

Strategic management of honda in vietnam



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I Preface:

In business today, a company can have a good finance, good technologies but they can't get the success without good strategic management. A company or an organization has good strategic management. They will find out the methods to manage and develop the company or organization.

Strategic Management is a process refers to the answers of three questions:

1. What are your company's targets?
2. What is the best way to manage and meet target's requirement?
3. What are the things you need in strategic management process?

Strategic Management is started from determining the goals of the company, resource and necessary policies to implement the targets which are given. This process also includes how to promote and innovate products or service of the company.

In my opinion, Strategic Management with a producing company is a process which includes

- Strategic in quality management of products, this process help a can provide best products to the customers. Through it, the company can attack new clients.
- Strategic in product management, this process includes auditing, checking and managing financial problem in the bank.
- Strategic in sales and marketing, through this process the company can know about their problem in customer's relationship, what they have done well and what they need to change.

In my assignment, I have research on SWOT and 5 forces which refer to strategic management of a producing car company. I think that SWOT and 5 forces are used in a particular industry and economy and they affect to business status and policies of Honda that I have researched.

II Introduction:

In March 2005, Honda Vietnam has received the license of Ministry and Planning and Investment Portal of Vietnam to allow Honda produces and assembles cars in Vietnam.

This is an important history of Honda Vietnam; it marked the development of Honda Vietnam in Vietnam market. After one year and five months, Honda Vietnam has successful built factories and construction agency network. The company has completed the training programs, service and safe driving for employees and agents released first car model in August 2006.

Since this time, Honda Vietnam is not only known as motor manufactures with product reputation, but also a manufacturer of automotive prestige in Vietnam market. Manufacture of Automobiles:

Established: 2005

Office: Phuc Thang, Phuc Yen, Vinh Phuc province.

Capital: Approximately \$ 60 million

Area: 17. 000m²

Labor: 408 People

Capacity: 10, 000 cars per year

Automotive manufacturing plant is equipped with machinery and equipment similar to the Honda plant in other countries with criteria focusing especially on quality, safe and friendly environment. Moreover, the plant also is

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equipped with engine assembly lines with the desired gradual localization of products Cars.

In my assignment, I will focus on 2 problems SWOT and 5 forces and write about how it assist decision making and business of Honda Vietnam.

III SWOT analysis:

In this part, I will write about SWOT of Honda Vietnam which used to compare with their competitors in Vietnam market.

A, SWOT analysis of Honda Vietnam:

(S)trengths:

- Vietnam has a big population therefore, Honda has a large market to provide cars and recruit employees.
- Honda has good brand in Vietnam market so; it helps the company to sell well in Vietnam market.
- Honda Vietnam concentrates on advanced technology, high quality and class leading safety.
- Honda always focuses on world-class quality cars, even the smallest accessories.
- Honda's products (cars) have good quality and design. In addition, they have reasonable prices therefore they will attract more customers.
- Honda's cars have good speed and power but they consume low fuel therefore, it is suitable with Vietnam traffic with many traffic jams. In addition, it contributes to make minimize pollution.
- Honda always tries to develop and research new technology therefore, they will make their cars better with good speed, power and low fuel.

- The company has some promotion programs for customers such as: Customers who has received Honda Civic will receive VISA Debit card issued by a bank with value is 20 million VND.

(W)eaknesses:

- Honda Vietnam focuses on producing and researching motorbike too much therefore they cannot spend much time for cars.
- There are only two models cars that produced by Honda Vietnam, Honda Civic and Honda CRV so the customers have less choice than others brand.
- Honda Vietnam has accorded to parent company of Honda in Japan. Honda Vietnam has to flow the policies of Head Company therefore; they cannot apply their strategies in Vietnam market that haven't allowed by parent company.
- The first factory car of Honda has established in august 2006 therefore Honda Vietnam has less experience than some competitors such as Toyota, Nissan, etc.
- Vietnam is one of countries where have high tax with car therefore, the price must be high in Vietnam market.
- Honda requires a deposit for purchasing cars but Nissan and Toyota don't do that therefore, it is a disadvantages of Honda.

(O)pportunities:

- Brand of Honda has been created in the pass because motorbike of Honda is very famous in Vietnam market therefore they don't need much time to create brand so, when cars of Honda Vietnam has produced and go to market, the customers will have more trust with

this brand. In addition, when Toyota (the biggest competitor of Honda) has many problems and must recall many cars.

- In the future, with good technology, Honda can focus on designing and implementing new product with good quality, reasonable price and low fuel.
- Improving the quality of product, services and customer relationship as well as building caring center for customers.
- Honda also has opportunities in developing the fuel efficiency according to the increase of energy price.

(T)hreats:

- Economic crisis will affect directly to business status of Honda. It is very serious because, when crisis will make the bad sale and it also affects to Honda's loyal customers.
- There are many competitors in Vietnam market such as: Toyota, Nissan, CuuLong, etc. They try to attract and engage customers therefore, Honda cannot control the market.
- Economic crisis will make the USD charge the value therefore, price of cars of Honda will be charged. It will be difficult for customers. Honda can lose the market.
- The government has some policies about increasing tax of cars and fuel therefore, it will affect to business status of Honda.

IV Five Forces of Honda Vietnam:

1. Socio-cultural Forces:

Analysis of societal trends is very important because, almost of stakeholders are members of society and some value can bring from society therefore, it

creates opportunities and threats of an organization, for example: when a tobacco company makes more pollution, they will be rejected by society therefore their business status will be down. In addition, firm can decrease the risk if they have good relations with society.

In my assignment, I have researched and analyzed to understand how social cultural is important and how it affects to Honda Vietnam.

Vietnam has nearly 89 million, we have a large market. In addition, the living of people is increasing especially in cities such as: Hanoi, Hochiminh city, Danang, etc. therefore, demand of cars is increasing however, traffic in Vietnam is not good therefore it is a difficult thing with customers.

Vietnam is a developing society; it has many opportunities but also includes threat. Vietnam is socialist country. Political system has made the mechanism only one political party (the Communist Party of Vietnam) leadership. This thing will make some difficult things for Honda Vietnam and others companies have foreign investment.

Socio-cultural creates a favorable for business of company. Government of Vietnam treats fairly with all of company. Vietnamese business people always base on helping of government with long-time subsidized, therefore, business which always require the helping from government. It is negative thing.

Through some law, policies and regulations government has recognized the demand of the company such as Honda wants to decrease tax. It is very good for this company.

Social-cultural of Vietnam also creates a fair competitive therefore, Honda Vietnam will have more than opportunities.

Social-cultural forces relate to society and culture problems of Vietnam and how it affects to business status of Honda Vietnam. It also helps Honda Vietnam pay attention to enhance their reputation and long-term plans.

2. Economic forces:

Economic forces include some factors which affect to organization action and its performances such as: GDP, inflation rate, employment rate, demographic changing, monetary policies and financial market, etc. In my assignment, I will research on Vietnam economy to find out information which influence to Honda Vietnam.

Vietnam economic in 2009 was quite good in the context of global crisis. GDP is increasing with more than 6%. Exports were over 60 Billions USD. Financial and credit systems were quite stable. These things explain that: economy of Vietnam is still quite good therefore Honda Vietnam and many companies will not meet too serious problems.

However, inflation of Vietnam was high in 2009 about more than 15%. This thing will influence to Honda Vietnam because this company has to pay high interest rate. In addition, low interest rate will make investment efficiency because, they are less costly to finance.

In 2009, Vietnam economy has seen many changing in oil price, monetary and financial. They influence to price of Honda Vietnam product and make the demand of products of customers can be reduced.

Besides that, Vietnam and many country depend too much on USD and Vietnam monetary is not good enough therefore, it makes some difficult things to Honda business such as: Honda Vietnam want to sell their product and receive USD because USD price is stable but Vietnamese customers want to buy by VND because, exchange rate of USD per VND is too high.

Economic forces have many important missions in strategic management of Honda. It helps Honda can monitor and forecast in domestic and event international economic.

3. Technological Forces:

Good technological creates a new and good product, service and event an industry. Technology includes internet, computers, machines, telephones, and technology innovation, etc. Technology refers to the knowledge of applying, producing and delivering product and service in a country. Vietnam technology is very important with Honda Vietnam because, there are many good technologies Vietnamese worker will be advanced and have many knowledge in producing.

In recent years, many companies, organizations and corporate have tried to invest more in technology. However, they tried to invest in purchasing and improving hardware rather than build good software. In addition, they only buy technology of developed countries rather than produce, renovate and improve, etc.

Although invest in to hardware however, about 36% of companies are asked still use the technology from 1980s. This thing is very bad because, Honda

Vietnam will meet some difficult problems when they want to build more factories.

In addition, the co-ordinate between foreign companies and domestic companies is bad therefore it make the difficult for transferring new technology.

Technology is very important with all of industries and Honda Vietnam is not out of this thing. It helps the company to save time and money and participate in several kinds of several kind of technology can help the company get more profit.

4. Political/Legal Forces:

Vietnam government has many policies, laws and legalization to protect and undertake for companies who has business in Vietnam including domestic and foreign companies. the government guarantees that they will not control and help any private company therefore, it creates a fair competitive market in Vietnam. Vietnam government always encourages the investment to many businesses. In addition, Vietnam has a stable policy. It is an important thing to attract the foreign investment; therefore, foreign and domestic investors want to invest more in Vietnam. This thing will be an advantage of Honda Vietnam because they will have more investment to develop their technology, market and business. Vietnam government always applies the same law, policies and legalization with all of companies therefore, it guarantees for Honda can run their business well. Besides that, Vietnam has a large market and it is a good place which Honda can use to join in other markets such as: China, Laos, Malaysia, etc. because our geographic is very

good and it is easy to transfer product to many countries in Asia, Southeast Asia, ect.

5. Competitive Forces:

Vietnam is an attractive investment therefore, there are many foreign companies invest to produce their product in Vietnam without Honda such as Toyota, Nissan, CuuLong, etc. However, Toyota is the biggest competitors of Honda because; they stay in Vietnam long time ago. They also have good technology and human resource. Their product is good and reasonable price. In addition, Vietnam government guarantees a fair competitive market therefore; they will not help any company. Honda must compete by yourself. However, in the beginning of 2010, Toyota has a big problem and they must recall more than 1 million cars. It is a crisis with Toyota but it is also a lucky thing with Honda because Toyota reputation will be down so, if Honda has good strategies, they will control the Vietnam market.

In conclusion, competitive forces are very useful in the modern business. It helps the company as Honda can define their SWOT and find out the good way to compete. In addition, it also helps the company can look at the future and event deal with crisis.