

Bmw's internationalisation strategy



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“ Worldwide movement toward economic, financial, trade, and communications integration. Globalization implies opening out beyond local and nationalistic perspectives to a broader outlook of an interconnected and inter-dependent world with free transfer of capital, goods, and services across national frontiers.” Globalization is a process of interface and merger amongst the people, companies, and governments of different states, a process encouraged by international trade and investment and supported by technology. This process has effects on the environment, culture, political structures, economic progress and prosperity.

Bayerische Motoren Werke AG (BMW), English: Bavarian Motor Works is a German automobile, motorcycle and engine manufacturing company which was founded in 1916. It also owns and produces the MINI brand, and Rolls-Royce Motor Cars also is under the management of BMW AG. BMW manufactures motorcycles under BMW Motorrad and Husqvarna brands. BMW is known for its performance and luxury vehicles.

BMW cars are being assembled in South Africa since 1968, when Praetor Monteerders’ factory was opened in Rosslyn, near Pretoria. To begin with BMW bought shares in the company, before fully buying it out in 1975. As a result the company was named BMW South Africa; this was the first fully owned subsidiary of BMW AG which was established outside Germany. Despite U. S. manufacturers, such as Ford and GM divesting from the country in the 1980s, BMW continued to maintain full ownership of its operations in South Africa.

Subsequent to the fall of apartheid in 1994 and the import duties being reduced, BMW South Africa halted manufacturing of the 5-Series and 7-Series. This was done in order to focus on manufacturing of the 3-Series which was to be exported. BMW South Africa's cars were now being exported to right hand drive countries which included Japan, Australia, New Zealand, the United Kingdom, etc.; this also included the African Sahara. Since 1997 BMW South Africa had started producing vehicles in left hand drive which were to be exported to Taiwan, the United States, etc.

Austria

In 1978, BMW took a decision to begin a joint venture with the Austrian company Steyr-Daimler-Puch to design, produce and sell diesel engines. When this joint venture ended in 1982, BMW took over the plant in the Austrian city of Steyr under its own group. Over time the Austrian factory had become the back bone for engine production and R&D.

United States of America

BMW's Spartanburg plant in South Carolina, USA commenced operation and began producing BMW automobiles for the world market in 1994. A huge success of these automobiles soon led to extensive structural enlargements at the Spartanburg plant. Its capacity was enlarged by adding additional shifts, introducing flexible working-hour models and hiring new employees. Today, the Spartanburg plant is open six days a week, with circa 110 hours a week of production.

United Kingdom

The BMW Group brought its flagship brand MINI into the European market in 2000. The first models to be introduced were the MINI One and MINI Cooper. In 2002, the sporty MINI Cooper S was launched, as did the MINI One D with diesel engine in 2003. In 2004, the MINI convertible was launched. The origin of the MINI is the Oxford plant in the United Kingdom. It is totally incorporated into the BMW Group production network. The plant and Mini brand were acquired in 1994 with purchase of the Rover Group.

On May 9, 2000, the Swindon Pressings Ltd. in South England was founded as a 100% subsidiary of the BMW Group. Swindon Pressings Ltd. not only offers production of pressed parts. Its broad range of services also includes innovation, development, construction and logistics. The Swindon plant was taken over with purchase of the Rover Group in 1994.

The decision to build a new engine plant in Hams Hall (UK) was taken by the BMW Group in late 1996. The plant started its operations in February 2001. This production facility is the competence centre and solitary supplier of the new 4-cylinder engine generation with Valvetronic technology.

In the Goodwood House park in West Sussex, located on the southern coast of England, the BMW Group set up a new manufacturing site for the production of Rolls-Royce automobiles in 2003. The first model of the production halls was the new Rolls-Royce Phantom

China

The BMW Group widened its international operations in 2003 with the addition of a plant in northeast China. BMW automobiles have been

operating in the Shenyang plant, located in Liaoning Province, since September 2003. The Shenyang plant adheres to the same high process, quality and safety standards as all other BMW Group locations. Start-up of manufacturing here represented a significant milestone in for the BMW Groups. Production in China for the Chinese market is an important step in opening up of this market.

India

BMW began developing the Indian market in 2007 with the start of a sales business in Gurgaon and later came up with assembly plant in that country. Chennai, in southwest India was selected as the site for the plant. The areas good infrastructure, the functioning of local automotive companies and qualified workforce in the region were credible grounds for the choice of this city.

http://www.bmwgroup.com/bmwgroup_prod/e/nav/index.html? http://www.bmwgroup.com/bmwgroup_prod/e/0_0_www_bmwgroup_com/home/home.html

Evolution of BMW AG internationalization and investment strategy

Since 1968 when BMW AG bought stake in the Praetor Monteerders' factory in South Africa to 2007 when BMW AG setup an assembling plant in India, the strategy that BMW has adopted has changed considerably. In 1968 when BMW cars were being assembled at the Praetor Monteerders' factory, the company had bought share in the Praetor Monteerders' and later bought out the company and renamed the company as BMW South Africa. Later in the

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year 1978 BMW AG entered into a joint venture with Steyr-Daimler-Puch in Austria. This joint venture was concentrating on the development of new engines. Once the Joint venture came to an end, BMW AG took over the entire operations of the company. In both the above takeovers, we can see that the BMW was taking a very conservative approach. BMW at first tried to feel the pulse of the market and the segment they wanted to cater to and later took over the company and made it its subsidiary. From 1992 onwards when BMW AG decided to set up its plant in the US and subsequently in the UK, China and more recently in 2007 in India, the company outright set up its subsidiaries through direct investment. BMW AG's plants in the above mentioned countries are 100% subsidiaries of BMW AG. This change in pattern of how BMW has evolved in terms of investing is remarkable. At first in South Africa, BMW AG took up shares of the company and then took it over, in Austria BMW AG, at first had a joint venture, as the venture ended BMW AG took over the company, from then on in US, UK, China and India the company has been following the foreign direct investment strategy.

2. How can this strategy be explained in the light of the theories of Foreign Direct Investment and/or Outsourcing?

Foreign Direct Investment means investing money in another country physically. Foreign Direct Investment is three forms. They are direction, target and motive. Foreign Direct Investment through direction means foreign money is investing in local country or local money is investing the foreign countries. Foreign Direct Investment through target means investing money for creating new opportunity or elaboration of a company, basically this is caused through multi-national companies like investing with

competition or obtains the company. Foreign Direct Investment through motive means knowing the local competition or local conditions such as labour, raw material, etc. So, obviously they can gain more profits.

Example: BMW is investing their money in other countries like United Kingdom, United States of America, Austria, India, China and South Africa.

Now, take In South Africa: In 1996 it BMW invested almost R20 million for the plant development. In 2002 it invested 1 billion euros for engine to Rosslyn, like that it continues.

United States of America: BMW invests \$500 million in 1992 and it completed the construction in 1994. BMW announced \$300 million in 2000 for expansion the plant in South Carolina. Moreover, in 2007 it invests \$5 billion for the construction and up gradation for South Carolina and in 2008 it declares alone \$298 million for company also invested \$170 million to distribution centres for car parts in Pennsylvania and Illinois like this they are investing in US.

In United Kingdom: In 1998 BMW invests 1. 56 million pounds on Rover; like that they are investing 3. 3 billion pounds in Dec 1998, 3. 5 billion pounds in March 1999, 16 billion pounds on new Rover medium range to London bridge, in 2000 it invested 600 million pounds and in Jan 2001 it announced 1 billion for US plants and in 2009 it invested 3. 2 million pounds for plants up gradation.

In Austria: In 1980 BMW forms new plant with Arvato mobile; in 1992 it invested 3. 96 million euros for expansion and modernization. In Sept 1998

BMW invested 45.86 million euros for plant development; in 2000 it invested 6 million euros for production of the engine from Ham shall, in 2001 it invest 4.26 million euros for operations in Steyr. In 2004 BMW invested 32.22 million euros for expanding plant engine; in 2008 it announced 5.6 million euros for development of the engine plant in Steyr.

In India: In 1998 Rover group already owned by BMW starts at Bangalore with Toyota and almost invested Rs. 2800 crores like that is goes on till 2004, after it opens directly at Chennai by US \$ 70 million of investment. In 2006 BMW invested US \$ 1 billion plus for auto assembly plant. Currently BMW is deciding to invest US \$ 50 million for next forth coming years.

In China: In 2001 it invested 9.5 billion Yuan, in 2004 it invested 13.9 billion Yuan, and under joint venture it announced \$737 by end of 2010. The initial investment is \$300 million.

So, the internationalisation strategy is explained by the Foreign Direct Investment.

3. Does this company's strategy conform to the view that we live in a globalised world in which the differences across countries no longer matter?

BMW manufacturing different types of parts in different countries. In India it assembled the body parts, engine, etc. In Germany it does all things like manufacturing, assembling, painting, and trading. In United States of America in 2 places have the same like Germany, but there is not like for another 2 places of manufacturing units. In United Kingdom it have specific models, in South Africa it have manufacturing unit for 2 models only, in

Austria it have engine unit only. Here, one country will make parts for another country. So, according to this the internationalisation strategy confirm to view that we live in a globalized world in which the differences across countries no matter.