

The german
automobile
manufacturer daimler
ag



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1. A brief introduction of Daimler AG

Daimler AG is a German automobile manufacturer which is the thirteenth largest car manufacturer in the world. It is the largest truck manufacturer as well. The company was founded in 1883. The current brand portfolio includes the world's most valuable automobile brand, such as Mercedes-Benz, Smart, Maybach, Freightliner, Mitsubishi Fuso, Sterling, Western Star, Detroit Diesel, Setra, Orion and Thomas Built Buses. Daimler AG is an automotive group with a commitment to excellence, and aims to achieve sustainable growth and industry-leading profitability.

2. The current business strategy of Daimler AG

As a company, they should analyze external and internal analysis to collect the information to innovative the business strategy that will help the company to achieve its goals. In this part, I will give a brief identifying business strategy, and then I will analyze business strategy of Daimler AG.

2. 1. What is a business strategy?

A successful business's foundation is business strategy. Therefore, the business strategy means that it will involve more in how a business can compete in market and can get successful. It also focus on how the company can satisfy the customers' need, gain advantage over competitors and exploit or create new opportunities.

Business strategy has four aspects: the product-market investment strategy, the customer value proposition, assets and competencies and functional strategies and programs (Figure 2-1).

How to Compete

Value Proposition

Assets& Functional

Functional area

Strategies &Programs

Product market investment strategy

Product market investment strategy means where to compete. In other words, a company should consider the opportunities and threats of the whole market and identify the business scope of the organization. On the other hand, dynamic is more important than business scope. It means that organization should consider what product will be dialed up or down, internal and external financial resources and some non-financial resources such as business plan, equipment, etc. There are some choices can offer to corporate:

Use more investment to grow the company or enter the product market

Use investment to maintain the current position

Use a small investment to milk business

As Daimler AG, it is demonstrate clearly its business scope. Daimler AG offers the automobile product. In recent years, Daimler AG has been increasing their investment to grow their company. For example, Daimler AG invests the money to a new field which is electronics power vehicle. Also,

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Daimler AG and its strategy partner American car maker Chrysler also create hydrogen fuel cell car can try to use it in the next generation vehicle.

According to this point, Daimler AG has a clear decision about the product investment.

The customer value proposition

The customer value proposition is “ the perceived functional, emotional, social ore self-expressive benefit that is provided by the organization’s offering (Aaker, 2005).” The value proposition should be relevant to customer and then the result can reflect in to products’ positioning and services. Value proposition should be maintain long time to support the strategy. The customer value proposition has some elements such as:

Great value

Good product quality

A global connections and reputation

Wide product line

Good innovation

Daimler AG has a good customer value proposition. The product has a good innovation such as electronics vehicle or hybrid power vehicle. Its product is valuable because they have many types of car can provide to customers and satisfy the customers’ needs. Also this point can demonstrate Daimler has a wide product line. As we know Daimler-Benz is the car which is image of customers’ status. Everyone who lives in this world knows Daimler’s car. Also

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Daimler – Benz is the favorite car of the business man. Therefore, Daimler AG has a good reputation in both company and its products.

Assets and competencies

This strategic belongs to sustainable competitive advantage (SCA). The strategic competency is what corporate unit does well or which is important to the business. The strategic asset is kind of resources such as brand name. Assets and competencies are very hard to achieve.

Daimler AG is the largest automobile manufacturers in the world. They have many resources can achieve its core competency. For example, Daimler AG and Chrysler create a new brand DaimlerChrysler and create a hydrogen fuel cell car. It is much valuable and rare in automobile industry. It is also a good competitive advantage can be sustained. Besides, the reputation of these two companies also is the intangible resource can support the strategy relative to competitors.

Functional strategies and programs

Functional strategy is “ an approach that uses maximizing resource to achieve corporate and business unit objectives and strategies (Wheelen & Hunger, 2010).” Assets and competencies or customer value proposition should support the some strategies. These strategies include:

Manufacturing strategy

Marketing strategy

Distribution strategy

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Brand building strategy

Communication strategy

Information technology strategy

Global strategy

Quality program

Customer relationship program

Daimler AG has a good functional strategy in many parts. Firstly, it has a suitable marketing strategy. Daimler AG is a car maker; its car has a good quality. Therefore, they use skim pricing in market strategy. Daimler AG also has a very strong R&D strategy. Daimler AG is a technological leader in this industry. They use the new technology to maintain the competitive advantage. Also, brand building is very important to Daimler AG. They invest more money in its customer relationship and quality. The purpose of these is increasing the brand awareness and gives a strong brand name to the customer.

2. 2. The patterns of the Daimler's activities

Every company has its own value chain (Figure 1-2). It includes many things: raw materials, operations, warehousing and distribution, marketing and sales, and service. These are primary activities of a company. Also there are some support activities: purchasing, R&D, human resource management and firm infrastructure such as general management, strategic planning, etc. Each product line of company also has its own value chain.

Figure 2-2

Value Chain

According to the value chain, I will analyze the activities of Daimler AG. First of all, I will analyze the support activities

Support activities

Procurement is the first element of this part. It means what activities or strategies the company use in purchasing raw materials, machines, supplies. Daimler AG has a strong bargaining power as a buyer in this industry. They need many steels to make car. On the other hand, Daimler AG invests more money in technology development. Research and development always play an important role at Daimler. At present, R&D is more important than ever before. Daimler give the accelerated pace of technological development and the challenges by environment protection. In 2009, Daimler invests €4. 2 billion in R&D part.

Human resource management of Daimler is trying to reduce personnel capacity. Daimler use diversity management to connect with its corporate culture. For example, Daimler tries to increase approximately 12% female managers in upper management positions by 2020. Daimler also has various awards for health management activities. On the other hand, Daimler has high standards of training and further training. For example, at the end of 2009, Daimler had trainees 9, 151 trainees. In Germany, they hired 2, 341 new trainees in 2009. Daimler also provides a continuing education to its employees. Most employees who work in Daimler can acquire new

knowledge in their leisure time. In 2009, Daimler invests €207 million in the training and continuing education of its employees in Germany.

In firm infrastructure, Daimler AG has good strategy. There are four strategic focus areas for action: “ 1) Operational excellence and a culture of high performance, 2) Expansion of core business in traditional market segments and utilization of new opportunities on a regional basis, 3) Further development of innovative and customer-oriented services and technologies, and 4) Developments and implementation of new business activities in related areas (Daimler annual report, 2009).” According to these four strategies planning, Daimler AG wants to increase their awareness in the market. And they also want to give a high service to their customers. Besides, Daimler will use the new technologies in new business areas such as the hybrid car field.

Primary activities

These activities are basic areas for a company. This part is very important to Daimler AG. Daimler has high requirements for its raw materials because it wants to give a high quality car to customers. Most of its suppliers are partners with Daimler AG. Therefore, it cannot be controlled by Daimler AG. Besides, Daimler AG has a wide distribution channel in the whole world. Daimler AG also has a strong service to the customer. They have many 4S shops in many countries. The marketing communication strategy of Daimler AG is also strong. The customer can get the information of the product from many media such as professional magazines, TV advertisements or outdoor advertisements.

According to the information, Daimler AG has many competitive advantages in the industry. Some elements are very valuable such as high quality product and good services. Some of them are very rare such as the technology of hybrid car. Therefore, Daimler AG can sustain their competitive advantage in automobile industry.

3. The processes of business strategy development

Basing on the current business strategy deployed by the organization above, this part will describe the processes through which the strategy identified has been developed. The conceptual frame work shown in Figure 3-1 can be used to identify and position organization components and their interaction. The heart of frame work is a set of four key constructs that describe the organization: structure, system, people and culture. The figure includes strategy, which must successfully interact with the four organization components and organizational performance.

3. 1. Structure

Organizational structure defines lines of authority and communication and specifies the mechanism by which organization tasks and program are accomplished. Organization structure of Daimler AG is high authorities and strongly decentralized. It is considered as the company's intangible resource. The sustainability management at company consists of Board of Management, Sustainability Board and Sustainability Office. The decentralization in the Daimler Company is reflected in that there is no concentration of power in an individual but is approved by the organization. Depending on the scope of responsibility of managers at various levels, they will make related decisions. Dr. Dieter Zetsche is a Chairman of the Board of

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Management Daimler AG, concurrently Head of Mercedes-Benz Cars. Board of Management is responsible for the development of group and corporate strategy that building the company's goal to become one of the best companies of the industry on sustainability. The restructuring of the board and the supporting office is to help the coordination of the relevant units in the company and the important decisions from all units. The Sustainability Board's responsibility is to analyze and evaluate the activities of Daimler as well as prepare a memorandum. In addition, in order to provide second opinion, it assists the Board of Management by working with the Office of Sustainable.

Figure 3-2 Sustainability governance structure

Source: Sustainability Report 2010

3. 2 Systems

Several management systems are strategically relevant. Among them are the budgeting/ accounting, information, measurement and reward and planning systems.

Accounting and Budgeting System

Accounting and Budgeting are key elements in any management system and tangible resources. The risk that these systems cannot be adapted to the needs of a new strategy can be very real. An accounting and budgeting systems that is well conceived and contains valuable historical data may not fit the reorganized structure required by the new strategy. According to Company Annual Report 2009, Daimler spent €4. 2 billion invested in research and development for the study of innovation, safety and

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environment. In there, Daimler added € 1. 95 Billion to promote the sound capital base and invest in new technology development of automobile. Moreover company spent € 210 million to invest for future long- term in safeguarding.

Information System

The information system and the technology, database, models and expert systems on which it is based can fundamentally affect strategy. Daimler AG has an information system “ Automotive Legislation online” which provides useful information about legal requirements and knowledge of worldwide legislation on the design, manufacture, approval and use of motor vehicles. Database of official law is update online everyday with important regulation of the largest markets such as Europe, USA, Japan and China. In addition, Information on the testing device is stored in GOTIS – GSP Online Techniques Information System. And when customer access Information for Rescue Services, will provide a concept of comprehensive safety for automobiles.

Planning and measurement

To be able to start the process, all the necessary resources need to be prepared. It includes commitment to planning, selection of appropriate personnel, data collection, implementation time and determine the process used. R & D department of the company will be responsible for its. Research and development plays an important role in Daimler to make sure that they always be proactive and control innovation in automotive industry. Through research activities, Daimler can predict trends as well as customer needs and desires for future mobility. Then it will be integrated into the product by <https://assignbuster.com/the-german-automobile-manufacturer-daimler-ag/>

engineers specializing in research and development of company. An R&D group could have a research team that report both to the business unit and to the R&D manager. The concept of dual report requires coordination and communication that can be stressful and costly but it also provides the flexibility needed to deal with a fast moving market. The management board is responsible for reporting to the supervisory board about business policy and issues related to the business implementation of the company's business in future.

3. 3. People

A strategy is generally based on an organizational competency that, in turn, is based on people. Thus, strategies require certain types of people. For each strategy, it is important to know how many people, with what experience, depth, and skills, are need for:

Functional areas, such as marketing, manufacturing, assembly, and finance

Product or market areas

New product program

Management of particular types of people

Management of a particular type of operation

Management of growth and change

According to Annual Report 2009, “ Personnel capacities adjusted to lower demand. Diversity management anchored in Daimler's corporate culture.

Various awards for health management activities. Ongoing high standards of training and further training”.

Due to the crisis of the economic environment, in 2009, there was a significant decline in demand for workers due to the adjustment of the workforce of the company. As a result, the number of workers employed by Daimler worldwide fell 256, 407 on December 31, 2009. The largest workforce reductions were implemented at Daimler trucks; the number of employees at that division fell by 8, 716, with 5, 315 job, Mercedes- Benz 4%, Vans 8% and Daimler buses cut down by 5%. There was 4% decline in total labor force of Daimler Financial Services and 3% in Sales and Marketing Organization. Company agreed on a package of measures aimed at reducing labor costs and safeguard job. The collective bargaining agreements on working hours have not been reduced through short-time work arrangements.

Although company need to cut down labor but the company knows how to motivate the morale of staff. Daimler AG takes the advantage of the diversity of the workforce to create company’s future success. The variety of personal skills, talents and abilities employees will be highly appreciated. When employees are valued, they can promote their ability to create innovative products that help company improve customer satisfaction. To ensure enough supply for future engineers, the company has used technical education to secures and promote young talent. Daimler AG also has many different ways to approach new employees such as attend job fairs, online job market or organized the recruitment event. The company has recruited young people qualified for jobs worldwide. At the end of 2009, the company

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had 9, 151 trainees worldwide. Trainees who perform well subsequently receive fair job offers; Daimler hired 89% of its trainees in 2009 (2008: 93%). The focus here is to highlight the opportunities in which talented young individuals may find their role in shaping the future of mobility. This may be regarded as tangible resources of Daimler AG.

3. 4. Culture

Company culture can be viewed as general recognition, trust and the normal behavior of an organization. Company culture can affect how people live and act, and they determine what is normal, and how to handle unusual. Because people work in different cultures so they have different behaviors and different ways to work. Therefore, the change in corporate culture can make people work more effectively and positively so culture can be considered as intangible resource. Daimler AG has adopted different management measures in accordance with local requirements and specific cultural characteristics. The company does not have the distinction of generation, gender or race. The opportunities for women improved because the company has created an appropriate balance of male and female, particularly in senior management positions. Women accounted for 13. 1% of the Daimler AG workforce at December 31, 2009. The percentage of women in positions of upper management would increase from current levels to about 8% to 20% in 2020 (Annual Report 2009). Daimler AG has set the target corridor annually to achieve this.

4. Strategy Evaluation and Core Competency

In this part, I'll evaluate the suitability and identified outcomes based on analysis of environment. Furthermore, I'll also point out the core competency of Daimler AG.

4. 1. Evaluation

The product investment strategy of Daimler AG is to develop new products. As we mentioned previously, they invest funds on electronic power vehicle and hydrogen vehicle. The political and environmental factors limited the petrol power due to the waste gas emission. The next generation cars will be the new trend of consumers and new profit source for Daimler Ag to create new product to develop new markets. With the rising environmental awareness of the people, they will choose the cars with clean energy. This market will have high potential growth in the future. All they do is to suit dynamic customer demands.

Daimler AG's good customer value proposition can maintain and expand their quality and reputation. Like their slogan, " the ultimate setting machine", the Benz provides a comfortable internal car environment for customers. This feature satisfies customer value due to Daimler AG's technology of vibration control, internal design and power transfer system. Even the cars in high speed situation, people still feel stable inside. It is the reason why customers choose Benz because of its high quality. Another reason is worldwide reputation of Daimler AG. Beside their high quality, the high brand recognition in business society also drive business people select their cars. And their style of the design indicates customer's social status is higher.

Daimler AG's functional strategies are variable. Firstly, they use marketing strategy to assure their profits and expand new markets. And skim price strategy they used when new type of cars put into the market. Because their customers are higher level and have greater purchasing power, they skim the higher profit at first round. And the second round they lower their price a bit with promotion. The promotion is not to offer cheaper price only, but provide other long-term services for customers to choose their products continuously. Secondly, their strongly research and development strategy illustrate their tradition, which is R&D always play a key role of Daimler AG. The R&D strategies offer the new products to suit customer demands & needs constantly. It becomes the core competencies in today's world not only in Daimler AG, but also in other car manufacturing corporation. In this strategy, they emphasize the innovation, safety and the environment. There are three aspects of their considerations. Optimization of their vehicles with advanced internal combustion engines; further efficiency gains through hybridization and Emission-free driving with electric vehicles powered by the battery and the fuel cell. And the safety is another important consideration. This factor also influences the consumer choice. Make sure consumer's safety also means the profit assurance. Thirdly, their CRM (customer relationship management) is aim to satisfy customer's satisfaction. Their sales, service, and support services such as financing and insurance is to maintain and develop customer loyalty. According to customer different expectations depending on their products such as truck, van, bus, car and other service, all their business units have developed customized strategies and programs that are tailored to meet regional and customer's specific demands. Another important part of their CRM is the achievement of

services. To reach the full coverage, they plan to establish the online after sales services. It is convenient for customer to gain the information about their cars' maintenance, repair and special offers.

4. 2. Core Competency

The Daimler AG's company structure is like democracy government structure. Each main part of the company has its own functions and responsibilities. To achieve their common goals, each department makes their contribution to ensure the sustainability to the whole corporation. This structure provides efficiency for company to run their business. And when the opportunities or crisis came, Daimler AG still could deal with it.

To support the company structure, a proper corporation system is necessary.

There are some system of Daimler AG is related to the strategy. First of all, the accounting and budgeting system can avoid financial risks. It also can measure the business activities for decision makers. Through the accounting and budgeting system, company can also control the process and progress of their strategy. And sometimes it will be ended when in necessary.

Secondly, the information system combines with the technology and database. The technology influences the method and volume of collecting data. The collecting data help the Daimler AG to analysis the situation to make the quick response for dynamic market environments. Their new products are the solution to the latest customer information which is their demands and appropriate suggestions. Thirdly, the planning and measurement is the main part of Daimler's strategy process. The top management use acquired information to plan the strategy, measure the feasibility based on the rotation of R&D, marketing situation and financial

status. In some developing countries, the protection policies of local area are barriers that influence the executive of strategy. For example, the Chinese automobile industry is protected by their governments. Some cutting edged cars can not sale in that area due to the technology barrier.

The human resource is a significant internal part of Daimler AG. After financial crisis, the massive human resource reduction occurred in most company as well as Daimler itself. In that tough time, the H&R reduction is not only for HR cost saving, but also motivates the morale of rest staff. Corporation can use chance to adjust their human resource with their main strategy.

On the other hand, Daimler AG's culture is compliance with demands and promotes ethical behavior. They have been developing the culture for a long time. The compliance for Daimler refers to all their activities must adhere to all the laws, regulations and proper internal guidelines. This culture allows Daimler AG own the excellent efficiency & effectiveness in their business activities and strategy executions. On the other hand, in order to maintain the corporation, they establish the Corporate Compliance Operations (COO). Their main duty is to prevent the corruption and support its global implementation in more than 150 over the world. Another corporate unit is called Business Practice Office (BPO). Their duty is responsible for receipt and documentation of complaints and information concerning suspected violations against legal regulations, internal rules, and accounting or audit requirements of Daimler. The compliance in Daimler Ag can be identified as four aspects, principles guiding action, integrity code, code of ethics, and COO rules.

5. Conclusion

The Daimler Ag's strategies are aim to keep and develop their SCA (sustainable competitive advantages). In VRIN model, we'll summaries the factors we mentioned.

Valuable: The product investment strategy, customer value proposition, R&D strategy, marketing strategy, company structure, CRM, corporation system, human resource, and culture

Rareness: The product investment strategy, customer value proposition, R&D strategy, CRM, and culture

Inimitable: The product investment strategy, customer value proposition, R&D strategy, CRM, corporation system, and culture

Non-substitutable: The product investment strategy, R&D strategy, and culture