directly linked to the reconstruction programs of South Korea after World War II and the Korean War and also the state led capitalism whose effect could be seen in the polarization of the corporate culture in the country and the increase in many more conglomerates.

One of the major company's of Hyundai is the Hyundai Motor Company and is the fifth largest auto maker as per the latest survey. Its headquarters are in Seoul, South Korea (Kirk, 1994, pp213). Hyundai operates the world's largest integrated automobile manufacturing facility in Ulsan and it is capable of producing 1.6 million units annually. The number of company employees is about 75,000 persons around the world. Hyundai vehicles are sold in 193 countries through around 6,000 dealerships and showrooms all over the world. The Hyundai logo, which is a slanted and stylized 'H', symbolizes the company shaking hands with its customer. The word 'Hyundai' translates from the word "modernity", and is pronounced as "Hyon-dae" in Korean. The Hyundai Motor Company was founded by Chung Ju Yung.

The company vision – 'Our team provides value for your future'

The company mission – 'To pursue excellence and deliver cars that inspire, so you can live your life'

In 1947 Chung Ju Yung founded the Hyundai Engineering and Construction Company. The year 1967 was the year in which the Hyundai Motor Company was established. The first model of the company was the Cortina, and it was released jointly with Ford Motor Company in 1968. In 1975, the first Korean car 'Pony' was released. Its styling was by Giorgio Giugiaro of ItalDesign and possessed the 'powertrain' technology provided by Japan's Mitsubishi Motors. Exports started the following year to Ecuador and soon thereafter to the Benelux countries. The year 1991 saw the company succeed in developing its first proprietary gasoline engine, the four-cylinder Alpha, and transmission. This led to paving the way for technological independence. In 1983, Hyundai exported the Pony to Canada. This was not done in the United States as it didn't pass emissions standards there. The Canadian sales figures exceeded expectations completely. This was clearly seen when it was at one point the top selling car in the Canadian market. The Pony afforded a much higher degree of quality and refinement in the lowest price auto segment when compared to the Eastern-bloc imports of the period which were available at that point of time.

In 1986, Hyundai began to sell cars in the United States, and the Excel was nominated as "Best Product 10th" by the Fortune magazine. This was largely because of its affordability. The company began to produce models with its own technology in 1988. The beginning was with the midsize Sonata. In 1996, Hyundai Motors India Limited was started with a production plant in Irrungattukotai near Chennai in India. The year 1998 saw major changes happening in Hyundai as started to change its image in an attempt to establish itself as a world class brand. Chung Ju Yung transferred the reigns

of Hyundai Motor to his son, Chung Mong Koo, this was in 1999. Hyundai's parent company, Hyundai Motor Group, invested heavily. This investment was in quality, design, manufacturing, and future research of its vehicles. The addition of the 10-year or 100, 000-mile warranty for cars sold in the United States showed an aggressive marketing related campaign. In 2004 a survey by JD Power and Associates Hyundai was ranked second in terms of initial quality. Currently, Hyundai is one of the top 100 most valuable brands worldwide. Hyundai has also been one of the official sponsors of the FIFA World Cup ever since 2002.

Organization Culture and Structure

The Hyundai Motor Company (HMC) was established under the leadership of Ju Young Chung backed by a unified and centralized management structure. He exercised the authoritarian style of leadership. The decision making process was carried out by the Chung family. The positive out of this was that such an ownership and structure gave Hyundai Motor Company the power to pursue the external agents and develop long term relationship with them. This was seen when Hyundai Motor Company entered into an alliance with Ford. The chairman refused to transfer his authority to Ford in any way (Russell, 2007, pp. 57). The entire financial and personnel support was from HMC's mother company, the Hyundai Engineering & Construction Company. This gave him the edge as it was also owned and managed by Ju Young Chung, and thus he could steer HMC in any way.

An employee who worked with HMC from the year 1985 to 1996 said that not all executives are affiliated with the Chung family. He stated that they had a few talented professional managers. But the only this was that they never

objected to any directions given by the chairman. To be more precise it was next to impossible to present any opinions with regard to anything different from that of Chung's. Anyone who disagreed or even said a word against Chung's decisions would and should be ready to be fired the very next day. He even went on to say that Hyundai's entry to U. S. market was Chairman Chung's personal ambition leading the way. But in retrospect he also agreed that without Chung's drive, Hyundai's entry into the U. S. market would have been delayed until and unless its technology was comparable to the Japanese or European automakers. Chung's mode of bulldozer leadership was effective and was clearly seen also with Hyundai's success.

After successfully leading Hyundai Motor Company (HMC) in order to gain entry in the North American market, Ju Young Chung handed over the reigns of the Hyundai group and Hyundai Motor Company to his younger brother, Se Young Chung. This was in the year 1987. The new leadership of HMC followed a very different organizational culture if compared to Ju Young Chung's time. The chairman made attempts to inspire HMC with the new thought process. This was "harmonious human relations, autonomous management, responsibility management, and equal opportunity." Thus it drove out the previous emperor leadership concept by the delegation of responsibility as well as authority to the various professionals employed by the organization. This change led to a change in focus with regard to strategy. 1987-1988 Se Young Chung redesigned the HMC and the main aim was to improve the production efficiency which was done by shuffling or merging the various job related functions. The most noticed change in the organization chart was the conversion from a functional organization to a

divisional organization. This aimed at providing efficient control and evaluation, developed motivation of the management, improved the ability to cope with market diversification and reduction of the cost. The democratization of Hyundai was affected by the political democratization movements in Korean society in the late 80s. This led to a series of labor versus management disputes. HMC was definitely not an exception. In 1996, Se Young Chung passed on his leadership to his son, Mong Kyu Chung. He inherited not only got the title but inherited the leadership style of his father. This allowed HMC to have a smooth transition with very little turmoil. He had a broader vision. He set up a brand new vision which was aimed at a position in the world top-10 automaker ranking in the 21st century and this was possible by occupying four percent of the world auto market. Thus, the primary strategic focus was placed on improving of image of the brand and consumer satisfaction. This would be carried out via more intense product quality movement, value management, and market globalization.

Mong Kyu Chung was also responsible for introducing the team system into the organization, along with more importance to compensation which was performance based. The 1997 East Asian crisis dealt a heavy blow to all the Korean conglomerates. In 1997 and 1998 half of the top 30 of them, including Daewoo, went into bankrupt. This crisis was faced by the Hyundai Group too. This moved the Hyundai group into restructuring its businesses. Almost 70 of the Hyundai affiliates were spun off between 1999 and 2000. The Hyundai group got a lot of public criticism because its restructuring plan was mainly focusing on dividing the property among the family members and followed no management related rationale. HMC was also the main

money source of the Hyundai group and was given to MongKoo Chung who was the chairman from 1999 and was also the first living son of JuYoung Chung. This opinion was that he was the image of his father and had led HMC to a more hierarchical decision-making structure and he also revived the bulldozer type of leadership. However, his strategic direction and organizational structure were not entirely different from the previous ones. While pursuing the global top-five position in 2010, he continued to emphasize on the improvement of product quality, management transparency, and brand value. One emerging challenge to the new leadership was how to cope with the warlike labor-management disputes.

The current organization chart is shown below –

External and internal environment

Hyundai is very dedicated towards providing great quality of service, support system and product. This is their policy be it their employees, dealers or customers. Starting from the top all members of the organization is driven by quality and also they strive for the continuous improvement process all across the board. This is mainly true in the area of cost, technological advancement, and efficient operations. Their management is very strongly into conducting business practices which are ethical and lead to creating long term partnerships be it with suppliers, customers or employees. They are the people who are the support system for achieving as well maintaining their competitive advantage, cost saving purpose and also maintain the technological edge. All this is done while they remain sensitive and receptive to the diverse communities they operate in. The price review of the stocks and also the brand new and old customers leads them to believe that

they are doing a great job with their current business strategies. Their stability, efficiency, and profitability goes a long way in establishing and holding true their credibility to their shareholders and stakeholders. If they can continue to be so responsive to their customer's needs, innovative in their processes, services, and products they should have no foreseeable problems. Clearly, Hyundai has become a leader and innovator of quality affordable automobiles for a number of years. They have achieved this because they were nimble and flexible enough to respond to changes in their marketplace and because they have kept their eye on quality, cost, and customer service. Since Hyundai is a worldwide organization they have also had to make the most of their diverse work force, as well as, overcome many regulatory, socio-cultural, and environmental variables of doing business in a multicultural and multi-ethical environment.

The first Step would be to outline the Porter's five forces (William, 2003, pp. 126) which are mentioned in the diagram below –

Competitive Rivalry within an industry

Bargaining power of Customers

Threat of new Entrants

Threat of substitute Products

Bargaining power of Suppliers

There is a new entrant threat which exists from countries like China as well as Japan. They might work in such a manner that they grab majority share in

the market. The buyers can bargain for much more. Price dissatisfaction is one of the main reasons why the shift would happen on the part of the buyers. Substitution threat is not too high as not many substitutes exist in the market. The only threat would be from modes of transport which are for public use. The level of competition is very high as many believe in growth through gaining on the competitions market share. The power of the supplier to bargain is low even though everything is not manufactured some of the parts are sourced too. The manufactures have the freedom to move to other suppliers also.

The environment should be constantly studied. The environment may be internal or could be external as well. The analysis of the situation also needs to be carried out so that everything is in accordance with the policy, strategy and the goals set by the management for the organization. The same way the analysis of Hyundai is conducted which will help to understand the opportunity, strengths, threats and weaknesses which are internal and external. Technically what we are talking about is SWOT of Hyundai. The competency which the company possesses which forms the core of its operation is assessed with the help of this and the decision related to results and performance can be taken. All analysis techniques would be aimed at only one thing which is improvement of the quality of the service as well the product offered by the organization. The basic steps for the process would similar always only the application sequence would be organization sensitive. The procedure would help the organization come up with improvement related opportunities. The process which is followed in the present time has to be documented so that future reference is available (Goetsch, 2003, pp.

422). The process related to improvement needs a vision and this helps. The improvement effort in this way is more channelized; the goals are clear and easily achieved. The leaders which would be the owners or the management need to support the process. The top to down approach should be followed. The main agenda should be that all people involved be it top management or the lowest ranks should have clarity relate to aims and objectives as it will affect all. The level of confidence as well as communication ability is critical for this process to be successful. The final outcome would also be high quality.

The SWOT analysis for Hyundai Motor Company is as follows –

Strengths:

Pricing

Quality

Warranties

Availability/distribution channels

Weaknesses:

Questionable branding

Depreciation/trade in value

Lack of consumer information: especially on their web site

Opportunities:

Green alternatives and hybrid cars

Technological innovations/research/development of same

Better integration of web site for customer product information and company profile information

Threats:

Political

Trade

Socio-economical

Other regulatory constraints: especially those linked with environmental issues and manufacturing.

Change Management

Change stands at the heart of any leadership. Organizational culture is one of many situational variables that have emerged as being pivotal while understanding the success of any leaders' efforts with regard to implementing any change initiatives. In this sternly 'shark eat shark' business world, the main aim of most of the firms is to establish distinctive and unique capabilities towards gaining a competitive advantage in the marketplace while utilizing the most of their core competencies. So it is important to understand what competencies are. Competencies refer to the fundamental knowledge owned by the firm i. e., knowledge, know-how, experience, innovation and unique information, and to be specific they are not confined to functional domains only but cut across the firm and its

organizational boundaries (Lowson, 2002). In today's world, being it is only the degree of dissimilarity from the 'beaten path' that provides one with the cutting edge. If the aim is to deliver a unique mix of the values, a gamut of activities need to be adopted keeping in mind the present market situation. Thus, one gets the capability which enables him to execute specific activities, at the same instance being able to work meaningfully between the activities and therefore extending the 'cutting edge'. The all-important exercise now, would remain the development of a unique path ahead, utilizing all resources at one's service, yet mindful of the environmental realities. It would be through the above mentioned unique capabilities that the outfit would better its chances of maintaining the competitive advantage. The concept of competition everywhere, including the domestic as well as international scenario has crossed into another realm of its own. The emphasis on performance and the quality of product has surpassed the impediments that once existed to control the price of the product. Hence, vigorous product management during the development process itself forms the backbone of the competitive edge accrued. Organizational culture governs the degree of success that can be brought about by any attempt to effect organizational behaviour. The very Conceptual model of change as well as the inherent process models adopted for organizational change have undergone a change thereby highlighting the importance of culture in enabling entrepreneurs/ leaders in their attempts to transform the norms, attitudes, and general disposition of the employees emulating them in their outfits.

Gagliardi's model of 1986 (Tim, 2003, pp. 53) for cultural change explains the varying effects of change which are incremental, apparent and path breaking when compared with the prevailing norms of culture. Attempts to effect change, when exercised, keeping in mind the abovementioned strategic outlook effectively extend, reinforce or even at times, weaken existing presumptions and standards caught up by the steps to initiate the change. The bulwark of methodologies and market tactics are always the cultural aspects. It is these aspects that decide if leaders are to anticipate cultural adaptation, struggle or maybe even alterations as a consequence of their authority. Gagliardi's Model also brings to ones notice the overbearing importance for any leader to bear in mind, the intense cultural effects stemming out of the techniques utilized by them to bring about change initiatives thereby effecting the organizational surroundings.

Hyundai Motor Company enjoys the status of the largest auto-manufacturing set up in South Korea as well as the distinction of being considered the fifth largest industry on the globe. It boasts of a capacity to manufacture 1.6 million units per annum. The strength of the Hyundai fraternity lies in their ability to lay stress at every level of its production management system, thereby catapulting them to their present day status as also enabling the coveted competitive edge that forms any mediocre company's yearning (Worldwide Hyundai, 2008). The production house has grown to spread its branches the world over, particularly Europe, Asia & the US. We can thus safely assume that the key ingredients which enable a worldwide leader the 'cutting edge' are as follows:-

Explain, all that the company achieved which would lead to the attrition, gradual dissipation and at a later stage even complete failure of the competitive advantage that it enjoyed?

Explain, all that the company needs to undertake in order to enable it to sustain role in providing it the competitive advantage?

In any company, it is the management which is solely accountable for ensuring that the former stays ahead of its competitors in the arena. Had it not been the competent and effective, the company would probably have lost its competitive edge advantage (the company's standing in the market environment relative to other (competitor) companies. In keeping with all other leading industries, Hyundai too enjoys a huge competitive advantage when compared to its rival auto-manufacturing companies the world over. Also, Hyundai even risks suffering the erosion or eventual loss of its competitive advantage and position if the management will not be able to adapt to the changing market and customer need, specifically in car industries.

The society also needs to be looked at and their needs to be met. This would pave the road for the organization to become a market leader. The pricing factor also needs to be constantly kept in mind as the consumers are very price sensitive. This would work to their advantage as the cars would become more affordable as well as quality cars. The models related to the industrial growth in order to be consistent as well as have the advantage over the competition need to be flexible and innovative so that it can deal with the risks which the internal and the external environment would make

the organization face. Hyundai as a company also needs to do that by making its set up strong internally as well as externally so that it has an edge over the competition and their growth is steady and consistent. This is also affected by the fact that Hyundai has a global presence and also needs to grow through establishment of its manufacturing facilities all over the world. The departments which need to look into the development of the company needs to follow tiered research and utilize innovative ways and plans so that the high as well lower management is motivated for success as well as to give Hyundai the competitive edge over the competition. The growth in the present economy and market demands products which are new and improved and the costs as well as the market price is low. The Hyundai management and managers need to be open to change as well as need to be creative in the process so that it can be turned for the benefit of the company. Hyundai has identified the sources for gaining the edge over the competition by making their core competencies strong and cutting edge so that no one can touch them. The position which the company enjoys as being the market leader needs to be sustained and consistent so that the long term goals are achieved and profitability grows. This is so at all levels in the organization. The merger which happened between two companies Hyundai and Kia is a very clear example of this (Orcullo, 2007, pp. 48). The growth in the Korean automobile industry was consistent in terms of sales up to 1996 but the next year saw a major slump in the economy which had a very negative impact on the company and its growth. They managed and tackled this slump by expanding their facilities for production. During this time Kia went bankrupt. Kia as well as Asia Motors was merged with Hyundai. This also resulted in major reshuffling happening within the top management

and was in accordance with the plan made by the owners for its success.

Majority of the auto companies were restructuring their units as well as letting go a lot of their employees to reduce costs and handle this down turn. Many companies which were multinationals were acquiring the manufacturers for auto parts while this was going on.

This process related to the auto industry in Korea led to the market becoming very confrontational. This was the case as the parties involved were affected by all the decisions which were taken. They were the labour related unions, government and its agencies as well as the company management. The merger in question had a very synergizing effect on the performance of the business of the automobile manufacturers. The group on the whole managed to save costs as all operations were integrated which was important for success. As the auto parts which had to be used were being shared it led to synergy happening on the front of the suppliers too. The design and development as well as Research departments also showed an effect on the costs as the platforms on which each operation was being carried out was integrated as a result of the merger. The power train development and the sharing of parts helped both the companies in getting down their costs and for their profitability to go up. Alignment of all the business functions was required as smooth integration was very important for future smooth operations. The group which would be formed as a result of this merger would possess specializations which were coordinated and would work towards cost saving and profitability improvement. The style of management at Hyundai was aggressive and the employee involvement practice for working followed by Kia was creative. Both of these coming

together resulted in an organization culture which is competitive as well as successful be it while the economic slow down had happened or even later after recovery. The upturn which happened 1999 to 2000 helped in the recovery process of the two automobile manufacturers. Kia as a result of the merger came back from the dead and its revival was drastic and dramatic. Some of Hyundai's strengths helped in this recovery process for Kia. These strengths were the auto part sharing as well as the utilization of the facilities for production as well as the technology. Kia with the help from Hyundai increased their sales as well as the share in the market and started to make steady performance in terms of finance and started following Hyundai's trends. All these positives from the Kia Hyundai merger released them from the clutches of the courts in 2000. Now it was time to look at the long term growth plans and policies. The labour unions in the automobile industry serve as a major threat for them. They can resist any efforts related to integration of business and specialization of techniques. It is not that the labour unions have been sitting quietly. They have been working towards greatly affecting the procedure and plans for the restructuring of the business as well as employee management. The unions of Hyundai and Kia have taken this configuration of the business very positively and have not posed any opposition on the resource sourcing, research and development which is needed to be carried out keeping the uncertain future in mind. In this merger group the main concern is how to keep the union positive and cooperative so that they are less resistant to any change or decision which is critical for business. In 2001 the group made public their plans world towards becoming the 5th automobile group which is global. This was to be done by 210. The auto group which is Korean came into the industry late and thus it

still has to work towards improving the image of the brand. In the domestic market both companies have only complimented each other and the only thing is that the growth is intense. In the mid of 1999 the market in Korea related to automobiles opened their gates to foreign makers too. This led to major competition increased and the boundaries were broken making the auto industry one. Now it was survival of the fittest. Hyundai a company in order to survive had to enhance their ability technologically with the help of their research and development department and also their process for manufacturing. The products needed to better quality than the competition as well more reliable. There is a dire need to constantly to make the brand seem superior and this can be done only with products that appeal to majority customers an they are chosen over the competitions products. The two companies need to work towards improving the parts supplied and the finance related abilities which is at this point of time quite low as compared to other advanced countries of the world. The positioning strategy is the next agenda which should be in the mind of the companies Kia and Hyundai. There needs to some kind of plan of how all the products from both the companies would be placed in the market as well pricing procedure needs to be clear. The strategy which they have been following is to position duplicates of each others car models. The management which is at a senior level is insistent on retaining their business related composition as on date and not have it changes courtesy the merger. This covers all car models. The long term agenda is not the same. The plan would be that the sectors related to various aspects of business be divided and the both the automobile manufacturers would work towards positioning their products in various demand markets. This is the way of working followed by auto giants like

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General Motors. Rather than working towards coming up with a new framework for business with respect to sales as well as manufacturing the management's concern shifted to the fact that how would they get over the vested interest of the senior management in the current business policies and practices of their two organizations separately rather than working as one entity.

Recommendations for Growth

The economy needs to be more balanced as well needs to have a direction (Gaten, 2002, pp. 1). This would be true in many areas like distribution of health care products, standards which are set with regard to environment and labour as well as trade. The Global Reporting Initiative of 1997 worked towards a system for accounting which would help to calculate the level of sustenance with the data which is social, economic and environmental. This would make the measurement system one for all aspects. The risks which are taken need to be more educated ones and the importance of the same has been understood. The vision, mission as well as the plan to achieve the companies' objectives needs to be in sync with the objectives which have been set up in the long term agenda of the organization. The strategy needs to be absolutely clear and values needs to be clearly defined. The values of the organization should be aligned with that of the stakeholders. The alignment would happen by integration of the process, procedures as well as policies and with that success is inevitable. The objectives which are long term would be better achieved if they match the vision and the purpose of the individuals involved. The decision making process needs to be consistent and would also work towards achievement of personal ambitions too along

with the organizations. Talks should always be there between the management and the employees of Hyundai so that every concern and want is out in the open and the learning is collaborated and systems are there so that information sharing happens. The requirement for Hyundai was to give some power to the employees in terms of the decisions that are made. The change management would be successful as the management would give the direction as well as provide the vision and also to top that have the authority to implement the change. Management would have to provide the push factor for the change process and this would also have an effect on the goals which are short term in Hyundai which would be aspects like building of teams, sharing of visions and defining the responsibilities amongst the employees. The work of Hyundai would be to stick to the objectives of the management and the leadership and would move in the right direction for a very positive future. The strategies which would be set up to achieved the goals which are long term as well as short terms would be based on the factors which have been discussed above. As per Ashkenas if there was a want on the part of the management to get improvement in the performance of the people of the organization the best way would be to make and plan the procedures for attainment of their goals which were to be achieved in less than an year i. e. short term goals. So the goals of Hyundai falling in this category are-

Each employees being responsible enough to be answerable for their own actions. This would be empowering for the individuals and would also push them to work as team.

The labour which they hire would be the best in the industry by being the most learned in terms of technology and specialization in their field.

Fight to produce products which are the best in the market as well as made following the best procedure but the cost of production being as low as possible.

The feedback which is received from the short term objectives would help the organization to come up with the objectives which are long