

# Automotive industry analysis



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Economically and demographically, the automotive industry I am basing my focus on is strategically positioned for growth offering service to both export opportunities and the domestic demands. The automotive industry is a driver of technological option when it comes to making the improvement of the fuel economy of cars and posses the drivers of innovation.

The automotive industry is primarily involved in the manufacture, design, and sales of minivans, sedans, sport utility vehicles, compact cars, trucks and accessories throughout the world. Additionally, the industry works hard to provide services like equipment and vehicle leasing, financial services to potential dealers and even to customers in order to support sales of manufactured products and leasing process.

Targeting the market through low price and quality products to the customers, the automatic industry distribution channel is able to provide effectively and efficiency to sellers and customers through a well-managed distribution channel. statically, information about the current and existing customers are clearly recorded in the industry database, the automotive industry gets information about their customers from social media joints such as facebook, twitter , youtube Instagram. The industry distributes their products to the final customers through different dealers in the industry and through direct shipping to the final customers. All players that are present in the in the automotive value chain are focused in the collection of customers

data. The consumers have the easy accessibility of information about the specification of automobiles, discount, quality, and performance.

From a regional classification of the market penetrated, the industry has grown with a serious percentage of the geographical cover and the total sale recorded annually in the year 2014, the company recorded a sale value of 208 billion dollars.

The industry is located in a wide space of land with the availability of raw materials, water labor, transport facilities many different assembly plants have been distributed in different states for the industry to come up with vehicles that suit every individual market.

Focusing the analysis on profit trends of the automotive industry, the industry has enjoyed the season of relatively strong profitability and growth with annual sales having reached the targeted goal in some states.

Through globalization, the automotive industry has been going through serious changes that are brought by rapid competition between the domestic and the international car manufacturers, the market share and the profit level has been interfered with it.

## Part B

1 . concentrating on the functions served by the product, the customer is able to buy a car so as to serve his or her major basic need of moving from one place to another, this type of need causes the demand to rise. Economic trends like improving on income growth causes the level of spending to rise hence making many people spend on automotive industry products, this, in

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the long run, will cause the demand to increase since most individuals will find it easy buying a car, on the other hand when income growth decreases, the level of spending will hence the demand for automotive industry products like cars will go down

The stage of product life circle seriously affects the demand, in the automotive industry, cars at a growth stage in the product lifecycle experience high demand as compared to cars that are in the decline stage. In the automotive industry cars at decline stage experience decrease in demand due to their stay in the market and technological advancement, the demand will actually decrease (50MINUTES. COM, 2015).

Demographic trends influence demand in that when the large group of individuals moves into a country the demand for different products will increase as compared to individuals moving away from a country. The demand for individual staying in a specific demography to need the same thing may increase the demand for a particular car.

Focusing on social/cultural trends, demand tends to go high when a specific social class wants themselves to be associated with a particular type of car and the demand decreases when the social trend becomes. Contrary, a political trend can seriously decrease the demand, when political instability is being experienced in a country; individuals tend to hold their money and are not able to spend them on commodities like cars decreases.

Technology keeps on changing, in the automotive industry when new technology is introduced into the market and it's either associated with cheap price, the demand for the product tend to shoot high, when a product

incorporate new form of technology, the demand for the product also increases (Hiraoka, 2009).

Programs developed by companies in the industry like new distribution channels is able to make the automotive product known to the market hence increasing the rate at which that particular commodity can be sold to the market increases hence causing an increase in demand. Additionally, pricing trends are a major determinant of decrease or increase on demand performance; when the price decreases the level of spending normally goes high hence creating higher demand as compared to when pricing increase individuals tend to reduce their spending on expensive commodities(Heneric, 2006)..

### Part C

Stage of the product life cycle of the product affects the pattern of investment, in that when the product lifecycle is at maturity stage, the cost structure will remain constant at maturity stage with the cash flow and profitability remaining constant. During growth stage, the industry experience higher level of profit and much investment is inserted in the industry to ensure the growth process in continued. At the decline stage in the product lifecycle, cash flow is minimum hence the level of profitability being experienced is very low (Wippel, 2014). Industry at decline stage is forced to set a minimum price to manage the performance of their products. Ideally, at the growth stage, the amount of money being pumped into investment is much as compared to the profit the organization is receiving,

this make the firm to set much higher price above the breakeven point (Niewenhuis and Wells, 2003).

2. Focusing on the competitive environment, Porters Five Forces of industry competition affect both cost and profitability. The threat of new product in the automotive industry is able to reduce sales performance in the industry when the new threat is much stronger than the existing product, profitability will be reduced and even the company can opt to lower the cost of operation. Additionally, when the buying power is fair, the automotive industry performance cost will be fair and the level of profit will be highly increased. Competitive rivalry and threat of substitute product affect the general cost of production and the level of profit received, through reducing the level of potential buyers who can greatly contribute profit wise into the automotive industry (Ahlstrom and Bruton, 2009).

3. The cost drivers that exist in the automotive include large workload of labor, raw materials, and manufacturing cost. The industry 20% of the total investment has been applied in manufacturing, with 20% being spent on labor and 17% of the total investment goes back to the acquisition of raw materials.

#### Part D

The industry has various opportunities that when focused on can lead to profitability in the organization. The first opportunity is weak competitor rivalry which, this has made the automotive industry to act as a monopoly and even dominates the market . Additionally, the company has the intensive application of technology in their system helping them to be ahead

through innovation. The organization experience stable management of their finances. Serving additional customer groups to expand into the new market is one of the major strength that will bring more customers into the organization. The industry is not only integrating their forward and backward movement but also strongly increasing in the market demand.

#### Part E

Some of the industry threat includes changing buyer's needs and taste that to some extent frustrates the company and even allows competitors to take away some customers. Additionally, the adoption of new government rules and regulation makes it turf for the business to survive and finally the threat of competitive entry into the market is reducing a large number of customers who were in existence early before.

#### Organization analysis

Our company is committed to providing quality and unsurpassed customer service. With increased competition and the changing customer demand, our mission has evolved towards fulfilling customer changing demands. The company's organization culture defines the reactions of the employee to challenges the company encounters in the market. The company sales approximately 200, 000 units every year with more than 300 hundred employees stationed at the companies headquarter. The company has been in business for 10 years with a total asset of up to \$50, 0000, 000. The company is located near essential raw materials and accessibility to the company is easy due to good transport and communication network

(Hiraoka, 2009). The past company's strategies have mostly focused on fuel efficiency and this has won it more market in developing countries.

The company has a lot of strengths that has enabled it to remain competitive for years. The company has a good financial status that has enabled it to venture into new markets. The company is also a leading manufacturer and a market leader of personal cars with a good reputation for customer care. The company also has a big manufacturing plant that has enabled it to attract economy of scale. Furthermore, it has invested in innovativeness and skilled skills that have enabled it to come up with different designs of the car. The company has one of the best management team with qualified and experienced staffs who are driven by the changing needs of the automotive industry.

The company has high inventory level that increases the cost of storage of important car components. Its narrow product line has made customers lack enough options while purchasing some of its products.

### Recommendations

The company should focus more on advertisement in order to increase sales and earn more revenues so as to maintain its financial status. The company should also continue focusing on customers' needs and carrying out intensive customer research so as to identify their needs to help in coming up with specific cars to meet their needs(Papulova&Papulova, 2006).



The company should also invest more in taking most of its employees to training so as to enhance their individual skills in innovativeness and overall management (Markos&Sridevi, 2010).

### Weaknesses

The company should enhance just in time procurement in order to reduce the amount of inventory that is being experienced currently (Burns &Janamanchi, 2006). The company should focus on product differentiation and come up with different products to enable the customer to have choices while purchasing some of its products.

### Threats

The company should also focus on employee needs to avoid staff turnover. For instance, the company should provide the good working environment and should motivate employees through further training and good compensation Package. The Company should focus on uniqueness and customer satisfactory in order to keep pace with its competitors.

### Opportunities

The company should keep pace with the changing technology by making sure that the latest technology is incorporated it its production and marketing.

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## **International management**

The target of business enterprises is to increase their scope of operation beyond the initial margin to ensure that the anticipated growth has been attained. The focus on local market limits the business market coverage, which calls for the need to expand to other countries. The process of internationalization of the operations of the firm is a critical process that requires the evaluation of both the internal and external competencies of the organization in line with the targeted international market. In most cases, the management is concerned about the risks and benefits that will accrue from such expansions. However, the approaches and factors to consider may vary depending on the vision and sector of operation associated with the company. In this section, we examine competition, cultural diversity, and resource and cost management issues when businesses are seeking international presence as well as the strategic approaches regarding these key issues to reducing their exposure.

Competition in business increases with increase in the scope of operation. When a company decides to expand the operations to international markets the level of competition that the firm will be subjected will also escalate. The standard of market rivalry defines the extent to which the management will be tasked with enhancing the quality of operations to position the business above other entities in the industry strategically. Competition affects businesses from two distinct dimensions: it can ignite successful growth and development or affect the capacity of the firm in line with market coverage

and profitability. Lu, Pattnaik, and Shi (2016) carried out an evaluation of the spillover effect of marketing expertise associated with competition on global organization. The scholars included the analysis of the frequency to at which the multinational corporations are adopting loyalty programs to counter stiff competition that leads to industry dynamics. The research revealed how the use of international strategies is essential in establishing a significant market share that will encourage profitability. The use of royalty programs finds its roots in the increasing competition for firms that have expanded their market of operation.

### **Consequences of internationalization of business**

Moreover, organizations seeking to internationalize their operations face the implication emanating from the management of customer services based on cultural diversity. When a business is operating in various markets across nations, then the nature of client needs is diverse. The culture associated with different customer tastes and preferences is critical to the success of large firms anticipating to increase their scope of operation. Hofstede (2017) pointed out how culture is essential different businesses irrespective of the sector of exploitation. The complexity advances when the organization venture into international markets. The study gave focus on the process of creation and maintenance of cross-cultural management strategies. The conceptual-based analysis used the sociological status power theoretical framework to highlight the possible patterns and shifts associated with the international operation. The scholar introduced a gaming and computational simulation such that the system set forth to enhance cross-culture management could detect the unanticipated effects. The study revealed that

a multidimensional approach to culture incorporation could attract successful business growth. International operations generate culture-based shifts in management approaches such as trans-national collaboration, system realignment, and team management.

Furthermore, internationalization of business operations affects the processes associated with resource management and cost sustainability. The financial, physical, technical, and human resources in an organization change the moment the business expands its operation to the international market. The management of knowledge, cost of production, talent, and integrated systems becomes complex. Furusawa, Brewster, and Takashina (2017) examined the implication of international operations on the integrated system within the human resource management structure. While focusing on transnational of management of the employee orientation and coordination, the study examined 93 firms in Japan with an international presence. The scholars presented the findings, which showed that integration aspects are critical to the success of internationalized firms in Japan. On the other hand, Algorta and Zeballos (2017) researched on the conditions and practices that define the management of the resource. Based on the experiences regarding the success of an organization, working with the modern methods of knowledge management guarantees the growth and sustainability of the business. According to Algorta and Zeballos (2017), the articulation and integration of resource management and knowledge on the strategic coordination of the activities of the organization present management dilemma for internationalized firms.

## **Sross-cultural management**

The critical issues that face firms seeking to expand their operations to an international market can be addressed through a strategic approach to the key elements identifies above. Based on research recommendations the enterprises can adopt different approaches to enhance their success and reduce exposure and vulnerability. Setting strategies to control the effects of competition is essential for growth and sustainability. Singh and Kota (2017) analyzed the effect of internationalization of family businesses based on the need for competitive advantage and innovation. The study included the assessment of the environment for companies seeking to internationalize their operation. With a bias to the family business, the scholars pointed out how business innovation competitive advantage is critical to firms looking to invest in other countries. The research included a comparative approach to ascertain the effect of strategic management of the internationalization process and presence to build a baseline for the success of family-based businesses. The results of the study showed that family business with international presence were more innovative and competitive that the non-family enterprises. However, the results demonstrated how innovation and competitive advantage is essential whenever any business, irrespective of the structure of ownership, is seeking international presence.

On the other hand, cross-cultural management should be evaluated based on the two primary perspectives: conterminous or cross verging. Kanungo (2010) carried a study to determine the perspective that can be used to enhance the process of integrating the cultural needs of an organization within the management structure when dealing with various market scopes.

The study pointed out how the values are critical in culture establishment and protection since they affect the affairs of the business. Worth noting is that diversity and inclusion is an important part of culture management. The critical review study revealed that the managerial values form a synergistic view of the cultural diversity to enhance the management process, which correlates to performance efficiency. The interconnectedness of the values forms a different market of operation can be strategically included in the structure of the organization to reduce business vulnerability and exposure to failure.

### **Intra-organizational knowledge exchange**

Moreover, when a firm is seeking to expand its operations to an international market, it is essential to consider intra-organizational knowledge exchange. Schotter and Bontis (2009) pointed out that the subsidiary autonomy is important in reducing the vulnerability of the business enterprises existing in different countries. Environmental heterogeneity and management initiatives are important in setting the foundation for stable and sustainable intra-business coordination. Although the study showed that most firms are reluctant to implement the subsidiary-originated competencies in the home countries, the sharing of the international environment capabilities improves the management efficiency.

Also, focusing on innovation and institutionalized embeddedness of the business based on the performance targets and industry orientation ensures that the organization is not vulnerable to competition, poor market representation, and deteriorating customer services. Pogrebnyakov (2014) showed that aligning the strategic plans for innovation to the trends that

characterize the industry ensures that the firm keeps up with the changes in different markets. Therefore, the management is tasked to embed the shifts to the different scope of operation without generalization of the internal and external environment factors.

Furthermore, management of risks forms another important approach that firms leveraging international presence should consider. Andersen (2011) argued that multinational structures be associated with a high flexibility rates that can attract excellent performance and significant adaptability. According to Andersen (2011), such a phenomenon reduces the volatility of the anticipated earnings and corporate performance risks. The study, which employed the use of a two-staged regression to analyze the collected data, showed that efficient management of performance challenges and shifts in internationalized organization is founded on the present lower downward risks and the upside potential, which can guarantee growth.

In conclusion, the move by organizations to enhance the level of performance through international presence is subjected to internal and external complexities. The critical dimensions to be considered include competition, culture management, and resource and cost sustainability. Such factors present the gaps to be filled to improve the output of the firm; however, they could be limiting factors to the expanding business. Nevertheless, through strategic planning, knowledge management, risk control, inclusion and diversity, innovation, and institutionalization of the managerial process can assist the organizations to reduce exposure and vulnerability in line with the industry of operation.



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