



Contents lists available at ScienceDirect

Int. J. Production Economics

journal homepage: www.elsevier.com/locate/ijpe

Understanding the strategies of late-movers in International Manufacturing

Afonso Fleury^{a,*}, Maria Tereza Leme Fleury^b

^a Production Engineering Department, University of São Paulo, Avenida Prof. Almeida Prado, 531, 05508-900 São Paulo, Brazil

^b School of Economics and Business Administration, University of São Paulo, Brazil

ARTICLE INFO

Available online 18 June 2009

Keywords:

New multinationals
International Manufacturing
Global operations management
Entry strategies
Organizational competences

ABSTRACT

This paper analyzes the internationalization of new multinationals from emerging countries. It also focuses on Production's role in firm internationalization, a subject seldom addressed because the discipline of International Manufacturing is still embryonic, while International Business tends to overlook production. The authors integrate International Business and International Manufacturing concepts and frameworks in order to analyze new multinationals from emerging countries, using the empirical evidence of a survey plus case studies of Brazilian multinationals for understanding late-movers' strategies and competences, with emphasis on production.

© 2009 Elsevier B.V. All rights reserved.

1. Introduction

The difference between a local firm and a multinational is International Manufacturing. This may seem commonsensical, but recent definitions highlight it: "A MNE is a firm with some foreign sales and some foreign production, in which the latter takes place in a wholly owned subsidiary" (Rugman and Li, 2007); and "A MNE is any business that has productive activities in two or more countries" (Hill, 2008).

However, the role of Manufacturing, defined here as "the entire process that takes a product from initial concept to its eventual use by customers, including design, production, marketing, distribution, service and disposal" (Gregory, 2003), in the internationalization processes of firms is rarely addressed. In Production and Operations Management, International Manufacturing has become of interest only recently: M.T. Flaherty's "Global Operations Management" (1996) is the first book entirely dedicated to the theme.

On the other hand, International Business has focused since the 50s on the study of internationalization. However, the Manufacturing function, though often mentioned, is seldom the focus of studies.

Late-movers, i.e., firms from the so-called emerging economies or BRICS, and from Brazil in particular, are now beginning to internationalize, generating an excellent opportunity for studying the role of Manufacturing at this specific and crucial point of the most important firms' trajectories.

Late-movers are defining their internationalization strategies in an environment densely populated by developed-country MNEs. One of this article's basic arguments is that the current process of internationalization of BRIC firms results largely from the repositioning of advanced-country MNEs and from the reconfiguration of global production systems.

The first issues this article addresses are:

- which are the competitive strengths of late-movers when they internationalize?
- how can they compete with advanced-country MNEs?
- what is the role of late-moving firms in global production networks?

* Corresponding author. Tel.: +55 11 30915363; fax: +55 11 30915399.
E-mail address: acfleury@usp.br (A. Fleury).

The article has five sections: this introduction; a brief review of the role of Manufacturing in internationalization, as identified in the International Business literature; empirical evidence about how global production systems are evolving, at world level, as well as a framework to describe the changes currently taking place in global production networks; a discussion of the research questions and research design, consisting of a survey of 30 Brazilian MNEs and four in-depth case studies, all of which provide insights into the research questions; and the main conclusions.

2. A review of literature on internationalization and the role of Manufacturing

2.1. *Early-movers and the role of Manufacturing*

The literature indicates that after WWII, two periods were especially propitious for the internationalization of firms. The first, in the 50s and 60s, was led by firms from the advanced industrialized countries. American firms such as Caterpillar, GM and Ford, among others, were the movement's main players and the International Business and International Manufacturing role models.

The theories developed at that time to explain this movement indicate that the internationalizing country or firm decided to become so for economic reasons. For example, *letto-Gillies (2005)* considers Stephen Hymer the author of the first modern theory of large firms' 'international operations', arguing that "Hymer's demarcation criterion between FDI and portfolio investment is *control*. Direct investment gives the firm control (and increased market power) over business activities abroad; portfolio investment does not".

Vernon's (1966) "extended product life cycle" theory uses a similar assumption as its starting point. Since firms from advanced countries take the lead in the development of new products and services, and fully exploit them in their home markets, transferring operations abroad to exploit new markets with products already tested back home and produced in similar plants only requires marginal investment.

From this point of view, the role of Manufacturing in early-movers' internationalization is essentially related to the implementation of new factories in foreign countries and the transfer of technology (products, processes, methods and procedures) from the home country. Though adaptations may be required in the host countries, this is of minor importance.

2.2. *The Nordic school of internationalization and the role of Manufacturing*

Later studies focused on Scandinavian firms produced different views about internationalization. The case of Scandinavian firms was different because their national markets were smaller than those of other industrially advanced countries, making international success a prerequisite for survival and growth (*Flaherty, 1996*).

To explain the internationalization of Scandinavian firms, Nordic School authors focused on actual decision-making at the firm level and used the concept of bounded rationality (*March and Simon, 1958*), according to which managers realize that the complexity of the decision at hand is greater than their capacity for modeling and processing. In other words, objective knowledge is insufficient, making experiential knowledge more important. This assumption points to firms internationalizing gradually, choosing paths in which every step represents only an incremental challenge, and learning from this experience in order to move into further countries and markets. Because a firm's absorptive capacity expands incrementally, these firms adopt a sequential internationalization process, moving first into psychically closer countries, to avoid uncertainty and minimize risks.

In a way, the Nordic School's approach attenuates the assumption of "easy internationalization" implicit in the earlier approach: risks cannot be totally predicted and emerge only once internationalization is under way. In this setting, Manufacturing plays a different role: it is an active player in the process of learning and developing a strategy for the firm's internationalization process, rather than a passive organizational function responsible for implementing a predefined strategy.

2.3. *The second wave: the internationalization of Japanese firms*

Though Japan has an ancient tradition as an industrialized country, its emergence as a global player occurred during the 70s and 80s and recent literature considers it a "late industrializer".

Japanese industrial growth and the internationalization of their firms occurred under encouraging international conditions. One of the key points was a change in the dynamics of products and markets. Until the 70s, the "seller's law" governed most markets: since demand was greater than supply, manufacturers operated according to their own rules, generally seeking scale increases and standardization to reduce costs. Japan's rise coincided with a set of global macro-environment events that led to a shift in certain markets, where increased production capacity meant supply now exceeded demand. So markets started working under the "buyers' law": power shifted to consumers and quality became the chief buzzword. Japanese industry was the first to submit to this new rule. The Japanese Production Model offered a paradigm shift and allowed Japan to catch up with the most advanced countries.

Japanese industry had prepared this conjuncture for a long time. *Fleury and Fleury (1995)* observed that, after WWII, the Japanese catch-up strategy went through three different stages: learning at the production level (1945–1964), linking markets to the production process (1964–1973), and consolidating the Japanese Production Model (from 1973 onwards). The Japanese MNEs faced fierce competition, struggling in "...markets that are continuously being reconstituted by strategically aware competitors" (*Best, 1990*). "When they set up their

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات