Automobile Industry: The Internationalization Approach

The companies in the automobile industry give one another a very competitive environment in the current global market due to the high demand and the differences in the quality of the automobile produced by each automobile company1. Suzuki is a well-established company that is a notable key player in its country of origin (Japan) as well as the international market2. However, it is true that the company has not yet attracted its customers in some of the global markets due to some restrictions and barriers based on different government laws and cultures in those markets.

The business carried on across the borders has become a good global opportunity for various organizations to carry their business in various countries. However, although this is a good income-generating opportunity, there are multiple risks involved in the managing of a business across various countries as compared to the risks when managing it within the local country only4. There are various factors that affect the business operation across the borders which must be considered before venturing in the business. Some of the basic factors to consider before entering into the cross-border business venture include culture, legal factors, politics, resources, and technology4.

Although operating across the borders for an organization gives it a lot of opportunities, the company still needs a lot of resources for investment such as capital, labor, and the land. Therefore, it is very important to understand that if such investments are done and they end up resulting in a negative outcome, it might impact even the home business1. For any investment to take place in a new market, the management should take an initiative to research the potential risk factors and come up with ways of evading them. For any organization to do well in cross-border business, proper strategies must be put in place for the desired objectives to be achieved. This report analyses thorough information on the strategies and the processes that have been used by the Suzuki automobile company to expand across the borders. It also analyses further of the impacts, the challenges and the problems which are involved in cross-border investments. Suzuki is an automobile company that is involved in the manufacturing of heavy vehicles, motorbikes, and cars1. The Suzuki automobile company has effectively expanded across Asia via the use of notable strategies implemented by its management for the effective operation of the business across the borders.

Business across Border

For a business to be expanded across the border there must be very much challenging tasks to be done. Venturing in an international market gives an organization plenty of opportunities for growing as well as developing the organization. This opportunity offered the organization a good chance to meet the predefined goals and objectives of its operation3. However, there are various challenges that are involved in operating a business across borders. Some of such challenges which are very basic include the different governmental legal structures, different taste of the consumers and the cultural norms in different countries5. Therefore, before a company engages in the cross-border investment, it has to set a number of strategies that will ensure that in the case of such challenges during the expansion the home business is not affected. In our case, Suzuki is a Japanese automobile company but it had to lay some

strategies to protect its operation in the home country if the challenges during the expansion take place. Some of the strategic features, in this case, is keeping a good sum of money that can be used as a security for the home business in case of failure.

The Issues Faced by Suzuki during the Cross-Border Expansions

i. Cultural and Language Limitations

Language is a very important feature in any business. It is a basic feature that gives room for communication between the consumers and the producers. The automobile industry is a counter product business model in which the potential buyers must understand all the details behind particular pricing, model or specifications. Since it is a traditional norm in the business industry for goods and services to be sold when a good channel of communication has already been achieved between the seller and the buyer, lack of a language for communication in an international market played a hindrance for the company as it became very hard to market and attract the customers1. Therefore, the language barrier plays a major risk factor in the implementation of cross-border operations. Strategies such as employing the local personals in the foreign country had to be developed by Suzuki to counter this barrier.

The culture and the tastes of different people matter very much during a business expansion since people in various countries have different views and norms towards some products. It is very important for any organization that is expanding across the borders to consider researching on whether the product they are offering is important to the people as per the religion of the country demands3. For instance, the Suzuki automobile faced some challenges in Asian countries due to the unacceptability of their products as a result of the names that they gave to their different models of cars, the slogan used for advertising or even the model of the car1. Some of the names, models, and slogans might be unwelcomed in the countries. Furthermore, identifying the demands of the customers in different cultural regions can be very much hard as it needs one to have properly studied their culture, their tastes and also their market.

ii. Legal Limitations

For an organization that operates across borders to be successful, the management should fully understand and put in consideration all the local laws, conditions as well as rules that have been put in place by a particular country on which the organization's operation is involved2. There are countries in which restriction has been put defining the amount of the goods that a foreign company should not exceed in production within the country. More also, changes in the business regulation based on various countries of operations possess a challenge on the managers to carry out their operation and marketing strategies within the countries. For instance, as a result of the changes in the tax policies, the Suzuki motors have to adjust their pricing and costs which has a direct impact on the consumers1. Then the pricing feels too high for the consumers, they may opt-out for another company offering similar products.

Notably, it is very important for a cross border company to identify the issues which are related to government regulations as well as taxation policies. The organization also needs to have a good resource reservation that can be used to counter such issues. As there are different legal measures and regulations deepening on the countries of operations, the managers are confronted with the challenge of stabilizing, pricing as well as controlling the production and the

pricing of the products4. For example, some taxation measures may lead the company into overpricing a motor vehicle in a country such that the consumers prefer the local motors leading to the collapse of the organization operating in that country.

Legal laws like corporate taxation in various countries are usually very different which requires that a particular organization should always adjust their prices depending on the country. Furthermore, the company may sometimes have to flee its operation in some countries since the legal laws are in favor of their local industries. For example, although China has a good market for Suzuki motors, the company has reduced its sales in China and focused on selling in India where the legal measures are favorable for its operations1.

iii. Planning

Usually, when a company is getting introduced in a new market it must face the challenges of competing with the local companies in such jurisdictions. It is usually very difficult for the company to identify the customer preferences in the new countries of their operation in order to produce the goods that suit their demands3. Therefore, achieving an equilibrium demand and supply in the new markets is very challenging and needs stringent planning. The Suzuki automobile faced the challenges of competition with the Tata Automobile before it later established a good market for its automobiles in India1. Noting that it might not easily achieve a large customer base like the case in its home market, Suzuki had to embark on a research about the analysis on the demand for the products as well as the consumer preferences in the Asia countries5. This cost the company a good amount of money to get to know the preferences of the consumers and the trends of automobile demand on Asian countries. The company had to further compile the strategies they had made on the foreign marketing together with the strategies used in their local markets to achieve good planning that they needed to counter the competition in their international market1.

However, it is notable that compromising such a foreign planning analysis can affect the company’s operation in both the home and the foreign market. Therefore, planning for the cross-border investment is a very expensive imitative to undertake.

The Internationalization Approach

Based on the fact that opening up a business in across the borders has numerous challenges as described above, the approaches that the Suzuki motors used to enter the across-border market involved considerations of the challenges. Its approaches were devised to satisfy the market and counter the impending risks associated with internationalization.

i. Understanding Product demand and the Competitor.

It was very important for the company to understand the needs and demands of the various customers based on various locations. More also, the managers of the organization have to consider delivering the automobiles based on different climatic conditions in the area5. For instance, it would be silly for Suzuki to launch an automobile that doesn’t operate on low temperatures in some of Asian countries like Peru. Therefore, they had to deliver their vehicles based on consumer demands in various countries. It was also very crucial for them to consider their chief competitor in such countries who might be operating within their local countries or on

international bases. This gave Suzuki a chance to decide on the best model to deliver on different countries to counter the competition. In other words, gaining a competitive advantage needed Suzuki to produce more valuable products than their competitors and which are within the consumer's demands.

ii. Consumer and income consideration

For the effective determination of the customer purchasing capacity in different countries, the company had to determine the consumer income1. In this case, the company had to consider the country’s GDP. By considering the different countries' GDP, the organization got an idea of the consumer disposable income which gives it a rough idea on the willingness of the consumers to purchase. For this reason, the products that may be priced very much high above the consumer income, the product might not get good demand and it might be hard for the company to convince the buyers towards purchasing it. Therefore, in this case, the consumer income and the purchasing capacity allowed Suzuki to differently price their automobile depending on the country2.

iii. Approach to the safety of the employees and availing their services for global accessibility.

It was very important for the company to note that there is safety in the operating the production unity and the company, ensuring that there are no problems in the operating of the business and that the safety of the employees is ensured. For instance, there might be incidences of unfavourable climatic conditions, civil wars in a country or even national crashes between two countries that might be their customers. In this case, the company has to ensure that its production plants, as well as their business units, stay safe as much as possible. Therefore, the company had to ensure that there were insured before venturing into the international markets1. More also, the company had to ensure that they provide a good warranty in cases where customers might be dissatisfied with a product.

In another case, Suzuki has put down measures to make sure that their products are available for their customers at any time including during harsh climates. However, it is notably clear that during the periods when the climatic condition poses a challenge on both the production and delivery of the automobile the price may sometimes increase. In such a situation, the organization protects its customers against higher pricing by using the amount set aside to cover up the extra costs1.

iv. The Availability of the resources.

The resources are usually the backbone for the running of any organization. If an organization does not have the resources cannot stand a chance to survive in the market5. Suzuki had to understand that some of the resources like labor, land, and technology are very important for their smooth operation1. There is usually difficulty faced during the operation of the business at the international level especially when resources are involved. Suzuki automobiles enjoy the high availability of raw materials and good technology at their local plants. More also, they employ well-skilled personnel as their employees at their local plants. However, as it came to the cross-border operation, there was the unavailability of the raw materials as well as skilled personals4. To gain the trust of the countries on where the company operated, they had to

employ local personnel. For this reason, Suzuki incurred some cost in the training of the unskilled to fit their standards4.

This approach of employing as well as training the local people in this international company gave the cross-border consumers some more trust in the organization and their customer base improved very much2. The organization also devised a good employee motivation approach which made the employees more motivated to always work for them towards working for the profitability of the company. Further, the company carries out regular training of its employees and other methods of motivation like increasing the employees' salaries5. This approach has ensured there is a smooth running of the organization without any challenges on the resources and manpower.

v. Government Regulation

The governments are the ones that control the extent of investment from international bodies. Suzuki had to consider the different government regulations in the various countries that it had to invest. Most of the countries on which Suzuki has invested are developing. Most of the developing countries welcome investments from the international come, thereby, Suzuki used the strategy of working with the developing countries. In this case, the company got a chance of less taxation and found favourable governmental regulations on investment. This is unlike in the developed countries when the government might enact laws that favor their local business making it hard for investment.

The crossing Borders Strategy

The internationalization strategy that was used by Suzuki to take over the market across the borders of Asian countries was direct investment. In this case, the organization owns the facilities at 100 per cent without requiring other businesses to either merge or franchise with them. Therefore, the company directly acquired the foreign market through its marketing procedures such as advertising. More also, the organization gained its own employees from the host countries ensuring that they do not run short of labor and also that they gain the trust of the local people in those countries.

Conclusion

Internationalization across the borders is basically an innovation decision made by various businesses to expand their operations from their local market. In cross-border internationalization, the prevalence of competition is very common and it gives the organization a chance to improve the quality of the products rather than enjoying monopoly powers. As a result of the population growth around the world, different industries have resolved to internationalize in various countries to meet the demand of various customers. By expanding the business across various countries, the organization gets a chance to improve its financial position and also create an image for their brand. This is basically the reason why Suzuki had to decide to do a cross border business across various Asian Countries.

However, there are so many risk factors that businesses need to take care of to remain in the international market. Some of the risk factors that Suzuki had to find solutions to include the differences in cultural norms in various countries, barriers due to adverse government regulation

and planning challenges in the new organization. This made the organization incur a lot of costs before it gained popularity. More also, it has resolved to withdraw from some countries like China where the home organizations are favoured by the different government regulations.