

A Case Study on the Motorola China's Localization Strategy

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ABSTRACT

In a high degree of integration global economy now today, people have become more concerned about the phenomenon of transnational corporations; multinational companies renounce the traditional research and development model in the host country, where they have set up research and development centers. In this thesis, a case study will be carried out to analysis the Motorola's current localization strategy and its market position in China, in order to highlight the points that local enterprise could learn from Motorola. Firstly, we make an introduction of Motorola company; Then, the we do the PEST analysis of Motorola's localization strategy in China, which are attached in Appendix; Thirdly, we analysis the motivation for Motorola's localization strategy in China; Fourthly, we pick up the Motorola's localization strategy in China, including HRM localization, Manufacturing localization, R&D localization, Brand localization and Motorola's HRM strategy. In the course of economic globalization vs. localization research and the developments of internationalization have relationship and difference. Localization can be said as the first step of international business towards. Thinking globalization and localization action has become the guiding philosophy of many multinational corporations. The research objective is under the conditions of economic globalization in order to improve the market shares of multinational companies must be in a localization process.

Keywords: Multinational corporations · Globalization · Localization strategy

INTRODUCTION

Background

Motorola was founded in 1928, which is one of the top 100 enterprises, is a global wireless communication Industry leader, to provide seamless mobile communication products and solutions. And it first produces Car radios and Rectifier, in the 1940 to 1950 years it continued to grow and develop. In the 1960s, Motorola began developing the overseas market, implementing multinational operations, and has gradually become a global multinational company. Motorola's business covers the broadband communications, embedded systems and wireless networks and other areas, the existing four major business groups respectively are the mobile terminals business department, Network Business department, government and enterprise mobility solutions and broadband networking business department. In 2004, Motorola's sales have reached 31.3 billion U.S. dollars. The company currently chairman of the board and chief executive officer is Edward Zander. (IT.com.cn, 2008)

Motorola's Development Strategies

Motorola entered China in 1987, first in Beijing set up an office. in 1992 in Tianjin incorporated Motorola (China) Electronics Co., Ltd., the main products include mobile phones, walkie-talkie, Wireless communications equipment, automotive electronics, the products are soled to China and the rest of the world markets. At present, in China mainland it has three wholly-owned enterprises, a holding company, 15 research and development centers, five joint ventures and 22 branches, employees are over 9,000. Up to now, Motorola's investment in China totaled about 3.5 billion U.S. dollars, is one of the largest foreign-invested enterprises in China. (Motorola, 2008)

Motorola company in China has made four major strategies: First, investment and technology transfer: Stick technology investment transfer, continuously increase in the intensity of research and development; second,

management localization: cultivate local culture management personnel; Third, supporting domestic products: training providers in China, making the supporting products localization; Fourth, the implementation of joint ventures and cooperation projects. Each of these four strategies reflect Motorola's long-term commitment to the market - to invest in China, take root in China, out-and-out to be a Chinese company.

THE MOTIVATION FOR MOTOROLA'S LOCALIZATION STRATEGY IN CHINA

The Development Situation of Motorola in China

Motorola in China has begun since 1987, when Motorola set up offices in Beijing. In 1992, it incorporated Motorola (China) Electronics Co., Ltd., in Tianjin, taking the real root in China's local community (Xu, 2005). In 2001 Motorola's turnover was 31.3 billion Yuan in the Chinese market. From 2000 to 2001, Motorola's sales in Chinese mobile phone market occupy the first. Currently, Motorola is China's largest electronics enterprises with foreign investment; it is the largest investor of the United States enterprises in China. Motorola in China has achieved tremendous success, the reasons, can be seen from Motorola (China) web site's announcement 'Motorola China's future development strategy is to set up stable and unbreakable strategic partnership with China, its aim is to become an out-and-out Chinese company.' (Motorola, 2008) In order to realize this goal, Motorola has been implemented the localization strategy in China, as far as possible to achieve the 'do in Rome as Rome does.' Motorola (2008) says so and also does so. Motorola currently is considered one of transnational corporations in China with the highest degree of localization.

The Motivation of Motorola's Localization Strategy in China

As many multinational companies Motorola entering China and implementing localization strategy has its reasons. First is to set up a corporate image. When a multinational company enters the local market, usually come in for the local government and the consumers' collision or inconsistency (Feng, 2007). Implementation of personnel, corporate culture, materials, marketing localization can establish enterprises public's image. Second is to rapidly occupy the local market. In 1992 when Motorola has just entered China, it lacked understanding of the domestic market, but also far away from the target market; can not keep up with the changes and development of the target market, which is easily losing market opportunities.

And implementation Localization also can choose local human resources to achieve materials, research and development, marketing and others, through the local subsidiary Observation of the market, enterprises can be based on consumer demands and market changes in the first to research and develop, produce and occupy the local market (Xu, 2005). Through the 'Localization' model to be close to the market, which occupy a very high market share, which is multinational corporations and also Motorola's one of the important goals.

Furthermore, the implementation of management localization can help multinational companies use the local comparative advantages of production, lower Production costs, or reduce inventory, shorten production cycle, and save transport costs and thus gain a competitive advantage.

In addition to reduce business risks is one of the reasons of implementation localization strategy. Because of frequent changes in the international environment, MNCs can reduce the risk by localized operation. For example by improving the localization level to integrate into the host country's socio-economic And legal environment, when the host countries' political and economic situation change (such as exchange rate changes, or impose special tariffs to some commodities etc.), it shows a better ability to adapt, in the short term can not communicate with the parent company or other subsidiaries in capital or goods and maintain the survival and development, which in large measure to avoid the uncertainty and reduce the enterprise operational risks.

THE STRATEGIES OF MOTOROLA'S LOCALIZATION IN CHINA

The HRM Localization Strategy

When multinational companies implement Localization marketing strategy, it must first consider inevitably is the localization of human resources. As an advertisement says "marketing is people-oriented." As for Motorola, Talent is the most valuable source of wealth and victory. Motorola Company in the world has achieved great success, which largely attributed to its commitment to the people and capital administration. Motorola has been believed in "the best staff is from the local"; so from the senior management to the general staff is fully localization. Talent is Motorola's largest wealth, and the key of realization of the localization of personnel is through a comprehensive and effective Training system to develop local talents. To that end, Motorola Company prescribes that the parent company must pay annual expenditure equivalent staff 3% of the total cost for staff training, each employee each year must be subject to not less than 40 hours of training. (Xu, 2005) At present, more than 90 percent of Motorola (China) company's employees are Chinese people, in the management 72 percent are Chinese. The company also has another provision: the middle management staffs are generally employment of local workers, and plans to achieve the goal that after five years the senior staffs only 10 percent are foreigners (Nan, 2001).

One Statistics shows that in a modern society, a well-paid if not update the knowledge within five years that he would be transferred to a low-income person. We can see that the localization of human resources and not just the localization of personnel. It needs the Increasing of additional value of human, which is to supplement the expertise timely and to improve work skills. Therefore, comprehensive and effective Training system is essential. (Marketing Net, 2008)

To this end, in July 1993, Motorola established Motorola University in Beijing, it is one of the company's training base, has opened communication technology, business management, marketing and other subjects, here, the company not only trains its own staff, but also provides training for the Chinese joint venture partners, suppliers, distributors, customers and State government officials. The school curriculums are designed by professionals, to ensure that adapts to China unique culture and market. When new employees enter Motorola's, first of all they have to go to the university to participate in the 'new staff induction training' to understand the Organizational structure, business culture, such as rules and regulations. At the same time, the company pays the annual expenditure which is equivalent to 3% of staff salaries of the total cost for Staff training, each employee must receive no less than the annual 40 hours of training. In China's 14,000 employees, to set up a 170 kinds of courses for the Chinese mainland each year to provide staff with as many as 27,000 training projects (Zhao, 2002). And as for different staffs implement various different staff training programmes, for the first-line operators conduct basic training, technical staff with technical training and the management is acceptable to management training. In order to achieve faster management staff localization, but also specially design a special training program in China to strengthen management of the development potential of the management of cadres training, training of short-term goals is to enable them to become middle-level management personnel, long-term goal is to become senior personnel. To the end of 2002, Motorola University has developed a substitute for the more than 100 foreign domestic senior management personnel (Feng, 2007).

Motorola emphasizes to choose talents in domestic famous universities and send them to U.S to train. What's more, the company specially selects students on campus such as Tsinghua University, Peking University or UIBE to take the internship to learn some business knowledge or corporate cultures. In Motorola's eyes, it is to tell them 'what does it do', clearly speaking, this is to develop talents for its own (Xu, 2005).

Another important content of Motorola localization strategy is to provide technology and management trainings for its cooperating partners. One of the most famous training projects is the 'enterprise optimizing center' training project which is jointly launched with China's Planning committee (Xu, 2005). This project aims to share Motorola several years' quality management and producing experiences with China's state-owned enterprises to increase their international competitiveness, and at the same time to expand Motorola Company's components' suppliers, to further realize stock localization and reduce product costs, control inventory, and reduce the development cycle of new products.

Table 1: Motorola's Training Centres in China of 2006

Province	Hubei	Sichuan	Guangxi	Shanghai	Beijing	Shandong	Tianjin	Chongqin
Number	130	109	108	89	58	57	46	44
Province	Xinjiang	Shanxi	Yunnan	Anhui	Liaoning	Guangdong	Hunan	Zhejiang
Number	43	40	36	36	33	30	28	15
Province	Fujian	Jiangsu	Gansu	Guizhou	Hebei	Jilin	Henan	Neimeng
Number	12	12	8	5	4	4	3	1

(Wu and Zhuo, 2006)

Since 1998, Motorola cooperated with Chinese Planning Committee, and employed famous professionals from better universities in Beijing or Tianjin, from leader ability development, strategic planning, marketing, quality control, external control, financial management and human resource development and other factors to train China's state-owned enterprises' directors, managers or technological staffs. Until now, there are about 1516 state-owned enterprises' directors, middle management personnel and technological personnel from 23 provinces have taken part in the trainings (Wu and Zhuo, 2006). They are respectively from electronic, telecommunication, computer hardware, software, media, and trade or business industries. Motorola plans to train 1000 state-owned enterprises (Xu, 2005).

In order to further support Chinese west development, Motorola pushes this training project to the west regions with Chinese Planning Committee. In 2005, both have held training in Xi'an and Chengdu (Wu and Zhuo, 2006). Until now, there are totally about 85 factory directors, middle management personnel and technological personnel have taken part in this project.

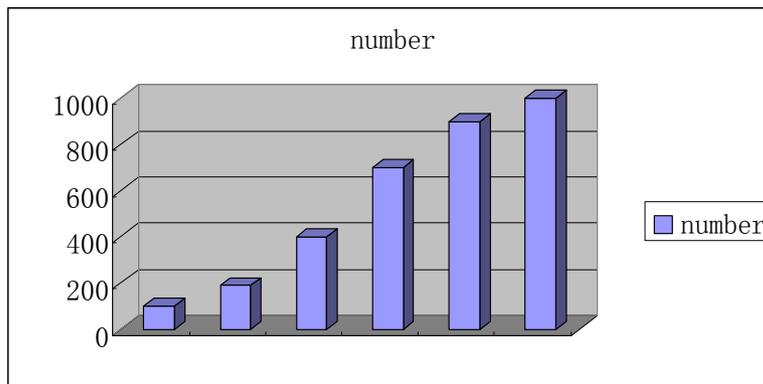


Figure 2: Motorola Training Centres From 1998 to 2003(Wu and Zhuo, 2006)

Motorola considers that localization does not only mean purchasing products or services from China, but also means each business has localization contents. Motorola Company has rooted in China, its aims is to become a real Chinese company.

Manufacturing Localization Strategy in China

After Motorola enters China, it actively develops the local suppliers to provide fittings and services to its companies, then pushes that its fittings are made in China, the main measures include:

To establish reciprocity cooperation relationship with the local suppliers. Motorola sets up the stable cooperation relationship with these suppliers that can reach its quality standards and helps those suppliers to set up the equipment upgrade plan, improve production techniques and management and establish quality control system. Motorola also provides technological support for its suppliers.

To provide technological and management training for the important suppliers. For example, in 1997 Motorola has provided 5800 trainings for the local suppliers for free. (Wu and Zhou,2006)Another example, JiYa electronic company is a company that produces LCD and LCM, Motorola provides course training as well as sending technological personnel to lead it to improve production management, technology and quality system, etc. In February, 1997, the company was attested as a supplier of Motorola, and began to produce fittings for Motorola mobile phones.

In 1999, JiYa has passed ISO9001 certification and was regarded as one of the main manufacturers of ‘the national mobile telecommunication products localization project’ by the Chinese government, then it became the world high-class mobile phone LCD supplier and set commercial relationship with many other overseas manufacturers.

To promote the local suppliers to cooperate with foreign high-class manufacturers or joint venture. For one thing, Motorola Company helps foreign suppliers to know Chinese investment environment and understand Chinese potential partners, promote foreign high-class suppliers and domestic capable suppliers to set technological cooperation or joint ventures. For another thing, Motorola also helps domestic important suppliers to attract investment and search appropriate overseas partners. For example, American Napuluo Company and Tianjin electronic plastic manufacturer set a joint venture—YaGuang-Napuluo Precise plastic (Tianjin) limited company. This company becomes the special supplier of Motorola’s cell phone plastic cover. What’s more, Motorola also actively makes a match for JiYa Company with overseas famous companies to reach cooperation to make it to step the international competitive stage (Guo, 2006).

Motorola’s local purchase has got great progress; in 1996 it has purchased 260 million U.S dollars products from over 130 fittings or materials suppliers; in 1997 the direct purchase from Chinese market has increased to 500 million U.S dollars. In 2000, Motorola has purchased 1.4 billion U.S dollars from local suppliers. In 2001 this number has been over 1.6 billion dollars, the local suppliers has been over 1000 (Guo, 2006).

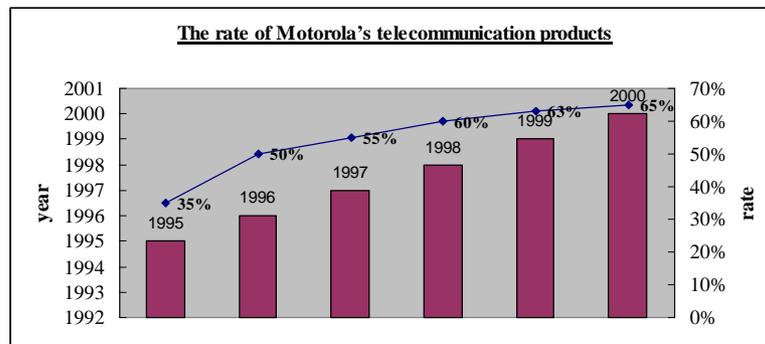


Figure 3: The rate of Motorola’s telecommunication products

Suppliers develop rapidly, which makes the degree of domestic of Motorola’s products increases rapidly. The rate of Motorola’s telecommunication products was 35% in 1995, 1996 increased to 50%, 1997 to 55%, 1998 to 60%, 2000 to 65% (Guo, 2006). TNC to realize localization, the most reason is to reduce costs. But now world trade tariff barriers decrease gradually, while non-tariff barriers gradually increase, the localization of manufacturing is doubly the best way to avoid barriers.

In 1992 it set up Motorola (China) limited company, which mainly produces mobile phones, walkie-talkies, wireless communications equipments, automotive electronics. Now Motorola has 26 branches in China (Wu and Zhuo, 2006). Motorola in Tianjin last August still signed a contract which will invest 16 billion Yuan, set up China’s most advanced semiconductor integrated production centre. Motorola sets up factories in China, because Chinese labors are abundant and relatively cheap and the ancillary products’ costs are low, of course, it is indisputable.

The R&D Localization Strategy

If one company wants to stand a position in the fierce competition market, the magic weapon to win is only one---innovation. One of the most important reasons for Motorola’s success is that it brings the advanced technologies to China, and then actively implements the localization of technological research and development and strengthens the cooperation in research and development with China. Up to now, Motorola’s investment in China’s eight joint ventures, the production base established in Tianjin and 18 research centers all introduced Motorola’s advanced technology and equipment and first-class products (Wu and Zhuo, 2006), which has laid a solid Basis for China to produce world-class products.

Motorola pagers in Shanghai Co., Ltd. Was established in 1995, introduced the latest high-speed FLEX paging technology. FLEX technology is researched and developed by Motorola Company. And compared with the relatively traditional standard pagers, the standard high-speed pager users' capacity has increased fivefold, anti-jamming capability increased tenfold, the battery life increased five times, but also greatly reduce the signal errors, improve the reliability of receiving information. After three years technology track and contrast, FLEX technology has been formally identified as China high-speed paging system standard by the relevant state departments (Guo, 2006).

Motorola in 1996 set up Hangzhou Motorola Mobile phone users Co., Ltd and Hangzhou Motorola Mobile Telephone System Co., Ltd., these two companies both introduced Motorola's world-leading technology, production CDMA mobile phone system equipments and mobile phones. This is China's earliest joint venture of CDMA, and it is Motorola's first Code multi-site plant outside the United States. (ManaRen.com 2007)

In addition, Motorola in China launched a series of technical cooperation projects, which were mainly: to cooperate with Tsinghua University to establish 'Motorola's Asia Manufacturing Research Center of Beijing', the centre is the first production technology research laboratories of Motorola outside the United States; with the National Intelligent computer research center which belongs to the Chinese Academy of Science to establish 'advanced computer and communications technology cooperation laboratory' mainly engaged in advanced computer technology research and development; cooperation with the Xi'an Datang communication Corporation, research and develop CDMA systems (Zhao, 2007); cooperation with the Lenovo Group establishing 'Lenovo - Motorola Research Center', which is engaged in the personal computer studies.

In 2000, Motorola with China Eastern Communications and China Huada Integrated Design Center announced to develop China's 2.5 G mobile phone core technology. According to the release of the president Lai C-wing of Motorola (China) Electronics Co., Ltd. that Motorola's semiconductor department is prepared to work with Nankai University to establish cooperation to commonly develop and research semiconductor technology, at present the negotiations in this area have had a good beginning (Guo, 2006).

The most successful example of Local R & D must belong to A6188 phone researched and produced by Motorola. It sets the phone, PDA and fax machines, and other functions in one, its large screen makes users can easily access to internet. (Motorola, 2008) The mobile phones are all developed and produced by Motorola China R & D personnel have got great success in China and the international market which indicates that China's R & D staff have strength to develop the world-class high-tech communications products.

Motorola (China) Research Institute currently has 18 R & D centers, more than 800 employees (Zhao, 2007). The most eye-catching is the Motorola Software Center in China and the global telecommunications research and development center were received the world-class software SEI5 top certification, and it plans to strengthen cooperation in software with the Chinese authorities. Motorola's R & D center in China this year will be increased to 25 (Guo, 2006); in the field of R & D investment will increase to 180 million Yuan.

The Brand Localization Strategy

Brand's localization makes brand to be full of local cultures. What Enterprises need to do is to use the brand to do the cultural infiltration to the local target groups, so that product brands with the local culture organically integrate, to achieve customer psychology of rejection from the elimination of 'foreign goods'.

Motorola in recent years for domestic consumers pay attention to the delight of life more and more introduces the 'Xinyu' series of brand mobile phones. The design of the main mobile phone shows the 'calm and harmony and love' characteristics; the appearance looks thin and cute, a paste of the palm-line, a chic lovely keyboard and buttons, all Chinese subtitles new animated screensavers; built-in alarm clock, Calendars and calculators, and other personalized features, so that consumers always feel the love (Wang, 2005). In packaging design, by packaging materials, design, color, shape and the ingenious design of a flexible combination of products to different styles and rich contents, to attract more Chinese consumers. Brand of cultural infiltration has been the focus of Motorola. Motorola's new round of advertising takes consumers in Taiwan on Motorola's nickname 'MOTO' as the mainland of China propaganda theme in an attempt to narrow the gap between brand and the consumers (Zhao, 2007), so that consumers feel more cordial. On the other hand, Motorola is also actively participating in China's public welfare undertakings. For example, in

2000 initiated and organized all kinds of waste recycling cell phones and the 'Green China', 'My western my home' essay writing activities, contributions to the higher education, in China each year for 3 million Yuan to establish primary schools of hope. These public welfare activities have set a good image for Motorola, through the local culture and moral values and the values' infiltration, the localization purpose of the brand is easily achieved. (ManaRen, 2007)

The Cross Culture Management Strategy of Motorola

As the world's largest communication and electronics multinational company, Motorola in China's reform and opening up stage through the sale of products (Wireless Intercom systems, cellular telephone systems, etc.) goes into the Chinese market. Motorola Company elaborates its views on human resources Talent is the most precious wealth and source of success of Motorola. Motorola will put the investment in talent in a more important position than the simple pursuit of the economic interests. 'Respecting for the individual' is the life faith in the world by Motorola. (World Corporate Culture E-Portal, 2005) To that end, Motorola will integrate the deep global corporate culture into Chinese every business, and committed to training every employee. 'Respect for the individual, certainly the dignity of the individual' constitutes the most important contents of Motorola corporate culture.

Specifically speaking, Motorola will take 'respect for the individual' as courtesy, faithful, to promote the right of everyone to participate, focusing on collective cooperation and encourage innovation. Motorola through to provide for their employees training, education, professional development opportunities, logistics support, internal communication, etc. achieves recognition of the dignity of the individual. (Management World, 2003)

As for the training and professional development opportunities, company develops training programs to send management talents for the company middle and senior management, to achieve that the Chinese people are responsible for the company's management and decision-making and speeding up the process of localization professionals. Currently, in Motorola (China) Electronics Co., Ltd., managers in charge are more than 100 in China, accounting for the 51% of the managers. In a few years time, Motorola annually sends more than 600 Chinese employees to its U.S. factories to attend technical meetings, engineers design and technical training session (Nan, 2001).

In the face of the brain drain, Motorola is broad-minded, will not prejudice the resignation of the staffs, but also use the system to welcome those staffs who leave then go back. Motorola considers that many people want to go out to look that this is the general mentality of young people, who need to go out to see, many people outside learn new knowledge, and come back and will more practically work. In order to meet them to come back, Human Resources will always keep in touch with them, and the company requires that if employees come back within 90 days back, before the company's service will continue. (Management World, 2003)

In addition to internal education and training, Motorola also supports and organizes employees to participate in the national economic statistics professional technical titles qualifying examination, foreign language titles examination, quality certification training. From April 1998, Motorola (China) Electronics Co., Ltd. introduced the 'the communication publicity week', one of the contents is to introduce 12 ways of communication to its employees. For instance: 'I propose': written form to propose your all aspects of the proposal to improve the company and fully participate in the management of the company. 'Speak their minds': the confidentiality of two-way communication channels, you can comment, suggest or complaint on the real issues. 'General Manager of the forum': regular meetings of the forum, your question will be answered on the spot, seven days the related outcome feedback to deal with issues. Every year, the company will hold senior management and staff communication and dialogue, to the general staff introduce the company operating conditions, major policies, and the president, human resources director and other staff representatives will answer the various issues.

CONCLUSION

Since the 1990s, as economic globalization deepening and the world success of multinational corporations' rapid development, multinational companies have become a force that can not be overlooked, simultaneity, it have a profound impact on the world's economic, political and social life. Currently, there are more than 60,000 multinational corporations throughout the world (Bhalla, 1998). TNC's (Transnational Corporations) economic strength, technological innovation and strategic level lead to a profound influence on the world for the development of enterprises.

'Thinking of globalization, Action of Localization' is the strategic objective for multinational companies in the beginning of the 20th century. Since 1990s, in global competition, they have tried tireless efforts. (Kick-Electronics, 2008) After entering the 21st century, the globalization strategies of multinational corporations are mainly through the localization strategies to be achieved. Its core is based on multinational corporations' globalization strategy to grasp the dynamic balance of globalization and localization (Fan and Wang, 2003). Under the guidance of the global strategy adapted implement the human resources, investment philosophy, management, marketing, business strategy and other aspects of localization; Localization strategy has become the necessary strategy for multinational companies to implement their global expansion. It helps multinational companies to increase the capacity of their long-term strategy of systematic arrangements.

In decade, with continue expanding of deeper reforming and opener domestic market, large multinational corporations began move their branches into China, systematic investment quickly unfolded. At present, there are more than 400 of 'The World Top 500' multinational corporations have stationed in China. Their entries and developments impact on China's economy significantly (Lu, 2003). In order to follow China's economic development and adapt into the special circumstances under such fierce market competition and win, many transnational corporations improved their localization business strategy from manufacturing, product brands, human resources, marketing, management, capital operation, technical research and development. Therefore, they could strengthen the functions of local capacity to identify Chinese-style operating system in different stages of business development. This timeliness and flexible localization strategy has become one of the most important reasons for large multinational companies succeed in China. This paper is to analyze the multinational corporations in China's localization strategy, for the Chinese Government's macro decision-making and Chinese enterprises to meet the competitive challenges of transnational corporations provide theoretical guide, which has a certain theoretical significance (Lu, 2003). At the same time, for more multinational corporations which invest in China or go out to invest foreign enterprises bring some inspiration and has strong practical significance.

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