

Scaling of activities in the international market in an unstable environment: on the example of the automotive industry

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Abstract

The paper shows that the scaling of activities in the international market can bring many advantages to the company. These include not only increased sales and expansion of the customer base, but also access to new markets and technologies. As a result of the generalization of modern research, factors have been identified that affect the ability to scale up the activities of automakers in international markets in an unstable external environment. A study of the experience of the PRC showed that the Chinese automotive industry has several competitive advantages when scaling up activities, which primarily include low production costs. At the same time, the efficiency of entering new markets is based on multiple experiences in operating cars based on the large demand in the domestic market. China is the largest car market in the world, the peculiarities of this position allow local manufacturers to increase sales and reduce logistics costs. It is also shown that the Chinese automotive industry is developing rapidly and adopting new technologies such as electric vehicles and autonomous vehicles. All this leads to the fact that Chinese car manufacturers are ready to quickly adapt to changing market needs and release new car models. At the same time, scaling processes are actively supported by the Government of the PRC, which contributes to the development and competitiveness of this industry. However, in order to successfully scale their activities in these markets, Chinese manufacturers need to pay great attention to marketing and promoting their brands. They must also take into account local laws and regulations, as well as competition from other manufacturers. In addition, it is necessary to take into account the accumulated experience of scaling up the activities of Japanese automakers in the 1970s and South Korean – in the 1990s, the shares of which are currently claimed by Chinese automakers.

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Keywords

Automakers in China, international scaling of activities, external environment, international markets, international competition.

Introduction

Scaling as a management practice began to study not long ago. In works before the 2000s, entering international markets was studied from the perspective of international vertically integrated corporations [Fuertes, 2020; Hitt, Ireland, Hoskisson, 2019]. However, practice now shows that even small companies can use effective developments, expand them to the entire national market and go beyond its borders. Therefore, it became possible to talk about a fundamentally different way of doing business, which involves the primacy of a business idea over the ownership of tangible assets.

Since the studies of the early 2010s, the term scaling has been increasingly used in applied and empirical research, which in the most general sense began to denote the process of expanding a company's business outside its own country and entering the international market. In addition, current practice shows that scaling can be achieved through exports, establishing branches or subsidiaries in other countries, acquiring local companies or participating in joint ventures [Acquier, Carbone, Massé, 2019].

Obviously, the purpose of scaling is to realize the process of increasing the scale of the company's activities in order to cover a large territory and, accordingly, increase sales and profits. A significant amount of research has shown that this can be achieved by expanding the company's geographic footprint, increasing production and sales, introducing new products and services, attracting new customers, and so on. In addition, it is customary in the business and scientific literature to distinguish between business scaling, which can be done both locally and internationally [Nair, Blomquist, 2019].

Main content

Scaling of the business in the international market can bring many benefits to a company: not only increased sales and customer base, but also access to new markets and technologies. All this in the long term is a source of increasing competitiveness and improving financial performance [Hitt, Ireland, Hoskisson, 2019].

However, this process can also be complex and require significant investments in marketing, logistics, and personnel. An idea that can be successfully implemented in the domestic market may not bring results in other national markets. The implementation of expansion plans may be dependent on non-obvious resources, such as the entrepreneurial talent of top management, which may not match the institutional conditions of other countries. Therefore, when scaling up in the international market, a company must take into account many factors, such as cultural differences, legal regulations, economic conditions, etc. It is necessary to conduct a systematic analysis of the market and develop effective

strategies for successful entry into new markets, taking into account all these factors, including involving a wide range of experts [Acquier, Carbone, Massé, 2019].

Also, the provision that an unstable external environment can have a significant impact on the scaling of business in the international market is indisputable. For example, economic crises, political conflicts, changes in legislation and trade agreements can create uncertainty and risks for a company that is trying to expand its activities outside its own country [Zhu, Sarkis, Lai, 2007].

Such factors can lead to instability in exchange rates, increase in tariffs and duties, change in business rules. As a result, the company may face an increase in logistics costs, a decrease in demand for its goods and services, and problems with access to the resources necessary for its activities [Nair, Blomquist, 2019].

Therefore, when scaling a business in the international market, a company must take into account possible risks and uncertainties in the external environment, develop action plans to minimize these risks and prepare for a quick response to changes in the situation. In addition, the company can use various instruments to protect against risks, such as insurance, hedging currency risk.

The automotive industry is particularly faced with these challenges. In terms of consumer spending, buying a car is the most significant expense for consumers. In addition, the automotive industry is one of the largest and most competitive industries in the world. Therefore, for many automakers, scaling up in the international market is a key factor in survival. However, the instability of the external environment can significantly affect the ability to scale the economic activities of producers [Bohnsack, Kurtz, Hanelt, 2021].

Based on the generalization of studies, the following factors can be identified that affect the efficiency of scaling the activities of automotive companies under conditions of uncertainty [Barwick, Cao, Li, 2021].

1. Growing environmental requirements. International requirements for the environmental safety of vehicles are becoming increasingly stringent, which can create difficulties for manufacturers who cannot quickly adapt to new requirements.

2. Development of the electric car industry. Growing demand for electric vehicles and other alternative modes of transport could create new opportunities for Chinese manufacturers, but could also be a challenge for traditional automobile companies.

3. Expanding global supply chains. Many automotive companies use global supply chains, which can create difficulties for Chinese manufacturers who do not have enough infrastructure and experience in this area.

4. Increasing competition from low-cost producing countries. Chinese car manufacturers may face competition from other low-cost countries such as India or Indonesia.

5. New technologies and innovations. The development of new technologies, such as autonomous cars and artificial intelligence, may create new opportunities for Chinese manufacturers, but may also be a challenge for traditional companies that cannot quickly adapt to new technologies.

According to the author, one of the main risks for the automotive industry is changes in legislation and environmental requirements. Many countries have introduced new environmental standards that require car manufacturers to invest heavily in research and development. However, these changes can occur unexpectedly, which is also an additional risk factor. In addition, the problem that some countries may ban the sale of cars running on gasoline or diesel is currently being actively discussed.

A number of studies have shown that the most significant risk factor is competition, since there are many companies in the world that produce cars, and each of them seeks to increase its market share. This can lead to lower car prices and lower profits.

Changing consumer tastes and preferences is also a risk for the automotive industry. Consumers can change their preferences and choose vehicles that differ from those produced by the company. This may lead to a decrease in demand for the company's products. For example, this reason is a constant factor in reducing sales of sedans and increasing demand for crossovers [Cho., Kang, 2023].

The instability of the economic situation is also a serious risk for the automotive industry. Economic crises can lead to lower demand for cars and higher production costs. Obviously, the reduction in consumer spending is primarily due to the postponement of the purchase of a car to a later date.

The most significant example in today's global economy is the scaling up of Chinese manufacturers, which are actively increasing their share of the international market. Manufacturers such as SAIC Motor Corporation Limited, Dongfeng Motor Corporation, FAW Group Corporation, Changan Automobile Co., Ltd., Geely Automobile Holdings Limited, BYD Company Limited, Brilliance China Automotive Holdings Limited, Guangzhou Automobile Group Co., Ltd., Great Wall Motors Company Limited and Chery Automobile Co., Ltd. occupy an increasing share in international markets [Barwick, Cao, Li, 2021].

The Chinese automotive industry has several competitive advantages, most notably the low cost of production. For example, Chinese car manufacturers have low production costs due to cheap and highly skilled labor and the availability of cheap raw materials [Zhu, Sarkis, Lai, 2007; Yang, 2019]. Scaling is based on multiple vehicle experience based on strong domestic demand. China is the largest car market in the world, which allows local manufacturers to increase sales and reduce logistics costs. At the same time, the Chinese automotive industry is developing rapidly and adopting new technologies such as electric vehicles and autonomous vehicles. All this leads to the fact that Chinese car manufacturers are ready to quickly adapt to changing market needs and release new car models. At the same time, scaling processes are actively supported by the Government of the People's Republic China, which contributes to its development and competitiveness [Chen, Lawell, Wang, 2021].

Conclusion

Thus, in order to successfully scale operations in the international market, automotive companies must develop strategies to adapt to a changing environment. Also, they must improve their technologies and production processes in order to increase efficiency and reduce costs. In addition, they must diversify their business so that they are not dependent on one market or product.

Chinese automakers have great potential to scale their activities in the markets of developed and developing countries. Firstly, they can offer more affordable prices for their cars than their competitors from other countries. Secondly, Chinese manufacturers are actively implementing programs to improve the quality of cars and the introduction of new technologies, which can attract more buyers.

However, in order to successfully scale their activities in these markets, Chinese manufacturers need to pay great attention to marketing and promoting their brands. They must also take into account local laws and regulations, as well as competition from other manufacturers. In addition, it is necessary to take into account the accumulated experience of scaling up the activities of Japanese automakers in the 1970s and South Korean automakers in the 1990s, the shares of which are currently claimed by Chinese automakers.

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Масштабирование деятельности на международном рынке в условиях нестабильной внешней среды: на примере отрасли автомобилестроения

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Аннотация

В работе показано, что масштабирование деятельности на международном рынке может принести компании множество преимуществ. К ним относится не только увеличение объема продаж и расширение клиентской базы, но и доступ к новым рынкам и технологиям. В результате обобщения современных исследований выявлены факторы, воздействующие на возможности масштабирования деятельности автопроизводителей на международных рынках в условиях нестабильной внешней среды. Исследование опыта КНР показало, что китайская отрасль автомобилестроения имеет несколько конкурентных преимуществ при масштабировании деятельности, к которым в первую очередь относится низкая стоимость производства. При этом эффективность выхода на новые рынки основывается на многократном опыте эксплуатации автомобилей на основании большого спроса на внутреннем рынке. Китай является самым крупным рынком автомобилей в мире, особенности такого положения позволяют местным производителям увеличивать объемы продаж и снижать затраты на логистику. Также показано, что китайская отрасль автомобилестроения быстро развивается и внедряет новые технологии, такие как электромобили и автономные транспортные средства. Все это приводит к тому, что китайские производители автомобилей готовы быстро адаптироваться к изменениям потребностей рынка и выпускать новые модели автомобилей. При этом процессы масштабирования активно поддерживаются Правительством КНР, что способствует развитию и конкурентоспособности данной отрасли. Однако, для того чтобы успешно масштабировать свою деятельность на этих рынках, китайским производителям необходимо уделить большое внимание маркетингу и продвижению своих брендов. Они также должны учитывать местные законы и требования, а также конкуренцию со стороны других производителей. Кроме того, необходимо учитывать накопленный опыт масштабирования деятельности японских автопроизводителей 1970-х гг. и южнокорейских – 1990-х гг., на доли которых в настоящее время претендуют автопроизводители Китая.

Для цитирования в научных исследованиях

Хэ Ян, Егорычева Е.А. Масштабирование деятельности на международном рынке в условиях нестабильной внешней среды: на примере отрасли автомобилестроения // Экономика: вчера, сегодня, завтра. 2023. Том 13. № 3А. С. 865-871. DOI: 10.34670/AR.2023.28.15.001

Ключевые слова

Автопроизводители Китая, международное масштабирование деятельности, внешняя среда, международные рынки, международные конкуренция.

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