

An introduction to the skoda company



The two cyclists, who were known as Vaclav Laurin and Vaclav Klement, are considered as the founders of Skoda Company. The two cyclists were used to design and produce their own bicycles and eventually it was established as Skoda. In 1925, Skoda was established in Czechoslovakia and gradually, it was expanded towards Eastern Europe by producing cars, farm ploughs, and aero planes other than bicycles. Skoda has to cope with hard times in company history such as war, economic problems and also the changes in the political environment. While the Skoda is grown up internationally, there was a requirement of a strong foreign partner. By, 1990 Volkswagen AG had dominated by joining Skoda. Volkswagen AG is known as the leading car manufacturer in Europe by manufacturing variety of branded products such as Volkswagen, Skoda, and Audi (Skoda Auto, 2011). The remarkable thing is the Skoda UK is selling Skoda cars through its' independent network of certified dealers.

1. 2 Business as a transformation process

In common, there is an input and output can be clearly identified in a business. Input may consist of working force, entrepreneurship, capital and land. Output may be goods and services. Therefore, the process of transformation is common for all the organizations and most of the time, output can be considered as a combination of goods and services (Oxford University Press 2007). For an example considering the hospitality as a business foods and beverage can be the goods they serve and the lodging may be the service they offer. The critical thing is to be produce outputs which may worth higher than the inputs. In financial terms, it is known as the profit in relation to the organizations which are expecting profits. But, in the

case of non profit oriented organizations such as schools and hospitals other indicators are used to measure the progress. Transformation may differ from business wise. The critical thing is to implementing innovative methodologies of value addition for the products and services while cost cutting (Oxford University Press 2007). Value addition can be done by manufacturing outputs that the customers are ready to pay money more than usual price. Since the brand name may be incorporated with customers' lifestyle and preferences, effective branding result in improved sales. For an example, plain pair of shoe can be marketed to a higher price by branding it with brands like Nike or Addidas.

Chapter 2

Organizational audit and the business environment

2. 1 Organizational Audit

Organizational audit is critical for a business to meet the following objectives.

To analyze the business's organizational framework, procedures and flow chart.

To investigate the contest between the job descriptions, responsibilities and the flow chart of the business.

To emphasize the unsatisfactory aspects of the current structure of the business.

To define development paths for improvement of the business.

To satisfy these objectives organizational audit is being done by analysis of existing data, summary reporting, individual interviewing processes and analysis of raw data gathered through the surveys. Organizational audit is crucial for a business to cope with the business environment.

2. 2 Business environment

It is believed that business transformation process may not occur in a vacuum. Firms are driven in particular frameworks and subjected by the business environment. Business environment can be divided in to two.

Micro

Macro

Micro environment consist of individuals or organizations which the business deal with a regular basis. It may include customers, employees, distributors and suppliers which are known as the stakeholders. That all components may have the direct involvement of the business activities and it can be affected by the actions of the business. Therefore, it can be concluded that micro environment play a vital role in the success and the behavior of a business. The macro environment may consist of factors which are lying outside of the direct control of the business. It includes economy, policies of the government and also the social changes. Since these macro factors can primarily change the environment of a business one individual business can rarely do much on its own to shape them. Theoretically, the macro environment can be analyzed by using PESTEL analysis. (Scott, 1982)

Chapter 3

The PESTEL analysis for Skoda Company

PESTEL Analysis

PEST analysis is the methodology of analyzing the macro environment in most of the countries. But, the expanded PEST model which is known as PESTEL is commonly used in UK (CIPD, 2009). PESTEL is stand for Political, Economical, Social, Technological, Environmental and Legal analysis. It describes the outline of macro environment in relation to the business environment.

Referring to the political factors, it consists of policies implemented by the government such as the involvement in the economy. It also includes what kind of goods and services to be produced and the priorities in relation to the business support. The political decisions may play a vital role for some businesses which are related to education health and also in the infra structure facilities. Considering the Skoda Company, the changes in laws and regulations such as accounting standards, taxation requirements and environmental laws and legal power of the foreign states may affect on their business especially in the international trade. Therefore, it is critical to monitor the governments' policies and regulations in a continuous manner. (Lynch, 1999)

Economic factors may include economic growth, interest rates, exchange rates as well as the inflation rate. Those are the factors that may have the potential to make effects on operations and decisions. Referring to Skoda, interest rate may affect its' cost of capital. Therefore, it determines the

extent of the growth of the business and expansion. Exchange rates may affect the costs of exporting goods and the supply and price of imported goods.

Social factors include cultural aspects, health perception, population growth rate, age distribution, career attitudes and emphasis on safety. Changes in social factors influence in the product demand and operation. For example, aging process may generate smaller and less-willing workforce . This may lead to increasing the labour cost. Therefore, referring Skoda to cope with these trends there should be various management strategies to be adopted. For an example, it should be more concerned on age limit of the workers when recruiting new workers.

The factors such as rate of technological changes, automation and the technical inducements altogether considered as technological factors. Those factors may influence with the outsourcing decisions, market entry barriers and efficient production level of a company. When considering the Skoda, it is producing branded motor cars. Therefore, technology should be their main focus. Because, it creates opportunities for new products and product improvement in relation to the marketing. As the technology advances, new products may launch. (Scott, 1982)

Ecological and environmental aspects such as weather, climate, and climate changes can be considered as environmental factors. Those factors may especially influences industries such as tourism, farming, and insurance. Furthermore, growing awareness of the potential impacts of climate change

is affecting how companies operate and the products they offer, both creating new markets and diminishing or demolishing existing ones.

Discrimination law, consumer law, antitrust law, employment law, and health and safety law can be considered as the component of the legal factor.

These factors can influence with the operation process, cost of production and the demand for the products. Legal aspect mainly focuses on the effect of the national and world legislation. The Skoda Company receives all the rights applicable in the nature of their business and every inventions and product developments are always going into the patented process. I. e. Audi, Skoda.

The PESTEL factors are combined with external micro-environmental factors and internal drivers in relation to the business. Furthermore, it can be explained as opportunities and threats in a SWOT analysis.

Chapter 4

The SWOT analysis for Skoda Company

SWOT Analysis

SWOT is stand for Strengths, Weaknesses, Opportunities and Threats.

Strengths can be described as internal components of a business that lead to its' growth. Weaknesses can be identified as the attributes that will make disturbances business or make the business susceptible. The external conditions that could lead to future growth are known as the opportunities in SWOT. Threats are described as the external elements which could make negative effects on a business. (Lynch, 1999)

To recognize its strengths, Skoda gathered information through researches from both customers and also from the reliable independent surveys. For an example, annual JD Power customer satisfaction survey had questioned the vehicle owners about their feelings on their vehicle for last six months by using questionnaire for about 20, 000 owners. According to the results Skoda dominated in the top five car manufacturers for last 13 years (JD Power 2010). Not only that, in 2007, Top Gear's survey revealed that among the 56, 000 viewers Skoda dominated as the number one car manufacturer (Top Gear 2007). According to those results, Skoda found that the company excelled at satisfying its customers when focusing the owner experience rather than on sales alone. Almost all of Skoda's customers would recommend Skoda branded vehicle to others, means that Skoda had a distinctive strength. As a result, Skoda manufactured cars that their customers could enjoy, rather than simply maximizing the sales. Therefore, Skoda branded themselves as a quality product that satisfies its customers.

Skoda's analysis showed that in order to grow the business required to address issues about how the small company fit into the highly competitive market. An out-dated perception of the Skoda brand, related to the company's Eastern European origins, contributed to the business' small size. By 1999, Volkswagen AG ownership had changed this negative attitude about Skoda. But, in 2006 brand Health Check revealed that the weak and neutral image in mid market range is still existing when compare to the Ford, Peugeot and Renault like brands (UK Branding 2006). Though, Skoda still deficient of a strong appeal, it is realized that the company needed to reduce the defensive campaigns exemplifying what the brand was not and begin

new campaigns illustrating what Skoda had to offer. The change was simple and Skoda knew that its owners were satisfied with their cars.

Skoda had realized that its rivals' marketing approaches are mainly focused on the product itself. But in contrast, Skoda tends to focus its attention on emphasizing the owner's experience with their cars and the customers' satisfaction with Skoda vehicles. This SWOT analysis may lead Skoda to distinguish its product from its competitors.

Considering the UK market, there are 50 different car makers selling around 200 vehicle models. To survive in this large and competitive market, Skoda needed to ensure that its message would not be lost or drowned out within the crowded environment. As a result, Skoda had manufactured seven different cars such as city car, luxurious car, and family car addressing different market segments with subsequent levels of pricing.

Chapter 5

The planning for a business and implementation a new strategy

5. 1 Strategic planning, Tactical planning and Operational planning

Depending on the PESTEL and SWOT analysis, the business plan for the business should be created by the management of the business. Planning process can be identified as three phases such as strategic planning, tactical planning and operational planning.

Strategic Planning can be considered as a long term planning attempted by senior management of a business. I. e. the executives. It involves making

decisions which will work toward reaching an organizations mission and vision statements.

Tactical planning is the mid term planning. It may range from months up to about two years. This involves middle management those who plan strategies to achieve a business's' strategic goals.

In contrast, operational planning is routine planning handled by front line managers. They may report to middle management and enact the leg work of the strategies developed by middle management to achieve strategic goals.

5. 2 Implementation of the new strategy

Novel business strategies are designed to improve the overall utility of a business, its employees and increase profitability of the business. But change may be troublemaking and can be costly within its own context as employees deal with new procedures, information technology, products or an organizational matrix. To reduce the cost, disturbances and negative effects of implementing new strategies, it should implement a strategy for implementation. Essentially, a well planned and accomplished implementation plan may lead to reduce confrontation to the changes. The process of implementing a new strategy can be identified as six major steps (Kaplan and Norton 2010).

Split the new strategy into smaller portions.

Aware the employees about the map of change

Create and post a scorecard for the new implementation, helping as a cheerleader to employees throughout the process that success is reasonable step wise.

Acquiring the feedback regarding the new strategy at each stage by employee surveys.

Request customer satisfaction.

Doing the correct adjustments in the new strategy, time scale and goals based on feedback and customer satisfaction.

5.3 Conclusion

With the concentrated study of the PESTLE, the Skoda Company will continue to emerge and develop if they manage to find solutions in different challenges that the entire organization might face in the future. Since the external environment is extremely complex and dynamic it is important to conducting the PESTEL in a regular basis. Practically, it may not possible to identify almost all the significant changes in the business environment. But, still they may able to find some of those critical changes through their assumptions and that will lead them to take the correct decision in the future. At present the PESTEL structure is further expanded as STEEPLE and STEEPLD by considering the ethical and demographic factors. Therefore, it may be important to stick to this latest model, because in some businesses those factors considered to be critical. To improve its performance, it may be needed to conduct a brand positioning examination by obtaining market research data from both internal and external audits, allowing Skoda to conduct a SWOT analysis.

Skoda's SWOT analysis may facilitate the company to reveal that customer satisfaction by purchasing their products. Not only that, it also reveals that the brand was no longer seen as a poor, outdated car, the company was able to operate within a position in the market, and that a change in public perception was very important to Skoda's ability to expand within a highly competitive market.

SWOT analysis makes the raw information which may gathered from a survey in to an order therefore, it may support managers to investigate both internally and externally. Therefore, it may also highlight the key internal weaknesses of a business, and also the strengths what the management should be alert on their business. Depending on the SWOT and PESTEL analysis, it is required to implement a new business strategy. The critical thing is to implement that new business strategy without disrupting the business.