

Example of porters diamond model essay

[Business](#), [Company](#)



Business

Introduction

As per international business theory there exist several functional frameworks for the analyzing the external atmosphere of particular nations. These models could be employed by the corporations, which intend to internationalise and define the appropriate location(s) overseas (Mellahi et. al., 2002). Correspondingly, these frameworks also offer good information for enlightening the location choices that companies have made already. One of these frameworks is the Porter's Diamond Model formulated by Michael Porter during the year 1990. Moreover, this particular paper attempts to explore its benefits and drawbacks as a technique for the assessment of company's home as well as host location decisions through laying emphasis on two key companies i. e. French Carrefour and Marks & Spencer (M&S).

As per the Diamond Model a country's competitiveness relies greatly on the ability of its market to upgrade and innovate and thus, is determined by a country's productivity level (Grant, 1991). From a company standpoint this means that national competitive benefit is grounded on the country's capability to offer a home base for corporations to effectively enhance their services and products with respect to quality, technology and features and also, to compete within highly productive sectors globally. As a result, the benefit of the model is that it recognizes four vital, linked factors, which develop and signify the important national atmosphere wherein firms are established, grow and develop sustainable competitive advantages (Porter,

1990). Moreover, the conception is then very advantageous for firms to carry out essential research and recognize which nations would be highly appropriate for internationalisation.

The foremost element i. e. factor conditions, are basically the forces of production like land, capital, raw materials, infrastructure etc., which aren't inherited, however developed and enhanced by a country like skilled workforce (Porter, 1990). Therefore, sustaining competitive benefit relies on the factor development capability. For example, Carrefour was initially family-owned however when it made a decision to internationalise, a good amount of capital and resources was required so it became public during 1970 to assist the company financially (Shiue et. al., 2006).

The second factor is demand conditions which imply towards the existence of demanding and sophisticated consumers that pressurize corporations to develop new products and services to satisfy growing needs of the customers (Grant, 1991). Therefore, companies explore new trends and surpass buyers' expectations through innovating. This is in reality the case of French Carrefour when initiating during 1963 the hypermarket conception building a completely new means of shopping where consumers could purchase everything ranging from clothing and groceries to electronics at one place (Verdict, 2010). Additionally, mature demand as well as saturated sectors should instead be an incentive behind innovation. Again in case of Carrefour, due to the rising number of single households along with smaller families that leads to a smaller buying basket and a decreased dependence on hypermarkets, Carrefour has now established its new outlets i. e. Carrefour Planet (Verdict, 2010).

Moving ahead, supporting and related industries is also an important factor that illustrates the existence of expert suppliers, competitive on a worldwide level as well (Porter, 1990). Building sound relationships with the associates in highly developed set of sectors offers firms with some considerable mutual advantages like faster and better communication, information, cooperation, support, expertise and lastly, exchange of viewpoints. Such industries are highly reliant on one another throughout the entire supply network for shared profit generation. For example, because of high competition, M&S has lately pushed suppliers to a 1.25 percent contribution in turnover with the company asserting that their progress chiefly relies on retail sales and thus the suppliers don't actually have an option but to agree to those terms and conditions. Moreover, at the time when M&S moved to low-price providers during the closing stages of 1990s and mainly ended its long-term associations with preceding suppliers, it destroyed its position extremely (Mellahi et. al., 2002). Other example, which signifies the significance of related sectors, is the failure of Carrefour within the US since it was not able to attain constructive prices from the vendors and maintain its low-cost margins (Shiue et. al., 2006).

Finally, the last element of the diamond model is the firm structure, strategy and rivalry, i. e. the option of organisational framework and style of management along with the scope of domestic rivalry. Within the process of internationalisation this factor signifies if corporations have discovered a fit amid their own features and of the market they have stepped in. The Carrefour's effective international approach is decentralisation through allowing store supervisors to form their individual decisions as per local

traditions and markets. During the closing stages of 1990s EU expansion of M&S failed since the corporation was executing its tried strategy with a high focus on a British brand and not on localisation. Additionally, rivalry is perhaps the most significant aspect in the construction of competitive benefit, because high competition has strong and stimulating impacts for innovations. Thus, rivalry is considered as positive, since it pushes companies to foresee patterns and fulfill non-existing requirements and seek fresh international prospects.

Taking a step ahead, the diamond model focuses on how home regions impact firms to grow and build competitive advantages (Grant, 1991). Thus, the model aids in identifying home based benefits and after that exploit them overseas. Few might also require redefining and rediscovering their core abilities at home like in the case of M&S which pulled out all its US and EU outlets in the starting of the new era to emphasize on its chief market i. e. the UK, but has lately initiated an expansion once more (Collier, 2007).

Moreover, France being a home base has established as being a good region to prepare Carrefour to progress within similar marketplaces like Spain and Brazil. This might elucidate the actuality that differentiated or new products are normally launched and tested initially at home. For example, Carrefour Discount range was initially created for the French marketplace, but has now effectively expanded to Italy, Belgium, and lastly, Spain (Verdict, 2010).

In contrast, the diamond model doesn't take in the impact of government. However, government could impact all other forces through rules, trade barriers and incentives. For instance, within several European nations, government rules for smaller outlets very much influenced EU expansion of

Carrefour and it had to introduce a fresh format for store (Verdict, 2010). Particularly within emerging nations and economies these days governments perform an important part in factor development (such as health care, infrastructure and education) and could impact the internationalisation procedure of companies. For example, this element was without doubt taken into consideration by both Carrefour and M&S within China since for the country's business safety the government very less permits wholly-owned subsidiaries, however companies need to rather build a joint venture along with a Chinese corporation that is the only effective means for entering the Chinese industry. Additionally, chance incidents like wars are an important factor too since they could not be managed by the firms. Further, the other current unforeseen occurrence is the debt calamity within Europe and the somewhat ineffective EU that now holds a high influence on companies (Peacock, 2011). For example, after a long period of non-existence within the French marketplace due to previous failure, M&S introduced an outlet within Paris with relatively disappointing outcomes (Peacock, 2011).

Conclusion

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