

Example of nucor case study

[Business](#), [Company](#)



\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [Economic Characteristics](#) \n \t
2. [Competitive Forces Impacting Steel Producers](#) \n \t
3. [Driving Forces and Attractiveness of the Industry Prospects](#) \n \t
4. [Nucor’s Strategy and Implementation of the Strategy](#) \n \t
5. [Nucor’s SWOT Analysis](#) \n \t
6. [References](#) \n

\n[/toc]\n \n

Economic Characteristics

Generally, steel market recognizes a relatively static development, being mostly produced in the developed countries, such as United States, Western European countries or Japan (Steel Panel Committee, 1985). However, Miles (2005) observes that the economic characteristics of the steel market are dependent on the general economic environment and in times of crisis the steel market is influenced, recognizing downturn. The demand of steel is, therefore, a reflection of the economic context.

In 2011, the steep production was distributed as follows: 14. 5% of the global steel production was employed in mechanical machinery, 12% in automotive industry, 12. 5% were directed towards the metal products, 4. 8% of the total steel production was distributed to other transport, 3% to electrical equipment and 2% to domestic appliances. This is an indication that the steel market is dependent upon the mechanical machinery, automotive and metal products sectors, and the economic characteristics of steel market are

aligned to the economic specificities of these segments. Nevertheless, steel is an indicator of progress and modernization and as societies continue to develop, steel market sustains this trend, striving to achieve economic growth, therefore steel is implicitly an indicator of economic growth (“American Iron and Steel Institute”, 2013).

Competitive Forces Impacting Steel Producers

For describing the five competitive forces of the steel industry, there must be considered the economic trends specific to this market. Therefore, as mentioned above, steel industry is a rather stable market, but Hill and Jones (2012) note that after a period of punctuated equilibrium (long periods of refreezing), follows a period of rapid change, when the market unfreezes when the revolutionary innovations occur. This situation characterizes the steel industry. The competitive forces include: risk of new entry (represented by the demographic forces), the bargaining power of consumers (in the steel industry represented by global forces), risk of complement providers (defined by technological and social forces), threat of substitute products (which applied to steel market refers to macroeconomic and social forces) and the bargaining power of suppliers (which in steel industry is represented by political and legal forces) (Hill & Jones, 2012).

Driving Forces and Attractiveness of the Industry Prospects

There are various driving forces that guide the steel industry, which gravitate around the economic boost, which implies rescue plans after the global economic crisis, meant to enhance industries such as construction, automobile or power, which inject the steel industry, as the demand of steel

increases once investments are made in these sectors (Business Wire, 2010). Yet, Hill and Jones (2012) identify a strategic business driving force, which implies a business vision as the driving force of every business. This might be congruent with developing a pro-environmental approach, targeting to obtain zero waste, which implicitly denotes that no material is wasted, and all production is available for further utilization of the steel in various forms such as steel recycling (World Steel Association, 2012), therefore green economy is a driving force of the steel industry. Government protection is yet another driving key of the steel industry (Hartnett & Ketellapper, 2011). Moreover, another driving force in the steel industry is the research and development, the investment in technology and in creating new and more efficient processes and products (World Steel Association, 2012), which can generate increased efficiency and productivity for the steel producers, which might lead to a more flexible market, determining an even more increased demand, hence further emphasizing the productivity of steel industry. This implies an amplitude of the industry's prospects for profitability.

Nucor's Strategy and Implementation of the Strategy

Nucor started out as a small company, pursuing a small thinking, focusing initially on providing support for the electric arc furnaces and mini-mills on United States' new roads, targeting a new market, which was ignored by most America's steel manufacturing (Nucor official website). The company adopted an unconventional strategy, skipping the bureaucratic managerial formula for pursuing a democratic approach, rewarding the employees for their proactive involvement or for their contribution to business development through their ideas (Nucor official website). The business rapidly grew due to

its innovative approaches pursuing new business opportunities, (Nucor official website). Nucor implemented this strategy by investing in electric mills and street road furnaces. Another business strategy the company pursued is related to its strategic acquisitions, as such being the acquisition of DJJ, one of the American steel companies with tradition, adding like this an experienced approach to its unconventional strategy (Hartnett & Ketellapper, 2011). Yet another strategy that Nucor pursued and turned out advantageous for company's productivity is the operational independence, yet financial collectivity of its units. As such, the company consists of 90 businesses operating independently, but competing collectively (Nucor official website).

Nucor's SWOT Analysis

Nucor's strengths are given by its market niche approach, which offered the company an unconventional approach, but also to the acquisition of DJJ, which makes Nucor one of the strongest competitors on the steel market, as it benefits of its expertise and a different business strategy, which impules the company's strategic management approach. The company's weaknesses refer to its discounted cash flow undervaluation (Hartnett & Ketellapper, 2011). The company's opportunities include the government protection, the economic recovery and the increase of steel spot price, while its threats are related to the cyclicity exposure, foreign competitors and government policy (supplier threat) and to the substitute product's prices (Hartnett & Ketellapper, 2011).

This analysis reveals that Nucor is vulnerable to government's policies and to the emergence of new raw materials that can substitute the steel. However,

the company has the market advantage of a safe positioning and in the current economic recovery it benefits of an ascendant growth rate, which make Nucor competitive both on domestic and foreign market.

References

American Iron and Steel Institute (2013) Profile 2013. Washington, American Iron and Steel Institute.

Business Wire (2010) Research and markets: driving forces of the Indian steel industry. Retrieved from <http://www.businesswire.com/news/home/20100331006148/en/Research-Markets-Driving-Forces-Indian-Steel-Industry>.

Hartnett, N. & Ketellapper, M. (2011) Nucor Steel. Nucor.

Hill, C., L. & Jones, G., R. (2012) Strategic management: an integrated approach, 10th edition. Mason, Cengage Learning.

Miles, L., L. (2005) Essay in corporate finance: the impact of corporate governance during economic stress and tracking stock in the United States. Pennsylvania, Pennsylvania State University.

Nucor official website (n. d.) Retrieved from www.nucor.com.

World Steel Association (2012) Sustainable steel at the core of a green economy. World Steel Association.

Steep Panel Committee on Technology and International Economic and Trade Issues of the Office of the Foreign Secretary (1989) The competitive status of the U. S. steel industry. Washington, National Academy Press.