

Supplemental Case

Chapter 16: Acquiring a Company in South Korea

Chapman Auto Parts manufactures a variety of aftermarket parts and accessories for distribution throughout the United States and Asia. While they have been successful in meeting the demand for parts in the past, they are seeing increased demand from parts of their Asian market. The company's executive team has been exploring expansion opportunities and has determined that acquiring another manufacturer in Asia is the best strategy to meet the growing demand.

Aftermarket parts are built or refurbished to replace damaged or worn parts in cars and trucks. Accessories are parts sold directly to new car dealerships that are installed in new vehicles after the original sale. These parts provide optional features to customize a vehicle by enhancing comfort or convenience. Chapman distributes its parts to wholesalers who then resell the parts directly to retail outlets and new car dealerships. Chapman currently operates two facilities on the West coast of the United States. Through these locations, they have been able to establish an effective distribution network via railways to various locations in the United States, and via ship to several Asian ports. However, a manufacturer located in Asia will greatly enhance distribution capabilities.

The executive team has identified a small manufacturer in South Korea that currently produces similar parts to Chapman. The South Korean company has much lower overhead costs and the team believes that acquiring the company will help improve the distribution of their product and allow Chapman to continue to grow their business. There are several aspects of the potential acquisition they must explore before deciding to move forward. As their first venture

into international operations, the labor market is one aspect that requires significant consideration.

To help build an understanding of the labor practices in South Korea, the executive team has asked Janie Lang, the Director of Human Resources, to conduct research and prepare a report for the executive team. They are particularly concerned with labor costs and legal concerns of operating in South Korea. Janie has little international human resources management experience, so begins her research by exploring the basics of the South Korean labor market.