

Market environment

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How successfully did the British motor industry adapt to changes in its market environment between the wars? There were a number of changes in the market environment of the British motor industry between the wars. For almost four years car manufacture was halted in favour of munitions production. The mass-production methods that were established during this period, and the equipment purchased by the government meant the industry was prepared for the subsequent decade of international competition. The influence of the United States and the weakening of the trade unions led to a productive and motivated work force.

This increased productivity and with the corresponding increase in pent-up demand from the war, resulting in a period of prosperity for the British motor industry. It is important to highlight what the changes in the market environment of the British motor industry were before assessing how successfully the industry adapted to them. Immediately after the war there was a large amount of pent-up demand for cars. This was due to restrictions on the import of cars, except under licence. A climate of optimism surrounded the motor industry and led to an increase in prices.

This initially encouraged a number of smaller firms to join the industry. However, as larger firms increased their productivity and exploited their economies of scale, the newer firms were driven out. Another change in the market environment was the introduction of the new production methods. The machine tools that the government had purchased for the factories to produce munitions during the war were now available for motor industry use. This enabled British manufacturers to move towards mass- production of cars, in the style of the current American firms. Indeed, in the 1920s it was <https://assignbuster.com/market-environment/>

the companies who were most closely influence by American techniques that " enjoyed the most spectacular success".

These new productions methods drove up competition within the market and saw a number of smaller companies fail. As a result the total number of firms in the market was halved. Therefore, the market environment became a lot more concentrated. By the end of 1929, Morris and Austin accounted for 60 per cent of the output of the whole industry² and clearly dominated the market. Another main change which took place during the inter-war period was the influence of trade unions over the motor industry.

The new entrepreneurs were against the trade unions. Due to the shortage of labour and the importance of uninterrupted production during the First World War, unions rose to power and confronted management's over wages and conditions. However, after 1922 the Engineering Employers' Federation cut the influence of unions, and decreased wages again. This led to a difference in the labour force. A main element of post- war development was the subdivision of processes into simple tasks. This allowed semi- skilled labourers to perform the tasks that would previously have been done by skilled labourers.

There was a debate at this time between the traditional British system of management and the new Fordism. This led to a number of conflicts within the market environment. Piece work had been seen by some producers as a solution to their labour relation problems before the war. The direct control of labour was not thought of as practical in Britain. Instead the producers believed that it was only monetary incentives that would encourage workers

to be efficient. The faster the cars were produced the more money you earned. The other system of production at this time was labelled Fordism.

This was characterised by high capital-labour ratios, dependency on direct managerial supervision, machine pacing of labour and linking of tasks into a flow process. It was introduced before World War One, but progressed more post the war. The Humber agreement in 1919 decided that payment would be by results. There would also be an increase in bonus rate from a third of a worker's base rate, to half. This clearly tied wages even more closely to productivity than in the pre-war period. Therefore, intensive effort became necessary rather than optional to

ensure reasonable earnings. The success of the motor industry at this time could partially be attributed to this change in wage rates providing more incentive for workers. It also led to a more harmonious relationship between managers and workers. This helped to raise productivity. Due to these changes the motor industry in the inter-war period was noted for its successes. Indeed, the rapid growth of the British motor industry between the wars has been generally known as the main contributor to structural renovation of the economy at this time.