

## Globalization of Operations

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- ❑ Domestic Growth & Expansion
- ❑ Franchising
- ❑ International Strategies
- ❑ Planning International Operations

## Is Globalization Good?

Yum! Brands, Inc. 百勝餐飲集團

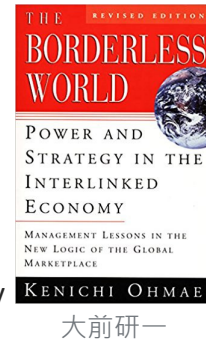
- ✓ Owns KFC, Pizza Hut, and Taco Bell
  - Operate in more than 130 countries
  - Open more than 1,000 stores overseas per year
- ✓ Believes business is local
  - Adapt to local taste
  - Teriyaki crispy stripe in Japan
  - Gravy in northern England
  - Portuguese egg tarts in HK and Taiwan



## Nature of the Borderless World

Driven by the digital revolution, the development of emerging countries and national market deregulation...

- Customers worldwide (Suppliers)
  - Aware of the best products and services
  - Expect to purchase them with no concern over their national origin
- All firms compete in a interlinked world economy
  - Five “C” for strategic planning



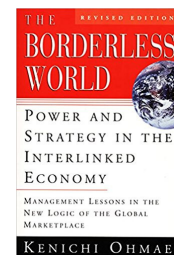
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### – Customers

- People vote with their pocketbooks
  - Price, quality, design, value, and personal appeal
- The availability of information 資訊充足

### – Competition

- Nothing stays proprietary for long 科技發展
  - Rapid dispersion of the technology available to all firms
- Operating globally means operating with partners  
合資經營、關鍵零組件



### – Company

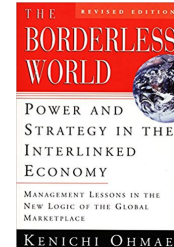
- Variable-cost vs. fixed-cost environment
- Service firms are fixed-cost activities 固定資產

### – Currency

- Becoming currency-neutral 匯兌風險

### – Country

- Presence in all Triad regions 北美、歐洲、東亞
- Exposure offset
- Neutralize competition 牽制競爭對手



## I. Domestic Growth & Expansion

Participation: Need to be near customers 接近市場

Simultaneity: Inability to transport services 服務無法運輸

	Single Service	Multiservice
Single Location	<i>Focused service:</i> <ul style="list-style-type: none"> <li>• Dental practice</li> <li>• Retail store</li> <li>• Family restaurant</li> </ul>	<i>Clustered service:</i> <ul style="list-style-type: none"> <li>• Stanford University</li> <li>• Mayo Clinic</li> <li>• USAA Insurance</li> </ul>
Multisite	<i>Focused network:</i> <ul style="list-style-type: none"> <li>• Federal Express</li> <li>• McDonald's</li> <li>• Red Roof Inns</li> </ul>	<i>Diversified network:</i> <ul style="list-style-type: none"> <li>• NationsBank</li> <li>• American Express</li> <li>• Accenture</li> </ul>

## Focused Service: Single Site, Single Service

Service innovation begins at a single location with an initial service concept

- Success leads to increased demands
  - Facility is expanded and personnel are added
- Advantage
  - Simpler management and control 管控
- Risks
  - Captive to the future economic growth of that area
  - Competition move in 競爭者



## Focused Network: Multisite, Single Service

Adding sites to achieve growth 連鎖經營、海外設廠

- Readily accessible to customers is important 接近客戶
  - Fast-food restaurants, Retail banking
- Management must ensure consistency of service across all locations 複製流程
  - Franchising: “cookie-cutter” concept of replicating service
- Managing network
  - Communication and control
  - Nationally marketing efforts 整體行銷

– Advantages

- Ability to reach mass market quickly 快速進入海外市場
- Reduce the financial risk of localized economic downturns 減少區域性的影響

– Risks

- Overexpansion 過度擴充
- Lost control
- The miles of “franchise rows”
  - Homogenized the landscape



## Clustered Service: Single Site, Multiservice

### Diversify the service

- Service firm with large fixed facilities 原址擴充
  - Small colleges expanded into four years university
  - Medical centers
- Concentric diversification 專注相關業務
  - Synergistic logic around the core service
  - Economies of scope



– Risks

- Potential loss of focus 營運失焦
- Facility management becomes extremely complex

## Diversified Network: Multisite, Multiservice

### Combining multisite & multiservice

- Growth thru acquisition 併購
  - 台達電
  - Japan Rails: Hotels
- Advantage: 產品到解決方案、全球佈局  
Brand name 品牌價值
- Risk: very complex managing task



## II. Franchising

Franchising: Replicating a service geographically by attracting investors

- Franchiser
  - Standardized in design, operation, and price 標準化設計
  - Right to dictate conditions
- Franchisee
  - Own the business but Bound by contractual agreement
  - Assume responsibility of all normal operating activities  
受合約規範

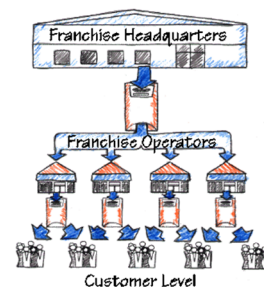


## Benefits to the Franchisee

- Management training 經營訓練
  - McDonald's offer two weeks training at Hamburger University
  - Subsequent training
- Brand name 品牌價值
  - Gain immediate customer recognition
- National advertising 全國行銷
  - Impossible for small business to conduct
  - Attract customers from outside the immediate geographical regions
- Acquisition of a proven business 失敗率低
  - Entrepreneur face high rate of failure
  - Franchiser has track record
- Economies of scale 規模經濟
  - Benefit from centralized purchasing

## Issues for the Franchiser

- Screening potential franchisee 加盟者能力
  - Necessary capital
  - Competent to run a business
- Franchisee autonomy 加盟店自主權
  - Amount of freedom permitted in operation
  - Franchiser specifications
  - Frequent inspections
- Conflict resolution 利益衝突
  - How should fees be established and profits distributed
  - **How far to saturate a single market**



## Risks for Franchisees

- Increasing royalty fees 授權費
- Higher material costs 材料成本
- Market cannibalization 市場飽和
- Lack of management training or operating support 營運支援
- Lack of new product development 缺乏新產品
- Becoming an "Orphan" franchisee



The franchisor and the franchisee  
are not in the same business



## III. Globalization of Business

- Most growth opportunities comes from overseas 海外商機
- Globalization is more than duplicating service overseas
  - Federal express
    - 1988 began international delivery: First quarterly loss
    - Face competitions from DHL, TNT 當地業者競爭
    - Unprepared for government regulations 當地政府法令
    - Obsession with tight central control
  - McDonald's
    - Lack of supporting infrastructure in Moscow 缺乏基礎建設
    - Teach local how to plant and harvest potatoes, tomato 原料品質



## Generic International Strategies

### Global integration 全球整合

- Economies of scale (commodity)
- Opportunity to exploit certain assets (Google search)
- Competitive advantage globally



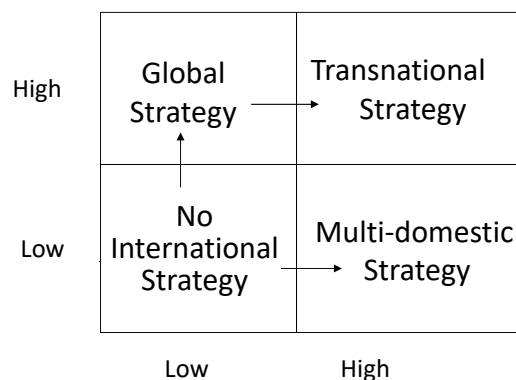
### Local responsiveness 區域性反應能力

- Customization
- Government control

Force  
Towards  
Global  
Integration

Carrefour 

Deloitte.



## High Integration and Low Responsiveness

### 全球化策略

#### Global Strategy: The world is one big market

- Doing business 中央集權
  - in a homogeneous way
  - or integrated across countries
- For firms with a strong brand and special identity
  - Ikea
  - Citibank, global retail bank: Do banking anywhere, anytime, anyway

## Low Integration and High Responsiveness

### 多重國內化策略

#### Multi-domestic Strategy

- Confederation of autonomous units
  - Professional service firms adapting to local laws
    - Law and Consulting
  - Publishers
    - International Editions for local students
  - 食品與家庭用品

## High Integration and High Responsiveness

### Transnational Strategy 跨國策略

- Leveraging certain corporate assets
  - R&D expertise
- Service delivery adapted to local needs
  - Toy”R”us
    - Address local toys tastes
    - Formula store layout and centralized procurement
  - McDonald’s
    - Beer in Germany
    - No beef or pork in India



## IV. Planning International Operations

Service Delivery System	Operating Strategy	Service Concept	Target Market Segments
Available technology? Infrastructure? Utility service?	Appropriate managerial practice? Participative? Autocratic?	What are customer expectations? Perception of value? Service ethic?	What are the market segments? Domestic? Multinational? Tourist?
<b>Labor market norms and customs?</b>	<b>Labor market institutions?</b> Government regulations? Unions?	Service encounter? Language? Acceptance of self-serve?	<b>What are important cultural differences?</b> Language? Life style? Disposable income?
Space availability?	<b>Host government policies?</b>	What are the usage patterns?	What are the workforce demographics? Skills? Age distribution? Attitudes? Work ethic?
Interaction with suppliers?	Language? Front office? Back office?	<b>Cultural transferability?</b>	
Educating customers?			

## International Elements of Operations

### Culture transferability 文化轉換

- Balance global standardization with local customization



### Host-government policy 當地政府

- Creative discrimination forms
  - Banning the sales of insurance by foreign firms
  - Preferential treatments to local shippers
  - Restrictions on international flow of information
  - Airlines landing rights



### Labor market norms 勞工條件

- Power distance index: Degree of equality between people in the society 種姓制度
- Individualism: Degree of society reinforce individual or collective achievement
- Masculinity: Degree the society reinforce the traditional masculine work role model 性別
- Uncertainty avoidance index: The level of tolerance for uncertainty and ambiguity within the society 不確定性的規避
- Long-term orientation: Degree the society embrace long-term devotion to traditional, forward thinking values

## Global Operations Strategies

Multicountry expansion 跨國設立營運分部

Importing customers 調整營運以吸引海外顧客

Following your customers 跟隨主要客戶

Service offshoring 服務外包

Beating the clock 克服時差

## Global Operations Decisions

Customization: 標準化？本土化？

Complexity: 流程複製？成本取向？配合客戶？

Information intensity: 中衛系統？區域自主？

Cultural adaption: 堅持特色？在地文化？

Customer contact: 派駐員工？當地取才？輪值？

Other Issues: 物流、品質、跨國合作、法令