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Methodology for implementing innovative ventures in emerging countries – Case Study of the starting phase of a Chinese-Israeli automotive green-field company

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Abstract

The major business drivers in the automotive industry are the vast globalization of markets with strong European, American and Japanese companies and the increasing political emphasis in building up local competition in emerging markets. To create a green-field automotive company, one should innovate the original approach, create new products or enter new lines of business. The company should enhance efficiency and effectiveness from the very start based on market orientation, enthusiastic employees, and increase value chain collaboration. This requires a holistic approach to design, manage, and continuously improve the organization based on the automotive core business processes with strong respect to customer interfaces.
This case study describes the economic and social dimension of a Chinese-Israeli green-field company in the starting phase with excellent product results, but failing go-to-market success.

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Keywords: Automotive Industry; Business Processes; Organization; Case Study automotive OEM in China

1. Introduction

Emerging countries have a need to catch up in the automotive industry. The growth potential is still huge as the penetration rate of passenger cars in China is low compared with other major developed and emerging markets. Ownership of cars in China with 89 cars per thousand people in 2013 is less than half of Brazil, and is less than 20 per cent of Western European markets. The auto inventory will increase dramatically in the coming years. The prognosis for China is 300 cars per thousand people in 2030 [1].

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National policies try to facilitate the buildup of own automotive industry. The Chinese government is determined to support local Chinese companies and grants high subsidies for new energy vehicles (NEV). The Chinese independent original equipment manufacturers (OEM) are catching up. In the future, there will be a lot more local players because NEVs with electric powertrains are less complicated to develop, compared to traditional internal combustion engines.

Furthermore, multinational corporations have a lot of legacies in their entities. A traditional car company spends about $ 3 billion to bring a new car model to market. New ventures in emerging countries can be leaner in its investments and much more agile.

The competitiveness of new ventures in emerging countries is based on an innovative business model and an appropriate implementation. The technology is the major aspect, becoming a relevant player in the automotive industry. Equally important is the social dimension, especially in the organization and the people of an innovative venture. The human factor establishing a positive and productive social environment is a key factor. Only the balanced approach of that trinity generates success in the market, see Fig. 1.

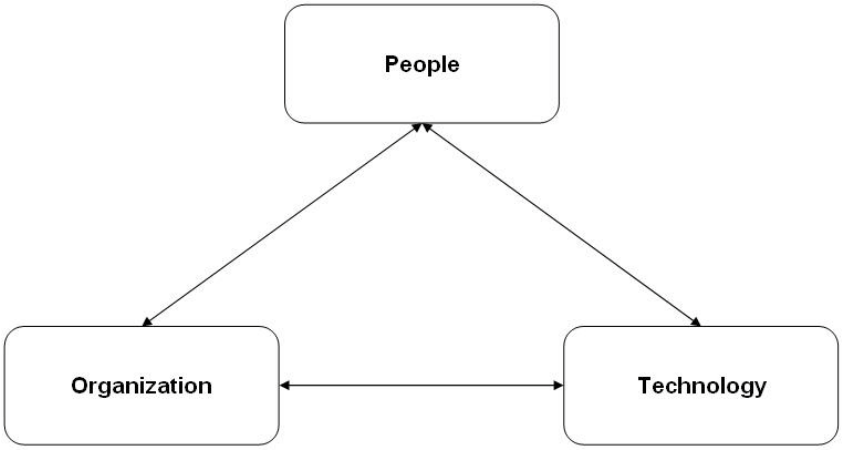

Fig. 1. Trinity of a successful business

The case study describes the economic and the social dimension of the international car company Qoros Automotive Co., Ltd. (Qoros), headquartered in China. The company started as a green-field car manufacturer in 2007 and had excellent product results, but failing go-to-market success in the starting phase. The ecological dimension as a NEV was not focus at that time end of 2013.

The paper explains the methodology of an innovative organizational approach and the critical factors for success. It starts with an overview on global automotive markets, followed by the automotive management framework based on a generic business process model, rethinking the traditional organization.

2. Global automotive markets and Chinese automotive industry

Automotive markets are still growing. The passenger car market counts 82mn. vehicles in 2016 with an expected growth of +1,6% to 83.3mn. in 2017 [2]. The prognosis for 2020 is 88.3mn. vehicles worldwide, an increase by another 6 percent. China, USA and West Europe are the biggest markets, but the emerging countries are the drivers of growth for the coming years. The actual sales forecast expects a stagnation in the USA and in Europe. China will have slower growth rates, compared to former years. Sales in Brazil will recover from a low base to 2.2 mn., and India will have a solid growth of about 50% from 3 mn. cars in 2016 to 4.4 mn. cars in 2020, see Fig. 2.