

BUSINESS STUDIES

Global Business Assessment Task

CASE STUDY – LEND LEASE COMPANY

General changes in the global labour market

Our global labour market is constantly changing day by day, as a result of numerous complicated factors in our world. These factors are included the political, social and cultural issues of every nation. For example, there is much **more restriction** on flowing workers between countries in the recent days than the past few decades, because the governments of many countries have legislated different rules to manipulate the market of their own countries.

However, the **two movements of workers** in our labour market have played an important role in the developing and developed countries. The first movement is a large number of temporary migrant workers enhanced the economy level in many countries, such as China, Australia and other European countries. The second movement is the growing demand for high skilled employees allows the world improve faster. (Chapman et al, 2005, P422)

Lend Lease Company is one of the world's leading property development business company (Overview, About Us, Lend Lease Website), and is the largest property construction company in Australia. The company operates globally across in more than 30 countries, such as Great Britain, Australia, America and Mexico. People who have relevant highly working skills and experiences, and intensive academic university qualification may to become a company staff to serve this leading property company in a certain location, regardless the background of those people. However, Lend Lease can only offer full-time jobs to people who meet the essential qualifications and are passionate to work in the company, even though our global labour market are trending to be casualisation.

Methods of international expansion

A domestic business can expansion itself to a global operation in several main ways, which are the Export, the Foreign direct investment(FDI), the Relocation of production, the Management contract, and the Licensing and Franchising.

Exporting occurs when a business manufactures its product in its home country and then to sell them in foreign market. The reason of using this method is that a business can increase sales and profits quick, because the business undertaking a fairly low-risk to entry into foreign markets. Moreover, small-medium sized companies are capable to have much opportunity to expand their businesses, although large businesses dominate a majority of the foreign market.

The Foreign Direct Investment (FDI) occurs is when a business from a country owns a certain amount of property, assets or beneficial goods in another country. The FDI contains the methods of Greenfield strategy, the Acquisition strategy and the joint venture. The Greenfield strategy gives a new business to purchase lands for producing its own goods. The Acquisition strategy provides the benefit for any business that wishes to operate in a foreign market quickly through a takeover or merger an existing business in that country. The joint venture method allows two or more businesses to work together with an agreement, but they are separated businesses.

Relocation of production is a similar concept to the Greenfield strategy that has described above; sometimes it can be comprehended as relocating offshore. The relocation of production occurs when the domestic production facility is closed down and then set up in a foreign country.

Management contract is an arrangement under which a global business provides managerial assistance and technical expertise to a second business for a fee. This method of expansion gives the global business to operate in many overseas countries without the expenses of production facilities. It means a business company can receive a certain service fee by providing management expertise to another non-owned company that used the same business name of the business company.

Another typical international expansion is the Licensing and franchising. Licensing is an agreement in which one business (licensor) permits another business to produce and market its product and other intellectual properties for a royalty fee.

Similarly, Franchising is a specialised form of licensing in which the franchisor grants the franchisee the right to use a company's trademark and distribute its product. Usually, the franchisor will assist the franchisee to establish and run the business, but few operational rules are applied to the franchisee by the franchisor.

According to Lend Lease Company, it is to develop and construct a range of buildings from purchased lots of lands across more than 30 countries in the world, including Australia itself. Therefore, the method of expansion of Lend Lease Company is belonging to the Foreign Direct Investment, in which the company is using the Greenfield Strategy to achieve the result of synergy by working co-ordinately from many different areas of elites.

Reasons for expansion

Domestic businesses desire to expand their companies into overseas markets for increase their sales and profits with a number of reasons, such as the fewer government regulations and tax minimisation.

Increasing sales and finding new markets

Some domestic businesses are finding the difficulty to increase their sales and profit at several scenarios, if they have a great deal of local competitive companies; less customer demand for their goods or services due to low population growth; are experiencing the economic downturn or are being flooded by import products. Eventually, those businesses often search new markets to enhance their sales in overseas countries.

Acquiring resources and technology

To ensure a continuous supply of inputs, a lot of businesses are directly operating in developing countries or industrialised countries, as they want to obtain large amount of supply materials instantly, and also they can reduce the cost of transportation on their materials.

Technology is another important aspect for all business companies. Some businesses choose to enter into a joint venture or operate under a licence or management contract, if they could not receive the latest available technology on time.

Diversification

Diversification is a process of spreading the risks faced by a business, is another similar principle "not putting all your eggs in a basket". Diversification can occur at three different levels, which are the geographic diversification, the product diversification and the supplier diversification.

Geographic diversification is a business operates in foreign locations. This can minimise the risk of business failure due to the business is having a number of market across the world.

Product diversification is when a business is trying to increase the sales of its products in a foreign market. However, the sales of other products in the business could fall back, if one product's sale is declining.

Supplier diversification is when a business has got a number of suppliers of raw material, which gives the advantage of minimising raw material supply shortage.

Minimisation of competitive risk

A competitive business company can cause certain risk on existing operation businesses, because this competition does not solely come from domestic producers, but also it can conduct by overseas businesses. Hence, a domestic producer may see selling overseas as a way of minimising the competitive pressures from both domestic and overseas producers.

Exploiting economies of scale

The economies of scale refer to the reduction in costs of production conducted by increasing the size of the production facility and spreading fixed costs over a massive output of a business. So many business companies want to increase sales by exporting lowers the cost of production and receiving cheaper raw material discount due to bulk buying. As well, a business can reduce the cost of single produced item by maintaining long-term operation to supply one product globally only from one factory.

Cushioning economic cycles

There are two typical kinds of economic cycles, the Boom and Recession period. When the boom period occurred, a business usually sells its goods to the domestic market rather than foreign markets, because sales are increasing largely. In contrast, when the recession period occurred, the business may decide to expand itself to overseas to cushion the impact of a reduction in local demand.

However, a business would need to find new markets at the downturn economy since the globalisation of our world's market is being a domino effect; in most cases a country is more reliable to another country.

Responding to regulatory differences

Regulations are restrictions placed by governments on the activities of either individuals or businesses. Business companies have a lot of pressures on the regulations in developed countries, so they prefer to relocate their companies to developing nations, where have less business regulations in relation to employees and environmental issues.

Tax minimisation

Since the governments of the industrialised countries have imposed a particularly higher company tax on business companies, domestic producers like to invest in a lower taxation rate country, especially to a developing country. Such developing countries have a competitive lower company tax on businesses, is because they offer taxation incentives such as tax havens or tax holidays to gain the growing level of local economy. The tax holiday is a scheme in which no company or personal tax is paid for a certain period of time, and the tax haven is a country imposes little or no taxes on business income.

Lend Lease Company has extended into more than 30 countries, in order to increase sales. And also the company can enjoy the tax haven benefit, where it operates in the developing countries.

SPECIFIC INFLUENCES

Political influence

Whatever a large business or small-medium sized business, the business company is always affected by the political issues of a nation. Political risk is a term of any political event that results in a drastic change to the nation's business environment would have an ultimately negative impact on business operations and profit. For example, the two distinctive trading policies of the world, those are the Protectionism policy and the Free trade policy.

The protectionism is used in some countries, where the governments of those nations try to protect domestic industries and jobs by preventing the competitive foreign products enter into their own countries, so the import products are cost more for domestic customers.

In contrast, the free trade policy is adopted by the government of a country, as the governments encourage domestic businesses to expand globally, and it accepts more foreign-made products to enter into its domestic market. Therefore, domestic consumers can buy cheaper import products.

Furthermore, World Trade Organization (WTO) and International organisations is another type of indirect political influence that could cause impacts on the international businesses in the world. The WTO has become the major organisation since 1995, and it responsible for managing world trade and investment activities, with particular refer to international trade laws. Its aim is to promote free-trade between member nations by reducing barriers on global trade. Likewise, the international organisations is kind of financial institutions that provide financial services to overseas businesses for their operation, and these organisation often give a solution to any global issues in relation to businesses world-wide.

International organisations are the good examples to remove barriers to international trade. Nevertheless, trade agreements and regionalism are playing an important role on a smaller scale, particular refer to a continent. At a highest level of free-trade, four different regional trade agreements are executing the main feature of free trade between member nations. These agreements are the European Union (EU), the North American Free Trade Agreement (NAFTA), the Association of South-East Asian Nations (ASEAN) and the Asia-Pacific Economic Cooperation (APEC).

War and civil unrest could be the most risky influence that affects a nation's economy. In such situation, the safety of a business company should be considered as the most important thing, if a war breaks out, then the production facilities of the company may be either destroyed or taken by military. Therefore, a business company should monitor the instant situation on its business that operating in a country.

Although the many global businesses have been affected by the policy of a foreign country, Lend Lease does not have much influence as other global business, because it is a construction Company which it is needed for the development of many countries.

Social and Cultural influences

International business is all about people working together under in societies. Almost all of the international businesses have been affected by some differences in culture, when they are dealing with foreign companies. Therefore, an international business may experience the difficulty to deal with other nations' people, due to the differences of languages, tastes, religion, and business practices and ethics.

The most obvious socio-cultural difference of between nations is the spoken language of people. Although many people can speak English as their second language in recent days, some

businesses prefer to express their ideas in their own language when they are dealing with other businesses, in order to avoid a huge financial loss due to their misunderstandings toward each other. In this situation, a translator is needed to aid them by clearly express what they are exactly saying. However, non-verbal language is seen as the common sense of particular rituals between two business men, such as shaking hands and providing a business card to each other. Therefore, a translator is not necessarily needed.

Tastes is another important socio-cultural difference between countries, it is a term of a particular liking for something, such as music, food and sport. Business companies have to find out the tastes of the target market, because the sales of a specific product are determined by the tastes of the group. For example, McDonald in Australia is more being welcomed than McDonald in a middle-east country.

Similarly a business company should be aware of the rituals of different religions, as the notations of different religions may come into a conflict due to their traditional views and practises. However, a business company should respect all people with different religions, for the purpose of embarrassment due to misunderstandings.

Business practices and ethics are various in every country in the world. International managers must research the acceptable business practices and ethics of the country that they wish to deal with. Moreover, an international business manager has to compromise the ways of his or her host to do things. For example, an Australian business manager needs to pay for the lunch or dinner, if the Australian manager is dealing with a Chinese business manager in China.

According to Lend Lease Company, the company set up a number of policies to conduct the core value and ethical practice of its business that acted in different operation countries.

MANAGEMENT ISSUES

Financial management

Selecting an appropriate method of payment is the most crucial thing for businesses to manage their finances. Different type of payments may have a number of different effects on both importers and exporters.

The payment in advance allows the exporter to receive payment and then arrange for the goods to be sent. This method has no any risk for the exporters, but it has the greatest risk for the importers, as there is no guarantee on the reception.

A letter of credit is a commitment by the importer's bank, which promises to pay the exporter a specified amount when the documents proving shipment of the goods are presented.

The Clean payment occurs when the payment is sent to, but not received by, the exporter before the goods are transport. This method contains a fewer risk for both the importer and the exporter.

A bill of exchange is a document drawn up by the exporter demanding payment from the importer at a specified time. Nonetheless there are two types of bill of change, the bill against payment and the bill against acceptance. The former one means the importer can collect the goods only after paying for them.

Whereas, the bill against acceptance means the importer may collect the goods before paying for them. However, these documents or bills would be the risk for the exporter is not able to receive payment at all.

Open credit allows the importer access to the goods, with a promise to repay at a later date. However, there will be the greatest risk for the exporter that he or she could not receive any payment from the importer.

In our real business world, business managers should operate their businesses effectively by minimise the financial risks. These minimisations are often referring to hedging, derivatives, insurance and obtaining finance.

When a business manager using hedging method to minimise the risk of currency fluctuations, he or she is actually establishing offshore subsidiaries; arranging for import payments and export receipts denominated in the same foreign currency; implementing marketing strategies; or insisting on both import and export contracts in Australian dollars.

A derivative method is used by a business company, when the manager is undertaking a forward exchange contract, an options contract or a swap contract. A forward exchange contract is a contract to exchange one currency for another currency at an agreed exchange rate on a future date. An option contract gives the buyer the right, but not the obligation, to buy or sell foreign currency at some time in the future. A currency swap contract is an agreement to exchange currency in the spot market with an agreement to reverse the transaction in the future.

Insurances give a greater protection to business companies by covering the financial lost and resolving the financial problems of the businesses. Different types of insurances cover the different aspects of a business company, such as product liability insurance protects the manufacturer and exporter from liability due to damage caused by the use of a product.

Obtaining finance is useful for any businesses wish to sell overseas, undertake foreign investment or relocate production facilities. Businesses can obtain finance through the domestic capital market, international capital market and the Eurocurrency market. Furthermore, banks and other financial institutions are able to present some advices to a business in relation to managing finances.

For Lend Lease Company, is operated mainly by construction workers. Therefore, employees' insurance cover is the essential need to minimise the financial risks of injury workers. And also the company uses hedging strategy to minimise the currency fluctuation, because it operated off-shore subsidiary globally. Moreover, the method of payment in advance is preferred for investors to pay their properties.

Marketing

Marketing is a part of the body of a business company. An ideal marketing plan can lead the business into succeed. Hence a business company should consider the three main points of a marketing plan; those are Global branding, Standardisation and differentiation, and the Research of the market.

Global branding is the worldwide use of a name, term or logo to identify products of one seller by distinguishing them from their competitors.

A standardised approach is an international marketing strategy that assumes the way the product is used and the needs it satisfies are the same in global. A differentiated approach is an international marketing strategy that assumes the way the product is used and the needs it satisfies are different between countries.

A research of market is an action of a business to invest the needs and wants of the group of people that is being targeted by the business company.

The Lend Lease Company is using a differentiated approach to earn multiple profits, as the company is operated in more than 30 countries globally. Therefore, the satisfaction of people between each country is different.

Operation

A business must to examine different sourcing methods, if the business wants to remain in this competitive market. An international business needs to decide whether to make its own resources or buying the resources from the others.

Businesses choose to buy component parts from either a domestic or overseas supplier, if the supplier offers lower prices, higher quality or more advanced technologies, this is called outsourcing production.

However, if a business decides to make its own components part for itself, then the business would use the method of vertical integration by takeover the business which made related products.

As Lend Lease Company is a development company, the company operates as a combination of making its own resources and buying others resources, because the company has to use the constructional equipments that are made by some mechanic factories, whereas raw materials are made by its own.

Employment relations

Businesses have to develop an organisational structure to achieve specific objectives. As the business expands globally and modifies its objectives, it must adapt its global structure. The global structure is different to the domestic structure, as more decisions of a business will be made at a local level as power is decentralised.

Staffing is involved in employment matter of a business, when a business manager to recruit and select qualified people to run the business successfully. In a global business, a manager of the business should regard the effect of the local culture when selecting employees. For example, in some countries, tribal and family relationship is more important than technical qualification, so the manager select a more appropriate person to run its business.

Obviously, every country has a set of laws regarding to its domestic labours. Different country has different legal regulations that referring to the working conditions and wages for labour force. Therefore, a global business should take it into account.

A staffing system is concerned with the selection of employees for particular jobs. When a business operates in another country, it should adopt one of three approaches to staffing: the ethnocentric approach, the polycentric approach and the geocentric approach.

In an ethnocentric approach to staffing is one in which all key management positions at all company locations are filled by parent company staffs.

A polycentric approach to staffing is one in which personnel from the host country manage the subsidiaries, while the parent company personnel fill the key roles at company headquarters.

A geocentric approach to staffing is that seeking the best people for key jobs throughout the entire organisation, irrespective of nationality.

However many global businesses disregard the working conditions of developing countries' labours, in which they believe the lack of government regulations in developing countries helps the businesses cutting cost of their production, and then they can increase their own profits much.

Therefore, more and more businesses in developed countries would like to operate their production in the developing countries, such as China, Indonesia and Vietnam. And eventually, the workplace of labours in the developing countries would never be improved.

Employment relationship in Lend Lease Company is being regarded as an important aspect; this is also referring to employee wellbeing. Lend Lease's performance would be reflected by the health, safety, delight and well support of their employees.

MODIFICATION OF STRATEGIES ACCORDING TO CHANGES IN GLOBAL MARKETS

Business companies may be forced to modify themselves in terms of business strategies, because of the changing global markets. Several factors should be taking into account in the modifications of a business, such as staffing system, local interested, workplace cultures and ecological sustainability.

The modifications of strategies in many business companies could be seen in 2008, was the time our global financial crisis occurred. Many business companies had been closed down involuntarily, but there are few businesses still operate until now, because of these businesses have modified their strategies on time. The main strategy of successful businesses is to satisfy the wants of consumers by using different methods to attract customer. For example, Honda Company tried to maintain the profits and sales of the business by offering numerous special deals to customers after the global financial crisis was occurred, such as drive-away prices and Free-delivery service.

Another business strategy that is very useful and important is the ecological sustainability. Global warming is a warning sign for all people in the world to protect the environment; therefore businesses should change their original strategies toward a green strategy. For example, HP Company provides a recycle service for its customers to dump their empty ink-box into a particular recycled bin that have in many suburbs around the country, because the auction of the HP Company can establish a good sustainable reputation.

As for Lend Lease Company, the Company established a Sustainable Responsible Investment Policy to deliver a long-term value for the investors and the environment, in which Lend Lease often selects the best people to work in the property industry efficiently across the world.