

Strategic Management

Topic: Collaborative Strategies

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In the middle of Covid19
Pandemic,

What kinds of situation that
exporting may not be feasible?

Situations when exporting is not feasible.

- 1. When it is cheaper to produce abroad than at home due to low labor cost abroad.
- Example: Vietnam has lower labor cost than Thailand.
- 2. When the transportation cost is extremely high due to the rising price of oil and gas in the world market.
- Example: Few oversea transportations are operating during the Covid19 pandemic.

Situations that exporting is not feasible.

- 3. When the domestic factories have no excess capacity.
 - Example: The majority of Thai factories stops operating during Covid19 pandemic.
- 4. When there is a need to produce at location and to fit with culture and tradition.
 - Example: KFC and McDonald's fast food.

Situations that exporting is not feasible.

- 5. When there is a trade restrictions such as high taxes.
 - Example: President Trump's high tariff policy.
- 6. When there is unstable exchange rate.
 - Example: High expectation of great recession, inflation, and unstable exchange rate in the mist of Covid19 pandemic.

What are the other
strategic alternatives?

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1. Foreign Direct Investment (FDI)

- FDI is an international capital movement.
- This is the way that a firm wants to invest and build its own factory in the foreign land without sharing much of its ownership with foreigners.
- Example: Toyota builds a big factory in Thailand.

1. Foreign Direct Investment (FDI)

- FDI (not sharing ownership)
- 1. It shares the same corporate cultures with home country.
- 2. The firm can use its own management team from home country.
- 3. It has great control over all decisions

1. Foreign Direct Investment (FDI)

- FDI can be done by
 - 1) acquiring the existing plant or
 - 2) by building a new plant

1. Foreign Direct Investment (FDI)

- Advantages of acquiring the existing plant:
 - 1. Adding no new capacity to the domestic market. This can help to prevent over-capacity in the market.
 - 2. Avoid start-up problems such as permission from the government, environmental rules, taxes, and city-codes.

1. Foreign Direct Investment (FDI)

- 3. Avoid the strong resistance from the local business. (Lotus has been resisted by all local retail business in Thailand)
- 4. It is easier to get finance since the plant itself is an asset.

1. Foreign Direct Investment (FDI)

- Advantages for building a new plant:
 1. The new plant has the exact design that can be used with new technology to save cost, save energy, and save environment.
 2. When it is a new kind of product and there is no existing firm (competitors) the local market.

1. Foreign Direct Investment (FDI)

- 3. Avoid the legal problems that may attach with the old plant such as labor dispute, union wages, and benefits.
- 4. The new plant shows the new image modern and innovative.

2. Licensing

- The firm may not decide to export but to grant a right or license to local firm to use in a specific geographic area for a specific period of time.
- In exchange, the licensee will pay a fees to the licensor.

2. Licensing

- Advantages:
 1. Faster start up
 2. lower cost
 3. Access to additional resources
 4. Low risk of operating facilities
 5. Get latest of technology
- Example: Fujitsu offers semiconductor technology for licensing.

3. Franchising

- This is when a franchisor offers the franchisee the use of its trademark, training, sales promotion, and operation technology for a specific fee.
- Examples: KFC, Burger King and other industries such as fast food, coffee, school, bookstore, hotel, university.

3. Franchising

- Advantages;
- 1. A well known name to local and global customers.
- 2. Low risk of failure
- 3. High standard of quality and management
- 4. Updated information and technology
- 5. Effective cost control
- 6. Allow to make an adjustment to local taste and culture.

4. Management Contracts

- Management contract can be used when there is a belief that foreign company can manage better than the local owners.
- Examples: Airport management, hotel management, Oil-refinery management

4. Management Contracts

- Advantages;
- 1. The ownership belongs to the local investors such Dubai Hotel
- 2. Get the high international standard of management
- 3. Good for developing countries who want to learn from advanced countries.

5. Turnkey Operations

- This is a collaborative arrangement that one local company contracts with foreign company or foreign government to build a Mega facility.
- Examples: Factory, Airport, Super highway, Express way, Oil pipeline, railway, Sky train

5. Turnkey Operations

- Advantages:
 1. Turnkey operators often have expertise in constructing, equipments, technology, and management.
 2. A reputation for Mega project.
 3. May receive financial help. For example, choose Japanese turnkey to build BTS system and get loan from Japanese government.

5. Joint Venture

- Joint venture is a form of a partnership such as one organization has a control of over 50 percent of the venture.
- **Consortium** is when there are more than two organizations participates in the joint venture.
- Examples: Gas company, Dam and Electric company

5. Joint Venture

- Advantages;
- 1. It is a combination of difference in many kinds of expert and strengths such as finance, engineer, logistics, technology, and market.
- 2. To achieve a particular complex objective.
- 3. The risk of mega project can be share.

Assignment # 3

- 1. List and explain the six situations that make exporting is not feasible.
- 2. What is Foreign Direct Investment? What are the advantages of FDI?
- 3. If you are going to invest in China as an FDI (such as CP Thailand), would you build a new plant or buy the old plant in China. Why?
- 4. Distinguish the difference between joint venture and turnkey operations.
- 5. What are the advantages of Franchising?
- 6. Explain the meanings of these important business terminologies: management, mission, vision, human capital, organizational culture, leadership, Strategy, and foreign direct investment.

1.	Management	The art of getting things done through people.
2.	Mission	The purpose of an organization.
3.	Vision	The desired future of the organization
4.	Human capital	The knowledge, skills, and capabilities embedded in individual.
5.	Organizational culture	The values and norms shared within an organization.
6.	Leadership	The process of motivating, influencing, and directing others in the organization to achieve the goals.
7.	Strategy	An action that managers take to attain the goals of an organization.
8.	Foreign direct investment	Investments by a company based in one nation in business activities in another nation.