

Case logitech

Business



The intellectual capital going into any product is created at the place where the right talent is available. Ergonomics design is done in Ireland, software programming is done in Switzerland and Fremont) The actual assembling/manufacturing is done at the place where it can be done most cost effectively. (Assembling is done in Taiwan and China) 0 The products reach the customers the most efficient way by taking the services of the most efficient logistics company. (Marketing and operations from Fremont) 3.

Use the theory of comparative advantage to explain the way in which Logitech has configured its global operations.

Why does the company manufacture in China and Taiwan, undertake basic R&D in California and Switzerland, design products in Ireland, and coordinate marketing and operations from California? David Ricardo's theory that states a country should specialize in the production of a good that it produces most efficiently and buy those at which time it is least efficient. Manufacturing takes place in China and Taiwan because they have cheap and qualified labor, a well developed supply base, and a rapidly expanding consumer market. These factors of endowments make China more productive at making computer peripherals.

Basic R; D takes place in California and Switzerland because workers are more skilled and productive at R; D. Logitech designs products in Switzerland because this is where their most skilled designers are located.

Since California also houses many large corporations, it makes perfect business sense for Logitech to have their marketing operations here. 4. Who creates more value for Logitech, the 650 people it employs in Fremont and

Switzerland or the 4,000 employees at its Chinese factory? What are the implications of this observation for the argument that free trade is beneficial?

Logitech makes \$8 for every mouse being sold. Let us assume that \$3 of this is spent on R; D and software programming. The earnings per employee writing the software code is = .

47 cents. The value added per employee in China is (3 - 0.75) cents. Hence the value added by R; D people is greater. Free trade is beneficial because, it is the free trade which is allowing Logitech to take advantage of the low cost manpower available in China. If free trade were not available, Logitech would be forced to manufacture its mice in U.

S. at a much higher cost. 5.

Why do you think the company decided to shift its corporate headquarters from Switzerland to Fremont to respond to the demands of the customers more promptly. Fremont is also the place where a lot of technological innovations are happening.

Logitech being in the high-tech industry, continuous innovation is a key success factor for its business. Fremont is also an important city in terms of managerial talent. All these reasons make it convenient for Logitech to move to Fremont. 6. To what extent can Porter's diamond help explain the choice of Taiwan as a major manufacturing site for Logitech?

Porter's diamond considers four important attributes which will create an environment that helps the domestic industries. The four attributes can be applied to Taiwan becoming a manufacturing hub for electronics goods as <https://assignbuster.com/case-logitech/>

shown below: Factor Endowments: Taiwan has well qualified people for manufacturing electronic goods.

It has good infrastructure and transport facility. Demand conditions: There is demand throughout the world for electronic products produced in Taiwan. All major global companies source their electronic components from Taiwan.

Relating and supporting industries: Taiwan has a well-developed supply base for parts and rapidly expanding local computer industry. Firm strategy, structure and rivalry: There is tough competition and rivalry among local companies which help in better efficiency.

Moreover, The government has created Science-based industrial parks through which they encourage companies to invest in Taiwan. Land is given at very subsidized rates in these parks. 7. why do you think China is not a favored location for so much high-technology manufacturing activity?

How will China's increasing involvement in global trade to help that country? How will it help the world's developed economics? What potential problems are associated with moving work to China? All the factors in Porter's diamond are at play in China very efficiently. It has huge human resources, land, water and other natural resources. It has good infrastructure for transportation, ports and communication.

It has created special zones for promoting exports, thus ensuring a good demand for the goods they manufacture. The rivalry among the domestic firms is also very strong.

Government supports export oriented firms through funds. The cost of labor is very low. Technical human skills are available. These factors make China a favored location for high-technology manufacturing.

China's increase in global trade will ensure that investment flows into China for manufacturing. Its balance of payment position will become very strong. It can use the trade as a lever for political mileage. As more investment happens it will help China to reap the advantages of economics of scale. It can provide better living conditions for its citizens.

It will also generate funds for planned investments.

The world's developed economics will be able to take advantage of the low cost manufacturing available in China. The global companies can improve the efficiency of their supply chain by manufacturing in China. The following are the potential problems associated with moving work to China:

- 0 The political changes, when they happen, can lead to disruption of work.
- 0 Decision making at the government level is opaque, which can cause problems if unfavorable decisions are taken.
- 0 When there is trouble in the political relationship between the home country and China.

- 0 The companies may lose an opportunity to develop an alternate to China as a