

International business
strategy peroduas
expansion into china
marketing essay



Perusahaan Otomobil Nasional Kedua (PERODUA) (meaning ‘ Second Automobile Manufacturer Private Limited’ in English) was established in 1993 in the Malaysian state of Selangor (SOURCE). It is the second largest automobile manufacturer in Malaysia after Proton (Malaysia First National Automobile Enterprise) (SOURCE). Perodua is a joint venture company formed by Malaysian and Japanese partners. Perodua is the product of a joint venture agreement between UMW Corporation Sdn Bhd (38%), MBM Resources Berhad (20%), Daihatsu Motor Co. Ltd (20%), PNB Equity Resource Corporation Sdn Berhad (10%), Daihatsu (Malaysia) Sdn Bhd (5%), Mitsui & Co. Ltd (4. 2%) and Mitsui & Co, (Asia Pacific) Pte Ltd (2. 8%) (SOURCE). It officially began operating on August 1st 1994 and their first car, the Perodua Kancil, launched on August 29th 1994 (SOURCE). Perodua established two wholly-owned subsidiaries, Perodua Manufacturing Sdn. Bhd. and Perodua Sales Sdn. Bhd., both of which are reliable for manufacturing and distribution activities respectively (<http://www.perodua.com.my>).

REMEMBER SOURCES FOR ANY ‘ TRUTH CLAIM’ MUST GO AT THE END OF EACH SENTENCE otherwise they think, where did he get this from, did they make this up?

The Perodua brand is a bargain-priced brand which creates mostly compact cars considered to attract low-end (low cost) consumers. The Kancil, with an engine capacity of 660 cc, is a compact car (SOURCE – not essential here, but if you have it). The car was first exported in 1996 to Brunei Darussalam, Cyprus, Malta and Mauritius with a total number of 283 units (SOURCE). In 1997, Perodua chose the UK as its eventual gateway into Europe, and currently sells its cars through a nationwide network of 65 dealerships. In the

same year, Perodua was awarded the European Community Whole Vehicle Type Approval (ECWVTA) Certificate and Conformity of Production (COP) Certificate from the Vehicle Certification Agency (VCA), United Kingdom (New York, 2002 - is this the source, where's the author or publication's name?). The following year, on August 24th, Perodua launched its third car, the first Malaysian, locally assembled four-wheel drive vehicle along with its new corporate logo (SOURCE). However, the most recent addition to the range is the Myvi super-mini which was introduced to the UK market in 2006, which has proved to be a huge success for Perodua (<http://www.perodua-uk.com>).

Towards the end (recently?), according to an announcement by Perodua's Chairman, Tan Sri Asmat Kamaludint, the company has invested \$30 million dollars (US dollars?) on facilities alone for its Research and Development (R&D) and more than \$450 million on model development in the past 13 years (Bernama, 2010). Perodua's strategic partnership with Daihatsu Motor (DMC) and Stola (Italy) has allowed the company to tap into the technologically-advanced facilities and manpower expertise of DMC (SOURCE + what do you mean by 'manpower expertise?').

Motives for Internationalization

In 1993 Perodua began operations with value-adding activities conducted domestically within the border of the country (Malaysia? + SOURCE). The introduction of the Perodua brand as a bargain-priced brand has successfully attracted the majority of the middle class of the nation (SOURCE). However, Malaysia, with a population of only 27 million, provided only a very limited local market, not allowing for the company to generate much revenue

(compared to other automobile manufacturers) (SOURCE - not essential).

Added to Perodua's problems is the saturation of the local market due to the overcapacity of domestic competition (SOURCE). According to Dunning (1993 page?), this situation is part of the motives which lead firms to seek expansion into international markets, indicating a need to conduct business in a foreign country to promote or exploit a new or existing market (assumedly with greater potential than the domestic one). Through marketing-seeking, the company can reduce transaction costs by investing abroad so as to undertake transformations or support processes more effectively (SOURCE). In this paper, Perodua is more dependent on market-seeking internationalization to increase the sales growth of the existing products across international boundaries GOOD - is this our opinion?. The company could potentially benefit from exploiting available economies of scale. This would allow Perodua to increase its legitimacy and in so doing, its chances of survival and growth. Legitimacy, according to Suchman (1995 - page?) is a resource which strengthens the firms' ability to survive and its ability to access a variety of physical, financial, technical (technological?) and social resources.

Apart from market seeking, Dunning (1993 - page?) also introduced a model of internationalization motives for international business, which includes factors such as resource seeking, efficiency seeking and strategic asset seeking. He explained that efficiency seeking and strategic asset seeking motives are mainly conducted by larger and already internationalized firms, making these important internationalization motives for Perodua (SOURCE & page). The purpose of efficiency seeking is to rationalize structures of

established investments in order to gain from common governance (is this a quote or paraphrase? + SOURCE). Companies which focus on efficiency seeking always take advantage of economics of scales and scope (Ribeiro Serra, 2008) GOOD. In contrast, strategic asset seeking is attempted to acquire the assets of foreign firms so as to promote their long term strategic objectives (Dunning, 1993 page?). This is usually done by acquiring the assets of foreign corporations in order to strengthen one's own competitive position or weaken the competitors (Anders and Kim, 2007 -page?) GOOD. Perodua engages in strategic asset seeking foreign operations based on the capture of new knowledge, technologies, innovations, business processes and so forth (SOURCE or your own judgement?). Accordingly, resource seeking motives are for companies investing abroad in order to acquire resources at a lower cost than their home country (SOURCE, GOOD). The search for these resources is important to the resource seeking company because it allows it to minimize production costs in order to maximize profits (Dunning, 1993 - page?). However, unlike developed countries, Perodua's set-up in the developing Malaysia is less dependent on resource seeking due to the low labor cost and an existing, sufficient amount of domestic physical resources and agricultural products (SOURCE, perhaps you can get average labor cost/ wages per hour figures for Malaysia?).

Malaysia has the way forward- vision 2020, which presented by Malaysia former Prime Minister Dato' Seri Dr Mahathir Mohamad (what are you saying here? + SOURCE). The main objective of this vision is to transform Malaysia into a fully-developed country by the year 2020 with an economy that is fully competitive, dynamic, robust, and resilient (SOURCE). In view of Malaysia's

current developing country, the government has encouraged Malaysian companies to go abroad and become multinational enterprises (SOURCE, how has the government encouraged this?). According to the former prime minister, fast-growing companies need to be given incentives, whatever the ethnicity of their key players (SOURCE). Government motivators centered on incentives, facilities and support such as incentives of investment tax allowances is to increased international trade so that they will be able to achieve Vision 2020 (SOURCE, though I don't quite understand how these taxes will help Perodua expand into China). Generally, these incentives are provided to a company that provides qualifying services to its offices or related companies regionally and globally (Malaysia Business Incentives, 2006). Therefore, the driving force from government has motivated Perodua increase its further internationalizing activities. GOOD, but make it clear for us, is the Malaysian government giving Perodua money or tax-breaks so that it can spend more abroad?