

# International strategy essay



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International Business Strategy Question 1: In May 2000, CEMEX was preparing to expand through acquisitions in Asia, Africa and the Middle East. What kind of global giant do you think Lorenzo Zambrano wanted the firm to become? Using module theory and evidence from the CEMEX case study, critically evaluate his chances of success. This essay will critically evaluate Lorenzo Zambrano's chances to succeed while Cemex planned to expand through acquisitions.

It will also illustrate what kind of global giant Lorenzo Zambrano wanted Cemex to become by using module theory and evidence from the case study. For multinational enterprise such as Cemex, having operations, and coordinating through offices, branches and plants in two or more countries. Planning to expand through acquisitions was an exciting big challenge for Zambrano as a CEO of Cemex and his team, thus country-level managers, vice presidents and regional managers. It is evident that planning to expand globally Cemex international operations have a more exciting opportunities to not only explore new markets, earn worldwide competitive positioning, thus global-scale efficiency and multinational flexibility, but also economies of scale, create new sources of information, knowledge and low-cost resources on a world-wide basis (Bartlett et al, 2008: 2). The evidence from the case study shows that Zambrano was ready to expand from being third largest cement company in the world in 1999 (case study, 247) to broaden his options for strategic moves in order to compete with regional and international competition to become a truly global enterprise by transforming company into a global brand.

According to Bartlett et al, 2008: 6, global scanning and learning capability opportunities is another factor that is critical to company's international strategy. Cemex was involved in developing better tools for screening opportunities to identify and decide what other countries to invest and expand through acquisitions. According to (Bartlett et al 2008: 9, Fig. 1-1) Uppsala model of internationalization, describes a foreign-market entry as a learning process, gaining market knowledge about customers, competitors and regulatory conditions. Cemex internationalisation process started with exports to US.

Similarly, Cemex followed similar acquisition analyses stages for Cemex expansion process, case study, 256) through which Cemex tried to identify opportunities, due diligence and post-merger integration process through global scanning, thus screening country's qualitative and quantitative analysis in a regional context rather than as independent markets. In addition, through this market analysis they were able to identify a possible acquisition target and also examining the potential for restructuring the target enterprise and market as a whole in order to make it more efficient. This shows, how efficient and smart ideas Zambrano was employing in attempt to become a key global player in cement industry make the company not only biggest in the world but also the best and succeed in his expansion plans. Bartlett et al points out (2008: 8) three conditions which must be followed for MNEs to exist.

Firstly, country must have specific location advantages in other countries, to motivate companies to invest there. Similarly Cemex was carefully selecting the locations, whether it was in US, Spain or Latin America, and tried to pick

either well established companies, or convenient locations, as described above. Secondly, company must have strategic competences, to offset disadvantages of unfamiliarity with foreign cement markets. Lastly, it must have some organisational capabilities to get healthier profits from acquisitions. Conversely, along expanding globally, comes also many challenges to understand new markets, such as language barrier, customs and secrecy ( Bartlett et al).

Similarly, most Cemex challenges came from environmental, geographical diversification and cultural barriers. However, Cemex needs to engage more with local companies, to learn more about different countries, hence culture they explore in order to continue to grow. The company is already engaging in Post-Merger integration process, where team of people is regularly briefed on the country and understanding of culture (case study, 257). All the strategies were tried out in Mexico market first, which shows that many MNEs are regional, not global in focus (Stonehouse et al 2004: 184).

Furthermore, Cemex in relatively short time has become from unknown company to global enterprise. As Cemex plan is to expand abroad, through acquisitions of local companies abroad, it is imperative to note the concept of acquisitions. According to (stonehouse et al, 2004) acquisition is defined as joining of unequal partners. For an instance, Cemex in 1992 acquired Valenciana and Sanson (case, 253), cement industry in Spain. The CAGE framework (Ghemawat Pankaj, 2001), which aid to investigate the challenges of Cemex global opportunities of expansion, in terms of four dimensions of distance the cultural, administrative, geographical and economic distance.

According to the above article, global opportunities can be evaluated more efficiently in existing country portfolio analysis. CPA focuses on national GDP, customer's financial situation and their tendency to consume the product for potential sales. Similarly, demand for cement was directly related to GDP, especially in construction expenditure, where demand increased with the share of governmental expenditures in GDP (case, 243). Cemex as major international enterprise in cement industry with increasing profitability was preparing to expand through acquisitions in Asia, Africa and the Middle East, thus in May 2000 started heavily investing in emerging markets, such as China, India and Brazil. By employing strategy of acting locally while operating globally, Zambrano and his team seemed to benefit from the process of globalization despite the information technological maturity and unique culture of the Cemex (case, 259), by expanding the business on a global scale, through acquisitions.

As Cemex already owns a large proportion of cement industry market share in Mexico/and was already Mexico's market leader thus to expand further locally was almost impossible. Furthermore, from the case it is evident that Cemex not only seems to be growing its trade volume and overall profitability but also market share on international scale. The company is growing because of efficient administration they have. Regular meetings of country and vice presidents, and other management is leading Cemex towards good practise as the leaders have been taking advantage of the opportunities they saw.