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International Business Management: Global Operation of Toyota, Mitsubishi and Hyundai

Forewords

International business management refers to the strategies and approaches adopted to further the cause of business development on a global basis. Strategies may encompass the corporate strategy, organizational design, and supply chain structure of the industry. This report tries to study and evaluate the business management of three giants of the automotive industry namely Toyota, Hyundai, and Mitsubishi.

The automotive industry is concerned with the manufacturing of chassis for automobiles, light-duty vehicles, and assembling of final automobiles and light-duty motor vehicles. It includes pickup trucks, passenger cars, sports utility vehicles (SUVs), crossover vehicles, and vans (“ Global Car & Automobile,” 2014).

Concept of Value Chain

The constantly changing network of economic ties on a global basis demands leadership's approach that needs management and personnel both to exhibit

enhanced ability to cooperate. In order to meet challenges of international competition, companies require recognizing and seizing of openings thrown open by the global economic system (Mina & Smyth, 2014). However, those operating on a global basis cannot depend on only factors like cost saving production, innovative capacity, or lean process design. Companies must create and manage a value network on the international basis, and delegate value functions to the sites suited for the purpose. It is applicable to sales, procurement, labor, and capital markets (Piest & Ritsema, 1993; Schmid & Grosche, 2008).

The companies are expanding to foreign markets, and this is specifically true regarding the case of the automotive industry. However, long time back, automobile manufacturers discontinued focusing on exports exclusively, and in place of only exporting vehicles, they have started carrying out a series of value activities abroad. Positive economic developments in surging markets such as in BRIC that comprised of five nations including Brazil, Russia, India, and China have introduced innovations. They have prompted automobile manufacturers to initiate a series of value activities on a massive scale in these countries ("Global Automobile Engine." 2014). Macroeconomic factors affect in deciding the location as exchange rates affect sales prices and profitability of vehicles exported (Kodama, 2006). High oil prices increase the cost of transportation. Some other factors intensifying competition in the automobile industry, and affecting the international value chain include increasing cost pressures and new competitors from developing markets. Although Hyundai Corporation has participated in the increased integration of global supply chains compared to various other economies in the region.

Even though, Toyota is currently the market leader in terms of profitability and sales, and various companies are vying to overtake it (Schmid & Grosche, 2008).

The intricate relation between external factors and the formation of international value chains become evident by considering exchange rates between Euro and USD. The strength of the euro compared to the USD during 2006 to 2008 forced several non-American automotive manufacturers to consider the establishment of production sites in the United States. As per reported by Schmid & Grosche, (2008) that the high exchange rate made companies struggle to overcome the decline in sales, and losses in export of vehicles. Several internal factors also influence creation of the value chain and in the distribution of value activities geographically. Companies internationalizing; their market entry strategies are of special significance in order to locate value activities on site (Schmid & Grosche, 2008).

Globalization

The establishment and acquisition of foreign subsidiaries create the requirements for internationalization or globalization in such areas as productions, sales, and research and development. Nowadays, companies employ various strategies of market entry. Contract production is also a factor of internationalization of the companies, and producing individual vehicle components is the other (Mina & Smyth, 2014: Schmid & Grosche, 2008).

IBISWorld determines industry globalization on the basis of the level of foreign ownership, and the volume of international trade in the industry. The two factors influencing the levels of globalization of a company are foreign

ownership and the direct exposure of the industry to international trade because of high volume of importers. Foreign ownership is on the higher side as all major players including Toyota, Hyundai, and Mitsubishi have parent companies established overseas. Exports and imports are taken into account at the manufacturing level. However, wholesalers of motor vehicles commonly act as the purchaser of imported motor vehicles. Thus, the demand for imported vehicles exhibits the revenue of the industry. The Figure 1 is presenting revenue trend of sales in the past and projected sales in 2020 that may be generated from global automobile industry ("Global Car & Automobile," 2014).

Toyota

Toyota Motor Corporation headquartered in Japan, has been the greatest car selling brand all over the world including Australia. Toyota Motor Corporation Australia Ltd is a public company that is rated 36th out of the leading 2000 organizations working in Australia. The organization carried out its business headquartered in Melbourne as subsidiary of Toyota Motor Company, Japan. The company generates most of its earnings from the motor vehicle and automobile component manufacturing in Australia ("Toyota Motor Corporation Australia." 2013). However, Toyota has announced to cease its local manufacturing in Australia by the year 2017. This is because local manufacturing is becoming non-viable on account of high Australian wages, high Australian dollar and a lack of ample scope of sales in the Australian market. With the local manufacturing closing, the wholesale operations are likely to expand (Whytcross, 2014).

Figure 1 Generated and Projected Revenue from global automobile industry

Source adopted: “ Global Car & Automobile” 2014

Toyota Australia is engaged in the production, importing, assembling and supplying of automobile and replacement components for the Australian and overseas markets. It manufactured Australia's very first hybrid car in 2009 after receiving \$70 million from federal government grants for the project in 2008. Toyota manufactured three models at its Altona factory in Victoria including Aurion, the Camry and Camry Hybrid. Moreover, Toyota manufactured their product under four primary classifications namely Passenger, Commercial, Hybrid, as well as Four-Wheel Drives as well as SUV's (" Toyota Motor Corporation," 2013).

The Company generated total earnings of \$9, 011, 373, 000 in 2013 from sales and various other services. The Corolla was the greatest marketing car model in Australia in 2013, while the Hilux was the third-highest marketing automobile. Toyota's car wholesaling profits is anticipated to grow at 1. 2 % annualized over the five years via 2013-14, which stands for an underperformed in the context of general market. The statics of revenues generated by Toyota during 2008-13 in Australia is presented in Figure 2. Toyota's imported automobiles had a reputable position in the marketplace prior to 2008-09, but its market share has decreased due to competitive development and attraction among importers for Hyundai and Mazda. (" Toyota Motor Corporation," 2013).

Figure 2 Total Revenue and Net Profit after Tax of Toyota in Australia during 2008-2013

Source adopted: " Toyota Motor Corporation, 2013

Toyota has kept its market-leading position over the previous five years since 2013. Nonetheless, the business's market share has decreased due to weak industry-specific income growth. Company profits took a substantial dive in 2011-12 due to the Tohoku tsunami in Japan that occurred on March 2011. The tsunami induced mayhem in Toyota's supply chain and subsequently triggered long distribution hold-ups to customers over an extensive period. (" Toyota Motor Corporation," 2013).

Mitsubishi

Mitsubishi Motors Corporation is another big automotive player. Chrysler Australia, which was established in 1963, took over 15 % shares of Mitsubishi Motors Corporation in 1971. Chrysler Australia began manufacturing Mitsubishi-designed vehicles, namely the Chrysler Valiant Galant (later Chrysler Galant). The company name was amended as Mitsubishi Motors Australia Limited on October 1980 (" Mitsubishi Australia Limited." 2014 ;). Mitsubishi is a subsidiary of the Japanese automotive manufacturer, named Mitsubishi Motors Corporation. It is headquartered in Clovelly Park, South Australia and started manufacturing its electric iMiEV range of cars and supply to " The City of Sydney" in September 2010. The Mitsubishi involved in manufacturing of a wide range of vehicles that include the electric powered iMiEV, Lancer and Colt, as well as large vehicles including Aspire, Outlander, Pajero, Challenger and so forth. The Company generated total earnings of \$2, 035, 864, 000 in 2014 from sales and various other services. Figure 3 illustrating revenues generated and net profit after tax deduction by Mitsubishi during 2009-14 in Australia (" Mitsubishi Motors Australia Limited."

2014; “ Mitsubishi Australia Limited.” 2014).

Mitsubishi Corporation has a wide range of groups including industrial finance, logistics and development group, energy business group, metals group, machinery group, chemicals group and living essentials group. These groups are also monitoring many more divisions working under them.

Mitsubishi Motors Australia Ltd. continued its wide-ranging organizational restructure in 2013. Under MMAL, a " newly aligned" sales department has been developed " to increase structural efficiency and enhancement in communication and co-operation for its after-sales and customer service related departments."(" Automobile Industry." 2008; Martin, 2013).

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Figure 3 Total Revenue and Net Profit after Tax of Mitsubishi in Australia during 2009-2014

Source Adopted: “ Mitsubishi Australia Limited.” 2014

Hyundai

Hyundai Motor Company Australia Ltd is headquartered in Macquarie Park, New South Wales and working as a subsidiary of the Korean-based Hyundai Motor Company. Hyundai involves in import and distribution of vehicles and its spare parts in Australia. It took over distribution of lifestyle vehicles including passenger cars and recreational vehicles. The major brand include Elantra, Accent, i20, i30, i40, and Veloster as well as HD trucks iLoad and iMax models. Hyundai generated total revenue having worth AUD 2, 159, 906000 with net gross profit of AUD 37, 732000 in 2013. The revenues generated, and net profit earned by Hyundai during 2008-13 in Australia is illustrated by Figure 4 (Hyundai Motor Company” 2014).

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In Australia, Bond Motor Sales Ltd was the first importers of Hyundai Vehicles in Australia by the year 1981. Since almost 20 years of its Hyundai operations in Australia, the graph remained going up and achieved growth of 66% in total sales revenue in recent six years of its total sales revenue in all over Australia. In the year of 2013, Hyundai was ranked at 4th amongst major auto industry players (" Hyundai Australia chooses," 2014).

Hyundai Australia opted to support Nutanix in July 2014 under their strategy termed as " Virtual First Strategy". It has established a Nutanix™ Virtual Computing Platform in order to support its VMware Virtual Desktop Interface environment. It facilitates in reducing costs, staff productivity, and accelerating workflow (" Hyundai Australia chooses," 2014).

Figure 4 Total Revenue and Net Profit after Tax of Hyundai in Australia during 2008-2013

Sources adopted: “ Hyundai Motor Company” 2014

Comparative Review of Organizational Culture at Toyota, Mitsubishi & Hyundai

As per studies, structured interviews, and empirical data. Toyota competes both strategically as well as managerially by emphasizing on planning and work systems. So this serves as to lessen the impacts of any turbulence in the external environment (Ichijo & Kohlbacher, 2008; Lindner & Wald, 2014). In addition, it shows that stability is a key strategy employed by Toyota for growth. In the case of Hyundai, the strategy involves accepting environmental uncertainty and risk as an integral part of normal daily operations. In other words, Hyundai employs a corporate strategy as a key to its operations (Lee, 2011; Shim & Steers, 2012). Mitsubishi, on the other

hand, has structural efficiency as a driver to its daily operations. For instance, Mitsubishi has established a division to ensure enhancement in communication and co-operation for its after-sales and departments related to customer service.

Furthermore, the organizational design of the three top automobile companies reflects the reason for the increase in productivity and highlights areas that need to be addressed. Toyota, for instance, fails to balance between centralization and decentralization. This is one of the direct consequences of globalization as it produces a tension between global and local forces (Lee, 2011; Shim & Steers, 2012). The operating in a centralized fashion has its benefits, but it exhibits flaws for the automobile companies in decentralized or localized fashion (Pete, 2011). Hyundai Motor Corporation is based in South Korea; however, the company has automobile plants in different parts of the world including China, Turkey, India, the United States, the Czech Republic and Russia. Hyundai governance structure includes a nine-member board of directors, the audit committee, the ethics committee and a committee to recommend external director candidates (Erick). However, Hyundai structure reflects much flexibility than Toyota as it focuses on decentralized fashion than the former.

In 2013, Mitsubishi began organizational restructuring in order to increase efficiency. After sales department was established that gives room to increase in efficiency and productivity of the organization. In the past, Mitsubishi used to rely on a business model based on minimum risk in case of low-return businesses. However, the company changed its priorities at the beginning of the 1990s in present competitive business environment. The

company reformed its business models impelled by customer demand to provide more sophisticated services.

Although Toyota and Hyundai exhibit many common characteristics but there is a pronounced difference among leadership that have a significant impact on organizational behaviors and performance. The prevailing culture at Toyota concentrates on systematic operation by implementing mitigation strategies in case of uncertainty. While Hyundai organizational culture depends on the vigilance regarding opportunities followed by prompt response (Shim & Steers, 2012).

Conclusion

Globalization is considered to lead to the creation of a homogenous world market dealing with differentiated products and services. But varying cultural environment still has an important role to play in the purchasing decisions of customers and employees' commitment. The changes taking place in productions, operations, communications, and decision making are specifically discernible in the automotive industry. There could not be a “ world car” that suits all peoples of the world. Hence, manufacturers have to familiarize with the changing needs of customers by designing products to suit a large segment of the society in different countries. The competitive position of the automotive industry impacts the economy enormously, and so, the strategies adopted by the various automobile companies become important. This strategic adaptation is the strength behind corporations like Toyota, Mitsubishi and Hyundai to operate globally. Thus, in order to meet the global competition and demands, these automotive companies expand to foreign markets.

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