SWOT Analysis in Iran Khodro Automobile Industry for Improving Productions

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ABSTRACT: The Iran Khodro automobile industry is the largest car company in Iran. Bus was the first production of this company was built in 1962. Iran khodro automobile has risen from a small industry to a significant player in Iran market. Over fifty years ago from establishing this company, it is active to generate some automobiles such as bus, minibus vehicle, etc. that supply society demands approximately. This paper presents a comprehensive SWOT strategy based on the previous SWOT analysis model and the case study of Iran Khodro automobile industry. At first a general review SWOT analysis and then this paper focuses on how Iran Khodro automobile industry can make appropriate strategies by analyzing and allocating its internal factors (strengths and weaknesses) as well as external environment opportunities and treats.

Keywords: SWOT analysis, Iran Khodro automobile industry, internal factor, external factor

INTRODUCTION

Iran’s automotive industry is the second most active industry in the country, after its oil and gas industry. Iran National was established in 1341 with internal capital about 10 billion tomans. The initial goal of this company was to assemble different segments of vehicles in Tehran. The first production of this company was bus that was made in 1962.

The most important view of this company is becoming the most successful Iranian company with world class competency.

With the aim of global market presence and developing an international brand approach, export has been considered as the main policy of Iran Khodro automobile industry. Since 2002 the policy has played a key role in capturing global market share by the company.

Iran Khodro automobile industry has gained a new status among other auto makers for the technological development of its production lines and has met global standards in its robots and press, paint and body shops. The strategies of Iran Khodro automobile industry are briefly:

1. Variety and development product strategies
2. Export marketing and world competency strategies
3. Manufacturing, production and supply chain group strategies
4. Research and development strategies
5. Quality improvement strategies
6. Human resource strategies
7. Motion force fuel and health and safety and environment strategies
8. Objective cost management strategies
9. Information technology and communication development strategies
10. Investment and financial strategies.

A General Review of SWOT

According to Wikipedia, SWOT analysis is a basic strategic planning method utilized to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a project or in a business venture so
as to force feasible strategies. It contains specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieve that objective. The technique is credited to Albert Humphrey, the founding father of SWOT analysis, who guided a convention at Stanford University in the 1960s and 1970s using data from Fortune 500 companies. The background to SWOT stemmed from the need to find out why corporate planning failed. The application of SWOT analysis is not restricted to profit-researching organizations. Usually, it is “an effective way of collecting and categorizing information, illustrating particular matters, and generating strategic planning ideas for a business”. It can be used for business goal, strategic planning, competitor evaluation, marketing, business and product development and research reports. And it may also be used in any decision-making situation when a desired end-state (objective) has been identified. Examples include: non-profit organizations, governmental units, and individuals.

Specifically speaking, strengths refer to characteristics of the business or team that give it a benefit over others in the industry. Weaknesses are characteristics that place the firm at a disadvantage rely on others. Opportunities are external chances to make greater sales or profits in the environment. Threats are external elements in the environment that could cause trouble for the business.

A business can create opportunities and counter threats by making the most of its strengths and addressing its weaknesses.

**Strength**

**Valid Brand in Iran**

The Iran Khodro automobile industry’s major strengths are its valid brand in Iran, huge capital, labor, good position and global agencies. There are several brands in automobile industry the most important of them is Iran Khodro automobile industry.

**Experience**

As said above this company produced several cars for about 50 years and it is the most famous car company in Iran.

**Proper cost**

Iran automobile companies are now producing various types of reliable and reasonable automobiles in low price range and are trying to compete with other companies.

**Internal agencies**

We could see them as a major player in the global markets and we can recognize them as a local force now. It has been known that the most of Iran Khodro’s products drivers would recommend its products to a friend. This is clearly identifiable and quantifiable strength. Iran Khodro automobile industry uses this to guide its future strategic development and marketing of its brand image.

**Weaknesses**

**Unreliable brand in world**

Unfortunately IKCO has failed to show its brand as a strong and reliable brand in the world that is one of the weaknesses of Iran Khodro Industry.
Low productivity
This company has failed to optimize its sources that have increased low productivity, costs and time consumption.

Publish R&D
Research and development are the first steps in order to be successful in a competitive market. The placement of research and development in an organization is exactly like that of publish R&D in our brain.

Politization
Costs that companies have to pay because of their politicization are an important factor in their financial issues.

Unable for designing
Successful designing is vital in innovation, competition and success in an organization.

Rejection fact from managers
In most cases, the facts and revealing them is not profitable for managers, so as a result they try to hide or invalidate them.

Unsuitable Organization structure
Unsuitable organization structure is the other weak point that should be changed in order to development.

Lack of a clear perspective
The main weakness of IKCO is that, it doesn't know the upcoming path. Defining a perspective, and the ways that ends in goals has high importance.

Lack of a national platform for automobiles
An automobile called PEYKA that was invested never entered the market because its platform wasn’t assigned by foreign country. This can show well the importance of a national platform.

Lack of technology
Lack of efficient production technology has an adverse impact, such that the time needed for producing a car in Iran is 12.5 times more than that of Japan and 19.5 times that of the United States. Foreign automakers have access to experienced manpower, advanced equipment as well as modern technology, while production lines in Iran are old and semi-automatic. Joint investments in industries are common, though most foreign investors are only interested in selling their products in the Iranian market. Iranian industries should seek foreign technology in return for allowing access to their market. Equipping production lines with advanced machinery is a priority.

Opportunities
Possibility of finding better suppliers
Company can find better suppliers according to transaction amount, productions' offered price, quality and other costs.

Possibility of developing to world market
Now a days Globalization and access to global markets is one of the necessities for competitions. Company can access the global markets by involving in enterprises in order to improve the quality and decrease consumption time and increase its part in world.

Government’s attention
Government’s support from the national resources and manufacturers especially in automobile industry has a significant effect on their development.
Dependence of Iranian to Iran Khodro automobile industry

Since the cost of foreign cars are very expensive and there is a lack of automaker company collections in Iran, people don't have a high range of choices, so it leads to a high dependence to Iran Khodro automobile industry.

Threats

Government interference

Government interference is the biggest threat that is being for Iran Khodro automobile industry.

Foreign Exchange Rate Oscillation and People Distrust

Intensive foreign exchange rate oscillation and its direct effect on elements cost of automobile cause a disturbance in this company’s productions market lead to reduce people trust during purchase these products.

Prohibitions effect against country

A lot of prohibitions against Iran are considered a serious treat for this company.

Increcent in Fuel Cost

In a part of cases increase in fuel cost causes to reduce products demand that this is a treat for this company.

CONCLUSION

Methods for facilitating technology transfer include purchase of manufacturing license, foreign investments, education and training, reverse engineering, and cooperation with contractors. Reverse engineering is not proposed for auto part-makers because production without having the manufacturing blueprints will drastically reduce quality of products. License purchase is also effective, but not recommended for long-term use. Therefore authors have some suggestion that listed below:

1. Since there is a boycott against Iran so research and development should be reinforced inside the organizations and discussing about it should be considered vital for profitability.
2. The presence of rivals in goods market can paralyze distribution system of company so reinforcement in this area seems necessary.
3. A strong technological management should be established in a way to decrease the effect of boycott.
4. The development of automobile market needs a strong distribution system.
5. In order to attend the central Asia market, organizational structures should be vigorous and undergo some changes.
6. If we are eager to attend in a competitive international market, we should manage our internal market easily and without the interference of government.
7. The best common dream is attending in markets that monsters of automakers attend there. In countries that Iranian automakers attend, big companies such as Toyota & Benz don’t participate. Although we should try to bring out famous global brands of those markets that we can attend there but export markets shouldn’t be restricted just in Iraq, Africa and Afghanistan, instead we should consider central Asia, Latin America, and Far East.
8. We should seek a suitable platform for automobile industry. in fact trying to design and to develop is vital in that section.
9. Without getting help from foreign countries, it seems impossible to be successful. We should collaborate with other countries to acquire the knowledge for production but these factors shouldn’t affect our self-confidence, since we can’t overcome these difficulties alone. We should ask other countries' help. So we should find a way to collaborate with other countries.
10. Perhaps the political views of Iran khodro and the costs that they should pay for this sake is an important factor and maybe the main reason for its financial status. Because when politics enters into the area of business then hasty political systems can be replaced instead of logical solutions. Investments are followed in a wrong way and return on investment will face dynamic economy with difficulty and liability.
11. Employees: the experience and qualification of some works should be used in a way to reinforce other workers knowledge and increase their knowledge of innovations in automobile industry. They should adjust their
productions with those of higher brands. A large number of specialists must be hired. Research and development departments must also be established to promote this section.

REFERENCES


SWOT Analysis in Action at Skoda, WWW.thetimes100.co.uk, pp. 133-136.