

Cross culture management



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Answers: Ans Nokia originally based its strategy upon retaining a large share in the market and scale economies. Emerging economies like China and India demanded cheaper models of mobile that Nokia provided. Labor costs were lower in the Central and Eastern European countries than the western European countries. This made the former a suitable place for the multinational companies to establish their businesses in. Though, the competitive advantage of conducting business in the CEE countries decreased as the wage rate increased and more workers migrated to the richer countries like UK and Germany. To cater for the supply in Europe, Africa, and Middle East, Nokia had established plants in Finland, Hungary and Germany. Nokia's plant in UK produced Vertu. Nokia had mostly located its plants in low cost countries like Mexico, China and India in order to maximize profitability. Nevertheless, a vast majority of workers belonged to Western European countries like Germany and Finland. Despite that, the labor costs in countries like Germany were less than 5 per cent the product cost. Nokia had sales and marketing unit and a devices R & D team in Germany in addition to the production plant. Thus, globalization has encouraged Nokia to move its business totally to the CEE countries where it has to pay simpler and lesser taxes and increase profitability by paying low labor and non-wage labor costs. Ans. 2 Nokia's plant in Germany accounted for no more than 6 per cent of Nokia's global supply while the personnel costs matched 23 per cent. The high labor and non-wage labor costs in Germany were not conducive for the desired profitability of production. Thus, Nokia decided to abolish its plant in Germany. Germany's backlash upon Nokia was partly justified because of four underlying reasons: 1. Nokia was not going in loss in Bochum. It was making profit that was only increasing year by year. 2. Nokia

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had not made any conscious efforts to reduce its expenses in Bochum with a view to maximizing profitability. 3. Nokia's announcement of shifting was totally unexpected and Germany was not prepared to handle the sudden consequences. 4. Nokia had misused the subsidies it was provided with by Germany. Of the 2856 jobs it had guaranteed in Bochum, it had employed no more than 2300 people. However, interests of nations are different from the interests of multinational companies. In order to make themselves more competitive, nations should maintain a balance between employees' rights and the companies' rights. Germany suffered because she was more inclined towards promoting the former than the latter. Ans. 3 Some of the flaws in Nokia's approach towards announcement of the closure were lack of reason for closure, closure at a time when the company was making profit rather than loss, and lack of effort to organize things within Germany. In order to control damage now, the company should discuss its concerns with the German government in order to reach an amicable solution, and adopt a flexible approach towards the recommendations of the government. It is obvious that the unions in Germany would not relax until the company reestablishes its business in Germany. Thus, having acquired its desired alterations in the labor cost and non-wage labor costs through negotiations, Nokia should re-open its factory in Bochum.