

Global business strategy

Business



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Global Business Strategy 1. The Situation The forces of globalization are generally credited with the major role played in increasing the access of organizations to countless resources. Due to market liberalization for instance, large corporations are able to import cheap resources from various global regions and as such patronize the market through price leadership strategies. Nevertheless, another crucial characteristic of globalization is that it allows economic agents an incremental access to larger customer markets.

This virtually means that manufacturers get to sell their products to numerous global regions and exponentially increase their revenues. Miana Fashion is one of the companies currently looking to expand its business outside the United States and as such benefit from the advantages offered by globalization. The company has been present within the American industry for just over ten years. Throughout this period, it has succeeded in forming a loyal customer base, satisfied with the high quality of the products and the competitive prices, as well as by the reputable polite sales staff that meet customers in each of the company's five stores.

Today, the organization's sales levels have decreased as a result of the economic crisis, which has reduced customers' purchasing power.

Nevertheless, the organization possesses sufficient financial resources and considers this slow period as the most beneficial one to engage in growth strategies.

The managerial team at Miana Fashion has identified two desirable locations onto which to expand the business – China and France. Each of these prospective locations is characterized by unique features which could

determine either the success or the failure of Miana's international growth endeavors.

The aim of this report then is that of conducting an analysis of the European and Asian countries in order to identify their compatibility with Miana's desires. 2. Necessary Business Structure In order for Miana's penetration of the two foreign markets to stand increased chances of success, it is required that the two foreign locations reveal as few barriers as possible.

For instance, it is desirable for them to implement legislations that do not impede the efficient operational activities of foreign investors.

Examples in this sense include a lack of financial barriers in the meaning that foreign investors are not obliged to pay excessive import duties when entering items within the destination country; it would also be desirable for any restrictions on commercial transactions to be lifted. Secondly, a general state of stability is required and this refers primarily to the economic and political climate. A favorable economic climate translates in an enhanced ability for the citizens to purchase various products, including those sold by Miana Fashion.

Third, it is of the utmost importance for the destination countries to reveal strong and reliable infrastructures.

This necessity is understood in terms of road ways, airports, waterways and other transportation facilities which allow the American company to transport its merchandise from one location to the other. It is also important for the countries to reveal strong technological infrastructures, which allow the

Miana leaders to efficiently communicate. While the list of business necessities could go on for pages, the last element to be hereby presented is that of the existence for a real demand of Miana's products.

Otherwise put, China and France need to possess customer markets interested and able to purchase the company's items. It is imperative for both conditions to be met – interested individuals revealing no ability to purchase the items are not viable prospective customers, nor are the ones who reveal a financial ability to buy the items, but have no real interest to do so. 3.

The External Environment China and France are both strong international players, whose environments have been constructed on hundreds of years of struggle.

The result was the creation of two economically powerful states, characterized by a multitude of elements. From an economic standpoint for instance, China is the third largest economy of the globe, with a gross domestic product of nearly \$8 trillion; France is the ninth largest economy, with a total national output of \$2. 1 trillion. Both countries revealed a maintained growth trend.

What is however interesting is that despite being located on a position inferior to that of China, the French individuals live well above the standards of the

Chinese people. To exemplify, while the income per capita of French is of \$33, 000, the income per capita in China is of only \$6, 000; the income per

capita at a global level is of \$10, 000, meaning that the Chinese make less money not only in comparison to France, but to most of the world. This is best explained by the massive population in China. The Asian country hosts a total of 1. 33 billion individuals, being the largest state in terms of populations; the Chinese people follow numerous traditions and live within imposed restrictions.

France is on the other hand only inhabited by 64 million people, who are more liberal and modern; France is the 21st largest country in terms of population. The French remain however better educated than the Chinese, revealing a literacy rate of 99 per cent; the literacy rate in China is of 90. 9 per cent. Additionally, the number of years spent in school by the average French individual is of 16, whereas the average number of years spent in school by a Chinese is of 11. In terms of religion, the most popular one in France is Roman Catholicism, to which over 80 per cent of the population subscribes.

The rest of the people subscribe to Protestant, Jewish or Muslim beliefs; 4 per cent of the population is either atheist or has not officially embraced any of the religions. In China, the most popular religions are Daoism and Buddhism, with the remaining 6 per cents being attributed to Christianity and Islam. Despite the rather clear and cut situation of religious appurtenance, the matter of the languages spoken in China is more complex, the challenge being raised by the existence of numerous dialects, such as Yue, Wu, Minbei, Minnan, Xiang, Gan or Hakka; the most common language is however the standard Chinese, generically known as Mandarin.

The situation is somewhat similar in France, where numerous dialects exist. Some of them include Alsatian, Breton or Catalan.

Here however, a decline in the popularity of the dialects is observable. Overall however, both China as well as France are using their native languages to communicate. In terms of legislative branches, the French one is composed from the bicameral parliament, formed from the Senate and the National Assembly. The European country regulates its operations in accordance to a civil law system, adjusted to numerous aboriginal ideas.

It must also be stated that the constitution at the basis of the French legislation has often been amended, unlike the Chinese constitution, which has only been amended twice since its promulgation in 1982 (most recent); the Chinese constitution nevertheless remains ambiguous, and one could argue that this feature can be traced back to the fact that it is derived from the principles of the Union of Socialist Soviet Republics.

The legislative branch in the Asian country is ensured by the unicameral National People's Congress and the legal system is constructed on the premises of the civil law.

China and France once again reveal resemblance in terms of technological infrastructure, in the meaning that they are both highly developed, and well over the global average. China is for instance the largest country in terms of main telephone lines in use and mobile telephones; France is the eighth, the 18th respectively (Central Intelligence Agency, 2009). As of January 1999, the European country's currency is the euro (EUR), or the official currency of

the European Union; the currency of the Asian country is the Renminbi, or the Chinese Yuan (CNY). A euro is being currently traded at a value of 1.

767 American dollars; the Chinese Yuan is currently worth 0. 1464 (Currency Converter at Yahoo Finance, 2009). 4. Entry Strategies There are numerous ways in which the American Miana Fashion could go about penetrating the European and Asian markets. Three of the most relevant ones include exporting to the regions, franchising or operating wholly-owned plants.

The characteristics of each of these alternatives are briefly presented below:

4. 1. Exporting Both China and France are focused on economically reviving their own industries, meaning as such that imports and often frowned upon.

While not legally banned however, certain barriers to import exist in both states. The increased levels of custom duties are the most common financial barriers imposed by the authorities at Beijing. Here, a problem relies in the fact that China is no longer pegging the value of the Yuan to that of the American dollar, meaning as such that they can influence trade operations in the detriment of the American exporter (Dickson, 2009).

Nevertheless, since its accession to the World Trade Organization, China has intensified its efforts to remove the barriers to trade with the United States as well as ther global regions. Exporting apparel to France would reveal a slightly similar difference. As integrant part of the European Union, France has removed numerous financial barriers in relationship to other EU member states. It has however intensified its barriers relative to product quality and sanitary standards. In terms of the direct relationship between France and

the United States, this is generally a positive one, revealing mutual gains and lack of controversy.

Efforts are currently being made to reduce the trade barriers between the United States and the EU as a whole (Buy USA, 2009). . 2. Franchising A franchising entry strategy would reveal numerous benefits for Miana Fashion, such as reduced risks and shared responsibilities, but would also imply shared financial results. In France nevertheless, such a strategy would stand increased chances of success, supported by all political, economic, cultural and legal backgrounds. France is the leading franchising country of the European Union, with no less than 750 brands operated through 34, 000 franchisees, which make for annual revenues of 33 billion euros (Franchise Selection, 2008).

The lawmakers and communities support this entry strategy as it constitutes a major component in France's economic backbone. In China however, the sector remains ambiguous. Franchising opportunities are welcomed from one standpoint, but then impeded from a different perspective. " Though foreign companies are finding commercial opportunities in China, not everyone find it as paradise. There are many potential risks companies should be aware of. Improper management or a trademark infringement might quickly bring a franchisor to the hell" (HG, 2009).

The World Trade Organization is focused on determining China to better support the sector and reduce any barriers. 4. 3. Wholly-owned subsidiaries From the standpoint of running wholly owned subsidiaries, the situation is rather different. France is a generally mature economy and will as such

better support such an entry strategy. China is however emergent in terms of all politics, society and economy.

This virtually means that it may not be prepared to welcome wholly owned foreign plants.

The state officials have even imposed restrictions on the ability of foreign investors to own real estate properties within the country (NuWire Investor, 2008). This measure constitutes a national advantage as it restricted the speculative purchases within the real estate industry and as such reduced the intensity of the credit crunch upon the Chinese real estate, but has the net disadvantage of limiting the powers of the prospective investors. This endeavor is by far the riskiest and most costly one, but it is also the one that would be best received by the Chinese and French societies due to its advantages, mostly the creation of new jobs. .

Role of IT and the Internet As it has been previously mentioned, both France and China are developed from a technological standpoint. Relative to the internet, China is the country revealing the largest numbers of users; France is spotted on the 6th position; the top contains 232 countries as was developed by the Central Intelligence Agency. Given this status quo, it becomes obvious that Miana Fashion has to construct its global expansion strategy on numerous technological premises.

Otherwise put, its success within the global market is pegged to its ability to integrate the latest technological developments. For once, it is crucial for Miana to purchase the equipments and machineries which create apparel on high levels of operational efficiency – they consume low volumes of

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resources (all commodities, capitals or necessary for human resource assistance) and they deliver high quality products throughout short periods of time. Secondly, technologies are also crucial to ensure superior levels of communications within the internal environment, but also with the external environment.

In this order of ideas, the managerial team at Miana should integrate the latest technological applications (including the internet) to ensure that its staff members are reachable at all times and that they are able to communicate all of their ideas. An adequate process of communication is crucial to business success, and technology is pivotal in the communication process. Within the internal environment for instance, technologies can be used to create and enforce a stronger relationship among staff members themselves, and between personnel and managers.

This leads to the creation of a friendly, yet dynamic, working environment, which is a strong component of organizational success. Other internal applications of IT and internet include the abilities to forecast cash flows or foresee demand for organizational products (The General Network News, 2009). In relationship to the external environment, technologies and the internet play the pivotal part of bringing the company closer to its various categories of stakeholders.

High technologically developed campaigns could easily raise the interest of prospective buyers or investors.

Additionally, a well developed campaign, constructed on technological premises, will attract the support of the local community. The company's

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website will also raise more customers, as it will also promote the company and enhance its reputation, all with the ultimate impact of increased chances for organizational triumph. 6. Manufacturing and Material Location

Manufacturing in China reveals a net advantage of reduced costs with the human resources.

It is already common knowledge that China is a leading global manufacturer, and that the trademark “ Made in China” can virtually be spotted in all countries.

This means that the Asian country reveals several advantages to manufacturing, aside a cheap labor force. These include an experienced labor force, which is already accustomed to working for foreign manufacturers; an adaptable workforce and a skilled workforce. All these lead to the conclusion that China has the ability to manufacture items “ better, cheaper and faster” (Pinto, 2009). In terms of commodities and other materials however, China is relatively poor; most of their natural resources refer to metals, petroleum and gas or other chemical components, meaning that Miana would have to import most of its commodities.

This will not only generate dissatisfactions from the part of the community, but will also imply additional costs and efforts.

Manufacturing in France is on the other hand more costly than the Chinese alternative. As mentioned throughout the previous pages, France is a mature and consolidated market and economy, meaning that it implements solid and real prices, aimed to ensure consistency and stability on the long term, rather than attract investors on the short term.

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While following the global trend of a reduced emphasis on manufacturing in the favor of services, France remains a leading manufacturer within the European Union, significantly outperforming Spain or Germany (Hugh, 2009). In terms of materials, France has consolidated its position as a major global manufacturer of textiles; the industry is extremely dynamic, competitive as well as it is technologically developed. Combining its proven expertise and know-how of the textile industry with that of other sectors such as chemistry, mechanical and civil engineering, medical and agriculture, France has positioned itself as a key player in the functional and technical textiles industry” (Invest in France Agency).

7. Approach to Marketing and HRM Before actually revealing the approaches to be taken in terms of marketing and human resource management in the European and Asian countries, it is necessary to identify the core on which the global expansion strategy will be constructed.

In this order of ideas, the market penetration strategy considered most suitable in China will be that of wholly-owned subsidiaries, with the specification that the actual facility in which the manufacturing operations will occur will be rented, and then purchased after two years of operations in China; commodities will be imported and the final products will be sold in both China, as well as back in the United States.

In France, the penetration strategy will be constructed on franchising operations and the commodities will be purchased from local textiles manufacturers. The final products will be sold both nationally as well as within the United States.

The marketing strategy in China will be constructed on the following concepts: – The marketing campaigns will promote the organization and its role of creating jobs and supporting the development of the local communities – The advertisements will be focused on attracting both prospective employees, as well as prospective clients – The advertisements focused on attracting employees will present the Miana manufacturing plant as a dynamic and pleasant working environment, in which the staff members are able to contribute to the country's economic growth, while also being part of a professional community which adequately cherishes them and remunerates their efforts – The advertisements focused on attracting customers will revolve around the modern and fashionable characteristics of the apparel sold In terms of the staff members however, once they have been attracted and hired, the organization must also develop human resource strategies to managing them.

The following lines reveal some aspects in the HRM applicable by Miana Fashion: – The company will select, recruit and hire individuals based on their ability to meet the criteria desired by the organization (such as skills, previous expertise and so on) – The employees will be remunerated at competitive salaries, even slightly higher than the wages offered by other employers in the industry; the tactic will generate increased costs, but will stimulate the workforce and will as such lead to higher performance levels and greater commitment – It is also important to stimulate the staff members through other financial and non-financial incentives, such as holiday bonuses or flexible working schedules – Finally, it is of the utmost importance to create an organizational culture which recognizes the

employee as the most valuable organizational issues, but in the same time, unifies his individual objectives with the overall objectives of the organization. This approach to marketing, advertising and human resource management is rather complex and constructed on the premises that Miana Fashion has to attract the support of various categories of stakeholders. Attention must also be placed on overcoming cultural barriers, given by the major differences between the U. S. and Chinese traditions. In France however, these differences are less noticeable, generally as both United States and France belong to the category of well developed and modern western states. Additionally, the complexity of the strategies is also reduced by the fact that Miana will operate in France through franchises.

This translates into lower levels of both involvement, as well as resources consumed.

In terms, of both marketing and human resource management, Miana's approach in France will be limited to the following: – The identification of an experienced and reliable franchisee – Participation in the creation of a strong marketing campaign which will attract public support for the manufacturer – Participation to the creation of a strong advertising campaign which will generate an increased demand for the Miana Fashion products – The offering of consultancy in the manufacturing process, with the specified intent of offering the French franchisee the benefit of years of expertise in the field – The offering of consultancy in the process of human resource management. Virtually, the responsibilities of the Miana Fashion managers in France will be significantly reduced in comparison to those revealed in China.