

Case study of hyundai motor company



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Hyundai Motor Company, a major company in the Hyundai Kia Automotive Group which is the world's fifth largest automaker as of the end of 2009, (In 2008, Hyundai ranked the eighth largest auto maker, without including Kia.) and the world's fastest growing automaker.

Headquartered in Seoul, South Korea, Hyundai operates the world's largest integrated automobile manufacturing facility in Ulsan, which is capable of producing 1.6 million units annually. The company employs about 75,000 persons around the world, Hyundai vehicles are sold in 193 countries through some 6,000 dealerships and showrooms worldwide.

The Hyundai logo, a slanted, stylized 'H', symbolizes the company shaking hands with its customer. Hyundai translates from the word "modernity", and is pronounced as "Hyon-dae" in Korean.

Chung Ju-Yung founded the Hyundai Engineering and Construction Company in 1947. Hyundai Motor Company was later established in 1967. The company's first model, the Cortina, was released in cooperation with Ford Motor Company in 1968. When Hyundai wanted to develop their own car, they hired George Turnbull, the former Managing Director of Austin Morris at British Leyland. He in turn hired five other top British car engineers. They were Kenneth Barnett body design, engineers John Simpson and Edward Chapman, John Crosthwaite as chassis engineer and Peter Slater as chief development engineer. In 1975, the Pony, the first Korean car, was released, with styling by Giorgio Giugiaro of Italian Design and power train technology provided by Japan's Mitsubishi Motors. Exports began in the following year to Ecuador and soon thereafter to the Benelux countries. In 1991, the company

succeeded in developing its first proprietary gasoline engine, the four-cylinder Alpha, and transmission, thus paving the way for technological independence.

In 1983, Hyundai exported the Pony to Canada, but not to the United States because the Pony didn't pass emissions standards there. Canadian sales greatly exceeded expectations, and it was at one point the top-selling car on the Canadian market. The Pony afforded a much higher degree of quality and refinement in the lowest price auto segment than the Eastern-bloc imports of the period then available.

In 1986, Hyundai began to sell cars in the United States, and the Excel was nominated as " Best Product #10" by Fortune magazine, largely because of its affordability. The company began to produce models with its own technology in 1988, beginning with the midsize Sonata.

In 1998, Hyundai began to overhaul its image in an attempt to establish itself as a world-class brand. Chung Ju Yung transferred leadership of Hyundai Motor to his son, Chung Mong Koo, in 1999. Hyundai's parent company, Hyundai Motor Group, invested heavily in the quality, design, manufacturing, and long-term research of its vehicles. It added a 10-year or 100, 000-mile (160, 000 km) warranty to cars sold in the United States and launched an aggressive marketing campaign.

In 2004, Hyundai was ranked second in " initial quality" in a survey/study by J. D. Power and Associates. Hyundai is now one of the top 100 most valuable brands worldwide. Since 2002, Hyundai has also been one of the worldwide official sponsors of the FIFA World Cup.

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Hyundai has invested in manufacturing plants in the North America, China, Czech Republic, Pakistan, India, and Turkey as well as research and development centers in Europe, Asia, North America, and the Pacific Rim. In 2004, Hyundai Motor Company had \$57.2 billion in sales in South Korea making it the country's second largest corporation. Worldwide sales in 2005 reached 2,533,695 units, an 11 percent increase over the previous year. Hyundai has set as its 2006 target worldwide sales of 2.7 million units (excluding exports of CKD kits). In 2007 it reached 3,961,629 worldwide vehicle sales-surpassing Fiat, Chrysler, PSA/Peugeot, Nissan, and Honda.

Hyundai Motor Company's brand power continues to rise as it was ranked 72nd in the 2007 Best Global Brands by Interbrand and BusinessWeek survey. Brand value estimated at \$4.5 billion. Public perception of the Hyundai brand has been transformed as a result of dramatic improvements in the quality of Hyundai vehicles.

Hyundai is one of the leading groups of Companies founded in South Korea. It is the general trading house of Korea, which provides various import and export services. There are several types of products are included in its import and export services such as plants & machinery, automobiles, steel and chemical products, general commodities etc. Firstly it was founded as the construction company then the management of the company diversified its business activities in various business areas. The corporation operates its business worldwide through 34 worldwide offices. Through its global presence, it provides optimal solutions to the customer according their requirements. It is helpful to enhance its financial capability in the industry. Hyundai Motor Company is one of the divisions of the Hyundai Corporation, <https://assignbuster.com/case-study-of-hyundai-motor-company/>

which is the fourth largest automaker in the world. Hyundai Heavy Industries division is the largest shipbuilder in the world (Hyundai Corporation, 2010).

Internal Environment Analysis

The analysis of the internal environment is an important component for the business as it helps to determine the effectiveness of the management strategies and the threats, which may cause problem for the organization.

For the internal and external analysis the SWOT analysis tool could be used.

The SWOT analysis tool would help to determine the strengths, weaknesses, opportunities and threats of an organization. The internal environment analysis of the Hyundai can be analyzed through the analysis of the strengths and weaknesses of the organization -

Strengths:

Diversified business activities - The Company is involved in the diversified business segments as it provides several types of import and export services to its customer worldwide.

It is the largest automaker in Asia and fourth largest automaker in world, which enhance its effectiveness in global exposure. It also helps to capture a large amount of customer worldwide.

Information gathering capability -The information gathering capability of the company is effective as it obtains prompt and extensive information from its sources worldwide. It also uses the advanced trading techniques to obtain the extensive information.

Quality advantages - The quality of the Hyundai automobile is better than the other manufacturers in Asia as owners of Hyundai cars are experiencing less problems from the owners, who obtains other brand.

Sound financial position - The Hyundai Corporation is enjoying a continuous increase in its sales revenue worldwide, which is also causing an increase in the net income of the business (Hyundai Motor Company, 2010).

The business activities are operated in ethical and social manner, which causes an increase in the image of the company in the society.

Weaknesses:

An increase in the cost of production is reducing the net income of the company. It is also imposing commodity price risks on the company as the price of inputs such as steel, plastic, aluminum etc.

The company is also experiencing the exchange rate risk because of the worldwide business activities. The exchange rate risk is affecting the total revenue of the business. The fluctuation in the foreign exchange rates is affecting the business performance as it is involved in the import and export of several services.

Increase in debt to equity ratio - The Company is also experiencing an increase in the debt equity ratio, which exhibits an increase in the interest expenses of the company. The external financial obligation is also increasing, which may create financial problems for Hyundai (Hyundai Motor Company, 2010).

Analysis of the External Environment

The business of Hyundai also operates in the external environment and there are several opportunities and threats are produced by the external environment for the company. The analysis of the opportunities and threats helps to achieve the competitive position for the company. The analysis of the external factors is beneficial for the company if it is performed effectively and efficiently. Hyundai is one of the leading companies in the automobile industry and it has the following opportunities and threats -

Opportunities:

Entry in ship building business - It is the leading company in the heavy industry and entry in the ship building business would be effective for the business in order to enhance its revenue and market share as well.

New project development - The launching and development of the new projects and products would also cause an increase in the performance of the business in the industry. The increase in the demand for fuel efficient vehicles would also cause the success of the new launched projects and products.

Business expansion - Hyundai also have the opportunity of the business expansion as it is an Asian company and had the opportunity of expanding its business in Asian Pacific Market.

Reduction in cost - The Company operates its business in several countries around the globe and it can reduce its cost of production by enhancing the production capacity in the countries with lower amount of cost (Hyundai Motor Company, 2010).

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Threats:

Environment regulations - The environment regulations are posing threats for the business as diversification of the business may cause the violation of the environmental regulations.

Declining economy - The decline in the economy is also causing a decrease in the market position of the company as well as also reducing the market capitalization of it.

Political problems - The business unit in the different countries may cause the problems for the business (Hyundai Motor Company, 2010).

Environmental Analysis

In the present contemporary environment every business operates its business activities in highly competitive environment. There are various environmental factors, which influences the operation of the organization.

Entry 2

Effect of Economic Environment

The Company is operating with a rapid economic growth in the business by capturing the environmental opportunities. The increase in the value of currency of Korea against the US dollar is also causing an increase in the profits of the business from the foreign business activities. Labor is not cheap in Korea but increase in the production capacity in the nations with lower wage rate is reducing overall cost of the business.

In 2009, Hyundai Motor Company succeeded in selling 2.4 million vehicles overseas, a meaningful accomplishment considering the global economic

crisis. In particular, Elantra, Genesis, Genesis Coupe, Santa Fe, and Veracruz were recognized as the best and safest cars in their categories by leading agencies and the media in the US. Also, Hyundai achieved cumulative export sales of 1 million cars in Africa during the 33 years since it first began exporting to the region. Hyundai Motor Company pledges continuous growth by maximizing brand value in developed markets and expanding its sales capacity in emerging markets.

Entry 3

Effect of Industry Environment

Hyundai Motor Company was named Carmaker of the Year by AM, UK's leading auto trade magazine, in the AM Awards 2010. Carmaker of the Year is awarded to companies that launch innovative vehicles that pioneer changes in the auto industry through continuous investment in R&D and advanced dealer network programs. Highly recognized for its sharp sales increase, first-rate dealership programs, and growth in brand awareness, Hyundai Motor Company beat other candidates including Ford, Jaguar, and Landrover to be selected as the winner of the coveted title. In 2008, UK's Autocar selected Hyundai Motor Company as Automaker of the Year, praising Hyundai for having "grown into a top-class global automaker with its competitive products."

Entry 4

Effect of Political and Legal Environment

The increase in the relationship between the different countries and their government is a good indicator for the business of Hyundai as it operates its

business in various countries. It would generate business expansion opportunity for Hyundai. In order to ensure the proper compliance of the business activities with the applicable legislation, the corporation works on certain guidelines for the different business operation in different countries. It is essential as every country has different rules and business regulations.

Entry 5

Effect of Socio-cultural environment

The socio-cultural factors also affect the business effectiveness and performance. The business of Hyundai is operated in the several countries worldwide and the society and culture of those countries are entirely different (Wessels, 2000). The management of the company operates its business by studying the social and cultural factors of the country effectively.

Entry 6

Effect of Ethical Environment

Hyundai Corp. introduced Ethics Management at the beginning of year 2004, to build the basis for survival on its own and to seek mutual benefit of all parties involved including customers and business partners etc. by preventing moral hazard of the employees and implementing transparent, responsible, and honest management.

The company organized its Ethics Management Office, with the Executive Director of the Corporate Planning & Personnel Management Office serving as the Chief Ethics Officer, and also established the Principles of Business Conduct, the Code of Conduct, and the Self-Review Questionnaire.

The Questionnaire pops up from the initial windows screen every day during the first week of any month when the employees check in to the intranet system, to remind them of and draw their voluntary participation to the idea and pursuit of Ethics Management in practice.

Special training and educational sessions on best practices of ethical management from leading corporations and institutions will be presented regularly to the staff.

All the members of the company have submitted his or her own pledge of compliance to the various ethics codes, and those in violation will be subject to discipline by the Human Resources Committee following due examination by the Ethics Management Office.

Entry 7

Effect of Technological Environment

The management of the company is continuously involved in using world class technology in order to achieve technological advancement. The use of most modern technologies causes an increase in customer service effectiveness.

Financial data

The business strategies of Hyundai are to increase the opportunities through the environmental factors is effective as it is causing an increase in the number of sales units continuously. But in the last year the economic factors has affected the sales of the business as total number of units sold were 1668745 in the year 2008, which is less in comparison of the year 2007 in which it was 1700297 units (Hyundai Motor Company, 2010). The decrease <https://assignbuster.com/case-study-of-hyundai-motor-company/>

in the sales was domestically due to fluctuation in the current rate as well as in commodity rate.

Recommendation

There are various alternative strategies, which can be adopted by the management of Hyundai in order to improve business performance such as integration strategy, growth strategy etc. The company should use the integration strategy to expand the business worldwide. It would be beneficial for the business as it would reduce the impact of political and legal factors on the business operations. The affect of the economic factors would also be less due to proper knowledge of the customer behavior, their buying pattern in an effective manner.

Implementation of Strategy

Hyundai could implement the integration strategy in an effective manner through its diverse workforce and business activities. The diverse workforce would be beneficial to develop the motivation techniques within the organization according to their culture and beliefs (Ryall & Craig, 2003). For the effective implementation of the integration strategy the management of the company should develop a proper plan related to the various aspects of the business operations.

Evaluation & Control

Implementation of the integration strategy is not sufficient itself for the business effectiveness. The evaluation of the business effectiveness in timely manner is essential for rapid growth of the business. Company administration should periodically review its implementation process which is

necessary for its efficient applications and future results (Ryall & Craig, 2003). This step makes implementation process effective.