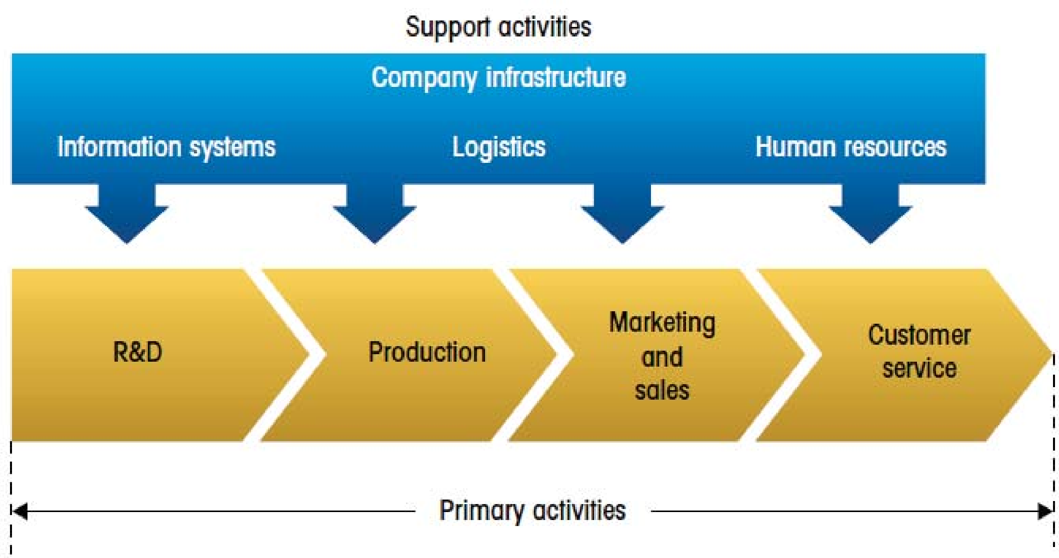
Operations: the firm as a value chain

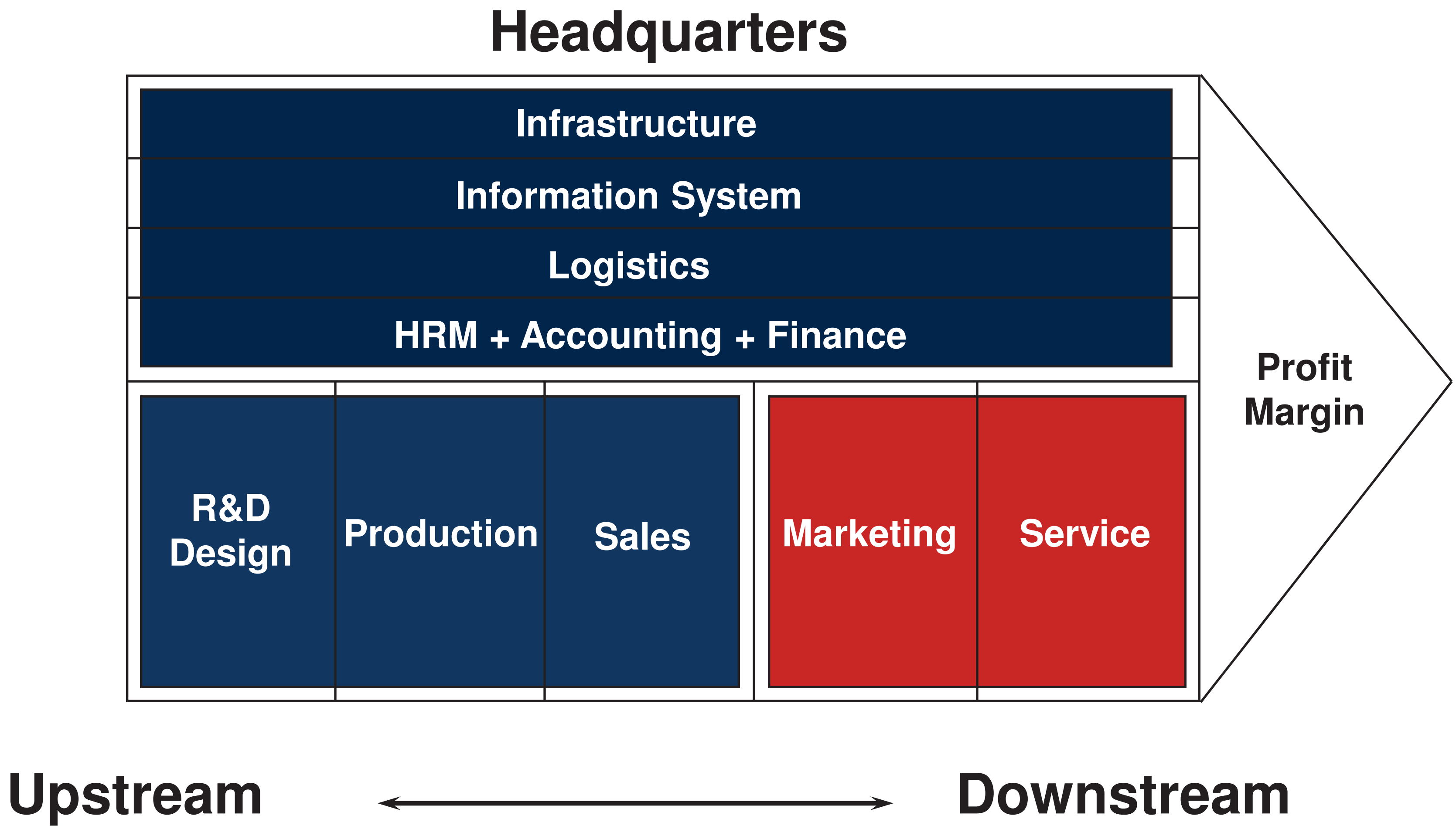
- The firm can be thought of as a value chain composed of a series of distinct value creation activities
- These value creation activities can be categorised as:

  – primary activities (upstream + downstream), including production, R&D, marketing, materials management;

  – and support activities, human resources, information systems, and infrastructure



Value chain of MNEs



A fine level analysis?

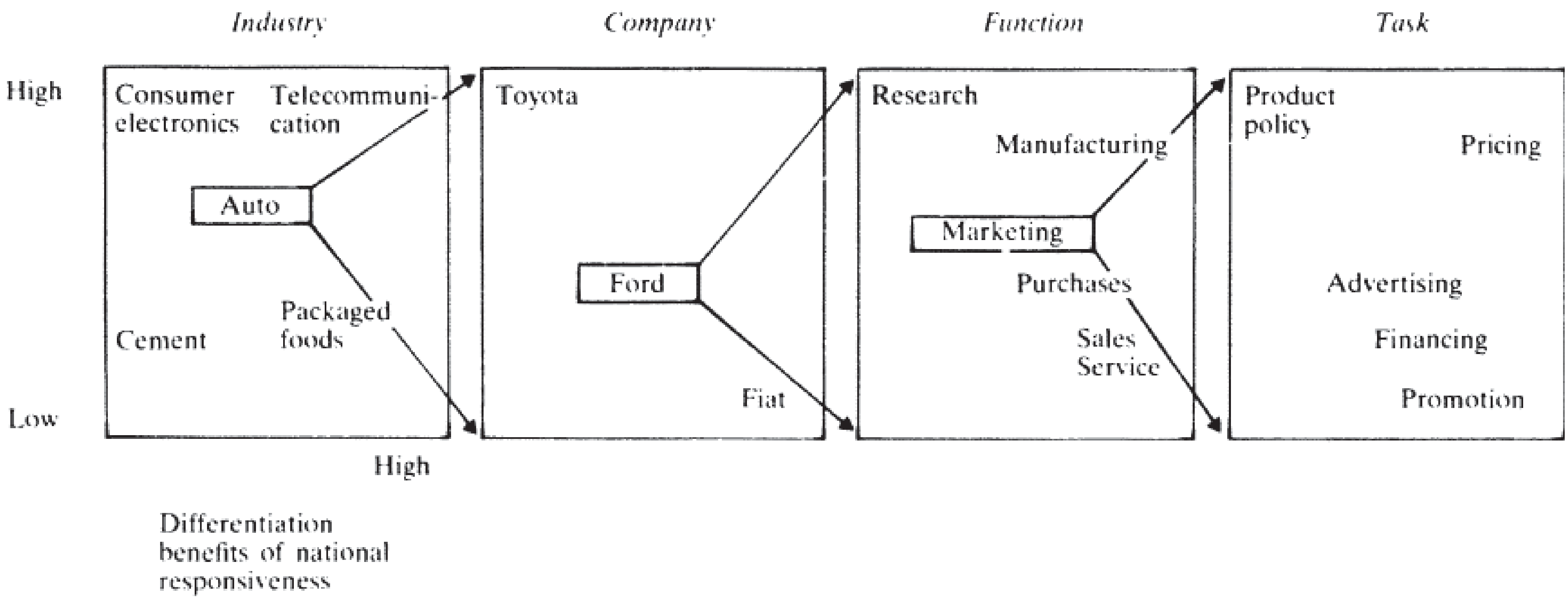
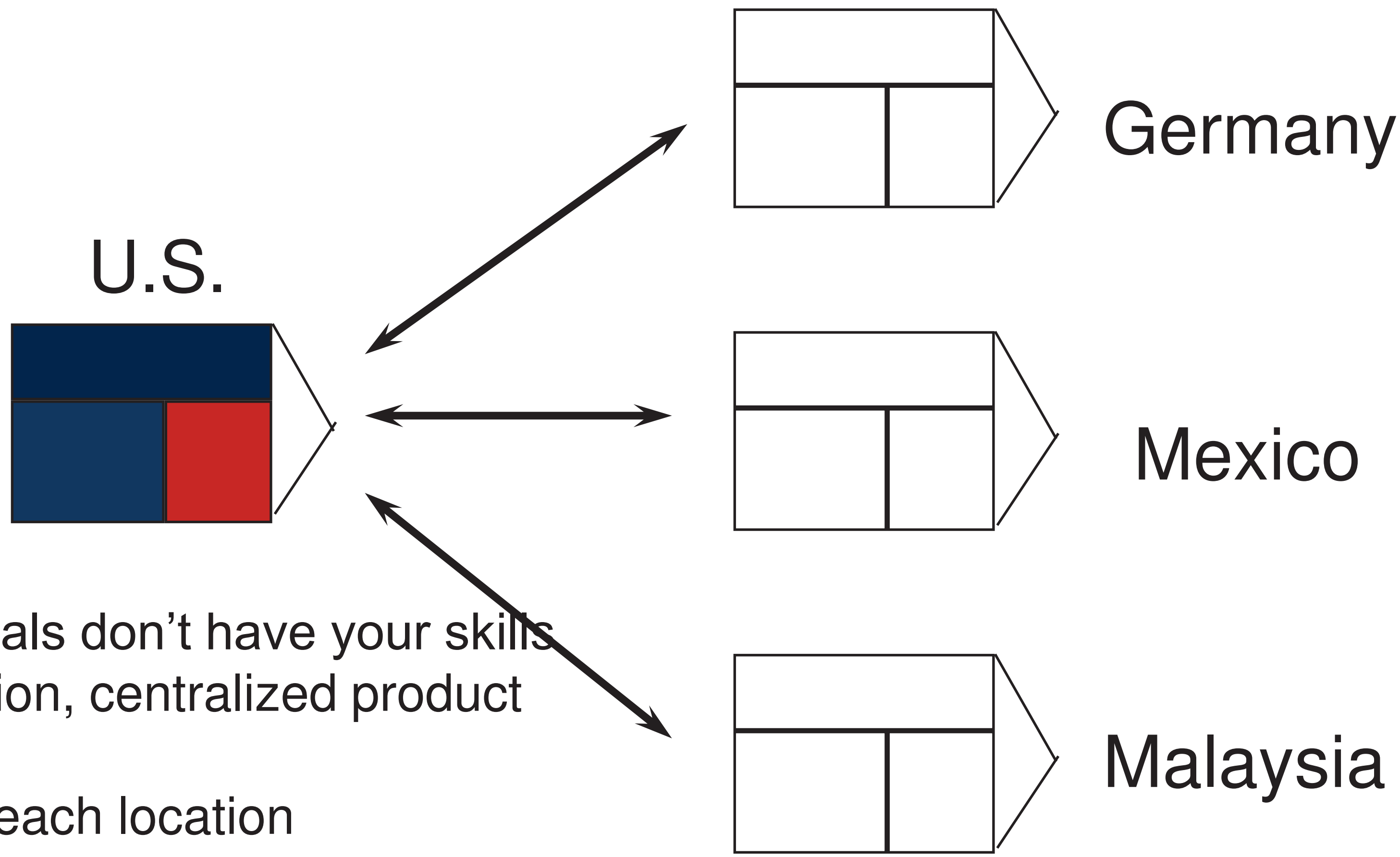


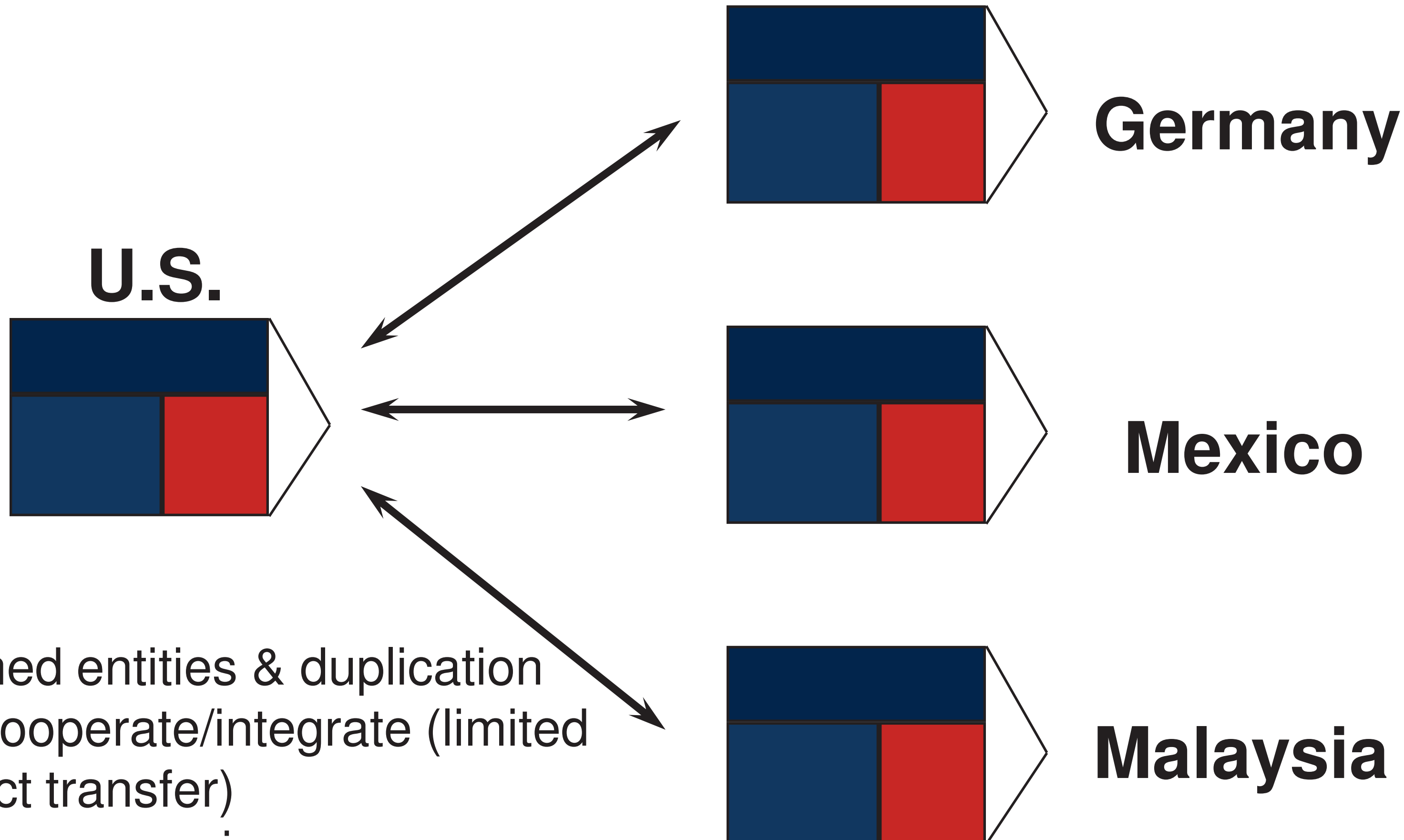
Figure 1. The integration–responsiveness framework (reproduced from Bartlett, 1985)

International strategy (e.g. export)



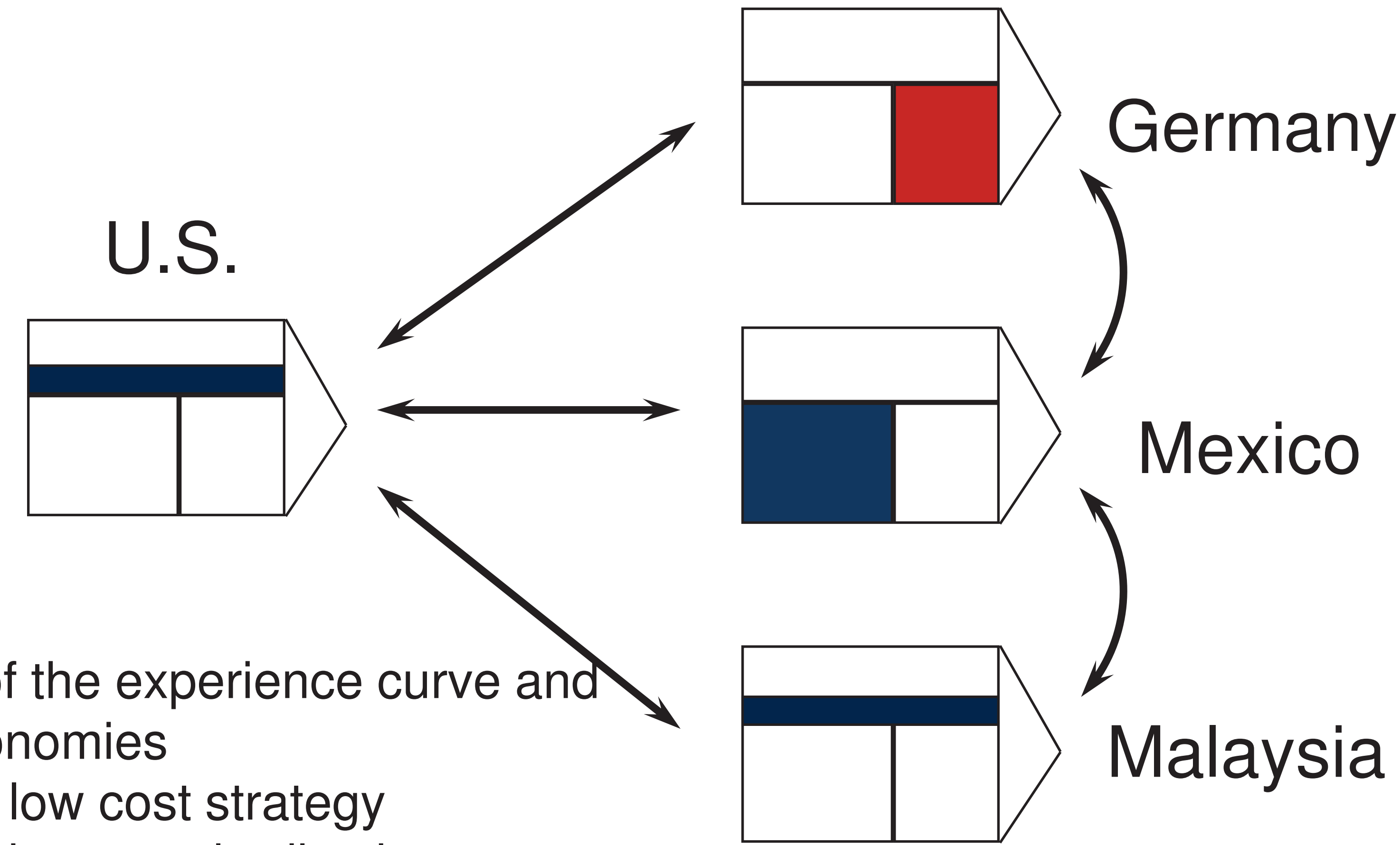
-Go where locals don't have your skills
-Little adaptation, centralized product development
-Marketing in each location
-if manufacture locally, usually low-skill assembly

Multidomestic strategy



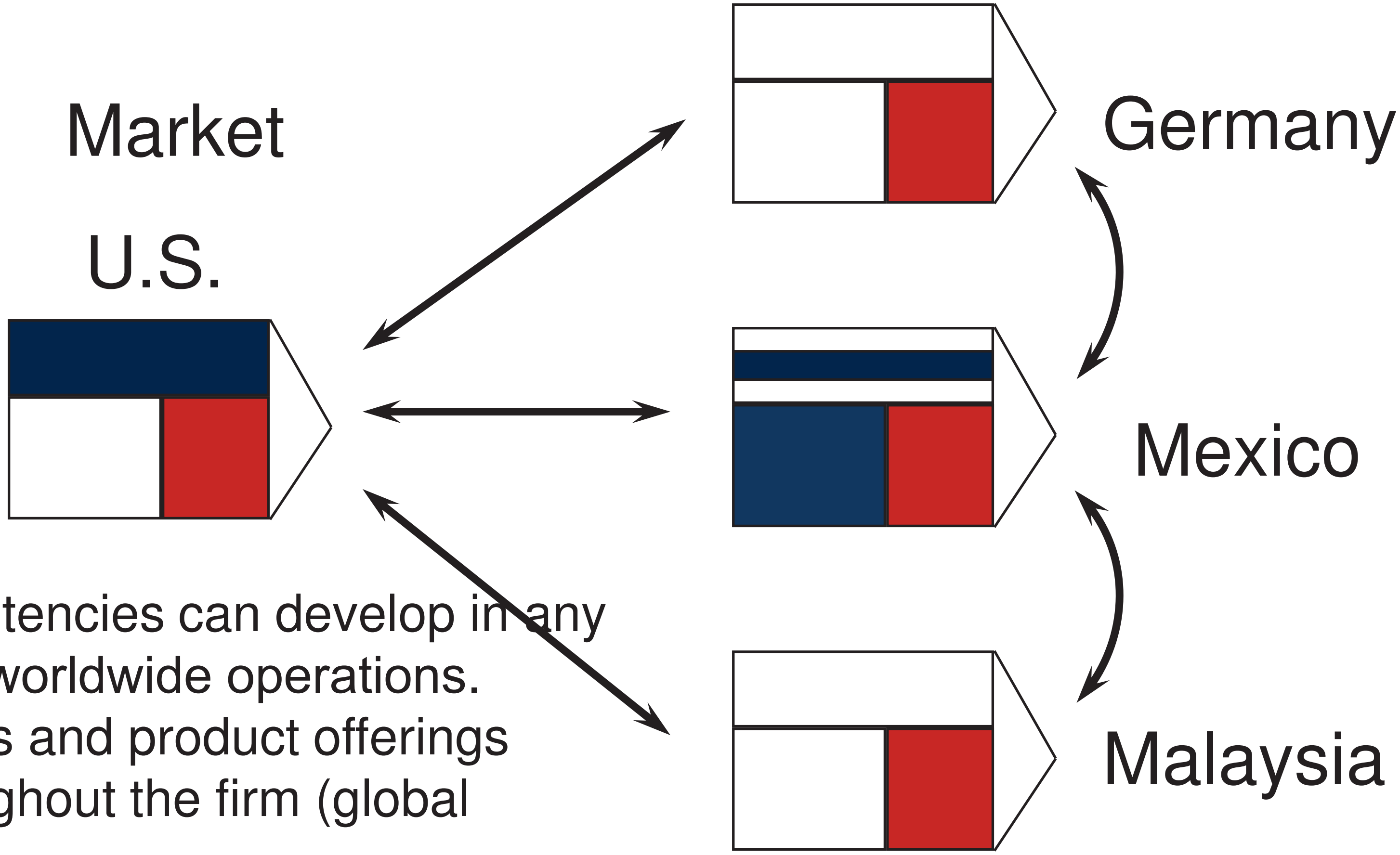
- self-contained entities & duplication
- difficult to cooperate/integrate (limited skill & product transfer)
- less location economies
- less experience curve effect

Global strategy



- Best use of the experience curve and location economies
- This is the low cost strategy
- Utilize product standardization
- Production, marketing, and R&D concentrated in few favorable locations

Transnational strategy (v.1)



-Core competencies can develop in any of the firm's worldwide operations.
-Flow of skills and product offerings occurs throughout the firm (global learning)
- Ideal, but too complicated (a balance between centralization-decentralization-coordination)

Transnational Strategy (v.2)