




Multiple dynamics of financialization in the automotive sector: Ford and Hyundai cases

Multiplas dinâmicas da financeirização na indústria automobilística: casos da Ford e Hyundai

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Abstract: The financialization process in the automotive sector is growing and has affected the automakers in different ways. In this paper, we propose to study the different dynamics that involve financialization in the automotive sector by comparing Ford and Hyundai cases worldwide. To do this, we used indicators that aim to concretize the economic concept of financialization. They are the following: a comparison between sources of profitability; composition and shareholder acquisitions; business leaders; compensation payments to executives; dividend payments to shareholders; salaries and level of employment. These indicators showed a tendency of financialization in both automakers, but with different incidences in each one of these indicators. They have shown, for example, that while Ford's financial sector is more profitable than its productive sector, Hyundai's two sources of profitability are much more balanced showing significantly smaller differences than Ford's. The employment level indicator showed that while there has been a huge drop in the number of jobs at Ford in recent decades, at Hyundai there has been a reverse movement of expansion and hiring. The aim of this article is to discuss the financialization indicators in these two automakers, contributing to better knowledge about the automotive sector and collaborating with the research agenda of economic sociology and finance.

Keywords: Financialization; Automotive industry; Economic sociology and finance.

Resumo: O processo de financeirização no setor automotivo é crescente e atinge as montadoras de maneiras diferentes. Neste artigo nos propomos a estudar as diferentes dinâmicas que envolvem a financeirização no setor automotivo a partir da comparação entre os casos de Ford e Hyundai. Para isso, utilizamos indicadores que buscam concretizar o conceito econômico da financeirização. São eles: comparação entre as fontes de lucratividade; composição acionária; origens dos dirigentes das empresas; pagamento de compensações aos executivos; pagamento de dividendos aos acionistas; salários dos funcionários e nível de emprego. Esses indicadores demonstraram uma tendência de financeirização em ambas as montadoras, porém com incidência diferente em cada um desses indicadores. Mostraram, por exemplo, que enquanto o setor financeiro da Ford é muito mais rentável proporcionalmente do que seu setor produtivo, na Hyundai as duas fontes de lucratividade são bem mais equilibradas, com diferenças bem menores do que as observadas na Ford. O indicador de nível de emprego mostrou que enquanto

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houve uma queda enorme nos postos de trabalho na Ford nas últimas décadas, na Hyundai vem havendo um movimento inverso, de ampliação e contratações. Queremos com esse artigo debater os indicadores de financeirização nestas duas montadoras, contribuindo para um melhor conhecimento sobre o setor automotivo e colaborando com a agenda de pesquisas da sociologia econômica e das finanças.

Palavras-chave: Financeirização; Setor automotivo; Sociologia econômica e das finanças.

1 Introduction

The financialization process in the automotive industry, the economy and society has been taking place for at least thirty years (Froud et al., 2006) and consists of introducing the principles of maximizing shareholder value (Lazonick & O'Sullivan 2000; Fligstein, 2001; Fligstein & Shin, 2004; Carmo et al., 2019) the change in corporate control concepts moving from industrial design to financial design (Fligstein, 1990, 1991), and the increasing importance of the financial market and financial institutions in the economy as a whole (Epstein, 2002). This process is considered multidimensional (Van der Zwan, 2014) because it transforms the functioning of economic systems at the macro and micro level, having an impact on at least three aspects: the increase in the significance of the financial sector in relation to the real sector, productive; the transfer of the real sector of income to the financial sector and the increase in income inequality, contributing to wage stagnation (Palley, 2008, p. 1) and in many cases, job insecurity and unemployment.

This paper aimed to analyze the financialization process in the automotive sector based on indicators that we use in two of the largest automakers on a world scale, which are Ford and Hyundai. The former is one of the oldest automakers, founded in 1903, and certainly the oldest to implement serial production, which revolutionized the automotive sector worldwide. For a long time, Ford was one of the great brands and symbols of the power and importance of American capitalism. The latter is much more recent, founded in 1967, and is part of an older family conglomerate, known as *chaebol*, which is one of the giants of the South Korean economy. *Chaebol* is a typical family business, but larger and formed by several companies, a group. According to Noble (2010, p. 14) the board of directors is restricted and dominated by members from the Chung family. He states,

[...] there is no movement to promote the separation of ownership and management, and Hyundai Motors and its closest subsidiaries remain a family affair [...] Hyundai Motors depends on just one man, Mong Koo Chung, who alone has the power to control management.

This conglomerate includes companies in the steel industry, shipbuilding, heavy industry, construction, automakers (Hyundai and Kia) and more recently has been adhering to financialization practices, increasing dividend payments to shareholders and constituting a credit card division, insurance, among other financial “products”.

The phenomenon of financialization can be broken down into indicators, but the basic agreement between the main authors is that productive activities are increasingly less profitable than financial activities (Froud et al., 2006; Lazonick & O'Sullivan, 2000; Fligstein, 2001). The first indicator we will use is the comparison between profitability sources at Ford and Hyundai, as this indicator shows the contribution that each segment (productive and financial) has to the business as a whole (Carmo et al., 2019).

The second indicator used is that of the shareholding composition and shareholding acquisitions of the automakers, which show the growing participation of financial economic groups as their largest shareholders (Carmo et al., 2019). They are gigantic investment funds, banks and insurance companies that are on the list of the automakers' biggest investors.

The result of a complex set of decisions, the third indicator used by us is the dividend payment to shareholders. This reveals enormous pressure from major shareholders and main executives for dividend payments to investors as a mission, which drains all companies' net profits, whether in the form of dividend payments or through share buybacks or stock buybacks, which have become an artificial strategy for valuing companies' share prices. This is another important aspect of financialization (Lazonick & O'Sullivan, 2000).

The origin and trajectories of directors is another indicator and shows the academic background and career of the main executives of the companies. According to Fligstein (1991), the past educational and professional life of executives and where they went, whether in the world of industry or business and finance, among other areas, says a lot about managers. Financialization is also a mentality through which a continuous search for maximizing value is established, with people "[...] living and dying by the numbers" (Wartzman, 2017, p. 257).

The payment of millionaire compensation to main executives is also an indicator of financialization that we used, and it seems to be a movement oriented so that both shareholders and senior management are satisfied with the results of business activity. Formally, the compensations are linked to performance criteria obtained by the business, but there are authors who suggest that the compensations have nothing to do with performance, but with power within the organization (Bebchuk & Fried, 2004).

Whether internal power or real performance drives the compensation policy for executives, the fact is that when we compare the total earnings of corporate CEOs with employee salaries, another category of analysis, we see that there is a huge disparity and that every day it increases and it is becoming very different from what happened previously.

Until around the 1970s, executives received fixed salaries of around one million dollars annually, on average, and some more earnings, but nothing significant. In the last few years what we see is that in addition to the fixed salary, which is still not very high, there are spectacular variable gains with stock options and other bonuses, which adds up to a total compensation reaching tens of millions of dollars every year. Meanwhile workers' wages in general are below average wages, at least in the USA (DeNavas-Walt & Proctor, 2015). Considering these growing disparities, we finished our set of financialization indicators in the automotive sector with the employment indicator. In this regard, there are also different dynamics in the sector. While at Ford, in the last few decades, there has been a progressive decrease in the workforce, at Hyundai the opposite has happened. There is a slow but consistent increase in employment at Hyundai, mainly because of investments in plants installed in countries considered emerging, such as Brazil, Russia, and India, in recent years.

2 Methodology

This work is part of the research agenda of economic sociology, which aims to study economic phenomena from an approach that uses the tools from sociology, so economy is immersed in the social structure of society (Granovetter, 1985). Economics

and society cannot be arbitrarily separated by scientific analysis, but must be taken together, being complementary dimensions of the same social whole (Weber, 2012).

This is qualitative research, consisting of a case study. It has an exploratory character aiming to assign financialization indicators to two companies in the automotive sector, Ford, and Hyundai. The text seeks to understand how the financialization process takes place (Yin, 2001) in these two automakers, which presented different dynamics for each indicator.

The data are secondary and were collected electronically on the Internet from the automotive companies' websites, where we accessed the annual reports of the companies, which contain the sources of profitability, revenues, profits, among other information; financial market sites, such as *nasdaq.com* and *bloomberg.com*, which present data on shareholding composition, dividend payments, compensation to executives, etc.; job market sites such as *payscale.com*, *glassdoor.com*, *careerbliss.com*, which provided us with figures on employee salaries; sites such as *statista.com*, which showed us the number of employees in companies, among other sources of official information, such as the US Department of Commerce, the US Census Bureau, which gave us the average salary for all the North American ethnic groups, for example. Data analysis was based on documentary analysis (Bardin, 1977).

3 Research results

3.1 Comparison between the sources of profitability at Ford and Hyundai

When analyzing automotive companies, we can make a distinction between the productive and financial branches. The productive branch has support from financial branches to finance the cars to customers. Furthermore, the financial branch is a typical bank, including products, insurers, and other financial services. At Ford, the financial sector is represented by Ford Motor Credit Company LLC and at Hyundai by Hyundai Capital-Card-Life-Commercial.

At Ford, the productive sector has had a profitability proportionally much lower than its financial sector, as can be seen in Table 1. Since 2001, Ford Automotive has lost billions of dollars, while Ford Financial has had excellent returns on revenue that reached 25% in 2005. In 2010, this difference reached ten times, that is, 3.4% return on revenue from productive activities and 34% return on revenue from financial activities. Although the absolute numbers are higher in the productive area, we see that there is a significant portion of profitability in terms of financial activities.

Table 1. Ford revenues by sector.

Total revenue	In billions of US\$	Automotive Sector Revenues	Profit before tax	% return/revenue	Financial Sector Revenues	Profit before tax	% return/revenue
2001	160,504	130,736	-8.857	-6.7	29,768	1,438	4.8
2002	162,256	134,273	-1,153	-0.8	27,983	2.104	7.5
2003	164,196	138,442	-1,957	-1.1	25,754	3,327	13
2004	171,646	147,128	-155	-0.1	24,518	5.008	20
2005	177,089	153,503	-3,895	-2.5	23,586	5,891	25
2006	160,123	143,307	-17.017	-11.8	16,816	1,966	12

Table 1. Continued...

Total revenue	In billions of US\$	Automotive Sector Revenues	Profit before tax	% return/revenue	Financial Sector Revenues	Profit before tax	% return/revenue
2007	170,572	154,379	-5.081	-3.2	16,193	1,224	7.5
2008	145,114	129,165	-11,917	-9.2	15,949	-2.581	-16
2009	118,308	105,893	1,212	1.1	12,415	1,814	14
2010	128,122	119,280	4,066	3.4	8,842	3,003	34
2011	135,605	128,168	6,215	4.9	7,437	2,431	33
2012	133,559	126,567	5,928	4.7	6,992	1,710	25
2013	146,917	139,369	5,368	3.8	7,548	1,672	22
2014	144,077	135,782	2,548	1.9	8,295	1,794	21
2015	149,558	140,566	8,224	5.8	8,992	2,028	22
2016	151,800	141,546	9,422	6.6	10,253	1,820	18
2017	156,776	145,653	7,259	4.9	11,113	2,248	20
2018	160,338	148,294	5,422	3.6	12,018	2,627	22

Source: Ford *Annual Reports*: (Ford Motor Company, 2003, p. 66-67, 2005, p. 54, 2006, p. 49, 2009, p. 74-75, 2012, p. 63, 2014, p. 27, 2015a, p. 26, 2016, p. 84, 2017, p. 81, 2018, p. 26 and 77).

In contrast to its South Korean competitor, this difference is much smaller. Hyundai points to the development of an important financial sector in the total profitability, but its productive sector is one of the most profitable among all major automakers. While at Ford the average profit in the productive area was 4% between 2010 and 2015, at Hyundai this sector was responsible for an average of 11% profitability, although with a slight downward trend. Table 2 shows these data.

Table 2. Hyundai revenues by sector.

Hyundai Motor Group earnings	2010	2011	2012	2013	2014	2015
Automotive Sector Revenues						
Billions of dollars	98,858*	67,827	73,644	76,118	77,783	80,173
Profit before tax	9,177	10,117	9,108	10,197	8,675	7,374
% return on revenue	9.28	14.91	12.36	13.39	11.15	9.19
<i>*Kia included. Average over the last six years: 11, 71% per year leading to a downward trend</i>						
Financial Sector Revenues Hyundai Capital						
Billions of dollars	2,665	3,028	3,106	2,804	2,625	2,575
Profit before tax	0.603	0.603	0.512	0.457	0.288	0.325
% return on revenue	22.62	19.91	16.48	16.29	10.86	12.62
<i>Average over the last six years: 16.46% per year, falling, but remaining in double digits</i>						
Hyundai Card revenue						
Billions of dollars	2,021	2,110	2,213	2,215	2,294	2,325
Profit before tax	0.345	0.283	0.203	0.191	0.263	0.210
% return on revenue	17.07	13.41	9.17	8.62	11.46	9.03

Table 2. Continued...

Hyundai Motor Group earnings	2010	2011	2012	2013	2014	2015
<i>Average over the last six years: 11.46% per year</i>						
Hyundai Life revenue						
Billions of dollars	0.898	1.008	0.876	0.636	0.930	1,338
Profit before tax	0.004	0.004	-0.035	-0, 0 35	-0, 0 66	-0.042
% return on revenue	0.44	0.39	-3.99	-5	-7	-3
<i>Average over the last six years: -3, 0 2% per year</i>						
Hyundai Commercial revenue						
Billions of dollars	0.209	0.283	0.303	0.303	0.307	0.323
Profit before tax	0.074	0.087	0.058	0.052	0.036	0.062
% return on revenue	35.40	30.74	19.14	17.16	11.72	19.19
<i>Average over the last six years: 22.22% per year, with fluctuation, but firm in double digits</i>						

Source: Hyundai (2012, 2014a, b, 2016). Percentage calculations: developed by the authors.

Hyundai has been developing its financial sector since it created a division called Hyundai Capital-Card-Life-Commercial, which, like Ford, represents an important share of the automaker's profits. The commercial division, for example, represented 35% profitability on revenues in 2010, falling to 19% in 2015, averaging 22% in these six years. The credit card division gained 17% in 2010, but fell to 9% in 2015, with an average of 11.4% in the following six years. The Hyundai Capital division profited 22% in 2010 and 12% in 2015, an average of 16%. All financial divisions were more profitable than the productive sector. The only division that has been making a loss is life insurance, Hyundai Life, showing a negative average of 3% in the last six years.

As mentioned earlier, although the financial sector is superior to the productive sector in terms of profitability at Ford and Hyundai, there is a much greater difference between the sectors at Ford, which suggests that this financialization indicator is stronger at Ford than at Hyundai. If we could summarize financialization by this indicator alone, we would say that Ford is much more financialized than Hyundai. When we analyze the contribution that each sector makes to the total business at Ford and Hyundai what we see is that at Ford, the financial sector was fundamental for the business not to go bankrupt. Table 3 shows how much each sector contributed to the overall Ford business, from 1988 to 2015.

Table 3. Contribution of each sector to the business at Ford.

	Contribution from Ford Automotive		Ford Financial Contribution	
	\$ Billion	%	\$ Billion	%
1988	11,378	87.6	1.604	12.4
1989	7.655	85.5	1,298	14.5
1990	0.387	18.4	1,719	81.6
1991	-5.477	0	1.98	100
1992	-2.562	0	2,395	100
1993	1,645	32.3	3,456	67.7
1994	7.449	68.2	3,468	31.8

Table 3. Continued...

	Contribution from Ford Automotive		Ford Financial Contribution	
	\$ Billion	%	\$ Billion	%
1995	3.825	47.2	4,276	52.8
1996	3,019	37.8	4,957	62.2
1997	8.129	64.7	4.427	35.3
1998	7.86	27.4	20,829	72.6
1999	9,337	76.6	2,851	23.4
2000	5.631	64	3,172	36
2001	-9.394	0	1,509	100
2002	-1,181	0	2,155	100
2003	-1,957	0	3,327	100
2004	-0.155	0	5	100
2005	-3.9	0	5	100
2006	-17	0	1,966	100
2007	-5	0	1.2	100
2008	-11.8	0	-2.6	0
2009	0.785	30	1,814	70
2010	4,146	55	3,003	45
2011	6.215	71.5	2,431	28.5
2012	5.928	77	1.71	23
2013	5.368	77	1,672	23
2014	2,548	59	1,794	41
2015	8.224	80	2,028	20

Ford Automotive had losses of US\$ 50.43 billion in just 8 years from 2001 to 2008. Source: Froud et al. (2006), from 1988 to 2003, and Ford Motor Company, 2003, p. 66-67, 2005, p. 54, 2006, p. 49, 2009, p. 74-75, 2012, p. 63, 2014, p. 27, 2015a, p. 26).

As can be seen in Table 3, Ford went through ups and downs regarding the contribution of each sector. From 2001 to 2008, the company's productive sector made losses of around US\$ 50 billion, while its financial sector profited more than US\$ 20 billion in the same period, being responsible for 100% contribution to the company. Had it not been for the inflow of these funds through financial activities, the company would probably have gone bankrupt. The one who saved the deal was the Ford Credit Company, which had billionaire profits.

At Hyundai, the productive sector has always been responsible for most of the contribution to the business. Table 4 shows the data from 2004 to 2015. This shows a completely different dynamic than that observed at Ford. The productive sector at Hyundai has always been significant, even in 2006, when it represented its lowest level, 64.48%, leaving a 35.52% contribution to its financial sector. In the remaining years, this participation in the business always increased and the majority in favor of the company's productive sector, was responsible for 93% of the contribution to the business in 2015.

Table 4. Contribution of each sector to the business at Hyundai.

	<i>Contribution of Hyundai Automotive in billions of dollars</i>	<i>%</i>	<i>Contribution of Hyundai financial in billions of dollars</i>	<i>%</i>
2004	2.605	81.23	0.602	18.77
2005	3,163	86.71	0.485	13.29
2006	1,410	64.48	0.777	35.52
2007	2,074	76.96	0.621	23.04
2008	1,190	65.53	0.626	34.47
2009	4,759	86.34	0.753	13.66
2010	9,177	89.95	1,026	10.05
2011	10,117	91.2	0.977	8.8
2012	9.108	92.51	0.738	7.49
2013	10,197	93.88	0.665	6.12
2014	8.675	94.34	0.521	5.66
2015	7.374	93.01	0.555	6.99

Source: Hyundai annual reports (Hyundai, 2012, 2014a, 2014b, 2016). Hyundai's historical series is smaller than Ford's because of data availability.

According to these data, we can conclude that Ford is much more dependent on its financial sector than Hyundai. At Ford, were it not for the cross subsidy practiced by the company, by which the financial sector helped the productive sector, which was in crisis half the time, shown in our historical series, the automaker would have already succumbed and declared bankruptcy. Meanwhile, Hyundai has developed a much more moderate relationship of dependence on its financial sector, which is on the rise and is very profitable, setting up yet another dynamic of financialization in these two automotive companies.

3.2 Shareholding composition

The shareholding composition is an important indicator of the companies' financialization process. At Ford, the largest shareholders are all large groups of investors and financial institutions. Table 5 presents these data. The 15 largest shareholders concentrated 54% of the company's shares and market value. This is a large shareholding concentration, considering that there are more than twelve hundred institutional investors in the North American automaker.

Table 5. Most Ford shareholders.

	Ford's 15 largest shareholders			
	Shares	%	Amount in US \$	%
Vanguard Group Inc.	219,797,431	9.44	3,110,134,000.00	9.45
Evercore Trust Company, NA	218,924,994	9.40	3,097,789,000.00	9.41
State Street Corp	152,403,918	6.54	2,156,515,000.00	6.55
Blackrock Institutional Trust Company, NA	99,585,663	4.27	1,409,137,000.00	4.28
Barrow Hanley Mewhinney & Strauss LLC	83,122,740	3.57	1,176,187,000.00	3.58

Table 5. Continued...

	Ford's 15 largest shareholders			
	Shares	%	Amount in US \$	%
Wellington Management Group LLP	76,998,498	3.30	1,089,529,000.00	3.31
Franklin Resources Inc.	73,899,080	3.17	1,045,672,000.00	3.18
Allianz Asset Management AG	49,559,296	2.12	701,264,000.00	2.13
Loomis Sayles & Co LP	47,463,547	2.03	671,609,000.00	2.03
Northern Trust Corp	43,793,391	1.88	619,676,000.00	1.89
Bank of America Corp / DE /	43,277,751	1.85	612,380,000.00	1.86
JPMorgan Chase & Co	42,445,613	1.82	600,605,000.00	1.83
Blackrock Fund Advisors	40,895,998	1.75	578,678,000.00	1.76
The Bank of New York Mellon Corp	38,807,668	1.66	549,129,000.00	1.67
FMR LLC	32,808,857	1.40	464,245,000.00	1.41
Totals	1,263,784,445		17,882,549,000.00	
		54.28%		54.33%

Source: Nasdaq (2019).

At Hyundai, the situation is different, as can be seen in Table 6.

Table 6. Major shareholders of Hyundai.

	10 largest shareholders of Hyundai		
	Shares	%	Amount in US \$
Hyundai Mobis Co. Ltd.	45,782,023	20.8	5,783,185,145.36
National Pension Service of Korea	16,344,357	7.42	2,064,619,176.24
Hyundai Motor Co. Ltd.	13,222,314	6.00	1,670,242,704.48
Mong Koo Chung	11,395,859	5.17	1,439,524,908.88
Eui Sun Chung	5,017,145	2.28	633,765,756.40
Capital Research & Management Co. (World Investors)	4,128,447	1.87	521,505,425.04
Templeton Global Advisors Ltd.	4,043,285	1.84	510,747,761.20
The Vanguard Group, Inc.	2,837,713	1.29	358,459,906.16
BlackRock Fund Advisors	2,615,237	1.19	330,356,737.84
Capital Research & Management Co. (Global Investors)	2,328,061	1.06	294,080,665.52
Total	107,714,441	48.92	13,606,488,187.12

Source: Hyundai (2019a, b).

In the South Korean automaker, the largest shareholders are members of the family conglomerate, the so-called *chaebol*. Hyundai Mobis is the largest shareholder, followed by a pension fund, by the automaker itself and two company executives. It is a quite different ownership structure from Ford, even though there are institutional investors with minority interests. This indicates that the penetration of financial institutions is less at Hyundai than at Ford, which implies different decisions and

strategies developed by the company, much more independent of financial capital than its North American competitor.

3.3 Dividend payments to shareholders and share buybacks

When analyzing dividend payments to shareholders at Ford and Hyundai, we also noticed differences between the two automakers. At Ford, there has been a strong policy of paying dividends to shareholders for a long time. Since 2012, the North American automaker has been paying 100% of net profit to shareholders, a practice similar to that of the largest companies in the United States. Table 7 illustrates this data. The company not only makes dividend payments, but also share buybacks.

Stock repurchases are when companies buy back their own shares, removing them from the market. Repurchases increase the value of the remaining shares because there are now fewer common shares outstanding and corporate profits can be divided into fewer shares. Repurchases are sometimes an indication that a company realizes that its shares are undervalued, but it is up to the investor to determine whether the company is correct. Companies that are supportive of shareholders can often pay dividends and at the same time carry out share repurchases (Ycharts, 2019).

Additionally, share buybacks tend to increase prices artificially. It is precisely our indication that there is an element of financialization because the idea of valuing the share price without going through production is pursued constantly. On the other hand, we could assume that the production area is increasingly subordinated to the search for maximizing shareholder value, which is an essential element of the financialization process.

Table 7. Net income distributed at Ford.

FORD MOTOR COMPANY	Net income in billions of US \$	Net Income Applicable to Ordinary Shareholders	Stock Buybacks Stock Repurchases Share Buyback and m billions of US \$	% of net income distributed to shareholders and repurchases
2008	-14,400	-	-	-
2009	2,599	2,599	n / a	100
2010	7.149	7.149	n / a	100
2011	8.646	8.646	n / a	100
2012	5.613	5.613	n / a	100
2013	11,953	11,953	n / a	100
2014	1,231	1,231	1,963	100
2015	7.373	7.373	n / a	100
2016	4,589	4,589	n / a	100
2017	7,731	7,731	n / a	100
2018	3,677	3,677	n / a	100

Source: Nasdaq (2019), Investor Place (2017) and Ycharts (2019).

Hyundai, a younger company, has been gradually adhering to the principles of maximizing shareholder value more recently with a much smaller proportion of net profit distributed to investors. Although a small proportion of the profits was distributed, this movement indicates an upward trend in amounts and percentages. If, in 2012, Hyundai distributed 6.1% of its net profit to shareholders, in 2015 this level increased to 16.8% of the distributed net profit, as can be seen in Table 8.

Table 8. Net profit distributed at Hyundai.

	Net income and distribution to shareholders			
	2012	2013	2014	2015
Net income (billions of US\$)	7,752	7,730	6,648	5,807
Value distributed to shareholders (billions of US\$)	0,471	0,483	0,739	0,976
% of net income distributed to shareholders	6.1	6.3	11.1	16.82

Source: Hyundai (2019c).

In these four years between 2012 and 2015, dividend distributions to shareholders have almost tripled, in percentage, and more than doubled in absolute values, from US\$ 471 million in 2012 to US\$ 976 million in 2015. Moreover, there is still a tendency to substantially increase these distributions, revealing that adherence to the principles of maximizing shareholder value is increasingly present in the South Korean automaker, more incipiently and gradually than at Ford, but the principles that characterize financialization, in our view, can also be found in the Asian manufacturer, although in a much less dominant way.

3.4 Origin of company managers

Fligstein (1991) assesses that the educational and professional origin of company managers says a lot about their beliefs and worldviews. The organizational environment that surrounded the training of executives has enormous weight in the constitution of the values and practices of management professionals and this influences the type of decision that will be taken by the manager when carrying out their duties. In the case of Ford, it can be observed in Table 9 that a large part of the company's directors went through financial organizations, which helped to shape its financialized mentality, facilitating decisions in favor of shareholders as a primary mission.

Table 9. Executive analysis.

Origin of Ford Managers - 2015	
Ford Board of Directors officers	Financial Organizations in which they participate or participated
Kimberly A. Casiano Director	Bank of Scotland - Puerto Rico Mutual of America Capital Management LLC
Anthony F. Earley Jr Compensation Committee Director	New York Stock Exchange Mutual of America Capital Management LLC Comerica Bank Comerica Incorporated

Table 9. Continued...

Origin of Ford Managers - 2015	
Edsel B. Ford II Director	Federal Reserve Bank of Chicago
Richard A. Gephardt Director	ACO Investment Group New Cycle Capital LLC Goldman Sachs Pension Practice American Income Life Insurance Company
James P. Hackett Director	Old Kent Financial Corp. Fifth Third Bank Northwestern Mutual Life Insurance Company
James H. Hance Jr Director	Carlyle Group LP Bank of America Corp.
William E. Kennard Director	Grain Capital Staple Street Capital LLC MetLife Inc Metropolitan Life Insurance Company
Gerald L. Shaheen Chief Executive Officer of the Nominations and Governance Council	North American Chamber of Commerce AGCO Corp National City Corporation
John Lawson Thornton Director	Barrick Gold Corporation San Shan Capital Partners Laura Ashley Holdings PLC Goldman Sachs Group Inc

Source: Bloomberg (2019).

From a total of eighteen members of the Board of Directors, at least nine have already participated in financial organizations, banks, insurance companies and investment funds. Hence, it is understandable that their decisions are largely taken in favor of the shareholders, as can be seen in the case of the dividend payments, which were in the order of 100% of the distributed net income. This is a characteristic of financialization, the development of efforts towards the shareholder, presented as the main actor involved in the business, with precedence to the interests of other groups and people.

At Hyundai, the situation is quite different. Most leaders are economists, accountants and members of civil society who have never participated in financial organizations, which reinforces Fligstein's (1991) thesis on the origin of leaders that speaks volumes about their current conduct. The main leaders are the presidents of Hyundai Motors and Kia Motors, an automaker that is also part of the Hyundai conglomerate. Having only four internal officers, and all members of the same family who control the *chaebol*, they share the management with five external members, who are part of associations and even have a former president of the Supreme Court of South Korea as a leader. The Table 10 describes the trajectory of the main leaders of Hyundai.

Table 10. Executive analysis.

Origin of Hyundai Managers - 2015	
Hyundai Board of Directors officers	Organizations in which they participate or participated
Mong Koo Chung President and CEO	Honorary Ph.D. from the National University of Mongolia in Business Management President and CEO of Kia Motors Corporation Vice President of the Korean Federation of Industries
Eui Sun Chung Vice president	MBA at the University of San Francisco President of Kia Motors
Won Hee Lee Permanent President	Master of Accounting from Western Illinois University President of Hyundai Motor Company
Gap Han Yoon Permanent President	Graduated from Keimyung University President of the Hyundai Plant in Ulsan
Sung Il Nam External Strategy Director	Ph.D. in Economics from the University of Rochester President of the Korean Association of Labor and Economics Professor of Economics at Sogang University
If Bin Oh External Legal Director	Master of Laws President of the Supreme Court in Seoul Lawyer at Dongin Law Group
You Jae Yi External Marketing Director	MBA at Seoul National University President of the Korean Marketing Association Professor of Business Administration at Seoul University
Dong Kyu Lee External Legal Director	Adviser to Kim and Chang Law Group Secretary-General of the Korean Fair-Trade Commission
Byung Kook Lee External Finance Director	Seoul Regional Tax Office Commissioner President of e-Chon Tax Accounting Corp

Source: Hyundai. (2019d).

The trajectory of Hyundai executives differs from that of Ford executives due to the lack of participation in financial institutions, which is quite common in the North American automaker. This provenance from the industrial world may give Hyundai a backing and a greater responsibility for executives considering production needs, aiming to balance the productive and financial dimensions of the enterprise so much so that the volume of dividend payments was much lower than at Ford. Due to the predominance of financial institutions in their property rights, for a long time now the financialized mentality and the search for maximizing shareholder value seem to be more common. Hyundai is just beginning its financialization process compared with Ford. The professional trajectories of executives and managers are also one of the indicators of financialization.

3.5 Compensation to executives

In this financialization indicator, we present the total compensation to executives at both automakers. At Ford, we collected the total earnings of six executives, ranging from US\$ 4.4 million to US\$ 22 million annually. As Bebchuk & Fried (2004) pointed out, although there is formally a complex calculation that seeks to determine the total earnings of executives, based on performance, the question of internal power is one of the factors that explains the payment of millionaire compensation to these managers.

Table 11. Ford. Compensation to executives 2014 in US\$.

<i>Executive compensation In US \$ 2014</i>	Mark Fields CEO	Robert Shanks Executive Vice President Chief Financial Officer	William Clay Ford Jr. Executive president	Joseph Hinrichs Vice President; Ford Americas division president	James D. Farley Jr. Vice President; Ford Europe division president, Middle East, Africa	Alan Mulally Former President and Former CEO
Salary	1,662,500	798,750	2,000,000	936,250	868,750	1,000,000
Bonus	0.00	267,450	0.00	135,000	0.00	0.00
Share award	3,412,489	2,183,995	4,777,493	2,183,995	1,979,244	10,237,495
Stock options	6,249,994	799,995	1,749,996	799,995	724,994	3,749,994
Non-equity incentive plan	3,185,000	732,550	910,000	910,000	800,000	3,185,000
Change in pension value and profit not qualified deferred compensation	3,647,336	1,454,163	4,427,336	1,048,145	0.00	0.00
Other compensation	439,178	83,743	1,245,870	79,245	121,776	3,869,639
Total Compensation	18,596,497	6,320,646	15,110,695	6,092,630	4,494,764	22,042,128

Source: Ford Motor Company (2015b, p. 58).

It can be observed in Table 11 that the amounts paid in salary are small in relation to the total compensation, around 15%, reaching only 5% in the case of Alan Mulally, former CEO, and director, who earned US\$ 1 million in salary and US\$ 22 million in total compensation in 2014. This is yet more proof of the financialization process, which aims to create a layer of millionaire executives, more through stock payments and other awards and less in the form of wages. Even more, for these executives, the income tax will be charged only on the salary and the other earnings will be prone to lower taxation.

At Hyundai, only in this financialization indicator is there an equivalence with Ford. Hyundai executives also received millionaire amounts, reaching US\$ 12 million received by CEO Mong Koo Chung in 2014. The data for the remaining executives are not available, given that the South Korean automaker has only recently been revealing figures to respect the transparency rules required by publicly traded companies. However, the data we have leads us to conclude that they are moving quickly towards joining the international group of companies that pay millionaire compensation to their executives.

Table 12 shows the little data we were able to obtain on the total earnings of Hyundai executives.

Table 12. Hyundai.

Board of Directors	Compensation paid to executives Annual in US\$ in 2014
Mong Koo Chung <i>President</i>	4,907,975.00 - Hyundai Motors 3,680,981.00 - Hyundai Mobis 3,680,981.00 - Hyundai Steel 12,269,937.00 : total earnings
Eui Sun Chung Vice president	1,628,959.27 - Hyundai Motors 542,986.42 - Hyundai Mobis n / a - Hyundai Steel n / a - Kia Motors
Won Hee Lee Permanent President	n / a
Gap Han Yoon Permanent President	n / a

Source: Kim (2014).

CEO Mong Koo Chung receives US\$ 4.9 million for his work at three *chaebol* companies, Hyundai Motors; Hyundai Mobis US\$ 3.6 million and Hyundai Steel, another US\$ 3.6 million, resulting in US\$ 12.2 million in 2014, an amount approximately those paid to Ford executives.

3.6 Employee salaries

This indicator analyzes the salary of employees at Ford and Hyundai. Table 13 shows some professions in the North American automaker and it can be seen that most workers, who are service assistants, assemblers and administrative assistants have a low salary as soon as they are hired, which ranges from US\$ 17,000 to US\$ 25,000 annually, well below the average wages for all North American ethnic groups, which stood at US\$ 53,000 annually (DeNavas-Walt & Proctor, 2015, p. 5).

Table 13. Ford.

	Annual Employee Salaries in US\$ - August / 2015	
	Min.	Max.
Service Assistant	17,881.00	57,320.00
Administrative assistant	24,834.00	46,801.00
Fitter	25,907.00	68,086.00
Electrical engineer	67,917.00	147,559.00
Supervisor Engineer	64,535.00	154,628.00
Group Manager of Engineers	90,301.00	190,429.00

Source: Payscale (2015).

Only over time is there a progressive increase in wages, but nothing much more than the average of workers in general, in a sector that has always had good pay as a differential between professions. Today there is a clear process of downgrading salaries in this sector, in which many professionals' salaries are well below the average

salaries for all North American ethnic groups, US\$ 53,000 annually in 2014 (DeNavas-Walt & Proctor, 2015, p. 5).

We did not find the salaries of Hyundai assemblers in South Korea; however, we did find average salaries for Americans which start at US\$ 52,000. When we look at the amount paid to the R&D Engineer in South Korea, the salary starts at US\$ 30,700, a ratio of 60% of the salary of an assembler at Hyundai in the USA, which leads us to believe that an assembler in South Korea is expected to earn even less, as the R&D Engineer starts at the US\$ 30,000 range. We may see in Table 14 below.

Table 14. Hyundai.

	Annual wages of employees in US\$ - 2016	
	Min.	Max.
R&D Engineer - South Korea	30,700.00	63,300.00
Management Assistant - South Korea	49,400.00	53,100.00
Senior Research Manager - South Korea	58,800.00	82,200.00
Assembler –USA / Alabama	52,000.00	56,000.00
Process Engineer - USA / Alabama	57,000.00	63,000.00
Hired by the hour - Alabama -	9.00	10.00
Process Control Specialist - Alabama	52,000.00	57,000.00
Mechanical Engineer - India	Average	96,000.00
Sales Manager - India	Average	218,000.00
Quality Engineer - China	140, 278. 32	149, 270. 52

Source: Glassdoor (2015, 2019a, b), Payscale (2019) and Careerbliss (2019).

3.7 Relationship between employee salaries and total CEO earnings

When compared with the total earnings of the CEOs, workers' salaries show a real gap between the income ranges, reaching 1040 times the difference between the earnings of the CEO and a service assistant at Ford, for example. The ratio between the earnings of the CEO and an assembler is at least 495 times, as shown in Table 15.

Table 15. Ford.

	The ratio of times between employee salaries and CEO 2014 total earnings		
	Min.	Max.	Average
Service Assistant	324	1040	682
Administrative assistant	397	748	572
Fitter	273	717	495
Electrical engineer	126	273	199
Supervisor Engineer	120	288	204
Manager of Engineering Group	97	205	151

Source: Author, based on the comparison of the data in the Table 11 "Total compensation to directors and officers (annual)" and Table 13 "Employee salaries - annual in US\$".

At Hyundai, the relationship is similar, with disparities between the total earnings of the CEO and one hired per hour in Alabama, USA, reaching 555 times. In the same US state, there is a difference between the CEO's total earnings of 222 times, on average. At Hyundai, there are also huge differences between the income brackets, showing a similar process in the two automakers, as we can see in Table 16.

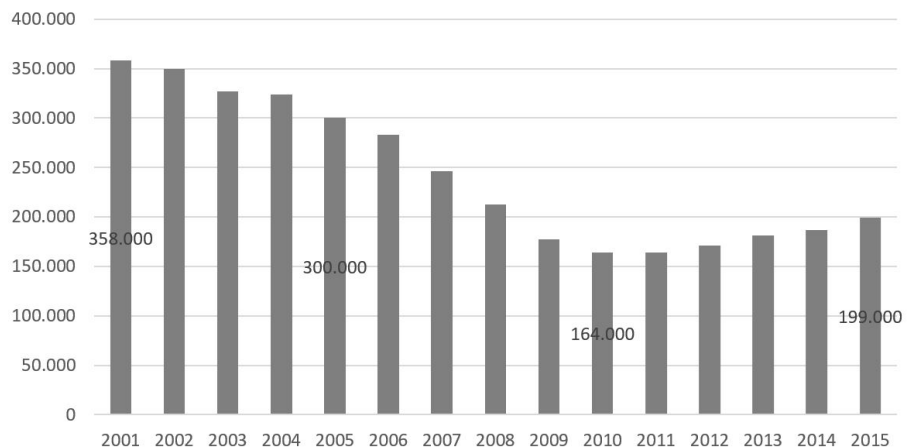
Table 16. Hyundai.

	The ratio of times between employee salaries and CEO 2014 total earnings		
	Min.	Max.	Average
R&D Engineer - South Korea	390	189	289
Management Assistant - South Korea	242	225	233
Senior Research Manager - South Korea	204	145	174
Assembly line worker - Alabama	230	214	222
Process Engineer - Alabama	210	190	200
Hired by the hour - Alabama	555	500	527
Process Control Specialist - Alabama	230	210	220
Mechanical Engineer - India	n / a	n / a	125
Sales Manager - India	n / a	n / a	55
Quality Engineer - China	87	82	85

Author based on the comparison of the data in the Table 12 "Total compensation to directors and officers (annual)" and Table 14 "Employee salaries – annual".

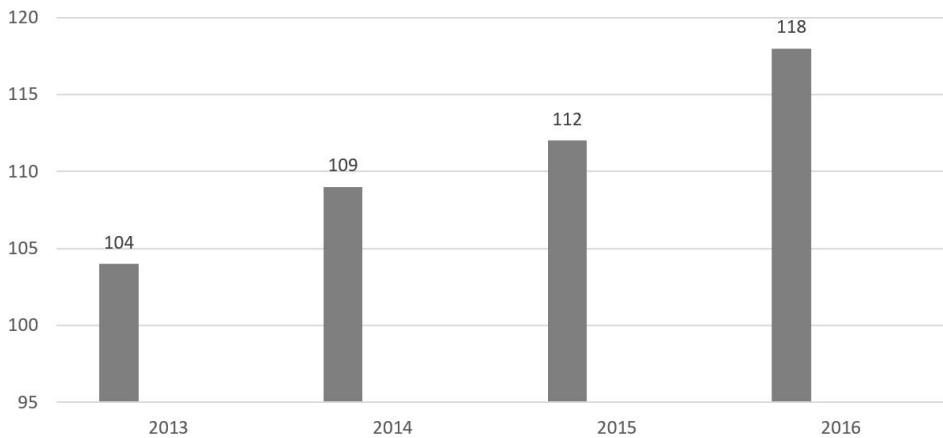
3.8 Employment

The last indicator of financialization that we use in this work is employment, and here we see a fundamental difference in dynamics between Ford and Hyundai. At Ford, there has been a tendency to cut jobs over the past 15 years, from more than 350,000 workers in 2001 to 199,000 in 2015, a drop of more than 40% (Graph 1).



Graph 1. Ford - Employment evolution in thousands of workers. Source: Ford *Annual Reports* (Ford Motor Company, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015a, 2016), section *employment data*. In the 2016 annual report, p. 10 (Ford Motor Company, 2016).

At Hyundai, the trend is the opposite, with a consistent increase in the workforce, due to increased demand and the growth of the South Korean automaker's share in the world market. We were unable to survey a historical series that was broader, going back more in time. Due to a lack of this data, we only managed to analyze four years, from 2013 to 2016. Nevertheless, it is sufficient for our study, which is to detect and observe the trends and employment dynamics in that automaker. Graph 2 shows the data.



Graph 2. Hyundai - Employment evolution in thousands of workers. Source: Hyundai (2019e).

As already mentioned, employment at Hyundai increased, while at Ford it decreased, even with positive fluctuations in North America from 2010 to 2015. It can be clearly seen that there was a decrease in the workforce and, in Hyundai, the movement was the opposite, as hiring took place and plants were opened in countries considered emerging, such as Brazil, India, and Russia.

4 Conclusions

It can be concluded that the financialization process in the automotive sector does not occur in the same way in all the automakers. There are different dynamics between Ford and Hyundai, for example, which were discussed in this article.

Our financialization indicators showed more differences than similarities in these two automakers. The first refers to the comparison between the sources of profitability in companies. The difference between the productive and financial areas of the automakers is clear and the financial area had a clear advantage in both automakers. This difference is much greater at Ford than at Hyundai, reaching five times more, on average. At Hyundai, the difference is less than double, considering the card, capital, and commercial divisions of the South Korean automaker. It is a sign that Ford depends much more on its financial area than Hyundai, which shows that the North American company is much more financialized than the Asian one in terms of this indicator.

In the shareholding indicator we see that Ford has most of its institutional investors, large groups and financial institutions in its property rights, unlike Hyundai, whose largest investors are companies that are part of the family conglomerate, the well-known *chaebol*, as well as a pension fund and the managers themselves. Institutional investors do not hold most of the shares, as is the case at Ford. The origin of the

directors reveals different professional backgrounds and different job experiences. For example, in Ford many executives had their trajectory related to the financial market. At Hyundai, they all come from industries and civil society.

The dividend payments to shareholders showed that the maximization of shareholder value is much more present at Ford with 100% of the net profit distributed, while at Hyundai this process is more recent, tending to increase, but at a different pace than at Ford. The compensation paid to the executives found a similarity between the two automakers, in which payments at Ford were known for a long time and at Hyundai the data is only now being made available. In both, there are millionaire gains on the part of the executives.

Salaries at both automakers are below the average level in the United States. In South Korea we did not find enough data for a better comparison, but the data we have leads us to conclude that both at Ford and Hyundai there is a flattening of the salary process and when compared to the total earnings of the CEOs, they show a gap between the income brackets in the automakers. Employment in each of the automakers also showed different dynamics: while there is a downward trend at Ford, there is an upward trend at Hyundai. There are inverted movements in automakers with vastly different histories.

Finally, this work aimed to better understand the financialization process in the automotive sector, based on the comparison between the two automakers. We hope to have contributed to the research agenda of economic sociology and finance.

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