

# Strategic resources management

[Business](#), [Management](#)



Manufacturing today includes all facets of research, development, production, sales, distribution, logistics, customer service, marketing, and support. It extends from the making of physical products to the delivery of services (Deloitte, 2013). Manufacturing companies now compete on a global scale and utilize specific locations around the world to their advantage. For instance, basic, simple to make products will be produced in an area with cheap, low education labor. While products that use high tech machinery that require a skilled labor force would need to be produced elsewhere. Likewise, there are many unique challenges to managing the intangible assets of organization. This paper will examine those unique challenges a manufacturing company, with operations in the US, Mexico, France and Turkey, would face with aligning their human, information, and organization capital to their global strategy.

## USA

Manufacturers will open factories in the places they expect to be the most profitable and productive. That decision will certainly take into account factors like infrastructure, trade and tax policies, and the regulatory environment (Pianalto, 2011). One of the most important factors that will determine where firms locate is the quality of human capital. For a manufacturing company, the US is a good source of a well educated and competent labor force. In the US in the last 20 years, technological innovation has transformed the manufacturing work force, increasingly favoring higher-skilled individuals, many with post-secondary education. The traditional blue-collar and middle-skill manufacturing jobs, that are the traditional norm in the US, are accounting for a smaller share of employed

labor force. Conversely, the number of college-educated manufacturing workers is increasing (Pianalto, 2011).

A manufacturing company faces a unique challenge with this type of workforce. The initial investment in human capital is high. Human capital is developed through investments in education and training. Workers need higher levels of human capital to handle today's high-tech machinery. A manufacturing company is more likely to open and maintain high-tech factories, the kind that are likely to survive and thrive in the United States amid global competition, in regions with large populations of highly skilled workers (Pianalto, 2011). One of the biggest advantages for a manufacturing company operating in the United States is the strength in its Information Capital. Kaplan & Norton (2004), describe information capital as the “company's databases, information systems, networks, and technology infrastructure.”

In the US, building an effective IT infrastructure that enables communication and analysis across all functions is rather simple when compared to an underdeveloped nation. For instance, a company has just developed a new smart pad to compete with the iPad. If they choose to manufacture their product in the US, they inherit some information capital advantages; confidence that their network will be secure and their products technology will not be copied and reproduced, ability to outsource portions or all of their IT, and overall lower IT costs. Baron and Armstrong (2007), define organizational capital as embedded or institutionalized knowledge that may be retained with the help of information technology on readily accessible and easily extended databases. It can include explicit knowledge that has been

recorded on a database or in manuals and standard operating procedures, or unspoken knowledge that has been captured, exchanged and, as far as possible, codified.

For a manufacturer, it would be difficult to assess the competitive advantages of organizational capital in the US. There are great examples like Google, Apple, and GE that still embody the culture of the founders and have grown into very successful companies. These examples could provide a road map to success. For this manufacturing company they would have to produce their high-end items in the United States and would probably benefit from establishing their headquarters in the US as well. The security and elaborate IT infrastructure of the United States will increase their ability to command and control their global operations in Mexico, Turkey, and France.

## Mexico

Mexico is the United States' second-largest export market and third-largest trading partner. Many large global companies have chosen to locate significant manufacturing operations in Mexico, particularly along the U. S. Mexican border (TACNA, 2013). Mexico is in a strategic location to large US consumer base. Many US companies manufacture their goods in Mexico and use trade agreements and established distribution channels to flood the American market. The human capital in Mexico has significant advantages to a manufacturing company. Their labor cost are about 25% lower than the United States, and the laborers work a standard 48 hours work week (TACNA, 2013). In the last couple of decades, Mexico has dramatically increased its numbers of university and technical schools. This investment in education

instills confidence that a technically capable workforce will only grow in size in the future.

Organizational capital in Mexico is not as significant a hurdle as in other locations. One of the biggest miscalculations that Western business people make when dealing with Asian cultures is the huge culture gap. “ In China, when an agreement is struck, that's when the negotiations begin, not end. Business practices in Asia are completely foreign to most Westerners, and a source for considerable frustration. In China half-completed factories and unfinished business deals are scattered like confetti at a New York ticker tape parade” (Spira, 2013) The culture in Mexico is different. When you strike a deal the deal is made.

Laws and business practices, while slightly different than the US, are far more alike than they differ. For a manufacturing company the bulk of their manufacturing production should be center in Mexico along the US boarder. This allows for a less expensive, but competent labor force with direct distribution to the consumer market of the US. With the company headquarters in the US it also eases communication and control.

## France

France would be an interesting place to invest and establish a manufacturing facility. In the pass few years, the country has been crippled by a recession and their industry had suffered, “ French industrial companies, faced with some of the highest labor costs in the euro zone, have shed 750, 000 jobs. Industrial production as a percentage of economic output fell to 12. 6% last year in France, from 20. 2% in 1992” (Parussini, 2013). In September of

2013, the French government launched a new plan to help stop the hemorrhage of factory jobs in France, reverse the rise in unemployment, and shrink the widening trade deficit. This made be a good opportunity to utilize France's unemployed labor force and large government incentives to establish a manufacturing facility in France.

France offers a few great advantages for manufacturing goods. First, is a direct distribution system throughout Europe. Second, is a large, educated, and unemployed labor force. Lastly, is government incentive and passion to be a leader in “ fuel-efficient cars, renewable energies, computer networks, and biotechnologies” (Parussini, 2013). These benefits in Human, Organizational, and Information Capital can serve as a doorway into the European consumer base.

## Turkey

According to Goldman Sachs Chief Economist, Jim O'Neill, Turkey has “ high potential to become one of the world's largest economies in the 21st century” (Hand, 2009). Turkey is the eastern-most European country and acts as a gateway to the East. Unlike Europe and, for the most part China, Turkey offers a large and unsaturated market that is suitable for expansion and new investments. Turkey's large-scale public projects, such as the nationwide education initiative, the Fatih Project, which involves the procurement of high-tech teaching equipment for all public schools and students has increased their human capital and have made them attractive to outside investing (Hand, 2009).

Organization Culture would be the most unique challenge. Approximately 98% of the country of Turkey is Islamic and has specific views on women in the workplace, which is evident in their over 20% unemployment rate for women (Tomko, 2010). Blending this culture with the US, Mexican, and French operations would have significant hurdles. On the other hand, Turkey's key location as a gateway to the east provides significant strategic advantage for tapping into the large consumer bases in western Asia.