STRATEGIES ALLIANCE AND RESTRUCTURING FOR SURVIVAL: NEW MANAGERIAL STRATEGIES OF HYUNDAI*

Myeong-Kee CHUNG**

Since last 20th century, it had launched a wave of strategies alliance and M&A in the world automobile industry, which is caused high competitions based on globalization and over-production crisis. There is no doubt that the Korean automobile industry has experienced a major crisis since late 1997. By viewing the crisis as a reflection of the need for fundamental structural change and strategies alliance with foreign makers in this sector.

M&A is one of the major measurements for the reduction of the oversupplied capacity of an automobile industry in Korea. Hyundai Motor Co. took over bankrupt Kia Motors Corp. and its sister commercial vehicle maker, Asia Motors Co., in December 1998. After the integration of Hyundai Motor Company and Kia, they maintain their own brands for field full vehicle ranges and maintain individual sales and marketing approaches throughout world markets. In this context, Hyundai will focus on boosting the synergy effects from the acquisition of Kia Motors and sister company Asia Motors through the pooled platforms of Hyundai and Kia, exchange of auto parts, joint use of sales outlets and reductions in the development of new car models.

They will also continue pushing for strategic tie-ups with major foreign automakers to introduce advanced technology, jointly advance into world markets and improved liquidity. For this purpose, Hyundai has set-up the strategic alliances with DaimlerChrysler. At same time, Hyundai, Mitsubishi and DaimlerChrysler will push to speed up their strategic alliances to set up a world car project. Hyundai will develop the next-generation car together with the two partners based on a model that it has been developing independently.

During the restructuring crisis, the Korean automobile industry underwent a series of major internal changes, focusing on reforms to managerial strategies and industrial relations. Significant features of these changes included the more flexibility in production process and more partnership between supplier-buyer in the field of product and technology development. Under this circumstance, the increased module purchasing policy of parts will lead to the

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integration of the affiliated-firm into the overall design and manufacturing process. It is one of the most important conditions for the survival of the Korean automobile industry in the competitive global market.

With this view in mind, my paper will deal with the new direction of managerial strategies taking place in the Hyundai motors. In the first part of this paper I will give a brief description of the Korean Automobile Industry after financial crisis. Then I will describe in detail managerial strategies, which were combined with rising strategic alliance with DaimlerChrysler & new purchasing and platform policy that caused acquired Kia Motors. This takes on particular importance as a factor that will understand to the new changes of a Korean Automobile Industry in context of new globalizations in world automobile industry.

**GENERAL FEATURES OF THE AUTOMOBILE SECTOR**

Since August 1998, economic situation seems to have bottomed out from its absolute worst. But it is too early to declare that the economy is turning up smoothly. Concerns over domestic economic conditions have recently increased due to negative factors such as the massive force-out of nonviable companies, the bankruptcy of Daewoo Motors, and the liquidity crisis suffered by Hyundai Group and rising concern over unemployment. Domestic demand for automobile increased by 63.2% in 1999 and 14.5% in 2000 due to domestic economic recovery and the introduction of various new models. Export increased 10.8% in 1999 and 10.3% in 2000.

Hyundai Motor and Kia Motors each recorded their best domestic and overseas car sales ever. Hyundai sold a total of 1.5 million cars, up 20.6 percent from a year ago. It sold 646,670 vehicles at home, a 13.3 percent increase from a year before, and 886,485 units overseas, a 26.5 percent growth. Kia sold 968,363 automobiles in all, a 23.4 percent increase from the previous year, with 408,339 units sold domestically for a 17 percent gain, and 560,024 cars shipped abroad for a 23 percent growth. Around 833,400 Daewoo Motor cars were sold, an 11 percent decline, with 309,994 units sold in the nation and 523,451 cars exported. Renault Samsung sold 39,000 units.

Korea's automobile output is expected to increase 2.6 percent year-on-year to 3.2 million units this year, overtaking France as the world's fourth largest car producing nation, a local think tank forecast yesterday. But the domestic demand growth rate is expected to come to a halt in 2001 due to the fall in the rate of GDP growth and higher unemployment, while exports are expected to jump 5.0 percent to 1.75 million units.

Negative factors affecting local car sales include slumping domestic consumption as a result of rising unemployment and the continuing problems at Daewoo Motor. The domestic sales expected this year include 230,000 small passenger cars, 425,000 RVs, 240,000 medium-sized vehicles and 80,000 large vehicles. Domestic small passenger cars will post a 1.3 percent year-on-year decrease, while RV sales will suffer a 2.1 percent reduction, it said. In contrast, sales of minicars and medium-sized cars are expected to grow by 2.2 percent and 7.1 percent, respectively.

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1 Korea Herald, January 4, 2001
The industry’s exports are forecast to grow 5.0 percent from last year to 1.75 million units, boosted by a weaker won, though Daewoo's crisis and the sliding U.S. economy would remain unfavorable factors. The expected exports this year break down to 1.6 million passenger cars and 180,000 commercial vehicles. Should the knockdown exports be included, the nation's total car exports would rise to 2 million units.

Table 1. - Supply and Demand in the Automobile Industry (units: thousand cars, %)

<table>
<thead>
<tr>
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<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
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</thead>
<tbody>
<tr>
<td>Production</td>
<td>1,995(-30.6)</td>
<td>2,843(42.5)</td>
<td>3,125(10.0)</td>
<td>3,206(2.6)</td>
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<tr>
<td>Domestic Demand</td>
<td>780(-48.5)</td>
<td>1,273(63.2)</td>
<td>1,465(14.5)</td>
<td>1,465(0.0)</td>
</tr>
<tr>
<td>Export</td>
<td>1,362(3.4)</td>
<td>1,510(10.8)</td>
<td>1,665(10.3)</td>
<td>1,748(5.0)</td>
</tr>
<tr>
<td>Import</td>
<td>2.0(-74.5)</td>
<td>2.4(20.0)</td>
<td>4.4(83.3)</td>
<td>6.5(47.7)</td>
</tr>
</tbody>
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Note: ( ) is the yoy % change
Source: Samsung Economic Research Institute

ACQUIRED KIA MOTOR & RESTRUCTURING

The future of the Korean automobile industry is dependent on the result of a restructuring in the industrial sector. M&A is one of the major measurements for the reduction of the oversupplied capacity of an automobile industry.² Hyundai Motor Co. emerged as the winner of the third round of auctions for bankrupt Kia Motors Corp.³ and its sister commercial vehicle maker, Asia Motors Co., in December 1998. Hyundai auto group is restructured into two units - Hyundai Motor and Kia Motors - and each unit will maintain its own brands for a long period. Hyundai Mobis produces four-wheel drive (4WD) vehicles and vans, and Hyundai Motor Service Co. Ltd. were merged into Hyundai Motors within 1999 so as to upgrade services for both of their auto units.

Meanwhile, Hyundai Motor Service will transfer its heavy machinery sales division to Hyundai Heavy Industry Co. At the same time, this group is likely to merge Kia and Asia Motors Sales, as well as Kia's sister carmaker Asia Motors Co, with the acquired Kia Motor. Hyundai Motor was service 40% of the total 1.1 trillion won ($880 million) needed to take over the bankrupt Kia and Asia motors together, while other Hyundai’s subsidiaries including Hyundai Heavy Industry Co. were responsible for servicing the remaining 60%.

After acquired Kia Hyundai outlined their three principles of new management plan based on performance management, global competitiveness with independent technology and customer-oriented management processes. Part of the reason for this confidence is the decision to maintain the Kia and Hyundai brands in all markets. Although overlap of models

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² Renault took over the ailing Samsung Motor Co. in 2000. It was the first industrial takeover among the nation’s 10 biggest conglomerates by foreign company. At the same time, it is the first major case of industrial restructuring since the nation received bailout loans from the IMF.
³ Kia Motors went bankrupt and the Korean exchange market collapsed in late 1997. In fact, Kia Motors bankruptcy was rooted in Kia Group's excessive investment in its steel and construction industries rather than the automotive industry.
will be reduced by the removal of some redundant products from both ranges, the two brands will continue to maintain their own identities.

Significant savings are already being realized by the integration of research and development activities. Further savings will come from joint purchasing - which will also lead to efficiency gains for Korean-based suppliers and mergers in the Korean component industry prompted by this action. According to the company source the synergy benefits of the merger shows reducing individual vehicle platforms and components sharing will yield savings of more than US$4 billion over the next few years.

"We have already seen benefits from the merger as HMC gave Kia the Visto mini-car model to market as its own. In the past, Kia benchmarked each model Hyundai produced - now we will be able to develop joint models providing individual benefits for the two brands." 4

Due to the desire among Korean manufactures to be broadline companies, Korean companies have expanded into virtually all car segments. This has created a participation problem in the lower volume segments, where Korea has been unable to gain sufficient volumes to achieve high productivity. Korea's average production volume for large/premium cars and sports utility vehicles (SUVs) were 16,000 and 35,000 units annually in 1996 - volume that is significantly lower than the typical 100,000+ required for economic performance. This problem showed up operationally as lower capacity utilization for these production assets. As in other Korean industries, Korean auto manufacturers were too focused on copying competitors' successful products. As a result, they failed to sufficiently focus on marketing and the differentiating of their products, Thus, Korean firms offered product lines that were remarkably alike, and few Korean models were uniquely positioned against the competitors.5

Korean auto manufactures rapidly increased the number of available models through platform diversification during the 1990s. The result was that Korean automakers have introduced a large number of disparate platforms, rather than created model variations from an individual platform to leverage investment. This effectively means higher R&D and material cost, few common parts across different models, more complicated production processes, and low capital productivity from assembly assets. When a Korean manufacture needs a new model, he imports a new platform from abroad (vs. developing or importing a model that is build off an existing platform). This results in a low model per platform ratio of roughly 1 model per platform compared to a roughly 3+ for Japanese and European manufacturers.

As a result of the acquisition of Kia, Hyundai expect synergist effects with the colormanalization of Kia's platform. Hyundai produce 8 model based on a 5 platforms and Kia has 8 model per 8 platforms. Hyundai will be integrating 5 platforms and produce 15 models. The volume of each platform will reach 500,000 units and each model will produce 150,000 units.6 Through the colormanalization of platform Hyundai expects to gain a reduction of 2

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4 Korea Herald, June 23, 1999
6 Hyundai Motors, The Direction of the Korean Auto Industry, Hyundai Motor Company, Seoul
trillion won in the R&D and in manufacturing.\(^7\) Hyundai will effect the integration of the production lines of Hyundai and Kia for parts by 2001, that of main frames by 2005.

That is also required to reshuffled supply chain. Thousands of small-scale parts makers are extremely concerned about their fate in the aftermath of the "restructuring". This change could, perhaps, more than halve some 1,500 first suppliers, which supply parts directly to the final assembler involved in the restructuring. This figure would increase greatly when secondary and tertiary subcontractors are taken into account. Hyundai is set to screen their suppliers first and then choose contract winners through bidding. Hyundai will assess the 466 current primary suppliers to Hyundai and Kia in 1999. From those suppliers two or more qualified makers will be identified for each group of component parts in late 1999. Parts contractors will be determined later through bids from qualified firms. The capability of supplying integrated parts in modules will be taken into account in the screening stage. Hence, at least one-third or up to nearly half of the 466 parts suppliers may be eliminated in the process.

Otherwise the increased module purchasing policy of parts will lead to the integration of the affiliated-firm into the overall design and manufacturing process. The modular production system, in which Korean car makers have been lagging behind the American and European producers, carries several merits from the point of view of production control and reduced transaction costs when introduced in the assembly process. According to company sources, 10 per cent of the work activities on the assembly line have been modularized in the Hyundai Asan Plant. Evante XD, The Hyundai’s new model, has assembled already 15% of parts and components as modularity. In order to further modular production, Hyundai Mobis, an auto parts-making unit of the Hyundai Motor Group, will build a new car module plant in Ulsan, end of the first quarter of this year. The new plant, covering 62,700 square meters, will be designed to produce 600,000 units of driver-seat modules and chassis modules a year.

This restructuring has led as well, to changes in the contracting patterns and the overall subcontracting relationships. This restructuring in the automotive industry is having a twofold effect. On the one hand, the restructuring, through commonalization of parts and dual sourcing will reduce the number of suppliers, and achieve significant economies of scale and improved productivity or quality. Otherwise, M&A is often pressed to exit the business of small-suppliers, because their facilities often partially duplicate those of other subcontractors. Excess plant capacity and surplus workers have led many suppliers to increase their degree of vertical integration. On the other hand, affiliated-firm and large and medium sized firms have been pressured due to increased specialization, to improve their technical abilities because they will need them when competing with suppliers on whom they are so dependent. They will also be regrouped under the "Big Two" system that stimulate M&A between parts suppliers internally based on the specialization and commonalization of particular parts.

To survive such complete reshuffled subcontracting systems, the supplier who wants to remain independent in future has two options. One is to form a partnership and joint venture; for example, Hyundai Mobis and Bosch are getting together to produce an airbag, ABS brake system and various other units. It means that the supplier will increase its position as key suppliers of high-tech components to the OEMs and also to the big module integrators.

\(^7\) Hankyung Automotive Newspaper, December 30, 1998
It seems that attention is shifting to emergence of large-suppliers. Another option is that Korean parts suppliers – they now have low-level technology and are supported with technology and resources by the automakers – should try to develop management skills and produce with automakers value-added parts through high-tech synergistic effects. Therefore, the buyer-supplier relationship should be changed into a more meaningful partnership based on product and technology development.

The two companies are both firmly succeed to the reduction of debt-to-equity levels below the 200% threshold by the end of 2000. The companies have established a joint program to dispose of non-performing assets, continue the efforts to reduce R&D and marketing costs and also to raise investment through new capital issues. In addition to raising foreign capital through floating depository receipts and convertible bonds, the two companies will also acquire equity now owned by other Hyundai affiliates and eliminate debt-payment guarantees with group companies.

To overcome the current crisis, it has become inevitable to introduce flexibility into the labor market. In particular, the most important development has been legalizing layoffs, thus giving corporate leaders more control over in personnel management affairs. Korean labor rules have had two primary impacts on the auto industry:

The First is the inability to deploy workers to multi-tasked jobs. Korean unions have long focused on job categories, craft barriers, and working hours as the basis for negotiations. This approach has inevitably led to the preservation of function-specific tasks and prevented manufactures from implementing the multi-tasking required for lean production.

The second is inability to reduce working hours. Because Korean unions have long been against layoffs, Korean manufactures have been forced to keep excess workers on the assembly line. In addition, unions continue to fight for minimum legal working hours - rebelling against reductions in actual working hours per shift while demanding more workers on line in the name of "better labor conditions." It appears that the impact of unionism is one of the fundamental barriers for the improvement of productivity. Unions may have been right in the past to demand better wages and working conditions. On the other hand, the unions' confrontational attitude and rigid negotiating stance on job descriptions is detrimental to an efficient manufacturing process, which could ultimately benefit the remaining workers.

The labor unions finally consented to layoffs in 1998 in a landmark agreement with the government and employers, to help revive the nation's battered economy through quick industrial restructuring. Legalizing layoffs, the core part of the agreement, marks a shift toward. Hyundai carried out a large scale organizational restructuring with extensive layoffs affecting about 30 percent of its officials. According to Hyundai, it streamlined its organizations from 14 divisions with 404 teams to seven divisions with 340 teams. The seven divisions, including production, sales and R&D, are expected to act as an axle for smoother organizational operations. About 36 officials were relieved of their positions or placed on a retirement list. After the executive level layoffs, the company further planned to dismiss about 8,000 employees by 1998. Kia also fired 10 executive officials from among 50 officials and

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plans mass layoffs of white-collar workers. Already, Kia has laid off 4,000 workers in 1997. All of the auto manufacturers would also limit production to eight hours a day, owing to the flagging demand for cars in the domestic market.

TRIPARTITE ALLIANCE & REINFORCED GLOBALIZATION

Hyundai has concentrated on re-establishing its business operations - especially overseas - and has seen positive response. The increased global competitiveness is one of the preconditions for survival. In this context, they will also continue pushing for strategic tie-ups with major foreign automakers to introduce advanced technology and jointly advance into world markets. September 2000 Hyundai sold 9-percent stake, or 20.618 million shares, to DaimlerChrysler (DC) for about 430.9 billion won ($389.9 million), or 20,900 won per share. The stake sale came as part of a broad strategic alliance signed between Hyundai and the German-U.S. company June 26, 2000. Under the alliance, Hyundai agreed to hand a 10-percent stake over to DC and engage in the joint development of a world car and technological cooperation.

As a result of the stake sale, DC will become the single largest shareholder in Hyundai Motor, trailed by Hyundai Precision & Industry's 8.13 percent (newly named Hyundai Mobis), the company's own stock-management fund (8.84 percent), Mitsubishi Motor (4.36 percent), Hyundai Motor Chairman Chung Mong-koo (3.65 percent), Hyundai Motor employees (4.23 percent) and Hyundai Group founder Chung Ju-yung (2.69 percent). DC will soon appoint its own board member at the nation's largest automaker. Hyundai Motor's capitalization will also rise to 1.47 trillion won.

Meanwhile, Hyundai and DC will push to speed up their separate agreement to set up a 50-50 joint venture to produce commercial vehicles in the southern city of Chunju. About 500 billion won will be lured into Hyundai through the Chunju project. The joint commercial vehicle project will be based on Hyundai's Chunju plant and Hyundai will contribute its existing production facilities, distribution network and current line-up of vehicles. DaimlerChrysler will primarily contribute its state-of-the-art technology.

In 2000 Hyundai anticipates domestic and export commercial vehicle sales of 60,000 units. Under the joint venture capacity will increase to between 80,000 and 100,000 vehicles annually. This will enable expansion beyond the Korean market and to increase the current share of the Korean commercial vehicle market whilst also improving productivity and profitability.

The venture will involve the production in Korea of DaimlerChrysler's commercial vehicles for marketing and sale by the joint venture to utilize the companies' respective global

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9 The Dong-A Ilbo, April 3, 1998.

10 Hyundai said that it would sell the remaining 1 percent stake in the form of existing shares. "The 1 percent stake, or 2.29 million shares are parts of Hyundai Motor-owned shareholdings and will also be sold for 20,900 won apiece, but the timing for the sale has yet to be determined," said the official. Total proceeds from the stake sale will amount to 478.8 billion won.

11 The Korea herald, June 27, 2000
distribution capabilities to increase market share. The venture will also explore the joint use of technical systems, joint components and selected engines.

Together with Mitsubishi, DaimlerChrysler and Hyundai will develop and produce a range of high-quality small cars to compete in all key global markets including Asia, the NAFTA, Latin America and Europe. According to Hyundai the envisioned car will be less than 3.8 meters in full length, and equipped with an engine of 1.0 to 1.5 liters. Compared with the Verna, one of Hyundai's subcompact models, the new car will be 40cm shorter, 20-30 percent higher in fuel efficiency and more environment-friendly. The three car makers plan to begin the world car's mass-production from 2002 and jointly sell 4 to 5 million units for the next five years thereafter to mark 45 trillion won ($40.5 billion) in sales and 2.5 trillion won, or 5.1 percent of the sales revenue, in profits. Specifically, Hyundai will produce 300,000 to 350,000 units domestically and 100,000 to 150,000 units in China starting in the first half of 2002; Mitsubishi will turn out 100,000 to 200,000 units in Japan beginning in the second half of 2002; and Daimler Chrysler will roll out 250,000 to 300,000 units in Europe from 2003. In all the three companies will produce 750,000 to 1 million units a year worldwide.

"We have agreed to share the platform and make such core parts as the engine and transmission interchangeable. The strategic partnership clearly demonstrates that Hyundai's capabilities in development and production of small cars have reached world-class levels. "It will improve the global recognition of the domestic auto industry's technological prowess and competitiveness." said Hyundai President Lee Kye-an announced at a press conference:

The two companies will also explore other opportunities together including joint research and development as well as supply chain management. Other areas also under investigation for joint ventures include financial services, common component production and application. Already Hyundai used to sales networks of alliance partner. Hyundai Motor sells its "Atoz" minicar in Mexico through its strategic alliance partner DaimlerChrysler's sales networks in the Central American country. Under the agreement with DaimlerChrysler's affiliated company in Mexico, Hyundai aims to sell about 35,000 Atoz cars annually. The 1,000-cc-engine Atoz minicar bound for Mexico will carry a DaimlerChrysler brand of "Dodge". Atoz produced for domestic sales carry 800-cc engines. The pending agreement is the first tangible development from the recently forged strategic tie-up between Hyundai and DaimlerChrysler. The Mexican auto market is estimated at 1.65 million units per year, with DaimlerChrysler taking the lead in market share with 23 percent. Besides DC, Volkswagen, General Motors, Ford Motor and Nissan are operating assembly plants in Mexico. Only foreign carmakers with production lines installed in Mexico are now allowed to bring in finished cars to the country. Due to the rigorous entry regulations, Hyundai and other Korean automakers have not been able to enter the Mexican market. However, Hyundai will be able to get around the regulations, thanks to its tie-up with DC.

Additionally Hyundai concentrate on Chinese Market. Hyundai and Kia already have assembly operations in China and they have committed the companies to further expansion in the rapidly developing market over the next five years with the aim of becoming the largest manufacturer in China. The opening of a regional head office will enable Hyundai and Kia to build full sales and service support for the potentially huge Chinese market as the

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12 The Korea Herald, May 8, 2000
development continues. It will then spearhead Hyundai-Kia efforts for the development of the Chinese and regional market including small and medium passenger cars, RVs, buses and trucks.

Hyundai and Brazilian government agreed to extend the deadline for the construction of a Kia Motors plant in Brazil to 2003, from 2001 as originally planned. The agreement provided breathing space from the $210 million in fines the Brazilian government was to impose on Kia in the event of a failure to meet the 2001 construction deadline. In 1997, the now-defunct Asia Motors, then an affiliate of Kia Motors, suddenly suspended its $300-million commercial-vehicle plant project in Brazil after being implicated in a fraud scandal, prompting the Brazilian government to impose a $210 million fine for violating the investment contract. At the beginning of the project in 1996, the Brazilian government promised to offer a 50-percent reduction on customs tax for Asia, on the condition it complete the car plant by 2001. Kia’s bankruptcy in 1997 completely halted the project and Brazil has since stated Kia’s resumption of the Brazilian project would come only after full payment of the fine. Kia had received tariff waivers totaling $72 million on its exported finished cars, dependent on the completion of the plant. Now, Hyundai have asked to Brazilian government for customs incentives in connection with Kia’s plan to build a 30,000-unit-a-year van-assembly plant at an investment of $150 million in Brazil’s northeast state of Bahia.

Hyundai also interest further penetrated into European market. Expansion of Hyundai's Turkish plant is give firm access to EU market. Hyundai Motor unveiled ambitious expansion plans for its car-assembly plant here, under a long-term bid to use Turkey as a bridgehead to a bigger share of the European market. Hyundai has selected the Turkish plant as a strategic point for Europe. It a key pillar of the company's global production system, along with assembly lines in India and China.

As part of the expansion plans, Hyundai's local joint venture plant, Hyundai Assan Otomotiv Sanayi (HAOS), will soon double its annual output capacity to 120,000 units, aiming to seize a third of the Turkish car market. To this end, the compact Avante XD and 3.5-ton truck models will be assembled by the HAOS, which is currently producing about 60,000 units of the Accent (Verna in Korea) subcompact and Grace van a year. The company will also consider localizing the production of engines for the Accent model, in an effort to cut costs.

As soon as the expansion plans are completed, Hyundai Motor will begin exporting the HAOS-built vehicles across Europe, including East Europe and ex-Soviet republics. Should Turkey join the European Union, probably after 2005, the HAOS will be able to conduct customs-free exports to West European countries. The HAOS aims to increase its local sales to 40,000 units and attain $400 million in turnover this year, raising its market share to 7 percent. About 840 Turkish workers are now employed by the HAOS. Eight of Hyundai's parts suppliers are operating joint-venture plants in Izmit with a population of about 1.2 million. The ratio of locally manufactured parts for the HAOS-built cars is currently estimated at 35 percent, adding that the final target is 70 percent.
CONCLUSION

Hyundai emerged under specific economic conditions, which have since changed considerably. We have seen, among other things, (1) the severe global competition of automakers; (2) increased R&D and cost cutting and (3) the end of continuous market growth in Korea, leading to severe financial crises for automakers. All of these trends have put severe pressure on the existing managerial strategies, which could put in question traditional forms of labor-intensive product system. In concert with the growing pressures on increased profit and new technology development, there is pressure for new managerial strategies in favor of more flexibility, increased quality and sophisticated technology. In their adjustment to these situations, a number of systemic impediments such as higher finance costs, lack of labor flexibility and downsizing also hamper Korean players.

The success of Hyundai’s trajectory and enhanced position in the world car market depends more on the competitive foundation of the company. All in all, Hyundai will gain a potential for flexibility in terms of product and process technology. In particular, this trend is more cutting overhead costs and does to increase flexibility at the plants. For this purpose, Hyundai has concentrated on re-establishing its business operations - especially platform strategy, modular production, business restructuring and strategic alliance. These are not means that there is evidence of a fundamental change in the existing management style. Nevertheless, there is a wide consensus that traditional managerial type must be refreshed with more partnership with DaimlerChrysler in the field of product and technology development.

In order to successes strategic alliance with DaimlerChrysler, Hyundai must be holding own technology ability. It is one of the most important conditions for the survival of the Hyundai in the competitive global market. The rigid labor market prevents the flexibility and downsizing, even though most recently they have been effective in responding to their challenges. This is not doubt that the continuous downsizing and integrated human resource management is necessary.

Skilled workforces become key to decisions about how to organize production and arrange the process of product development. Labor must be committed to the effective functioning of the production system to maintain and improve rapidly adjusting production processes and implement a constantly shifting product mixes. Effective links from shop floor to strategic management are ultimately required. In this context, the long-team commitment and participation is more necessary than ever, and the union will to have an important role in the workplace industrial relations that determinate by socio-economic environment.

That is one of the hard survival games in the global competition; therefore the future of the Hyundai’s trajectory is hard to prediction. They are at a critically important crossroads in the restructuring process.
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