

R and d globalisation from east to west management essay



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This case study is determined to set out the future challenges faced by Gold Peak Electronics (GPE). More specifically this study is concerned with how to cope with the challenges of international R&D activities when moving into the market of high-end loudspeakers.

Solving these challenges should lead GPE to obtain a competitive advantage. The study will primarily adapt an internally resource-based view (Barney, 1991; Prahalad & Hamel, 1990). However an external market-based view should also be considered to a certain extent in order to give a full picture of the competitive situation of GPE (Porter, 1980).

The portfolio of GPE consists of several different products, such as a different loudspeaker related products, different components for the electronics industry, cables for home and office appliance etc. Their main business is however related around loudspeakers and sound systems in general and this study will thus be limited to giving recommendations on how to succeed in this area.

The structure of the paper will be as follows: First some background material about the GPE and the markets and consumers, who they are dealing with, will be provided. Second, the problems and barriers that GPE is facing will be listed in order to highlight the problems dealt with. Third, the managerial alternatives available for eliminating these barriers will be discussed. Fourth, some recommendations will be provided in order to overcome the barriers, and at last some concluding remarks will be provided.

2. Background Material

2. 1. Company Description

Gold Peak Electronics is a subsidiary to Gold Peak Industries, which were established in Hong Kong in the 1960s. Hong Kong has traditionally had a strong position within low-tech technology development, which was also the point of departure for GPE. Being a Hong Kong based company has offered certain advantages for entering the Chinese market due to relatively low entry barriers, both in terms of geographical and cultural distance, but also due to friendly political relations, relative to other neighbour countries like Taiwan, Japan, and Korea. The company established themselves as an original equipment manufacturer (OEM) and later on transformed into an original design manufacturer (ODM). In the early 90s the company decided to transform itself into an original brand manufacturing (OBM). The strategy of the company was to obtain growth by establishing their own high-end brands at a global level. The first step in this strategy was the acquisitions of the two high-end loudspeaker companies: KEF Audio and Celestion International, both based in the UK. The CEO of Gold Peak Industries (GPI), Brian Li, believed that the company could obtain a higher margin in the area of high-end products relative to their original businesses were margins were becoming increasingly under pressure.

The financial situation of the company is assumed to be sound, as the parent company GPI achieved revenues of USD 189. 7 in 2008, despite of the global recession.

2. 2. Product and Market Characteristics

In order to decide how to cope with the process of internationalization, some specific characteristics about product and market should be highlighted since these are interdependent with the desired strategy.

The general customer preferences at the loudspeaker market are considered to be quite similar when it comes to the perceptions of what is good sound. However there might be some differences in music preferences and thereby putting some different requirements on speakers in for example Asia compared to America, but overall these differences can be neglected. There might moreover be some differences in required quality levels as well as design preferences around the world, which may make it useful to be represented at the different markets. However presence in terms of satisfying specific customer preferences is not considered being a prerequisite for success at the loudspeaker market. As mentioned earlier there might however be some advantages associated with representation on different markets.

The case does not provide any specific information about the actors on the loudspeaker market, but the market does however seem to be occupied by a lot of different actors, thus making it highly dispersed. The market can moreover be separated into different market segments (reportlinker.com).

Loudspeakers do generally consist of a number of different parts, which each can be defined as a separate technology. A simplified version of a loudspeaker can be seen in exhibit 1. This means that development could be dispersed into different development centres and teams at different

locations, exploiting the different resources available at the specific locations. However this dispersion would put some requirements on the communication within the organization.

3. Challenges faced by Gold Peak Electronics

The acquisitions of KEF Audio and Celestion International did add valuable knowledge to GPE, while at the same time adding recognised brands, distributions channels and markets to the portfolio of the company. However there was also a long range of problems associated with merging the three companies into one and to obtain the synergies that were originally expected.

The overall problem seemed to be that there were still a considerable difference with the innovative outcome of the R&D departments in UK and those in China. The UK units maintained their high level of innovation, but their superior knowledge did not seem to be transferred efficiently in any respect to the departments located in China, which were one of the main aims of the acquisitions. This lack of knowledge sharing between the East and West part of the company, and the inability of the Chinese departments to efficiently improve their level of innovations could however be explained in a number of different reasons.

First of all GPE had huge difficulties in finding qualified talents in Asia to facilitate the development of high-end products. Second, creating an environment that fostered knowledge sharing, knowledge creation and innovation showed to be way more difficult than earlier expected. Third, the culture of innovation was different from the one in the UK, which could partly

be explained with the considerably higher degree of experience within the UK staff compared to the inexperienced Chinese staff. Fourth, the ambition about creating an international spirit within the company were largely damaged by the British employees unwillingness to work in a Chinese department whereas the Chinese employees were more than willing to move to UK. This lack of willingness from the UK staff created kind of an asymmetric relationship between the departments, due to the Brits' lack of empathy that relocation into another environment for a longer period naturally gives. Fifth, the UK staff felt threatened by the Chinese staff, since part of the organization had already been relocated to China. However there was no imminent reason to be concerned about job loss. On the other hand the Chinese staff also had difficulties cooperating with the UK departments. Chinese culture emphasises the importance of relationships (guanxi), which makes it difficult for them to cooperate with people that they do not have a close relationship with and trust. Thus, both sites showed unwillingness to cooperate. Sixth, GPE did not seem to get enough out of their investments in communication. Seventh and last, there seemed to be a difference in the management requirements and processes between the two sites, which made it even more difficult to share and develop knowledge efficiently.

4. Analysing the Managerial Alternatives

4. 1. Fit between organizational structure and innovation ambitions

When deciding what type of structure that should be applied in order to obtain new technologies and thereby their overall competitiveness the companies should make a realistic evaluation of what kind of innovations

they do wish to create. The reason for this is that different structures serve different types of innovations. A centre of excellence structure is fitted for more radical innovations. Whereas a network structure is better suited for incremental innovations. The target of GPE to move into the high-end speaker market required them to improve their current products and they did therefore decide to acquire KEF Audio and Celestion International. The ambitions in relation to innovations could be defined somewhere between incremental and radical innovation, however with a focus being more towards incremental innovations. This might suggest that GPE should move toward a structure defined by specialized contributors. Looking at the development of GPE this does also seem to be the structure the company has been moving towards. However they have not succeeded by transforming into this type of structure. The inability to share knowledge and the resistance of the UK employees to engage in activities outside their home country has however prevented this process of succeeding. Right after the two British companies were acquired they both served as centres of excellence, and today the situation is to a certain extent unchanged. This means that GPE's situation can be described as caught in the middle to a certain extent. Officially moving toward a specialized contributor structure, but with the UK departments still being the main source of innovation with the Chinese departments only contributing slightly. Combined with the fact that both Chinese and UK departments are unwilling to share knowledge and cooperate this means that the different units are not carrying out their intended task in the intended structure. The top management of GPE does therefore face a paradox. Should they introduce means in order to force the different units and especially the UK department to cooperate and thereby

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create the intended structure and the benefits that comes with it, while at the same time facing the risk of destroying economic value, due to experienced British workers leaving the company? Or should they seek to maintain the status of the UK departments as centres of excellence emphasizing their importance, and instead utilize the Chinese units in more supportive functions. A change like this would likely increase amount of knowledge shared, since they British staff would not feel the same fear of losing their job, while at the same time decreasing the risk of losing important employees. A move like this would however mean a change from the original strategic intent of the acquisitions, by disabling the management from utilizing the intellectual resources at the Chinese market.

4. 2. Issues for establishing a global focus within the organization

In order to achieve a higher degree of knowledge sharing and knowledge creating within the organization GPE should seek to create a global spirit within the company. The problematic issue is that changing core concepts and perceptions within a company can be highly difficult and the process is often carried through over a longer period. When the top management decides to go through with a change of some of the underlying value within a company it often has the effect of destroying other valuable processes. This might again be the effect of adapting the culture of the UK departments too much towards the culture within the Chinese departments. Such a change could end up destroying some of the valuable processes within the UK departments. Moreover the experienced staff in the UK departments represents a lot of the knowledge located within GPE. Since most knowledge

within organizations is often categorized as tacit knowledge a loss of these key employees will lead to a loss of highly valuable knowledge. Again the management of GPE is facing a highly complex situation.

Some of the same problems go for the change of management principles towards a global standard. A too dramatic change will scare away experienced employees, holding valuable knowledge, while at the same time messing up important and highly complex processes. At last a change in management principles and structure will moreover lead to some people losing their job or being moved to undesirable positions. Possibly creating trouble for the top management.

4. 3. Issues of establishing efficient communication within the organization

If GPE wants to facilitate knowledge sharing and common understanding between the different departments there should be invested in communication technologies. The questions do however remain on how much and in what type of communication technology there should be invested. A general understanding is that the communication technology should be applied up until the point where the marginal gains of investments in technology is offset by the marginal costs of investments in technology. This specific point is however difficult to capture, but nevertheless GPE should pay attention not to make overinvestments. GPE does already use communication forms such as: in-person meetings, company internal website, e-mail, videoconferences, and telephone. The degree of communication has however shown not to be enough to break down the barriers earlier described. This might suggest that GPE should invest further

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in technology, but at the same time the need for technology should be considered in relation to the structure used within the company. Thus, if GPE chooses to change their organizational R&D structure the issues of communication might be different. Last but not least it should be underlined that communication technologies can never act as a direct substitute for face-to-face communication

5. Recommendations

In relation to the issue about organizational structure I recommend that GPE adapt a supported specialization structure. GPE must move away from their caught in the middle situation where none of the subunits carry out the tasks that they are actually supposed to do. Even though the optimal structure for the product might be specialized contributors structure such a change does not seem possible without suffering a substantial economic value loss, due to loss of key employees in the UK departments. The highly developed UK research departments serve as a competitive advantage for the company and by changing their position and function within the company might result in breaking up some of those highly complex structures and mechanisms that helps to facilitate this competitive edge (Barney, 1991). Said in a different way; the company is bounded by the history of the acquired British companies. Emphasising the importance and central positions of the UK part of the company will provide the staff in these locations with important self-esteem and a feeling of job security, which would hopefully result in them being more willing to share knowledge with their Chinese co-workers. The structure will enable GPE to exploit their centre excellence within the whole organization, while at the same time taking advantage of the cheap labour

force in the Chinese divisions. Moreover it will enable the company to come up with more radical innovations thus making it possible to challenge the market in another way than previously observed. Radical innovations might also serve as an important contribution in relation to other technologies within the organization. As the organization succeeds establishing more global standards and global spirit it may move towards a more global oriented R&D approach, but at the current level this is however too early.

The second recommendation is related to the issue of obtaining a global spirit within the company. In order to do this the top management must make substantial investment in hiring new employees in both UK and China. The job description of these new employees should be twofold. First, they should be attached to specific functions within their home country. Secondly, they should however also regularly participate in different forms of international tasks, within virtual R&D teams. The job description of these new employees should thus be national as well as international however with an emphasis on international cooperation. The reason for investing in new and young employees instead of changing the tasks of older employees is that they are not settled in specific job descriptions as well as at the private level in the same way as the older staff. However they do neither hold the same high level of knowledge as the experienced employees. This is the reason why they should be connected to specific departments within their respective countries, thereby enabling them to tap into the knowledge of the experienced employees. When the new employees are working in their international teams in longer periods they can create close and reliable relationships with each other, thereby enabling knowledge sharing across

cultures. At the same time they can help to coordinate tasks across borders.

A third recommendation is related to the creation of a global management structure. This is important to facilitate employee exchange between the different departments. A common set of management principles must thus be established. The process should however be completed gradually in order not to destroy important knowledge, both in terms of complex processes, but also in terms of loss of key employees.

A fourth and last recommendation is related to the issue of communication within the organization. Modern communication technologies are essential for facilitating the knowledge sharing within the organization, and until recently the GPE has not been successful in this process suggesting that their communication strategy has been inappropriate. If GPE chooses to change their organizational R&D structure to supported specialization the need for communication technology might however decline slightly.

Nevertheless, GPE should exploit the possibilities of communication more efficient. Today (also in 2008) communication systems such as Skype, IChat, and GoogleTalk are easily available free, and these might substitute both videoconferences and telephone conversations. When the issues discussed are highly confidential more traditional and secure means of communication should however be used, but for day-to-day use the systems mentioned above might be sufficient. The most critical problem for communication technology within GPE is however the general education of employees to use the systems available. One idea could be to facilitate a basic program of education for all employees within the R&D teams, while at the same time <https://assignbuster.com/r-and-d-globalisation-from-east-to-west-management-essay/>

appointing some single employees in the different departments as system specialists, who can serve as educators in the day-to-day work. Especially development in the internal website of the company and education in how to use it can be useful. This can help the company to easily codify knowledge thereby making it easier to share across borders. Such an investment might not be profitable in the short-term now that the R&D structure will change, but if the company chooses to change to a more dispersed structure sometime in the future when the company is ready it might be highly useful.

6. Conclusion

Summing up the study showed that Gold Peak Electronics are dealing with several critical issues. The problems were especially related to the barriers of knowledge sharing between the different national departments within the company. Most of the problems were moreover highly complex and no clear cut answer cut be provided. In the end a number of recommendations were however provided:

Change the structure of the company in to an order of supported specialization

Invest in human resources in both the Chinese and UK part of the company. Putting emphasis on global objectives, partly through work within local departments as well as virtual R&D teams

Gradually inline the management principles within the company. In order to eliminate significant differences between the different national departments

Invest in information technology combined with educating the employees to the technology. These things will help to facilitate international coordination and knowledge sharing.

By adopting these four recommendations help to eliminate some of GPE's many problem in the short-term. This will increase their competitiveness in the short-term, and might as well offer them a sustainable competitive advantage in the long-run.