

Theoretical framework on international strategic management marketing essay

[Business](#), [Marketing](#)



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The strategic challenges of German companies on
Russian aftermarket in the segment of automotive spare parts and the
solutions to be found (on example of the case company NGK Spark Plug

Europe GmbH) Master thesis In order to gain the academic degree of Master
of Business Administration (MBA) at the University of Applied Science

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As for many other International Business students, the choice of the topic of
Master Thesis for the author was a long, full of doubt and rethinking process.

Finally the author decided to focus on the topic and business field where his

essential competences and experience lie. This field is international supply
and distribution of spare part on Russian Aftermarket. Due to the fact, that

the topic was really broad and touched several scientific areas, the author
decided to limit with two of them, which, according to his consideration, are

the most valuable and important for researching both for the success of

inner functioning and for the surviving in new competitive environment. Thus

the research is focused on problems and solutions in fields of international
strategic management and international logistic. The author hopes that the

finding of this Master Thesis can be used for German companies, penetrating
Russian market, as well as for the Heads of Representative offices and Key

Account Managers in Russia in order to understand specific features of

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business in this market and to form their own attitudes and focuses in accordance with main market challenges. The author would like to extend a special gratitude to his former colleges in NGK Spark Plug Europe GmbH, which have found the time for interviews and for providing corresponding information, as well as to supporting Professors in the University of Applied Science Würzburg. 30th of January, 2013Dmitry Volskiy

List of Abbreviations

AM Aftermarket (in our concrete case the market of spare parts for vehicles, which are no longer on warranty and are not obliged to use the Original Equipment Sale (OES) production. OEMOriginal Equipment

ManufacturingKAKey AccountKSFKey Success Factor4PLFourth Party

LogisticDDUDuty, Delivery, UnpaidDAPDirectory Access

ProtocolR&DResearch and DevelopmentTNCTransnational

CorporationSKUStock Keeping UnitSMESmall and Medium

EnterpriseSCSupply ChainCISCommonwealth of Independent

StatesFMCGFast-Moving Consumer GoodsCMRConvention on the Contract for the International Carriage of Goods by Road (French: Convention relative au contrat de transport international de marchandises par route)CRMClient

Relationship ManagementPOSMPPoint of Sales MaterialsKAMKey Account Management

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Chapter 1 Introduction

1. 1 BackgroundIn the modern international economy the producers of automobile components from the well-developed countries have been facing recently several enormous challenges. The significant increase of the " Bargaining Power of the Customers" was followed by erasing of the major borders between economical systems during recent decades and gave a start to a total integration process. The competition, which has increased greatly, lead to a serious precondition to review the international supply

chains, in order to decrease the total cost of production with the maintenance of high quality. The methods of client service and information management must have been optimized as well. Aftermarket spare part companies were not exclusion to this trend realizing that they have to conduct a constant work in restructuring and optimizing the supply chains and distribution methods in order to meet the requirement of subsequent tiers which dictate new and new more sophisticated rules according to the fast environmental changes. From other side, a technical know-how of emergent markets doesn't stay at one place and increases rapidly conducting additional pressure for Key players in the well-developed countries. The main threat came from China, India, and Brazil and Turkey in smaller scope. The governments of them focused on the high-technology sector, subsidizing in new industries, looking on the best practices of high industrialized countries and using the competitive advantage in a vast mass of cheap labor force. In spite of this fact German part producers still hold their strong position in export of high-technological items produced inland under comparatively higher costs around the world and particularly to the emergent markets, such as Russia. So the aim of the Master thesis is to investigate the reason of their success as well as to work out the best practices and Key Success Factors on the concrete Business Case of international company NGK Spark Plug Europa GmbH on the secondary market (aftermarket further) of Russian Federation.

1. 2 Research problem
2. 1. Problem definition

Main research problem according our aim definition is " How can German Automotive Spare part companies can sustain and develop competitive position on the Russian automotive aftermarket today?

So, in order to specify and compound a comprehensive solution to our problem we will consider two businesses fields, which compound the Key Processes of the Russian branch and which will present us an overview of essential strategic sub issues: 1) Which strategic decisions according the market entry and penetration, industry, country, culture, product, and distribution policy would be more efficient on the Russian market? 2) What kind of logistic and custom challenges do we have to face and what are optimal solutions? 1. 3 Purpose of the researchThe research is focused on possible business solutions on the automotive aftermarket (AM hereinafter) Russia. The purpose is to work out Best Practices of functioning and developing of the German spare part company on the Russian aftermarket, applying the acquired knowledge from the course " International Business with focus on West Europe." From other more practical side, the author would like to create a business instruction for future Key Account Manager or Head of Russian branch of the German company in automotive segment, whose essential challenges are located in upper designated sub-areas. In order to achieve a practice-based-result, the author will provide a case company with a number of practical suggestions and solutions about improving the relations with KAs and strengthening the competitive position in Russia through more efficient entry schemes and optimizing of Key Business Processes. 1. 4 DelimitationThe perspective of the thesis is supplier's side. The focus of market segment is AM spare part industry. However, the author believes that the results of this thesis can find a practical use in OEM business with a slight differentiation. In some cases, concerning international management, as far as the question of penetration

of Russian automotive AM, the focus is broader and lies on all German (or European) companies penetrating Russian B2B market. The focused issue concerns the strategic decisions in our 2 sub-issues according the business relations between German supplier and KA in Russia. The theoretical information on strategic issues is obtained from the course " MBA International Business with focus on West Europe" as well as from declared bibliography. All the practical information on the functioning of branch of German company in Russia originates from personal experience of researcher in company NGK Spark Plug GmbH as a regional representative (based on Key Account Manager's responsibilities), conducted interviews with his former colleges and the possessing materials of statistic data.

1. 5 Overview of the world automotive aftermarket

The automotive aftermarket industry has been growing in global market greatly for the last decade with growing importance of emerging markets. This importance included not only sales of cars and parts for conveyer but also aftermarket. This industry encompasses all products and services purchased for light passenger and heavy-duty vehicles after the original sale. Products include spare parts, accessories, lubricants and equipment for repairing as well as new innovative services for vehicle use optimization. (Figure1). The automotive aftermarket demands operational and logistic excellence that includes rapid part identification, substitution, flexible on-time delivering, information exchange management and reverse logistic. As a rule automotive aftermarket has a shorter lead-times then OEMs. Figure 1: Aftermarket (After Sales) in Value Chain(Source: Gapgemini Consulting, 2010)The most essential KFS factor for automotive aftermarket is close cooperation with

distributors and integration through the whole supply chain. Effective sharing information within networks and customers are crucial as well. 1. 5. 1 The Value of automotive Aftermarket in a Changing Economy. Historically, the sale of aftermarket support has provided up to a half of a company's revenue and a disproportionately high contribution to profit. Aftermarket service presents some unique opportunities that make it a leading candidate for delivering value in both developed economies and emerging markets. By increasing market share of aftermarket parts and services, companies will be able to generate a more predictable, high margin of revenue stream that will also increase customers' satisfaction and retention. To understand the potential in the aftermarket business, it's helpful to consider some features of the global aftermarket that create unique business opportunities:

- Customer Relationships: company's existing customers are one of its most essential assets. In the aftermarket arena a company has direct daily interaction with its customers and that experience directly influences their perception of the value of its products and services.
- High Resource Investment: resources invested in after sales product support exhibit a poor financial performance on a company's balance sheet. Spare parts inventory turnover, for example, is often lower than the turnover for finished goods. It is natural, therefore to consider these assets as a source of cash and investment reduction. There are valid reasons, however, for the low utilization of these resources as service assets serve as an insurance policy, to protect against the risks of disruption caused by product failures.
- Aftermarket Profitability and Predictable Revenue: The sale of parts and services to provide aftermarket support represents a significant portion of a

firm's business (about 50% in automotive). Typically, these sales have some of the highest margins, providing, on average, 45% of profit.

- **Segmented Customer Requirements:** The market for service support is highly segmented. As a result, there is great variation in what customers will pay for support that they require. These diverse requirements provide opportunities for differential pricing of product offerings and enhanced revenue generation.
- **The Competitive Advantage of Exceptional Service Delivery:** As previously mentioned, the management of service processes and resources is complex. There is a great disparity in aftermarket performance in most industries. The gap between leaders and average companies in metrics such as customer response time, inventory fill rate and product availability can be huge. Firms that solve this problem correctly and offer exceptional service to their customers will have a definite competitive advantage. (Morris A. Cohen, 2009)

Eastern Europe and especially Russia, due to their specific features, such as amount of cars, older than 3 years have shown in comparison to West Europe have been showing a tremendous growth during the last decade. Evidence of that fact we can find in the comparison of the growth of retail value from 2002 to 2008 in Western and Eastern Europe. Figure 2: The increase of Automotive Aftermarket Value in Western and Eastern Europe (Source: Capgemini Consulting, 2010)

1. 5. 2 Initiatives from Best practices in Automotive Aftermarket

According to the article *Aftermarket in the Automotive Industry* (Capgemini, 2010) there are 4 Key Success Factors that helped aftermarket companies exploring new markets. Adaptation of the service offered to the local requirements. The main objective is an ability to differentiate from competition, what cannot be

achieved improving only quality. Deep requirements of the customers must be studied thoroughly to increase the localization. The relationship with wholesalers: strategic programs to increase the wholesalers loyalty, feedbacks and improving reaction times, improving collaboration in IT with a focus on distribution and supply chain. The relationships with dealers and workshops: the communication has not be ignored as well, technical support programs and e-learning. Improving and extending the service offering: The focus must be made on qualified personal and premium services. 1. 6 The case company. NGK Spark Plug Co was founded on the 11th of November 1936. The next year it launched the production of automotive spark plugs. The issuing of shares in Stock Exchange in Nagoya and Tokyo in 1949 extended the capital of the company and lead to a wide production of technical ceramics. But the main product of NGK from the very beginning till today is a Spark Plug (95 % of the total turnover in pieces), glow plugs (2%), lambda sensors (1%) the rest of the product portfolio constitute ceramics for integrated IT modules and for medical prosthetic. (Interview E. Diegel)The world expansion of the concern started in 1959 from Brazil, than in 1966 penetrating the US market and other ACEAN countries. In 1975 NGK have stepped to Europe and made a first European office in England, what was followed by opening of branches in most significant countries and in 1979 a new office was opened in Ratingen, which was renamed in NGK Spark Plug GmbH in 10 years and took a responsibility for making business in the whole Europe as well as Russia. Germany was chosen as European Central Office because of its central location in the middle of Europe and the most significant automotive market of the world as well as the concentration of

car manufacturers what is also essential for conducting JIT solutions. For 38 years work experience in Europe NGK grew up as a leading supplying partner of the manufacturing and distributing companies. None of the car conveyers today deals without NGK production. Equally with top quality and technical know-how the logistic system is considered to be KFS as well. From 1980 year the trade companies and car producers have outsourced the warehouses what caused for the suppliers a new requirement for fast and efficient logistics. In the year 2000 the company established a new 6000 square meter warehouse with a possible inventory of 17 million spark plugs. Due to electronic order assignation system, Electronic Data Interchange and a modern system of Demand and Warehouse Management, the percent of failure is less than 1 pieces per million. So currently NGK is considered to be the world's leading spark plug producer with 11 factories and 14 sales offices in all parts of the world, an annual turnover of 2, 6 billion Euro and more than 10 000 employees. In spite of the fact that NGK has Japanese roots, in Russian prospective it is considered it to be a German company, as the whole production supply as well as management, responsible for Sales and distribution in Russian AM is exercised from Germany. (<http://ngk.ru>)

1. 6. 1 NGK corporate strategy. The main target of NGK is sustaining number one spark plug producer in OEM and AM on the global arena. To reach that target the main points of the strategy state the following: Technical orientation: to maintain the technical leadership and to be the first to integrate technical know-how in production, to create an image of absolute quality on the market with a significantly narrow focus and specialization in spark plugs. Client orientation: to work in the close collaboration with OEM and resellers,

to provide all necessary learning, practices and support, as well the reward for achieving the set targets, to anticipate and to work out the hidden demands. Logistic orientation: to use the newest solutions of 4PL logistics, to have systems of demand and stocks evaluation as well as constant SC optimization. Ecology orientation: to create new technology in exhaust and ignition systems to reduce the hazardous discharges in atmosphere.

(<http://ngk.ru>)1. 7 Analysis of the spare part aftermarket distribution system in Russian AM with focus on spark plugs. In this section we present the spare part distribution model in Russia in order to introduce the business environment in which NGK operates. 1. 7. 1. Introduction. The distribution system in Russian aftermarket for imported parts has many significant differences from European system. The overall model is presented in Figure 2. So as we can understand, because of the fact, that all the transactions are made in commercial secrecy, we are not able to chase the counteragents as well as prices given, herewith it is almost impossible to control the maintenance of distribution rules. The only effective tools are: pricing and special requirements in the distributors and dealer contracts, limiting the range of possible counteragents. Figure 2: Distribution system in Russian AM of imported spare parts.(Source: Interview E. Diegel)1. 7. 2 Buyers. From more than 200 wholesale companies, dealing automotive spare parts we can mark out 15 which have a regional significance, annual turn-over more than 100 mil. Euro along with interest for distributing and promoting of a well-known brand. All of these top companies are official first level distributors of NGK, hereinafter Key Accounts (KAs). This is an essential layer, which determines the product matrix and brands of the following participants of

dealer network due to high degree of their bargaining strength. So the market share is closely bound with the right decisions on this level. Thus we can determine their power as very high on the market. Please notice that, besides these 15 giants, who compound over 80 percent of sales, there are also companies on the market, which possess a distributor's contract for some reason but do not show a good performance and are not considered to be strategic partners. Besides, we do not have to forget about intermediates which are also important, as their choice of our competitors will not promote our product. And of course we do not have to forget about the final customer, which install the spark plugs in his car. His choice is determinative; otherwise the higher levels of distribution will not get the demand to fill their warehouses with production. Thus, if we want the distribution system to function well, we must look not only on our customers, but the customers of our customers, as well as the customers of the customers of our customer, supporting them and launching promotion programs for all the levels of distribution. (Interview I. Maltseva)¹.

7. 3 Competitor's environment and substitutes.

There are 2 different approaches about deriving competitors in spark plug segment, the first approach considers imported and locally produced products, but, because of the fact, that we consider our research in international level, we will use the second approach which overviews only imported spark plugs and give a quick description to main competitors. As we can see from the Figure 2 NGK 3 main competitors: Denso, Bosch and Brisk. (Figure 3) Denso is the closest competitors, really similar to NGK, but not focused only on Spark Plugs as well as not paying much attention to the aftermarket. The market coverage is really limited with Japanese car

segment; the first level distributors mostly deal with Denso electronics, purchasing spark plugs mainly for Toyota vehicles where Denso traditionally has a dominating share. Bosch is the biggest part company in the world, producing many products, but without a certain focus for a spark plug, thus reducing its share in Russian market all the recent decade. Brisk is a Czech company that is absolutely not presented in OEM but have its customer in Russian market due to a 2 times lower price of NGK equivalent and is installed dominantly in economy cars under Russian brands. For NGK we can assume that the power of pressure from competitors is not very high, as the differentiation and focusing strategy functions, but general competition in industry is enough not to let new entrants inside the market. (Interview I. Maltseva) Figure 3: Import of spark plugs to Russia.

NGK35%DENSO14%TOYOTA3%FINWHALE2%VOLKSWAGEN2%RENAULT2%Others22%NISSAN5%BRISK9%BOSCH6%

1. 7. 4. Current PEST trends on the Russian market concerning the spare part aftermarket As we deal mostly with demand related products, we should first of all take a snapshot of the situation about car sales in Russia. The Russian car market in general was supposed to surpass the German in 1998 but due to the fact that Russia was heavily hit by crisis what reduced more than half of vehicle sales in compression to previous year it is supposed to overtake the German only in 2013. According to park structure, it possesses lot of differences and first what we will consider from the aftermarket prospective is of course the edge of cars. So in Russia the cars over 3 years old (we will consider 3 years old cars and older as our aftermarket consumer according to the end of guarantee services) compound 85% of the whole car park what exceeds the

German market (about 65 %)As Russia is popular for its political instability and corruption system let us consider some facts correlated to our issue. In the beginning of the 21 century Russian government have started anti-import measures in the field of high-technological production in order to support the inner producers and provide new working positions inland unfortunately with under covered corruption interest. In spite of entering the WTO they managed even to increase the import taxes for high-technological items as well as violating the import order, so called "whitening", when the supplier must have contracts on DDU (DAP according to incoterms-2010) or DDP Moscow. These measures had of cause a negative impact on AM business of foreign exporters. The total cost of imported production increased and that was followed in the first line with a demand shift to less expensive inland produced products and in the second line increase of smuggled (often fake) production on the Russian market as well as many additional problematic import issues due to the high corruption index of the Russian custom agency. Second important trend was caused by the financial crisis of 2008 year when all the business activity in Russia decreased desperately. The main reason was a so called "delayed demand", when end consumers were trying to accumulate the money and even if they needed something, didn't hurry up to purchase that. That caused the ordering system changes in distributing companies, which decrease the amount of orders and restructured to more JIT solutions or we can say "eco-mode". In the same time the amount of produced and imported vehicles fell down. So the car market stagnated, the spare part market as well. The trend that has a positive influence according our issue is a general increase of the share of

German suppliers in Russian import portfolio, concerning both car and part producers. The main focus of the companies is developing the localization and establishing assembly. So in 2011 year every 10th car assembled in Russia was of the German manufacturer what is of cause positive effect for NGK firstly they have a traditional high share in German car park and secondly says about popularity of German high quality products in spite of rather higher prices. (Ernst & Young, 2012; Avtostat, 2012)

Chapter 2 Methodology

The purpose of the methodology section is to give an explanation and justification of the methods and processes used in this research. The course of action must be presented and prescribed. The author describes the research strategy, the research design and finally, the method. After that a description of the data collection and analysis follows. Finally, the issue of the research quality is discussed². 1 Research strategy

The research strategy has to correspond to the research issues and to the expected result of master thesis. There are five different types of research strategies: experiment, survey, archival analysis, history and case study. (Yin, 1994)

The choice of strategy depends on several factors, such as a form of the research questions, the need for control over behavioral events and the degree of focus on contemporary versus historical events. (Merriam, 1998) In current research the author chose to take case study as a research strategy. A " case study" is empirical enquiry that investigates a contemporary issue with in its real-life context, especially when the boundaries between issue and context are not clearly evident. It is also appropriate to use this method

when " how" (as in our case) and " why" questions are present and when there is a little control over the events. In addition, when choosing the case study it is important to have a boundary that limits the study. In our case we determined 2 business processes: strategic management and logistic. There are many advantages of using the case study method. It allows the researcher to retain holistic view. Besides the features of historical research, case study also uses direct observations and interviews. In our case, the case study strategy gave us many advantages, such as a holistic view of the deeper penetration into complex issues related to our researched problem. In addition, case study strategy is proved to be suitable for practical problems, as our research problem is. (Yin, 1994)².

2 The research design

Research design serves as a work plan for the research. It deals with logical problems and serves as a tool that addresses the initial research question. It is the logical sequence that connects the empirical evidence with initial research question, and finally conclusions. There are mostly five components of research design particularly important for case studies:

- The study's question
- Hypothesis
- The unit(s) of analysis
- The logic linking the data to the propositions
- The criteria for interpreting the findings

In current research, there is not hypothesis. In order to formulate the suitable model matching the research problem, the author have summarized the already existing theories related to internationalization and international expansion strategies, as well as gathered relevant theoretic information on international logistic. The third component, the unit of analysis, is linked to the fundamental problem of defining what the case study is. It can be anything from individual units of analysis to whole systems. The fifth

component refers to the analysis. In this research the author performs a qualitative study, so the factors are not formulated in such a structured way, as they would have if it had been a quantitative study. (Yin, 1994)

2.3 Case study design

One can distinguish between single-case and multiple-case designs and between single and multiple units of analysis. The first distinction concerns how many cases are analyzed, while the second relates to the number of units that are analyzed within the case studies. The single case study includes only one case study of one company, as in our case. It is a useful approach when the issue is connected with specific features which can be projected for other companies in the end of the day and when it is possible to give some hints according to the results of researched company (Yin, 1994). In our situation, a case study matches with our aims, to apply the existing related theories and try to improve and narrow them in order to create a pattern that could be used by business practitioners when facing the challenge of entry in Russian automotive aftermarket and following logistic organizing. A case study may involve one or several units of analysis. In our case we will investigate the relations between Germany and Russia without any links to other possible international relations, but from other side we will touch 2 major business initiatives: international strategic management (with a slight snapshot on marketing component) and strategic logistic what can be considered as 2 different business processes.

2.4 Scientific approach

The aim of the case study is to explore, describe or explain the researched question. At the beginning of the research process, the author has applied exploratory research to identify, define and structure the problem. In order to get the closer insight into strategic and logistic

possible solutions and NGK practices, some exploratory data on AM business as a whole and current situation in Russia were presented. Then, the author conducted interviews with NGK managing representatives (the ones that are involved in decisions how to penetrate the market and how the logistic must be organized). The knowledge gained through these interviews, added accuracy to his own presentations and was used to improve the quality of this research. While doing research, an inductive, deductive or abductive reasoning procedure can be used. In an inductive approach, the researcher collects empirical data and then forms the theory, thus going from specific to general. A deductive approach on the contrary presupposes projecting from theory to specific case. (Merriam, 1998) In current research the author used an abductive approach which is a combination between inductive and deductive reasoning. An abductive approach is chosen because it fits best with all factors influencing the research we did as we alternated between the theories and empirical work. In the abductive approach the starting point are the empirical findings, which together with existing theories form the basis for discovering certain hypothetical patterns. Throughout the research these patterns are defined both empirically and theoretically. In this thesis, the author has started by looking into various theories covering the researched areas. We used deductive reasoning to come up with the problem that could be applied to the case study company. During the development and defining the problem, the reasoning becomes inductive. By using the deductive approach, we defined the research questions. After the empirical research was conducted we started using the inductive reasoning to connect the empirical findings with the theoretical background. Finally, the conclusions

were made and then theoretical implementations and practical recommendations are developed. As there is not much theoretical information on spare part automotive AM available sometimes author had to project the general information to more narrow segment during the theoretical part, thus constant fluctuation between inductive and deductive reasoning can be observed during the whole period of writing of the thesis. The research study can be quantitative, qualitative or a combination of the two methods. A quantitative approach requires that the researcher use standardized measures, so the responses can fit into predetermined categories. A qualitative method provides the collection of information that cannot be quantified. We use a qualitative approach in order to understand how various issues are linked together. Also, the data collected from the personal interviews could not be quantified into statistical categories. (Yin, 1994)2. 5 Data collection. The research study can be quantitative, qualitative or a combination of the two methods. A quantitative approach requires that the researcher use standardized measures, so the responses can fit into predetermined categories. A qualitative method provides the collection of information that cannot be quantified. We use a qualitative approach in order to understand how various issues are linked together. Also, the data collected from the personal interviews could not be quantified into statistical categories. (Yin, 1994)2. 5. 1 Primary data Primary data is collected for the specific research when the data availability is not sufficient for the analysis. In current case, the sources of primary data were interviews with employees of NGK Spark Plug Europe GmbH (headquarters and local subsidiaries), customers of NGK in Russia (KAs), the possessing statistic and from author's

own experience of working as a regional representative in the representative office of NGK in Moscow. When collecting the primary data, we have used personal interviews as a data collection technique. Personal interviews as a data collection technique have a few advantages and disadvantages. The main advantages are that personal interviewing suits well for a small sample size and single case study design. Its relatively long duration allows more extensive data collection. It also allows supplementary observations that could enhance information obtained through interviews. Some obvious disadvantages of using personal interviews as a data collection technique is supposed to be an interviewees bias.

2. 5. 2 Secondary data.

Secondary data is the data that has been previously collected and published. The secondary data used in the beginning of our research, originated from various sources. In the preparatory period, the author started by studying literature related to internationalization, strategic management, supply chain management and logistic, as well as screened the articles, related to spare part import and distribution of spare parts in Russian aftermarket in order to get deeper insight into and understanding of the researched area. The other sources used for collection of our secondary data were: MBA course materials, on-line sources and company's materials (internal and external).

2. 6 Data analysis

According to Merriam (1998), there are several steps involved in the analysis of the data in the case study. The first step is to organize data in topical or chronological order, so it can be presented in a descriptive manner. The next step is to classify the data into categories, themes or types. The final step is to make inferences, develop models or generate a theory. After conducting the interviews the author has organized the data in

topical order and categorized them: first classified the data according to company that gave us preliminary information. For the analysis, he started by analyzing the information according to theories used for the research and continued by comparing it with the data of the researched company. The author tried to highlight general patterns, but also pointed on company specific features of the company. Due to the fact that there are 2 different clusters of economical science which cover the research issues for the thesis, he decided to divide the analysis into two parts: the analysis on strategic management and analysis on international logistic and supply chain. Based on the analysis, the conclusions were drawn, starting by giving comments and conclusions on the analysis and then proceeding with managerial implications and practical suggestions.

2. 7 Quality of the research

There are four aspects of the quality of the research in the case study: Construct validity, internal validity, external validity and reliability. In order to make the case study valid and reliable, the researcher must follow certain rules. The major parameters conducting the qualitative study are internal validity and reliability. (Yin, 1994)

2. 7. 1 Validity

Internal validity concerns the issue of whether or not findings can be shown to be valid for the problem that is being investigated. Internal validity is an issue both in the empirical and theoretical parts of the research. It is also a measure of whether the researcher has investigated what was supposed to be measured. The issue of research bias is central when discussing the internal validity. The internal validity can be improved by using the multiple sources. In order to increase the internal validity of this research, the author was: (1) using multiple sources of information, (2) asking the respondents/interviewees to confirm

the interpretations and final results. In addition, the author has worked in close contact with mentoring professors at the university for the period when writing this thesis. Construct validity depends on whether the researcher uses the correct operational measures and objective judgment when collecting data. (Yin, 1994). In our case, the already existing and proved theoretical concepts on strategic management and international logistic with focus on AM spare parts were used as a framework upon which the data collection was done, as well as to assure the objective judgments. External validity refers to whether or not a study's findings can be generalized beyond the immediate case study. Case studies can be used as a source for analytical generalizations. The researcher has tried to generalize the findings, by taking into consideration theory, empirical data and the analysis, and present them as a general pattern for penetration of the Russian market and logistic organization that could be used in other German companies dealing with automotive spare part. In order to increase the quality of our thesis, the data triangulation was used to ensure accuracy by interviewing top-level personnel in Russia and abroad. Also, several theoretical concepts were used as the foundation for defining theories that best fit with the researched problems.

2. 7. 2 Reliability

Reliability concerns the extent to which the findings and conclusions can be replicated. The question is whether or not another researcher following the same procedures will come up with the same results. The goal of the reliability is to minimize the errors and biases in the study. The reliability of our research has been enhanced by taking numerous precautions in order to verify the information. For example, careful documentation of the data has been insured by implementation of

correspondence. (Yin, 1994)2. 7. 3 Sources of possible error According to Merriam (1998), there are two different kinds of possible errors in the research. The first is the systematic error, which is serious, because it means that the researcher has applied an inappropriate method when conducting the research. The other type of error is a wrong interpretation. The cause of this type of error could be when the respondents are not answering accurately or the researcher is interpreting the answers in a wrong way. As we mostly used the interviewing correspondence method during the interviews the possibility for the interpretation error was minimized. However, there is a risk that the questions were misunderstood and that the researcher misinterpreted the discussions and answers. The interviews with German managers were conducted in English, which is not the first language of either the researcher or of the respondents. However, author believes that all of participants have a sufficiently good command of English language, enabling the interviews to be conducted in successful manner. Also, the questionnaire which was developed special for each respondent may have been a source of misunderstanding. To avoid this type of error the author carefully explained the questions to the interviews. Another possible type of error could arise from the biased view of the researcher. This may affect the interpretations of the answers. But as soon as the researcher himself had a 3 year experience in the researched company he is supposed to possess a general and broad understanding of the flowing business processes.