

# Transnational management

Business, Management



In 1994, Tony Kitchner was employed as a professional manager to operate the International department, since the company had decided to put more recourse on its international business. During his time, there was great expansion and increase in the company's international side. He used a "plant the flag strategy" to expand Jollibee's chain stores in overseas, and he saw all the expatriate Filipinos as a potential Niche market.

This is another strategy from Kitchner, named "Targeting Expats". In addition, he also made some internal changes to help implement all the business plans. Kitchner start recruiting people for the International operations, such as marketing, Finance, Quality control and product development (Bartlett & Connell, 1998). One of his reformations on employees is to ask them wearing ties, as to provide a more professional image on Jollibee's international side. During his time at Jollibee, Kitchner manage to increase the franchise stores up to 205 by 1997(Bartlett ; Connell, 1998), however, with more than 30 employees in his group (Bartlett ; Connell, 1998).

Kitchner believes that company should take a first mover advantage in the fast food industry and therefore began to "plant the Jollibee flag" in countries where with few competitors. With this strategy, Kitchner was hoping to build brand recognition. Unfortunately, the risk exists at the same time when the company decided to become a first investor in the market. There is always uncertainty in the new market, and the company needs to spend lots of resources to find out what the local tastes are, and how to localize the menu to suit its habit. Jollibee, as a pioneer company, has to

spend huge money in lots of areas, such as R; D, buyer education, infrastructure development, marketing, and even staff training.

An even worse case is that in some of the new countries, the franchise could not afford an expensive advertising before they achieved certain level of sales. All these negative are defined as First Mover Disadvantage (Robert M. 2003). On the other hand, the experience in Middle East shows that there is few potential on the overseas Filipinos, because of different eating preference. Therefore, he fails to implement the " Targeting Expats" strategy.

Kitchner did not ignore the importance of localization, in terms of tastes, customer preference and cultural difference. He hired 32 employees in his division to help each franchise store in different countries, in order to find out what the local customer needs and what is their preference. Kitchner felt that Jollibee needed to present itself as " world Class, not " local" (Bartlett & Connell, 1998).

As a result, he decided to change company's logo, store design, advertising, and even the food package. Gradually, Kitchner has built his own empery, and viewed itself as a collection of relatively independent operating division. Naturally, he has applied a Multidomestic Strategy for Jollibee entering international market. This is a strategy that the firm focus more on each specific domestic market, and trying to meet the needs of local customers. It is normally adopted by the companies who are selling brand-name, thereby ensure that local customers are still paying premium price so that to cover

the all heavy cost. However, Jollibee sells only fast food, and this somewhat confused its brand image.

As one of the important divisions in the company, Kitchner was always seeking a support from the company start building his own international group. He has employed 32 staffs internally and externally to fit into his division, including both functional position and operational side, such as the Franchise Services Manager (FSM). As the division expand and fast growing, the local Philippine staff saw them as new comes and became more offensive with the international department.

On the other side, the employees from International division found the local department bureaucratic and slow -moving. As the conflicts rose, the support and coordination between the two groups are getting worse. The International Operation received little support from the local Philippine company, in terms of R&D, marketing and sales. By the end of 1996, the international division became less efficiency, and non-profitable due a loss from several international stores. The company has to shrink the international operation, including Toni Kitchner.

### Recommendations

In the wake of Kitchner's leaving, Jollibee is facing a big challenge to reform the international division and trying to recovery from his awful performance. Tingzon, as a new manager of Jollibee international, starts from a precarious position. It is recommended that the first job is to resolve all the problems within the department, and trying to minimize the cost of operation. The cost

of sales increased dramatically from last few years (Bartlett & Connell, 1998), while Kitchner managed to open 24 new stores in 10 different countries. It is more important now for the company to slow the expansion, as it requires more financial investment and increase the debt. Jollibee needs to be more patient and give some time for the existing stores growing and turning to profitable.

Nevertheless, opportunities immediately strike Jollibee. There are some options to open new stores in Papua New Guinea (PNG), Hongkong and United States. (Bartlett & Connell, 1998) All these investment seems to be attractive and positive. With providing information, the California expansion seems to be the best option to go. Firstly, there are millions of people living the city, and with a large number of Filipino.

This could minimize the risk of not having enough sales at beginning, so that not to worry about cover the cost of operating the business. Secondly, doing this business in the States, will gain a World Wide Learning. After all, this is the birth country of fast food, with all the competitors like McDonald, Burger King, KFC... etc. Nonetheless, to successfully put a footprint on this country will help Jollibee to develop its brand recognition, and therefore improve its international reputation. The company could also learn from this experience, and transfer this learning to its operation in the other countries. It is highly recommended to put this significant investment into the US market and it is an opportunity not only provides extra sales but also with good learning.

Set up the fourth store in Hongkong is another good decision, because Jollibee has already made some success in the market. The loyal Filipino

customers contribute great sales for Jollibee in Hongkong. However, before any new investment, it is important for Jollibee international resolving the issues with Chinese employees in Hongkong stores. The problem is that all Chinese managers resigned because they like to work with Chinese.

A solution would be having a Philippines born Chinese to manage the shop because they know Philippine culture and still cope with the local Chinese. An additional challenge is that Jollibee Hongkong needs to tailor its menu to fit with local dining habit. It is not enough to serve only the expatriate Filipinos with increasing cost of sales, promotion and advertising. There is no controversy that whether should open an extra store in Hongkong or not, because a victory in Hongkong will lead Jollibee to an immense market, the Mainland China.

Another investment option is from New Guinea, a new country to Jollibee with 5 million people, but with limited fast food choices. However, it is suggested that company should make a conservative investment. It is a question that whether a few stores in PNG would cover the operating cost or not. This is a typical Kitchner 's strategy that we are about plant a new flag in a country we know few about it and with thousand miles away. We have to consider carefully if we can manage the store effectively and economically before putting money in the pool.

In order to implement all the plans and decisions, the international division needs to be reformed. The international operation should become a department not only operating the overseas franchisee, but also coordinating with the Philippine company. It is critical for the Philippine

company to understand the international strategies and its decision, so that they could provide efficient support to the division. It is also important for both domestic and international departments share the resources and cooperate with each other, and therefore serve the world market together as a common goal.

## Conclusion

There are lots of augment on Jollibee's future strategy, whether should keep following the niche market "targeting expats" and "planting the flag". In fact, with these strategies, the ex vice president, Kitchner, did make some success. During that time, 205 stores were set up across 10 counties in the world. However, there is no absolute strategy should be applied, and it is recommended the company should keep "planting the flag" but with a conservative pace, otherwise It will become too ambition to grow. Especially, facing with some new investment opportunities, Jollibee is suggested to start a business in California as its first priority, with lower risk and changes in operation. The target market at beginning is still the expatiate Filipino. However, the strategy "targeting expats" for niche market is limited in long term.

A Multidomestic strategy is recommended for Jollibee dealing with international market. The strategy suggests that a company should attempts to combine the benefits of global scale efficiencies, with the benefits and advantages of local responsiveness. (Ghoshal ; Nohria, 1993, p. 27) An opportunity to expand its Hongkong business encourages Jollibee to customize its products and services to the local market, and eventually helps

Jollibee become a Multinational Corporation world wide. The pain teaches, as the company should learn from the previous mistake. It is always a challenge for company keeping a balance between external expanding and its internal organizational ability. A strategy plan will fail if this exceeded company's capability.

## **References**

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