

# Business essays - harley davidson motor



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## Harley Davidson Motor

### Abstract

In its 100-year history, Harley-Davidson Motor Company has proven to be a dynamic corporate model by focusing on two fundamental objectives - to grow value and to strengthen the brand (2003 Annual Report, 2004).

Unprecedented domestic and international success has generated net revenues of \$4.62 billion for 2003 (2003 Annual Report, 2004), and 1st quarter, FY 2004 numbers indicate continued growth and increased revenue (H-D Roars, 2004) for the future.

However, the future was not always this certain for Harley-Davidson. Since its inception in 1903, Harley-Davidson has experienced many peaks and valleys, surviving multiple wars; the Great Depression; the perils of private and public ownership; the consequences of mismanagement and poor quality; and crushing foreign competition. Facing extinction in the early 1980s, 13 members of the executive committee took drastic steps to make a leveraged buyout of the failing company from American Machine and Foundry (AMF), returning it again to private ownership (Reid, 1989).

With this successful transition, they then sought to chart a path that would forever distinguish how Harley-Davidson conducted its business, interacted with its stakeholders, and how they would once again provide exceptional quality goods and services mandated by their customers. Although its history has been tumultuous at times, the company has endured, and even flourished within just the last 18 years. This paper will discuss the Harley business process through a review of its mission, values, and vision; provide an overview of Harley-Davidson products and services; discuss the company <https://assignbuster.com/business-essays-harley-davidson-motor/>

organization, including its domestic and global operations; discuss trends in the financial performance of the company; provide insight to the company's human resource activities; and review the company's community involvement initiatives.

## **Introduction**

### **Mission Statement**

The fundamental idea, or mission, of Harley-Davidson is to provide customers opportunities for fun and pleasure through the experience of motorcycling. Although this idea spawns directly from the product, key emphasis in the development of the corporate mission statement centered on the experience. The experience of owning a Harley-Davidson motorcycle and of belonging to a special sub-culture of motorcyclists is what makes the company unique.

This fundamental idea is expressed in the following corporate mission statement: We fulfill dreams through the experiences of motorcycling, by providing to motorcyclists and to the general public an expanding line of motorcycles and branded products and services in selected market segments (Company Brochure, 2002, p. 3).

### **Values - An Investment in Human and Social Capital**

Harley-Davidson places a great emphasis on its core values of tell the truth, be fair, keep your promises, respect the individual, and encourage intellectual curiosity (Teerlink & Ozley, 2000). These values are at the heart of Harley-Davidson, providing synergy and direction in a complex industry full of unique challenges and obstacles. They guide the company's interactions with its stakeholders, allowing employees to make daily

contributions to the success of the company. They are a commitment to stimulating individual growth within the company. They are a key component of what drives the company's success.

### **Stakeholders - TQM**

McShane and Von Glinow (2003) define stakeholders as shareholders, customers, suppliers, governments, and any other groups with a vested interest in the organization (p. 602). Rich Teerlink, former President and CEO of Harley-Davidson Motor Company, succinctly defined a stakeholder as anyone who can put us [HDMC] out of business (Teerlink & Ozley, 2000, p. 95).

It is crucial to point out that stakeholder, particularly key groups such as customers and investors can shape the future direction and growth of a company. It is with this idea in mind that Harley-Davidson sought to define its key group of stakeholders, in order to tailor the business process to meet all of their diverse needs. With this notion, Harley developed a key list of stakeholders that included customers, employees, suppliers, investors, government, and society (Teerlink & Ozley, 2000, p. 95).

### **Vision - Defining Success for the Future**

All of the previously mentioned elements of the Harley business process are what ultimately shaped the company's vision (see figure 1).

Stakeholders

Values

Issues

## Vision

From More Than a Motorcycle: The Leadership Journey at Harley-Davidson, by Rich Teerlink and Lee Ozley, 2000, p. 97. Copyright 2000 by President and Fellows of Harvard College.

Figure 1. The Harley-Davidson Umbrella.

In developing the corporate vision statement, Harley executives sought to define success for the future. This definition was driven by continuous support of stakeholder activities and a desire to increase Harley's international market share. As a result, the following vision statement emerged:

Harley-Davidson, Inc. is an action-oriented, international company, a leader in its commitment to continuously improve our mutually beneficial relationships with stakeholders. We believe the key to success is to balance stakeholders' interests through the empowerment of all employees to focus on value-added activities (Teerlink & Ozley, 2000, p. 97).

## **Harley-Davidson Products and Services**

### **Motorcycles**

Motorcycles have been the core product of Harley-Davidson Motor Company since 1903, when four men with a vision and an entrepreneurial spirit handcrafted the first Harley-Davidson motorcycle in Milwaukee, Wisconsin. From these humble beginnings was born the most recognizable brand in the history of 2-wheel transportation.

This brand recognition has resulted in substantial growth in the century long existence of the company, as 2003 motorcycle sales accounted for 78.3% or \$3.62 billion of the company's net revenue (2003 Annual Report, 2004).

Harley-Davidson currently produces 5 distinct families of motorcycles, ranging from the Sportser 883 to the higher-end Softail and Touring motorcycles.

Recognizing the growth and potential in the high-performance motorcycle industry, Harley-Davidson formed a unique partnership with Buell Motorcycle Company in 1993 in order to service those customers desiring high-performance motorcycles with Harley-Davidson quality. Buell subsequently was purchased by Harley in 1998 and is now an integral part of Harley-Davidson's product line, accounting for 1.7% or \$76.1 million in corporate net revenue in 2003 (2003 Annual Report, 2004).

### **Parts, Accessories, and Apparel**

Beyond the personal experience of motorcycling, the thing that makes Harley-Davidson more unique than any other manufacturer in the industry is the ability to customize each motorcycle to individual preference through the extensive availability of Harley-Davidson parts and accessories. Each dealership has personnel specifically trained to help each customer to customize his or her motorcycle with performance upgrades such as custom performance exhaust pipes and aesthetic upgrades in the form of custom paint and chrome accessories.

The ability to provide a truly one-of-a-kind motorcycle is limited only by the imagination of the customer due to the almost limitless amount of products

available for each family of Harley-Davidson motorcycle. This aspect of the business is also a critical element of its financial strength, accounting for 15.4% or \$712.8 million in net revenue of the company in 2003 (2003 Annual Report, 2004).

Motorclothes and other general merchandise have also become a vital part of the Harley experience. In addition to local dealerships offering Harley-Davidson apparel, many retail stores have now opened worldwide to provide specific branded products across a wider market segment. As a result, clothing and general merchandise accounted for 4.6% or \$211.4 million in 2003 net revenue (2003 Annual Report, 2004).

### **Harley-Davidson Financial Services**

Harley-Davidson Financial Services (HDFS) was founded in 1993 to provide specific motorcycle related financial services to Harley enthusiasts. HDFS provides customers with new motorcycle financing, insurance, extended service plans, and financial protection plans in order to make the process of purchasing a motorcycle simpler for the customer. HDFS has even recently introduced the Harley-Davidson Visa chrome credit card. Figure 2 represents the percentage of new Harley-Davidson motorcycles financed through HDFS.

From Harley-Davidson Motor Company, Inc., 2004, 2003 Harley-Davidson, Inc. Annual Report, p. 20. Copyright 2004 by Harley-Davidson Motor Company, Inc.

Figure 2. Percentage of new H-D motorcycles financed through HDFS.

## **The Harley Owners Group (HOG)**

Established in 1983, The Harley Owners Group (HOG) quickly emerged as the predominant motorcycle-riding club within the industry. As the largest factory sponsored motorcycle organization worldwide, HOG boasts a current membership base of over 840, 000 with approximately 1, 370 domestic and international chapters located in 48 countries (2003 Annual Report, 2004).

HOG brings the experience of motorcycling to the forefront for Harley-Davidson enthusiasts by organizing rallies, rides sponsoring local charities, and many other regular events designed for one simple purpose - to give Harley lovers more reasons to ride their motorcycles (2003 Annual Report, 2004, p. 32).

## **Human and Social Capital**

### **Leadership Circles - Organizational Structure- Communication**

The circle organization of Harley-Davidson was implemented on July 1, 1993 as a means to uproot the traditional hierarchical infrastructure usually associated with corporate America. Since then, it has served as a means to break down the common barriers to communication and efficiency that exist in large, vertical structures and to promote cross-functional thinking and behaviors amongst members of each circle. The organization is composed of three circles, each representing a key function of the company, intersecting in the center to represent the collaborative nature of its design.

The create demand circle depicted above is the first element of the process and is defined as all of the people and activities that create, increase, and sustain the demand for Harley-Davidson products and services (Teerlink & Ozley, 2000). This functional circle includes marketing and sales functions for

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motorcycles; parts, accessories, and apparel; new business development; customer service; motorcycle styling; government affairs; and the Harley Owners Group (HOG).

The produce products circle entails all activities involving the production of Harley-Davidson goods and services, to include engineering; manufacturing operations; materials and cost management; new product development; purchasing; quality functions; and logistics functions. Finally, the provide support circle includes all traditional staff functions of the company including finance and accounting; human resources; strategic planning; information services; and legal (Company Brochure, 2002).

### **Leadership Circles - Where Does the \$ Stop?**

So where is the leadership in the circle design? Is there a designated leader for each circle? Who is responsible for the decisions made by each leadership circle? These questions are only a few of many. Each circle has a set of leaders that jointly manages their respective circle business and develops strategy. No one individual is a circle leader; rather, leadership rotates to different members of a given circle based off of the nature of the problem or issue being addressed. For instance, a human resource employee may be placed in a temporary leadership role of the provide support circle in order to solve a payroll or any other related HR problem.

This rotational leadership mechanism is based on matching problems with employee skills, allowing them to demonstrate personal mastery (Senge, 1990), one of the five key disciplines detailed by Peter Senge, in order to solve the issue or problem. Refer to the Leadership & Strategy Council (LSC)

at the heart of figure 3. The LSC is a decision-making entity, responsible for business issues that impact the entire company. It is comprised of representatives of each leadership circle, as well as the COOs of Harley-Davidson Motor Company, Buell Motorcycle Company, and Harley-Davidson Financial Services.

The CEO of Harley-Davidson, Inc. also maintains membership in the LSC in order to provide guidance in areas of budgeting, human resource policy, and other functions delegated by the president (Company Brochure, 2002). The most important function of the LSC, however, is to facilitate and coordinate cross-functional interdependent activities of the company in keeping with the charter of the circle design (Teerlink & Ozley, 2000).

### **Value of the Circle Design**

When analyzed in an holistic manner, the benefits of the circle design are obvious. In a traditional organization structure, each department conducts its daily activities independent of those activities associated with other departments of the company. In order for information to flow between elements of two functionally different departments, it must first flow upward within the originating department to the departmental authority charged with coordinating between departments, then it must cross the boundary separating the two departments to another departmental authority figure who then disseminates the information back down through his department.

As can be seen, this process can be slow and cumbersome, with excessive communication that can significantly impact the accuracy of the information being distributed. With the circle design, information flows constantly and

cross-functionally along seamless boundaries of each of the three natural working groups.

Leadership is therefore dispersed across the organization, resulting in increased efficiency and effectiveness. As a result, the people who understand a stated problem are then the ones who are charged with solving them (Teerlink and Ozley, 2000). The improvements in organizational efficiency provided by the circle design have a direct impact on Harley-Davidson stakeholders, as illustrated in Figure 4.

From *More Than a Motorcycle: The Leadership Journey at Harley-Davidson*, by Rich Teerlink and Lee Ozley, 2000, p. 141. Copyright 2000 by President and Fellows of Harvard College.

Figure 4. The Impact of Leadership Circles on H-D Stakeholders

### **Harley-Davidson Facilities - Where Does it All Happen?**

Most people are familiar with Harley-Davidson corporate headquarters located in Milwaukee, Wisconsin. This is where the executive committee resides under regular operating conditions. In addition to that key location, Harley-Davidson manages domestic operations that span across the country with key operations in Chicago, Illinois; Franklin, Wisconsin; Talladega, Alabama; Highland Heights, Ohio; Ann Arbor, Michigan; Carson City, Nevada; and Plano, Texas. Key manufacturing facilities are located in Wauwatosa, Wisconsin; York, Pennsylvania; and Kansas City, Missouri.

The oldest manufacturing facility in Wauwatosa was purchased in 1947 in order to meet the post-World War II expansion needs of the company.

Although it originally served as a propeller factory, the facility proved to be well suited to the increasing production needs of Harley-Davidson. The Wauwatosa facility employs over 600 personnel and now serves as the primary manufacturer of powertrain operations for Sportster and Buell motorcycles. The facility also manufactures Screamin' Eagle and Harley replacement parts, and also is the primary facility for the engine remanufacturing program.

The York, Pennsylvania plant is the largest manufacturing facility to date, employing 3, 200+ personnel, over half of the Harley-Davidson manufacturing workforce, in order to conduct round-the-clock manufacturing operations of Softail and Touring models. Built in 1973, this state-of-the-art facility conducts a wide variety of daily manufacturing operations to include fabrication, welding, painting, chrome plating, and polishing of motorcycles and motorcycle components.

The third, and newest, manufacturing facility of Harley-Davidson is located in Kansas City, Missouri. Completed in 1998 to meet continually increasing production demands, this facility completes vehicle and powertrain operations for Sportster, Dyna, and VRSC models. 900+ employees work fabrication through final assembly. Additionally, the Kansas City facility has the unique distinction of serving as the sole manufacturer of VRSC motorcycles and VRSC parts and accessories.

### **The Dealer and Distributor Network - a Domestic and Global Operation**

The dealer network of Harley-Davidson spans across every state and territory of the U. S., with over 700 domestic dealerships and approximately

500 international dealerships (L. Glasscock, personal communication, May 4, 2004). The global footprint of dealers and distributors spans 48 countries with key operations located in Europe, Brazil, and Japan in order to meet the strategic demands of international stakeholders (Company Brochure, 2002).

## Harley-Davidson: A Financial Success Story

What is \$100 worth to you?

As can be seen, a \$100 initial investment in Harley-Davidson common stock at the initial public offering yielded a market value of \$14, 620 as of December 31, 2003, assuming reinvestment of all dividends.

From Harley-Davidson Motor Company, Inc. (2004, April 14). Harley-Davidson roars into its second century with another record quarter. Retrieved April 30, 2004, from <http://www.harley-davidson.com>

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[576&dspmm= 4&dspyy= 2004](http://www.harley-davidson.com/CO/NEW/en/PressRelease_Date.asp?locale=en_US&bmLocale=en_US&id_in=576&dspmm=4&dspyy=2004)

## Industry Market Share - A Comparison

### Human Resource Activities

### Job Satisfaction and Job Performance

Simply stated, employees are what make Harley-Davidson Motor Company unique. Their participation and involvement in the key elements of the business have proven to be one of the most essential components of its

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success. The alignment of employee and corporate values only serves to strengthen and validate that commitment to the success of the company. Therefore, the company goes to great lengths in order to recruit and select those people with the values that are most closely aligned with that of the company.

Harley-Davidson utilizes many standard and non-standard methods of recruitment such as newspaper want ads placed in strategic locations, college recruiting, walk-ins, partnerships with industry (such as the MMI), and the world wide web. These tools serve as the initial screening process, allowing Harley-Davidson to screen out those who do not meet basic qualifications and do not share similar values with that of the company. Once selected, the new employee then progresses to the next stage of the employment relationship with Harley-Davidson...

### **Training and Development**

Harley-Davidson utilizes innovative, state-of-the-art techniques and facilities to maintain a high quality training and development program for its employees. This emphasis on learning extends to employees of the corporate offices, factories, and dealerships alike in order to identify new ways to enhance performance and improve efficiency. Harley-Davidson University was designed as a tool to provide exceptional educational opportunities in every aspect of company operations including customer satisfaction, inventory management, service proficiency, and even front-line sales (2003 Annual Report, 2004).

Its on-line presence provides the worldwide dealer network with a wide range of courses designed to improve processes and gain a competitive advantage, while providing the company a substantial cost savings over traditional, face-to-face learning programs. The results demonstrate the success of the program - over 164, 000 on-line course completions for the academic year ending May 30, 2003 and a \$1 million cost savings for the company (2003 Annual Report, 2004).

Harley-Davidson also provides hands-on training and certification programs for factory workers and service technicians. Through collaboration and cooperation with regional technical education institutions, Harley-Davidson has partnered with the Motorcycle Mechanics Institute (MMI) to provide multi-tiered mechanic certification, offering a broad range of programs designed to produce motorcycle technicians that can maintain, troubleshoot, and repair any Harley-Davidson motorcycle.

### **Employee Compensation - A Change in Philosophy**

As dramatic changes in organizational philosophy began to gain momentum within the company, management began to recognize the need to retool methods of employee compensation at Harley-Davidson in order to better foster the newer ideas of employee involvement, responsibility, and accountability. With this in mind, Harley leadership set out to achieve two primary goals in developing more appropriate methods of compensation.

First, the company sought to make a larger portion of employee wages variable. This variability would be tied to achieving performance objectives and demonstration of potential rather than just piece-rate production goals

or overtime. The second goal was to compensate all employees in more or less the same manner. This did not mean paying all employees the same, but establishing a common set of pay components that applied across the entire company (Teerlink & Ozley, 2000).

These concepts of compensation remain at the very core of Harley-Davidson's current compensation program and provide their employees with the flexibility to choose the best combination of benefits to fit their individual needs. Figure 9 illustrates the wide range of benefits offered to full-time Harley-Davidson employees.

- Comprehensive medical, dental, and vision plans
- 401(K) plan
- Pension plan
- Life insurance
- Long-term and short-term disability insurance
- Long-term care insurance
- Tuition reimbursement
- Employee and family assistance program
- Adoption benefit
- Employee purchase plan
- Computer purchase program
- Employee stock purchase plan
- Paid holidays and vacation
- Group auto, homeowner's and renter's insurance



### **Theories and Concepts of Motivation**

Psychological theorists argue about what motivates employees towards the achievement of organizational goals and objectives. Theorists such as Abraham Maslow suggest that human behavior stems from innately biological needs as demonstrated in his hierarchy of needs (Ivancevich, 2003). Other theorists such as Frederick Herzberg argue that an employee whose job provides adequate opportunities for growth and development is more satisfied.

His two-factor theory of motivation defined two primary elements: hygiene factors (dissatisfiers) and motivators (satisfiers). Hygiene factors relate specifically to the context of a job, and include such items as pay, working conditions, and other factors that do not necessarily motivate. On the other hand, motivators include factors such as achievement, growth, and responsibility. He further stated that changing pay did not necessarily motivate or satisfy many people, but under certain conditions, could actually serve as a dissatisfier (Ivancevich, 2003).

### **Employee Motivation at Harley-Davidson**

Harley-Davidson employees care about more than just money - they also care about the company's products, its reputation, and its heritage. They are committed to the preservation of the company because of the satisfaction they experience with their work relationship. In short, they fall more in line with Herzberg's theory as described above, because they are motivated by achievement and recognition rather than by just compensation.

This idea contributes to the notion that salaries and benefits are only a part of the totality of the rewards and recognition program that exists within the <https://assignbuster.com/business-essays-harley-davidson-motor/>

company. This totality results in an employee that demonstrates a continued desire to contribute to the success of the larger organization (Teerlink & Ozley, 2000). To illustrate the concept of totality, one must consider that, at most, employees get paid once a week and are given performance evaluations annually or semi-annually.

The rest of their working time is spent seeking non-monetary evidence that the organization values their contribution by allowing active participation in establishing the goals and direction of the company, by being given opportunities to demonstrate knowledge and skills beyond their current job requirements, and by allowing them to have a voice. In other words, Harley-Davidson employees seek a total employment experience with the company rather than just a 9 to 5 job.

### **Community Involvement Initiatives**

Harley-Davidson supports several key initiatives in providing for the community where its employees work and live. The Harley-Davidson Foundation was formed in the 1990s to provide financial support to non-profit and charitable organizations in communities where Harley does business in order to improve quality of life, improve education, and revitalize neighborhoods (Company Brochure, 2002).

The Harley-Davidson Dollars for Hours program provides matching funds to non-profit community organizations where its employees regularly volunteer. Another key program supported by Harley-Davidson is the Muscular Dystrophy Association. For over 20 years, Harley has been a corporate sponsor of the MDA, raising over \$40 million by the support of employees as

well as HOG sponsored events (Company Brochure, 2002). Harley clearly understands that encouraging civic responsibility in its employees serves the good of the community as well as the company.

### **Conclusion**

Harley-Davidson will continue to provide its stakeholders with increased value and a stronger brand for the foreseeable future, resulting in continued financial growth over the course of this decade and beyond. Do you have what it takes to be a part of Harley-Davidson Motor Company? Are you willing to commit to a set of values that will not only serve the good of the company, but also that of yourself and your community? If so, take the journey... the destination awaits.

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