Drivers for internationalization in aerospace management essay

The papers in this portfolio are all related to the strategic decisions that corporate organizations make in order to expand their share of the ever-growing global market, while ensuring that their competitors are not able to replicate their formula for success. Three of the papers discuss specific companies-Tesco, Rolls-Royce, Carrefour and Wal-Mart-thus giving the impression of a mini case study on how these global players strategize their way into market domination and superior firm performance. The third and final paper is a general discussion on George Yip's model on internationalization drivers as these are applied in the civil aerospace engine manufacturing and the global grocery retailing industries.

Students, scholars and practitioners alike will benefit from the lessons and analyses made in these papers because they show a thoughtful and realistic look into the workings of different corporate organizations while utilizing different business concepts. At the end of the day, this portfolio is designed to show the student's ability to comprehend and analyze practical business dilemmas in light of existing theory.

Drivers for internationalization

George Yip proposed his model of the drivers for the growth of international strategy among corporate organizations. He introduced four main categories of drivers that were key in determining the extent of globalization within a particular industry. These are:

Market globalization drivers

Cost globalization drivers

Government globalization drivers

Competitive globalization drivers

A company that exhibits less of these drivers is characterized as being local in nature, and conversely a company with a higher number of the drivers are becoming more global both in outlook and in operation. These drivers are not stand-alone, however, because they in fact influence on another in a cycle that determines a corporate organization’s readiness to join the ranks of global companies. Stated otherwise, these internationalization drivers are governed by four different factors: technology, social and demographic considerations, politics and legislation, and economic and political considerations.

All in all, should a company wish to transform its operations from that of a local industry to an international one, it should pay attention to the different factors that can make or break its ability to participate actively in the global market. While there are of course other factors that may influence a company’s eventual success in going global, Yip’s model gives us a simplified and practical view of what it would take for a company to launch itself into the global playing field and claim its share of global consumers.

Different industries and different corporate organizations vary greatly in their capacity for globalization, especially because the nature of the products/services they offer as well as the consumers who avail of them are vastly distinct from one another. Let us compare the global grocery retailing industry and the civil aerospace engine manufacturing industry as an example. We can compare the two in this manner:

Global grocery retailing industry

Civil aerospace engine manufacturing industry

Market driver

High

Low

Cost driver

High

High

Government

High

Low

Competitive

High

High

Countries that have the most advantageous combination of as many drivers as possible are preferred by global companies, as a market for their products/services, as a home base or both. As we can see from the table above, the global retail industry actually has better potential for pushing a global strategy. This is evidenced by the relatively recent entry of new global grocery retailing brands such as Wal-Mart into previously untapped markets like China. Because of the high tendency for globalization, other retail companies are also beginning to look in to the possibility of expanding their business overseas in order to benefit from a bigger customer base.

Carrefour, Wal-Mart and the Chinese market

The entry of big international players in the Chinese local market in recent years has shown that China is the new gold rush for global companies looking to expand their share of the market. The global grocery retailing industry is just one of the many business sectors that have come to China to make the most out of the millions of consumers who will avail of their products and services.

The bid to make China the next biggest market for the global retail industry started in 1992 when the country opened up its retail industry to foreign investors like Carrefour and Wal-Mart. Carrefour entered the market three years later by opening a partnership with a Chinese management consulting firm, creating an entity called ‘ Jia Chuang.’ While other companies treated the Chinese market as one big bloc of consumers, Carrefour looked considered it to be composed of many smaller markets. It opted to create regional offices which were in charge of the expansion programs for different areas of the country, instead of having a centralized national operations network.

Carrefour continues to carry out its expansion strategy by depending on local distributors, who supervise the delivery of their products straight to the stores from the regional centres. The company believes that flexibility is a priority consideration especially when operating in a relatively new market. The cost of development is lower because Carrefour is able to build its network store by store while keeping issues about uniformity of service and quality control in check.

As for Wal-Mart, they see the challenges of the Chinese retail market differently. Unlike Carrefour, Wal-Mart is putting its investments on a centralized distribution system that is headquartered in Kengzian. The new centre boasts of a 40, 000 square meter facility that has been created to handle simultaneous deliveries with up to 70 bays. But like Carrefour, Wal-Mart has also entered the Chinese domestic market by partnering with a local firm, a Taiwanese retail firm named Trust-Mart.

Wal-Mart’s emphasis on back-end operations is almost the exact opposite of Carrefour’s customer-first strategy, although the latter seems to be on the upper hand in terms of actual market share and profitability. However, at some point Carrefour will also need to pay attention to its back-end to maximize the strong dynamics among its stores. Its current strategy is working well for China’s market environment but new developments will have to be introduced in the future.

No global retailer has yet launched an all-out expansion into China without creating a joint venture with a local company, which is a strategy that enables them to ease slowly but surely into the market instead of going in without a clue as to how the market actually works from the inside. However, it would be more disadvantageous for a global company not to try breaking into the Chinese business scene. The market is rich with millions and millions of consumers who are only too willing to try new the products and services that have suddenly become available to them thanks to the opening up of the market. Care must be made in making these new foreign financial investments work in order to ensure that the companies will see good returns on their investments. Companies must not be deluded by the promise of a huge new market and fall behind their usual standards for doing business.

Tesco’s core strategies and VMO

Tesco is one of the leaders in the global retailing industry. The company started in the United Kingdom in the late 1920s and has since grown to be one of the most robust and successful supermarket companies in the world today.

Tesco’s core strategy is founded on their desire to attract and maintain customers who will become their lifetime partners. The company espouses the belief that their corporate success is dependent on their ability to meet the demands of people-both the people who work for them and the people who shop with them. Tesco’s two-pronged approach misses out on no opportunity to improve not only their service and products, but also their international relationship with their staff.

This is reflective of the current thinking among corporate organizations today that a company’s human capital is more than just another factor of production-they are in fact the backbone of a company and they make it possible for the corporate strategies to be carried out effectively. Paauwe and Boselie (2002) point out that the emergence of such a breed of HR management has been brought about by the fact that human capital is now seen as a source of competitive advantage.

As for Tesco's commitment to their customers, the company is firmly rooted in the belief that going the extra mile to satisfy their shoppers' needs and requirements will go a long way towards ensuring their loyalty to Tesco. Loyalty is key to maintaining and expanding Tesco's share in the retail market. If Tesco can give a customer superior service, then there are higher chances that that customer will keep shopping only at Tesco. But before Tesco can be first to meet their customer's needs, they embark on a focused and in-depth study of their shoppers in order to anticipate what they require.

Tesco employs what they call the " Every Little Bit Helps" strategy to ensure that they know exactly what their shoppers and their employees want. Tesco has designed five core business purposes:

Be a successful international retailer

Grow the core UK business

Be equally strong in the food and non-food sectors

Develop competitive retailing services

Put the community at the core of all business activities.

The " Every Little Bit Helps" strategy is Tesco's way of translating these core objectives into actual strategies to help the company achieve its organizational goals. Without the concurrence of both strategy and purpose to guide a corporate organization, especially a global one like Tesco, there will be little chance for the company to have a clear direction of where it wants to go and how to go there. The core strategy and core purposes of Tesco are a way for the company to articulate what it wants to achieve within a given timeframe, as well as crafting the necessary steps to accomplish the goals that it had set for itself. As for Tesco, the company is imbued with the lesson that no organization will progress without considering the needs of its customers and its employees, so their approach is always to seek what is best for both in order to make the company number one.

Strategic alliances and Rolls-Royce

No man is an island-and even in businesses, this cliché rings true today. Some organizations, particularly small-scale ones or those that have only just started doing business, may be better off finding their own niche in today’s complex market, but there may come a time when they will have to form significant partnerships with other businesses in order to flourish and achieve sustained growth.

The current state of the global business landscape today has forced organizations to come up with more creative ways of surviving and keeping ahead of their competitors. Some of the more important aspects that most companies today are focusing on to improve their overall performance are enhancing their brand identity, connecting with customers and attracting competent and highly-skilled workers (Isidro, 2000).

Moreover, today's corporate managers are also facing a highly competitive environment " that is increasingly complex, globally cantered, and technologically uncertain where there is a critical need for dynamic, flexible, and proactive responses" (Miles, Preece, and Baetz, 1999). It is no longer enough to emphasize on creating and opportunities on their own, because independence also has its drawbacks.

As a result of the various pressures that companies are facing, there is now an increased tendency among them to favour forging strategic partnerships and alliances as a viable business option. Elmut and Kathawala (2001) are also of the opinion that strategic alliances among corporate organizations are one of the most recent trends in the business community that have made it possible for companies to stay afloat despite serious drawbacks and difficulties.

In the case of Rolls-Royce, the company has entered into almost 30 separate partnerships with different firms all over the world to help expand its share of the global market and build on its knowledge and technology base. Of the four reasons that Elmut and Kathawala (2001) outlined for the emergence of strategic alliances, it appears that there are two primary reasons for why Rolls-Royce has chosen to partner with different firms. For one thing, the company stands to gain from such partnership in terms of entering new markets with which it is unfamiliar. Brokering a deal with local corporations allows Rolls-Royce to expand its market while at the same time benefiting from the expertise of an old-timer in the market.

Secondly, Rolls-Royce is also into strategic partnerships in order to obtain new technology and best quality at the cheapest cost. The company has four business divisions, all of which need intense research and development funding. Instead of going through their own R and D cycle, Rolls-Royce can share their knowledge and technology with their strategic partners at a much lower cost, thus ensuring that each division is well-maintained but is not draining the company’s resources for continuous R and D. While Rolls-Royce can actually provide the funding for its own R and D, it is more cost-efficient for the company to trade information with its partners and make the product or service immediately available in the market.

It must be noted, however, that it is not just Rolls-Royce who stands to reap all the wonderful benefits from the strategic alliance. Their partners also take advantage of the Rolls-Royce brand name and the company’s existing network of contacts, suppliers and customers, giving the other partner a fair competitive advantage over its competitors in the local market. Strategic alliances are all about creating good working relationships with other companies in the industry and pooling together resources for the mutual benefit of the partners.