

# [Hyundai motors: an evaluation](https://assignbuster.com/hyundai-motors-an-evaluation/)

Around the world, there were about 806 million cars and light trucks on the road in 2007. The numbers were increasing rapidly, especially in China. In 2008, with rapidly rising oil prices, however, industries such as the automotive industry are experiencing a combination of pricing pressure from raw material costs and changes in consumer buying habits. The industry is also facing increasing external competition from the public transport sector, as consumers re-evaluate their private vehicle usage. We have discussed how Hyundai Motor would expand business in global automotive environment which has been changed and exceeded demands.

## Company overview

Hyundai Motor Company, a division of the Hyundai Kia Automotive Group, is the world’s largest automaker by profit, the world’s fourth largest automaker by units sold and the world’s fastest growing automaker. Headquartered in Seoul, South Korea, Hyundai operates the world’s largest integrated automobile manufacturing facility in Ulsan, which is capable of producing 1. 6 million units annually.

Chung Ju-Yung founded the Hyundai Engineering and Construction Company in 1947. Hyundai Motor Company was later established in 1967. The company’s first model, the Cortina, was released in cooperation with Ford Motor Company in 1968. In 1975, the Pony, the first Korean car, was released, with styling by Giorgio Giugiaro of ItalDesign and powertrain technology provided by Japan’s Mitsubishi Motors. Exports began in the following year to Ecuador and soon thereafter to the Benelux countries. In 1991, the company succeeded in developing its first proprietary gasoline engine, the four-cylinder Alpha, and transmission, thus paving the way for technological independence. In 1983, Hyundai exported the Pony to Canada, but not to the United States because the Pony didn’t pass emissions standards there. Canadian sales greatly exceeded expectations, and it was at one point the top-selling car on the Canadian market. The Pony afforded a much higher degree of quality and refinement in the lowest price auto segment than the Eastern-bloc imports of the period then available. In 1986, Hyundai began to sell cars in the United States, and the Excel was nominated as “ Best Product #10” by Fortune magazine, largely because of its affordability. The company began to produce models with its own technology in 1988, beginning with the midsize Sonata. In 1996, Hyundai Motors India Limited was established with a production plant in Irrungattukotai near Chennai, India. In 1998, Hyundai began to overhaul its image in an attempt to establish itself as a world-class brand. Chung Ju Yung transferred leadership of Hyundai Motor to his son, Chung Mong Koo, in 1999. Hyundai’s parent company, Hyundai Motor Group, invested heavily in the quality, design, manufacturing, and long-term research of its vehicles. It added a 10-year or 100, 000-mile (160, 000 km) warranty to cars sold in the United States and launched an aggressive marketing campaign. In 2004, Hyundai was ranked second in “ initial quality” in a survey/study by J. D. Power and Associates. Hyundai is now one of the top 100 most valuable brands worldwide. Since 2002, Hyundai has also been one of the worldwide official sponsors of the FIFA World Cup. In 2006, the South Korean government initiated an investigation of Chung Mong Koo’s practices as head of Hyundai, suspecting him of corruption. On April 28, 2006, Chung was arrested, and charged for embezzlement of 100 billion South Korean won (US$106 million). As a result, Hyundai Vice Chairman and CEO, Kim Dong-jin, replaced him as head of the company.

After a shake-up in the Korean auto industry caused by overambitious expansion and the Asian financial crisis, Hyundai acquired rival Kia Motors In 1998. In 2000, the company established a strategic alliance with DaimlerChrysler and severed its partnership with the Hyundai Group. In 2001, the Daimler-Hyundai Truck Corporation was formed. In 2004, however, DaimlerChrysler divested its interest in the company by selling its 10. 5% stake for $900 million. Hyundai Motor has been expanding globally, starting with its plant in Turkey in 1997, India in 1998, China in 2002, and in 2005, it built a plant in the U. S., the world’s biggest auto market. In 2007, a decade after it began building plants overseas, Hyundai Motor began construction for plants in the Czech Republic and Russia, creating a strategic network of production facilities spanning over six countries. With its 12 CKD plants, Hyundai Motor is boosting sales every year and cementing its position as a global automaker. The company plans to raise the ratio of overseas production to 50 percent by 2010, to produce 3 million units outside Korea.

Hyundai Motor is present in 196 countries and has 6, 000 dealerships all over the world. It is maintaining a strong position in developed regions such as the U. S. and Europe. Furthermore, it has been successfully winning orders for taxis and government vehicles in emerging markets such as Central & Latin America, the Middle East and Southeast Asia, boosting sales and the company’s brand image. After reaching the 2 million unit sales mark in 2006, Hyundai Motor sold 2. 6 million units worldwide in 2009. Through its strategy of local production and sales, the company is contributing to the local economies.(Exhibit1)

## [Exhibit1] Annual Unit Sales

2009

2008

2007

2006

2005

Sales in unit

1, 611, 991

1, 668, 745

1, 700, 297

1, 611, 062

1, 700, 843

Domestic

701, 469

570, 116

624, 227

580, 288

569, 721

Export excluding CDK

910, 522

1, 098, 629

1, 076, 070

1, 030, 774

1, 131, 122

Hyundai Motor Company’s brand power continues to rise as it was ranked 72nd in the 2007 Best Global Brands by Interbrand and Business Week survey. brand value estimated at $4. 5 billion. Public perception of the Hyundai brand has been transformed as a result of dramatic improvements in the quality of Hyundai vehicles.

The Company produces and markets passenger cars under the brand names of Equus, Genesis, Genesis Coupe, Azera, Sonata, Elantra, Accent, Getz, i30, i30cw, i20 and i10; recreational vehicles under the brand names of Veracruz, Santa Fe, Tucson, Matrix and H-1, and commercial vehicles, which include medium and heavy duty trucks, and buses.

## Analysis of Global Automobile Market Environment

## Current Automotive industry Market

In 2007, a total of 79. 9 million new automobiles were sold worldwide: 22. 9 million in Europe, 21. 4 million in Asia-Pacific, 19. 4 million in USA and Canada, 4. 4 million in Latin America, 2. 4 million in the Middle East and 1. 4 million in Africa. The markets in North America and Japan were stagnant, while those in South America and other parts of Asia grew strongly. Of the major markets, China, Russia, Brazil and India saw the most rapid growth, and China became both the largest automobile producer and market in the world after experiencing massive growth in 2009. In the first 4 months of 2010, the total sales of automobile were 6. 17 millions in China (3. 52 millions in US), and the total sales were expected to be around 17 millions (13. 65 millions in 2009) for the year of 2010, nearly twice as much as USA.

## [Exhibit 2] International Car Sales by Global Auto Report

The automotive industry crisis of 2008-2010 was a part of a global financial downturn. The crisis affected European and Asian automobile manufacturers, but it was primarily felt in the American automobile manufacturing industry. The automotive industry was weakened by a substantial increase in the prices of automotive fuels linked to the 2003-2008 energy crisis which discouraged purchases of sport utility vehicles (SUVs) and pickup trucks which have low fuel economy. The popularity and relatively high profit margins of these vehicles had encouraged the American “ Big Three” automakers, General Motors, Ford, and Chrysler to make them their primary focus. With fewer fuel-efficient models to offer to consumers, sales began to slide. By 2008, the situation had turned critical as the credit crunch placed pressure on the prices of raw materials.

Car companies from Asia, Europe, North America, and elsewhere have implemented creative marketing strategies to entice reluctant consumers as most experienced double-digit percentage declines in sales. Major manufacturers, including the Big Three and Toyota offered substantial discounts across their lineups. The Big Three faced criticism for their lineups, which were seen to be irresponsible in light of rising fuel prices. North American consumers turned to higher-quality and more fuel-efficient product of Japanese and European automakers. However, many of the vehicles perceived to be foreign were actually “ transplants,” foreign cars manufactured or assembled in the United States, at lower cost than true imports.

## [Exhibit 3] Major global automotive company analysis

## Competitors Globalization Strategy

## Toyota

Toyota Motor Corporation, commonly known simply as Toyota, is a multinational corporation headquartered in Japan. At its peak, Toyota employed approximately 320, 000 people worldwide. It is the world’s largest automobile maker by sales.

The company was founded by Kiichiro Toyoda in 1937 as a spinoff from his father’s company Toyota Industries to create automobiles. Three years earlier, in 1934, while still a department of Toyota Industries, it created its first product, the Type A engine, and, in 1936, its first passenger car, the Toyota AA. Toyota also owns and operates Lexus and Scion brands and has a majority shareholding stake in Daihatsu and Hino Motors, and minority shareholdings in Fuji Heavy Industries, Isuzu Motors, Yamaha Motors, and Mitsubishi Aircraft Corporation. The company includes 522 subsidiaries.

Toyota is headquartered in Toyota City, Aichi and in Tokyo. In addition to manufacturing automobiles, Toyota provides financial services through its Toyota Financial Services division and also builds robots. Toyota Motor Corporation (including Toyota Financial Services) and Toyota Industries form the bulk of the Toyota Group, one of the largest conglomerates in the world.

Toyota’s marketing efforts have focused on emphasizing the positive experiences of ownership and vehicle quality. The ownership experience has been targeted in slogans such as “ Oh, what a feeling!” (1978-1985, in the U. S.), “ Who could ask for anything more” (1986-1989), “ I love what you do for me, Toyota!” (1990-1997), “ Everyday” (1997-2000)”, “ Get the feeling!” (2001-2004), and “ Moving Forward” (2004-present).

Toyota introduced a new worldwide logo in 1989 in conjunction with and to differentiate it from the newly released luxury Lexus brand. There are three ovals in the new logo that combine to for the letter “ T”, which stands for Toyota. The overlapping of the two perpendicular ovals inside the larger oval represent the mutually beneficial relationship and trust that is placed between the customer and the company while the larger oval that surrounds both of these inner ovals represent the “ global expansion of Toyota’s technology and unlimited potential for the future.”[30]

Toyota has factories in most parts of the world, manufacturing or assembling vehicles for local markets. Toyota has manufacturing or assembly plants in Japan, Australia, India, Sri Lanka, Canada, Indonesia, Poland, South Africa, Turkey, Colombia, the United Kingdom, the United States, UAE, France, Brazil, Portugal, and more recently, Argentina, Czech Republic, Mexico, Malaysia, Thailand, Pakistan, Egypt, China, Vietnam, Venezuela, the Philippines, and Russia.

Recently, Toyota announced it was recalling up to 1. 8 million cars across Europe, including about 220, 000 in the UK, following problems with defective accelerator pedals. Many Toyota models were involved, covering the 2007-2010 model years. Toyota subsequently recalled the Prius model for reprogramming of its ABS system. The U. S. Sales Chief, James Lentz, was questioned by the United States Congress committees on Oversight and Investigations on February 23, 2010, as a result of recent recalls. On 26 March Toyota said it would halt production in France and Britain for 12 days because of poor sales following the recalls. On 6 April 2010, The US government sought a record penalty of US$16. 375 million from Toyota for its delayed response in notifying the National Highway Traffic Safety Administration regarding the defective accelerator pedals, and on 19 April Toyota said that it would pay the fine. The company said the recalls could cost the company up to US$2 billion (GB£1. 25 billion) in lost output and sales.

## General Motors

General Motors Company, also known as GM, is a United States-based automaker with headquarters in Detroit, Michigan. GM manufactures cars and a truck in 34 countries, recently employed 244, 500 people around the world, and sells and services vehicles in some 140 countries. By sales, GM ranked as the largest US automaker and the world’s second largest for 2008, having the third highest 2008 global revenues among automakers on the Fortune Global 500.

On June 1, 2009, General Motors filed for Chapter 11 bankruptcy proceedings, which were completed on July 10 of the same year, and it was thereafter reorganized once a new entity acquired the most valuable assets. GM is now temporarily majority owned by the United States Treasury and, to a smaller extent, the Canada Development Investment Corporation – a Canadian Crown corporation – and the Ontario government, with the US government investing a total of US$57. 6 billion under the Troubled Asset Relief Program.

On April 21, 2010, GM CEO Ed Whitacre Jr. announced that the company had paid back the entire amount of the US and Canadian government loans, with interest, a total of $8. 1 billion. The company expects to repurchase a sizable portion of the remaining equity stake with funds earned via a public stock offering. While no GM shares are currently available to the public, the company’s plans as of 2009 were to initiate an initial public stock offering (IPO) in 2010.

GM plans to focus its business on its four core North American brands: Chevrolet, Buick, GMC, and Cadillac. In Europe, following a period of negotiation to sell a majority stake in its Opel and Vauxhall brands, the company decided to retain full ownership of these operations. However, on February 23, 2010, GM sold Saab Automobile to Spyker Cars NV and is winding down its Hummer, Pontiac, and Saturn brands, the latter two remaining under the old GM, now known as Motors Liquidation Company

In 2009, General Motors employs approximately 244, 500 people around the world. The Renaissance Center located in Detroit, Michigan, United States, is the global headquarters of General Motors. In 2008, GM sold 8. 35 million cars and trucks globally. GM is the majority shareholder in GM Daewoo Auto & Technology Co. of South Korea and has collaborations with Shanghai Automotive Industry Corporation of China, AvtoVAZ of Russia, and most recently, UzAvtoSanoat of Uzbekistan. GM has had collaborations with various automakers including Fiat and Ford Motor Company. GM retains various stakes in different automakers. General Motors’ best success internationally has unquestionably been its performance in China, GM sales rose 66. 9% in 2009, selling 1, 830, 000 vehicles and accounting for 13. 4% of the market.

## Volkswagen Group

Volkswagen is a German automobile manufacturing group; and according to figures published by economic research firm Global Insight in November 2009, is the largest automobile maker in the world by vehicle production.[7] Its parent company Volkswagen Aktiengesellschaft, develops vehicles and components for all marques of the whole Group, and also manufactures complete vehicles for the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles marques. Volkswagen Group is divided into two primary divisions: the Automotive Division, and the Financial Services Division. The Group consists of 342 Group companies, which are involved in either vehicle production or other related automotive services. Although it operates worldwide, Volkswagen Group’s core market is primarily Europe. Of its automobile brands, Volkswagen Passenger Cars is its mainstream marque, and the Group’s major subsidiaries also include well-known car marques like SEAT, Å koda, and the prestige marques of Audi, Lamborghini, Bentley, and Bugatti. The Group also has operations in commercial vehicles, owning Volkswagen Commercial Vehicles, along with a controlling stake in Swedish truck and diesel engine maker Scania AB, and a 29. 9% stake in MAN SE.

Volkswagen’s second-largest market is China, where its subsidiary, Volkswagen Group China, is the largest joint venture automaker, selling more than one million vehicles in 2008. The Volkswagen Golf is the third bestselling automobile in the world, selling over 26 million units through 2008. In 2009, Volkswagen Group sold 6. 31 million vehicles, claiming over 11% of the world passenger car market.

Volkswagen AG is heavily involved in sports sponsorship, with investments having included the 2008 Summer Olympics and the 2014 Winter Games, as well as the David Beckham Academy. The company also wholly owns the Bundesliga football side VfL Wolfsburg. The company is also the shirt sponsor of Major League Soccer club, D. C. United.

In August 2009, Porsche SE and Volkswagen Group reached an agreement that Volkswagen AG and Porsche AG would merge in 2011.

## Ford Motor Company

The Ford Motor Company is an American multinational corporation based in Dearborn, Michigan, a suburb of Detroit. The automaker was founded by Henry Ford and incorporated on June 16, 1903. In addition to the Ford, Lincoln, and Mercury brands, Ford also owns Volvo Cars in Sweden, and a small stake in Mazda in Japan and Aston Martin in the UK. Ford’s former UK subsidiaries Jaguar and Land Rover were sold to Tata Motors of India in March 2008. Ford has agreed to sell Volvo to Geely Automobile in a deal expected to be completed in the third quarter of 2010.

Ford introduced methods for large-scale manufacturing of cars and large-scale management of an industrial workforce using elaborately engineered manufacturing sequences typified by moving assembly lines. Henry Ford’s methods came to be known around the world as Fordism by 1914.

Ford is currently the second largest automaker in the U. S. and the fourth-largest in the world based on number of vehicles sold annually, directly behind Volkswagen. In 2007, Ford fell from second to third in US annual vehicle sales for the first time in 56 years, behind only General Motors and Toyota. However, Ford occasionally outsells Toyota in shorter periods (most recently, during the summer months of 2009). By the end of 2009, Ford was the third largest automaker in Europe (behind Volkswagen and PSA). Ford is the seventh-ranked overall American-based company in the 2008 Fortune 500 list, based on global revenues in 2008 of $146. 3 billion. In 2008, Ford produced 5. 532 million automobiles and employed about 213, 000 employees at around 90 plants and facilities worldwide. Starting in 2007, Ford received more initial quality survey awards from J. D. Power and Associates than any other automaker. Five of Ford’s vehicles ranked at the top of their categories and fourteen vehicles ranked in the top three.

During the mid to late 1990s, Ford sold large numbers of vehicles, in a booming American economy with soaring stock market and low fuel prices. With the dawn of the new century, legacy healthcare costs, higher fuel prices, and a faltering economy led to falling market shares, declining sales, and sliding profit margins. Most of the corporate profits came from financing consumer automobile loans through Ford Motor Credit Company.

In the face of demand for higher fuel efficiency and falling sales of minivans, Ford moved to introduce a range of new vehicles, including “ Crossover SUVs” built on unibody car platforms, rather than more body-on-frame chassis. In developing the hybrid electric power train technologies for the Ford Escape Hybrid SUV, Ford licensed similar Toyota hybrid technologies to avoid patent infringements. Ford announced that it will team up with electricity supply company Southern California Edison to examine the future of plug-in hybrids in terms of how home and vehicle energy systems will work with the electrical grid. Under the multi-million-dollar, multi-year project, Ford will convert a demonstration fleet of Ford Escape Hybrids into plug-in hybrids, and SCE will evaluate how the vehicles might interact with the home and the utility’s electrical grid. Some of the vehicles will be evaluated “ in typical customer settings,” according to Ford.

In 2006, the company raised its borrowing capacity to about $25 billion, placing substantially all corporate assets as collateral to secure the line of credit. Chairman Bill Ford has stated that “ bankruptcy is not an option”. In order to control its skyrocketing labor costs (the most expensive in the world), the company and the United Auto Workers, representing approximately 46, 000 hourly workers in North America, agreed to a historic contract settlement in November 2007 giving the company a substantial break in terms of its ongoing retiree health care costs and other economic issues. The agreement includes the establishment of a company-funded, independently-run Voluntary Employee Beneficiary Association (more commonly known as a VEBA) trust to shift the burden of retiree health care from the company’s books, thereby improving its balance sheet. This arrangement took effect on January 1, 2010. As a sign of its currently strong cash position, Ford contributed its entire current liability (estimated at approximately USD$5. 5 Billion as of December 31, 2009) to the VEBA in cash, and also pre-paid USD$500 Million of its future liabilities to the fund. The agreement also gives hourly workers the job security they were seeking by having the company commits to substantial investments in most of its factories.

During November 2008, Ford, together with Chrysler and General Motors, sought financial aid at Congressional hearings in Washington D. C. in the face of worsening conditions caused by the automotive industry crisis. The three companies presented action plans for the sustainability of the industry. The Detroit based automakers were unsuccessful at obtaining assistance through Congressional legislation. GM and Chrysler later received assistance through the Executive Branch from the T. A. R. P. funding provisions. On December 19, the cost of credit default swaps to insure the debt of Ford was 68 percent the sum insured for five years in addition to annual payments of 5 percent. That means it costs $6. 8 million paid upfront to insure $10 million in debt, in addition to payments of $500, 000 per year. In January 2009, Ford announced a $14. 6 billion loss in the preceding year, making 2008 its worst year in history. Still, the company claimed to have sufficient liquidity to fund its business plans and thus, did not ask for government aid. Through April 2009, Ford’s strategy of debt for equity exchanges, erased $9. 9 B in liabilities (28% of its total), in order to leverage its cash position. These actions yielded Ford a $2. 7 billion profit in fiscal year 2009, the company’s first full-year profit in four years.

## Honda

Honda Motor Company, Ltd., Honda Technology Research Institute Company, Limited’s a Japanese multinational corporation primarily known as a manufacturer of automobiles and motorcycles. Honda is the world’s largest manufacturer of motorcycles as well as the world’s largest manufacturer of internal combustion engines measured by volume, producing more than 14 million internal combustion engines each year. Honda surpassed Nissan in 2001 to become the second-largest Japanese automobile manufacturer. As of August 2008[update], Honda surpassed Chrysler as the fourth largest automobile manufacturer in the United States. Honda is the sixth largest automobile manufacturer in the world.

Honda was the first Japanese automobile manufacturer to release a dedicated luxury brand, Acura in 1986. Aside from their core automobile and motorcycle businesses, Honda also manufactures garden equipment, marine engines, personal watercraft and power generators, amongst others. Since 1986, Honda has been involved with artificial intelligence/robotics research and released their ASIMO robot in 2000. They have also ventured into aerospace with the establishment of GE Honda Aero Engines in 2004 and the Honda HA-420 HondaJet, scheduled to be released in 2011. Honda spends about 5% of its revenues into R&D.

## Nissan Motor

Nissan Motor Company, Ltd., shortened to Nissan, is a multinational automaker headquartered in Japan. It was formerly a core member of the Nissan Group, but has become more independent after its restructuring under Carlos Ghosn (CEO).

It formerly marketed vehicles under the “ Datsun” brand name and is one of the largest car manufacturers. As of August 2009, the company’s global headquarters are located in Nishi-ku, Yokohama. In 1999, Nissan entered a two way alliance with Renault S. A. of France, which owns 44. 4% of Nissan while Nissan holds 15% of Renault shares, as of 2008. Nissan is among the top three Asian (also known as the Japanese Big 3 Automakers) rivals of the “ Big Three” in the U. S. Currently it is the third largest Japanese car manufacturer. It also manufactures the Infiniti luxury brand. The Nissan VQ engines, of V6 configuration, have featured among Ward’s 10 Best Engines for 14 straight years, since the award’s inception.

## III. Analysis of Hyundai Motors

## Hyundai Motor’s Globalization Strategy

## Process of Growth

Since the company’s foundation in 1967, Hyundai Motor Company became the first automaker producing manufacture facilities itself. The first model ‘ Pony’, manufactured and started to export, was very favorable not only into Korean market but also into global market, which elevating Hyundai Motor into one of the global automobile companies.

In 1976, Hyundai had started the first export business with Africa, North America and middle Asia and expanded into European market. In overseas market, especially in North America, Hyundai achieved the big success and had an opportunity to become into the global automaker in worldwide. Possessing 10 manufacturing plants, 11 research centers, and more than 6, 000 sales networks throughout the world, Hyundai Motor also helps to keep sales growth across the world and maintain to the top leading global company. Furthermore, Now, Hyundai as ‘ Global corporate citizen’ makes every effort to fulfill its ‘ economic responsibility’, most principal in corporate activities throughout the world. (http://www. hyundai. com)

## The Hyundai Motor’s Global Business Strategy

In the process of globalization, the major global strategy for Hyundai Motor can be focusing on ‘ exporting’ in the global market which was very successful. From the inception of the foundation, the Hyundai management team always recognized the importance of exporting to overseas which the key factor to growth global business and manufactured most exports from single Ulsan plants. In other words, Hyundai has been involved in independent management strategy. In addition, striving to face with country specific regulation and rapid market changes, Hyundai has been implemented transnational strategy like the ‘ joint-venture strategy’ in China, Turkey and Malaysia in order to expand global market share.

Hyundai Motor Company further strengthened its presence as a global automaker by promoting sustainable development worldwide, accelerating global management initiatives and creating the second construction of manufacturing plants in China and India, thereby increasing its production capacity all the more. At the same time, it also achieved qualitative growth by successfully generating sales of its strategic model targeting the European market. In 2007, a decade after it began building plants overseas, Hyundai Motor began construction for plants in the Czech Republic and USA, creating a strategic network of production facilities spanning over six countries. (http://www. hyundai. com)

## [Exhibit 4] Hyundai Motor Company’s International Entry Mode

(sourced by http://www. hyundai. com)

## Country

## Partner

## Hyundai’s Share

## Start Yr

## To produce

## Entry Mode

## India

HMI

100

98. 9

Ownership

## USA

HMMA

100

05. 5

Ownership

## Czech

HMMC

100

06. 7

Ownership

## China

BHMC

50

02. 1

Joint Venture

WuHan

Qi Che

21

96. 7

Joint Venture

## Turkey

HAOS

85

97. 7

Joint Venture

## Malaysia

INOCOM

15

99. 9

Joint Venture

The organizational structure of international business for Hyundai Motor Company is International Division Structure which is like many Korean companies fit well with Korean culture and lean toward centralization. That is, it has risk of demotivating local manager in host countries. By that, the Hyundai Motor Company has struggled to recruit local manager who can manage, coordinate and control worldwide regional operations underutilized allowing diversity as strategic task. US subsidiaries show

## [Exhibit 5] Example of International Division Structure

## The Hyundai Motor’s Global Business Efforts

## International Site Selection

The ‘ Site Selection’ implies that the company does spell out all possible locations to decide which site/market to be targeted and determined by content and goal with its limited human resource, technology, and capital. (Sourced by Professor Lee, JR, Shin, MS / International Business)

Market Size and infrastructure: consider for purchasing power and production

Market attractiveness: competitors and market structure

Important to consider potential international market expansion which cover all countries/regions in the world for the further

The major variable factor for site selection is market attractiveness, competitors, and the strategic goal for a company.

The good example for International Site Selection in Hyundai Motor Company can be expanding the global business to Canada region. With the success of exporting Excel, Hyundai Motor Company had made decision to expand the international business into Canada as below factors as detour entrance strategy to USA. Of course, Hyundai Motor Company cannot overlook the competitors such as Toyota, Honda. etc.

Market accessibility: to avoid Trade barrier by NAFTA, Market proximity , Cost Reduction and Price competiveness by Local Manufacture

Government Aid: tax, financing support by construction of manufacture plant

Regional Advantage : close to locate associated company

Political Risk Avoid: to avoid lack of exports by Korean labor strike in 1988

Likewise, the variable factors to expand the Hyundai’s global business to other countries can be considered as reduction of transportation cost & risk, avoid currency exchange risk, cost reduction by hiring local resources, government aid and etc,

## International Entry Mode

Prior to change into the globalization, the process of growt