

How bombardier deal their transportation business around the globe



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Bombardier is a famous transportation company dealing their transportation business around the globe. Currently company is running business more than 60 countries on five continents (Bombardier, 2010). Aerospace and Rail transportation is main interest in transportation industry. In this company, large number of world class products design, manufacture, sell and support in these two sector of transportation. This includes commercial and business aircrafts, also rail transportation equipment, systems and services.

Bombardier headquarters is situated in Montreal, Québec, Canada. This company is established by young mechanic name Joseph-Armand Bombardier (Born: 1907) who invented his first ' snow vehicle' in his age 15. He was motivated to make people's life easy way to travel in snow covered roads of rural Québec. Joseph introduced his first commercial launch of the seven passenger B7 snowmobile in 1937. Bombardier established a company called L'Auto-Neige Bombardier Limitée to manufacture the 12-passenger B12 snowmobile. Later he also launched a series of other snow going vehicles which were used for ambulance, freight transport, postal mail delivery and school transportation services.

Joseph was all time live with his dream of inventing something special which would be personal snowmobile. His continuous try made a unique industry which is called snowmobiling. He introduced his world renowned Ski-Doo. Only with the snowmobile's success, Joseph died in 1964 and left a profitable company.

Analyse the international business environment and the development of global organisations

Globalisation

In normal sense the 'Globalisation' means globalise something to enjoy common faculty of society around the member countries of the world. The questions will arise what type of faculty should be utilised or enjoyed in global circumstances. According to Rothenberg (2003), "Globalisation is the acceleration and intensification of interaction and integration among the people, companies and governments of different nations." In 1971, Bombardier purchased majority of shares of Austrian company named Lohner-Werke. As a leadership in North American rail transportation, Bombardier signed a \$1 billion US contract to supply 825 subway cars to the New York City Transit Authority. As a globalised company Bombardier expanded largely in European rail equipment and services market and acquired a 45% interest in the Belgian manufacturer BN Constructions Ferroviaires et Métalliques S. A. (Bombardier, 2010 cited at <http://www.bombardier.com/en/corporate/about-us/history?docID=0901260d8001dffa>).

The term "globalisation" began to be used more commonly in the 1980's reflecting technological advances that made it easier and quicker to complete international transactions-both trade and financial flows. It refers to an extension beyond national borders of the same market forces that have operated for centuries at all levels of human economic activity – village markets, urban industries, or financial centres.

The term Globalisation is not a single phenomenon but also is a concept of various socio-economical forces. Giddens (1990) given vast definition of globalisation: ' the intensification of world-wide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa'. These social relations might be for economical, technological, cultural etc.

International Trade

The main characteristic of globalisation is the removal of tariff barriers from world trade. For welcoming international trade in developed country, greater imports offer consumers a large variety of goods at competitive price, while in a same time strong incentives for domestic industries to remain competitive. In developing countries, exports are potentiality of earning foreign currency through exports. In this case, exports initiate new economic era of development which also stimulate job opportunity as various industries sell beyond their borders. Moreover, this trade deepen competitiveness in the market of workers and country get competitive advantage of open market. By this process workers get efficiency from one industry and get capability for selling their labours in anywhere in the world. Say as an example of old worker of textile industry in Italy can move to any suitable place in the world where they can get good wages of their labour and have chance to work as a supervisor or one level up in the developing country where textile industry moved for outsourcing. Current international trade generate dynamism and flexibility, as steady imports flow help to offset adverse domestic supply shocks. Open market economy of a country attract foreign investment, which would give the economy more dynamicity

than before by huge employment opportunity for the local workforce and give them opportunity to become a skill labour by scope of using new technologies.

Some protectionist group against the Globalisation undertakes policy not to welcoming Globalisation. They try to restrict international trade because they believe international trade make the local market monopolised by the multi-national company. They raise tariffs prices of imported goods and restrict the imported products for encouraging local production. IMF experts say this initiative of restriction of international trade harm consumers of which may be poor. Protectionism saying they want to save the local labour and products from the international import products. They want to save the industry and labour which might not be profitable in view of profit based capitalism. Protectionists are well organised and their organisations in different countries are well connected with each other. IMF saying their activity reduces the flow of variety of goods in local market and generating inefficiency of labour and production system.

In article on Globalisation: A brief overview, IMF experts are saying expanded International trade is a main part of Globalisation by which developing countries can be benefited. Ernesto Zedillo, the former president of Mexico, has observed that, " In every case where a poor nation has significantly overcome its poverty, this has been achieved while engaging in production for export markets and opening itself to the influx of foreign goods, investment, and technology." After fallen of Soviet block, many developing countries open their market for international trade in late 1980s. As a result, some protectionist countries were facing poor economic performance and <https://assignbuster.com/how-bombardier-deal-their-transportation-business-around-the-globe/>

various economic crises. In the 1990s many former soviet bloc countries of East Europe joined into the international trading system and developing In the 1990s, many former Eastern bloc countries integrated into the global trading system and developing Asia-one of the most closed regions to trade in 1980-progressively dismantled barriers to trade. Overall, while the average tariff rate applied by developing countries is higher than that applied by advanced countries, it has declined significantly over the last several decades.

Benefits of globalisation

When tariff barrier abolished from the international trade to smooth flow of products, capital and technology from one country to another, following are the indicators by which world market benefited and according to International Monetary Fund (IMF) website how goods, capital and people, have become more globalised:

The value of trade (goods and services) as a percentage of worlds GDP increased from 42. 1 in 1980 to 62. 1 in 2007.

Foreign direct investment (FDI) increased from 6. 5% of world GDP in 1980 to 31. 8% in 2006.

The stock of international claims (primarily bank loans), as a percentage of world GDP, increased from roughly 10% in 1980 to 48% in 2006 (BIS, 2006).

The number of minutes spent on cross-border telephone calls, on a per-capita basis, increased from 7. 3 in 1991 to 28. 8 in 2006 (IMF and

International Telecommunications Union data cited on http://www.imf.org/external/np/exr/ib/2008/053008.htm#P35_4963)

The number of foreign workers has increased from 78 million people (2.4% of the world population) in 1965 to 191 million people (3.0% of the world population) in 2005.

Challenges of Globalisation Strategies

Strategy is originated in the Greek word “strategos”, which is understood as “The art of the general”. The concept of strategy first applied in the field military wing of a state, later formulated in the business management (Ludviga et. al. 2010). The strategic theory in business management started to develop when Porter (1980) described Competitive Positioning. Resource based view (RBV) is a strategic resources tool on fundamental basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm’s disposal (Wernerfelt, B. 1984). RBV is primarily proposed by Penrose and later developed by Werhefelt, Hamel and Prahalad (1990). Barney (1991) contributed one year later and treated as father of RBV on the firm.

Maxoney and Sanchez (2004) suggested that strategic theory depend on the market and history and cannot be universal or timeless. The researcher modifies and develops or changes the theories with the changes of social factors and development (Ludviga and Chirjevskis, 2010). Kim and Mauborgne (1997) suggested that in globalisation competitive advantage is no longer applicable and competition is counterproductive here. In “Blue

Ocean Strategy”, Kim and Mauborgne (2005) proposed “ value innovation” instead of ‘ competitive advantage’.

To describe Service-Dominant logic (S-D logic), Robert Lusch and Stephen Vargo (2004) described by their own way, in globalisation world economy connected without any barrier and it holds more turbulent with increased impact of ethics and businesses are responsible into the society, also new relation and interaction between the producer and the consumer which emerged value added collaborative process of “ co-creation”. It describes a new understanding of purpose and nature of an organisation, market and society; the knowledge and skills should be applied for the benefit of other parties and value is determined only by the beneficiary (customer).

Analyse appropriate organisational structures

It is important to point out the organisation’s structure and the relationship between it and an organisation’s size, strategy, technology, environment and culture. Miller (1989) discussed deeply the necessity of assembling of strategy and structure. Burns and Stalker (1961) identified the flexibility of organisational environment and described when the structure of an organisation coincides with the rate of change within its environments then it is achieved maximum performance. To discuss about the importance of culture in relation to organisational design and structure, Handy (1990, 1993) has discussed it needs for new organisational forms. Pascale, Milleman and Gioja (2000), Mabey, Salaman & Storey (2001) discussed and came to consideration that structure has a key role in the all-important human dimension of an organisation.

Senge (1994) identified that though manager's main role is the design of organisational structures, even it is often neglected responsibility in an organisation. Furthermore organisational design is not well understood in traditional management education and also does not include the development of the principles of corporate design (McMaster, 1996).

Organisational structures are the appropriate frame of interaction between roles in an organisation and its different phase which described by Mullins (1993), Salaman (2001). They also said that in order to achieve the organisational goals and direct activities of different parts, it should be allocate work and responsibilities in a framework. This framework giving managers clear direction to work plan, organise, direct, control and monitoring the activities of the organisation (Mullins, 1993, Mabey, Salaman 2001). This view is based on the principles of classical and scientific management and it called as traditional view.

Pascale, Milleman and Gioja (2000) taken non-traditional approach which described that the role of architects and principles that provide ' i) structural integrity (sound building), ii) functionality (space appropriate for its intended use), and iii) aesthetic appeal'. Using these principles, an architect can work with the customer in order to create a structure that is an integral and facilitating aspect of the life of the people who move in and around it. This model is treaded as good model to consider organisation design principles.

In an organisation, structures are sets of relations between the roles. Fararo (1997) and Sørensen (1978) studied in mathematical sociology about such

structures is the so-called “ vertical differentiation” or “ authority structures” of organisations, usually considered to be a “ hierarchy” structures.

Mono-dimensional organisational structure in work considers a multiplicity of structured aspects: authority, communication, delegation, responsibility, control, power etc. Sleznick (1948), Morgenstern (1951) and Giddens (1984) done foundational work on social and organisation theory and summarised as that organisations do not exhibit one single structural dimension, but they are instead multi-structured objects. In particular, we view organisational structure as hiding at least three relevant dimensions which called: power, coordination and control.

Chief ExecutiveThus the basic structure of many large organisations in the 20th century was founded on linear, segmented, hierarchical design principles as typified by Figure 1. The larger the organisation the larger the structure and the more sub divisions. It was an approach to organisation design that reflected the classical scientific worldview as did the early management theorists.

Research & Development

Personnel

Manufacturing

Finance

Sales

Product A

Product B

Product C

Area X

Area Y

Area Z

Figure 1. 1. Traditional Organisation Chart/Structure (adapted from Weinshall, 1971, in Handy, 1993)

In mid-20th century there was trend to create huge corporate structures in different businesses like Hanson Trust, Trafalgar House, Unilever, and GKN in the UK and General Electric in the USA (Mabey, Salaman & Storey, 2001). After Second World War some country nationalise the public utilities, where bureaucracies were major problem. National Health Service of the UK nationalise in 1948 in this process.

In the last decades of the 20th century, there had significant changes of trend for large and larger structures and it was over. Ashkenas et. al. (1995) found almost every organisation experimented with some kind of structural change process.

Mabey, Salaman & Storey (2001) described that some less traditional forms of organisation structure began to emerge as evidenced by the ' de-structured' forms. Old mechanistic systems are everywhere breaking down

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(Handy, 1990). Mabey, Salaman & Storey (2001) talk of the emergence of a new paradigm for organisational form which seeks to replace the rigidity and cumbersome nature of the traditional form. Ashkenas et. al. (1995) report on a change in design principles that amounts to a major shift. Ashkenas et. al. (1995) summarised the success factors of both the 'old' and 'newer' approaches as described as follows:

OLD SUCCESS FACTORS

NEW SUCCESS FACTORS

Size

Speed

Role clarity

Flexibility

Specialisation

Integration

Control

innovation

By the press release in Jan 29, 2004, President and Chief Operating Officer (COO) of Bombardier Inc., Mr. Paul Tellier announced following declaration of the structural changes of Bombardier. Press Release as follows: " The position of President and Chief Operating Officer of Bombardier

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Transportation was split into two distinct position. Mr. Paul handed over his COO post to Mr. Wolfgang Toelsner as because Mr. Toelsner is recognised as one of the most respected leader in the rail industry. He has been responsible for Bombardier's Locomotives and Freight Division in Europe since 2001. Under the new structure, eight (8) of the ten (10) operational divisions will report to the Chief Operating Officer: North America, Total Transit Systems, Light Rail Vehicles (LRV), Locomotives and Freight, Propulsion and Control, Rail Control Solutions, Bogies, and the London Underground Projects.

The industrial division previously responsible for the manufacturing network in Europe and is being disbanded. The various manufacturing facilities will become part of the respective product divisions, allowing each division to have direct responsibility not only for marketing, sales and engineering, but also for production. This means, for example, that the plants producing mainline products will be integrated into the Mainline Division, the ones producing light rail vehicles will become part of the LRV Division. The Mainline Division will be expanded to include the Metros Division as well as the Carbodies Division. The products manufactured by these two units are produced in the same facilities. The Chief Operating Officer, Mr. Wolfgang Toelsner; the expanded Mainline Division President, Mr. Olof Persson; and the Services Division President, Mr. Rik Dobbelaere, will report to the President. All Bombarider Transportation group staff functions will continue to report to the President. Mr. Tellier continues to chair the recently constituted Management Committee. "(Euronext, 2010).

This new organisational re-structuring process has been improved project management, accountability as well as customer service, reduced overhead and duplication, and simplified the organisational structure.

Bombardier Transportation currently employs some 28, 600 staff at 42 major production and service locations around the world. Several of these host more than one production/service facility under separate management.

Three plants in China are joint ventures with only a 25% Bombardier share and, due to that, limited influence. There are around 40 generally smaller sites of the Services and the Total Transit Systems divisions (most of them <100 employees and mostly located on customer premises), as well as a few strictly administrative locations. (Bombardier, 2010 cited at [www.bombardier.com/files/en/... docs/BT_SustainabilityReport_EN. pdf](http://www.bombardier.com/files/en/...docs/BT_SustainabilityReport_EN.pdf)).

Though Bombardier Transportation is Canada based Transportation Company, but it expanding his technology, financial investment and resources all over the world and became a globalised company in the globe. Europe is the purchasing capable continent for rail travelling so it is the largest market in the world for rail. Bombardier Transportation's main focus is in Europe. Bombardier is employed around 21, 550 employees in this region. Approximately 5, 150 employees work in North and Central America and in a same time 1, 900 employees are working for the company in Australia/Asia and other parts of the world (Bombardier, 2010 cited at [www.bombardier.com/files/en/...docs/BT_SustainabilityReport_EN. pdf](http://www.bombardier.com/files/en/...docs/BT_SustainabilityReport_EN.pdf)). Now we can say it is not company for a particular country it makes its identify for global society and technology, experiences of human resources, financial investment and its products also moving one place to another. That is why <https://assignbuster.com/how-bombardier-deal-their-transportation-business-around-the-globe/>

we can easily say this company became globalised company in the world or it is also influencing for globalisation in a same time. In response to market realities and to remain competitive the company carried out a restructuring program in 2004/05. This resulted in a reduction of the workforce by 7, 600 worldwide and the closure of seven facilities. The sites affected by closure were the production plants in Amadora, Portugal, Ammendorf, Germany, Kalmar, Sweden, Pratteln, Switzerland, Derby Pride Park, Doncaster, and Wakefield, UK.

Effectiveness and Efficiency of Existing Bombardier Strategy Operation

Bombardier now globalised its operation both its transportation and aerospace divisions. According to Fortune's Global 500 companies, Bombardier was rated 448 (CNN, 2010). Currently Bombardier Aerospace (BA) has two main business activities - Aircraft manufacture and Services. Within Aircraft manufacture, there are the sectors of business aircraft such as the Learjet range and commercial aircraft such as the CRJ Series operated by carriers worldwide. Services include such activities as parts logistics, leasing style operations, training, and sales of pre-owned (second hand) aircraft. This division is now a world leader in the design and manufacture of innovative aviation products and is a provider of related services. BA's aircraft portfolio includes a comprehensive line of business aircraft, commercial aircraft including regional jets, turboprops and single-aisle mainline jets and amphibious aircraft. BA also provides aftermarket services as well as fractional ownership and flight entitlement programmes (Knowmore. org, 2010)

Train is the eco-friendly transport as because 70% of emitted CO2 would be avoided when every passenger-km shifted road to rail transport. Bombardier Transportation thinks rail is the most sustainable mode of transit

(Bombardier. com, 2010). One of the attractive strategy of Bombardier is corporate responsibility for maximising environmental benefits by rail travel.

That is why Bombardier put in its strategy a new and modern concept of engineering and operating design and philosophy called sustainable mobility (Bombardier, 2010). Following are the key business goals for sustainability:

To being profitable business organisation, Bombardier is delivering safe and competitive products to their customers.

By anyhow Bombardier optimising environmental performance of their vehicles.

To best of their ability, Bombardier industrial activities confirmed unspoiled environment to the new generations.

Bombardier all time confirms healthy and safe working places for employees in the society.

Bombardier transferring best practices and knowledge, especially in less industrialised countries.

(Bombardier, 2010 About Us)

As a first vehicle manufacturer, Bombardier Transportation signed in the International Association of Public Transport's (UITP) Sustainability Charter in 2003. As part of Bombardier commitment to the charter, at the end of 2006

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Bombardier first Sustainability Report describing the progress Bombardier are making towards environmental and social responsibility.

In September 2009, Bombardier Transportation jointly taken a venture of Bombardier Sifang (Qingdao) Transportation Ltd. has been approved by the Chinese Ministry of Railways (MOR) to supply 80 ZEFIRO 380 very high speed trains (1, 120 cars) for country's rapidly growing high speed rail network. The contract including 20 eight-car trainsets and 60 sixteen-car trainsets, is valued at an estimated £2.5 billion. Bombardier's share of the contract is estimated at £1.25 billion. The first train is scheduled for delivery in 2012 with final deliveries expected in 2014 (Bombardier, 2009). This contract is the integral part of an evolving high speed rail capability in China which is developing more than 6000 km of new high speed lines to create one of the most advanced high speed rail networks in the world. The trains, with maximum operating speeds of 380 kph, are based on Bombardier's next-generation ZEFIRO high speed rail technology and powered by a highly energy efficient BOMBARDIER MITRAC propulsion and control system.

The mission Statement of Bombardier is to be the world's leading manufacturer of planes and trains. Bombardier is committed to providing superior value and service to our customers and sustained profitability to their shareholders by investing in their people and products (Bombardier, 2010). Bombardier lead market through innovative quality, extraordinary product safety measurement, efficiency and performance.

Its mission, core values and leadership attributes are the building bricks of making good governance. This governance starts with their mission and to

deliver best class value products for their customers and profits for shareholders.

Bombardier core values guide the action to fulfil this mission:

Integrity

Commitment to excellence

Customer orientation

Shareholder focus

Bombardier leadership attributes remind all employees what it means to “ be our best”:

Putting people first.

Working together.

Having a passion for winning.

Having a drive for results.

As part of its stewardship role, the Board advises management on significant business issues and assumes the following responsibilities:

Approves corporate strategy

Monitors financial matters and internal controls through its Audit Committee

Oversees pension fund matters through its Finance and Risk Management Committee

Monitors environmental, occupational health and safety matters through its Human Resources and Compensation Committee.

Assesses and oversees the succession plan of the President and Chief Executive Officer and senior executives through its Human Resources and Compensation Committee.

Monitors corporate governance issues through its Corporate Governance and Nominating Committee.

The two areas in which Bombardier conducts business are both greatly affected by macro (PESTLE) factors. It is also felt that the business focus has narrowed and is limiting the growth of the organisation. As a global organisation, Bombardier is mindful of this, and as such has implemented several key initiatives:

Risk Management: Now a days company size makes a company relatively riskfull for exist sustainably. It is due to fast-paced world and nowadays risks can also materialise more rapidly than ever. It is called Risk Management. In May 2007, Bombardier Board created the Finance and Risk Management Committee to making risk management a central focus of the company. Every year, the Corporate Audit Service and Risk Assessment (CASRA) team thoroughly assesses our major risks. Senior management and the Audit Committee review the results and develop an annual action plan to address these risks. The Board's Finance and Risk Management Committee captures

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and follows up on risk mitigation, including social and environmental risks as future carbon costs.

Occupational health, safety and environmental risks are mitigated through management systems and compliance audits, Supply chain risks are reduced through their supply chain management practices, including the Bombardier supplier code of conduct.

Cultural aspects: Bombardier rail contract with Chinese company publicly criticised over its controversial deal to supply railway cars to the Qinghai-Tibet railway. A campaigner of Free Tibet commented on the contract and said “ Bombardier’s £1. 25 billion contract has broken its own Ethical Code, by investing in a high risk project, which will contribute to what the Dalai Lama has described as cultural genocide.” Another Free Tiber Campaigner Mr. Tenzin Metok Sither said, “ The railway is a political project, designed to facilitate the move of millions of Chinese settlers into Tibet, enable increased militarisation along the border with India and Pakistan, and allow China easily to transport Tiber’s natural resources to China’s east coast. It is not designed to benefit Tibetans. Bombardier is now a willing participant in this destruction, with its technology enabling an abusive regime to extend its control over Tibet.” (Mediacentre. blog. co. uk 2010). The Dalai Lama stated that, “ Some kind of cultural genocide is taking places in general, a railway link is very useful in order to develop, but not when politically motivated to bring about demographic change,” (Associated Press, 2005). This contract will definitely influences culture of Chinese people as because by this project China is getting going to capable to achieve the fastest railway network in the world.

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Impact of technological advancement and Financial Resource:

Bombardier's ZEFIRO high speed technology is the culmination of the company's long standing reputation in this market segment. Developed for speeds between 250 and 380 km/h, ZEFIRO offers the highest levels of comfort and capacity, low operating costs and diverse application options for different countries and railway networks. Bombardier is currently delivering the world's first ZEFIRO trains to the Chinese Ministry of Railways (MOR). These trainsets feature Electrical Multiple Unit (EMU) sleeper cars capable of speeds up to 250 km/h. Bombardier also have won another contract to supply the MOR with 80 ZEFIRO 380 very high speed trains. Bombardier was the first company in Europe to develop and apply an aluminium carbody concept for the high speed segment. It was pioneered in the 90s and has been optimised to meet the latest high standards for crash safety in accordance with TSI 2002. Bombardier Transportation has been developing high speed and very high speed trains by working closely with Aerospace Division of the company as Aerospace Division expertise in acoustic and aerodynamic behaviour with reliability management.

Bombardier Transportation earned £4, 234 million before interest and taxes in 2005/06 financial year. The majority of turnover was generated from the sales of rolling stock (including mainline and metro vehicles, trams and locomotives) followed by services such as maintenance and delivery of spare parts. The business with European transportation companies - who remain Bombardier's most important customers - generated 72% of turnover.

Strategic Alternatives of Bombardier