Individual case analysis – Cemex

Student’s Name

Institution

Date

1. *What benefits have CEMEX and the other global competitors in cement derived from globalization? More broadly, how can cross-border activities add value in an industry as apparently localized as cement.*

There are several benefits which companies like CEMEX and others obtain from globalization. The first benefit being realized by companies is the reduced cost being incurred by a company. According to GhemawaT (2004), cost is an important factor which determines the profitability of a company. Companies incurring high cost whether on production or on other elements of operations are more likely to incur losses. Lowering the cost provides business competitive in the market. If a company can manage to reduce its cost, it means that it can increase its revenue hence high profit is earned. For example CEMEX and other global cement competition can take advantage and utilize the low cost of labor to achieve more competitive advantage. A study conducted by Ristovska (2014) established that labor cost in China is $0.6 per hour and in Indonesia is $0.8 per hour. This has made several companies to relocate their plats to China and other countries where low wages can be obtained for the benefits of the company. With low wages, a company can reduce its labor cost it utilized in production in that country.

The across border activities add a lot of values to the cement industry through facilitating faster processing of activities to satisfied the market demand. The across border operation should be a positive fir clients’ in a pinch with no option. The cement firms which can manage to provide cement faster are likely to win certain jobs for this reason alone. According to Ristovska (2014), the cross border activities are lowers the prices of cement and therefore, contributes to the reduction of the construction cost in the country. Since operation abroad utilizes the lower cost of labor, cement and other construction materials produced across the border will also be cheaper compared to the locally produced cements. This therefore, contributes to the stabilization in revenue because of diversification. The growth domestic products (GDP) is directly linked to the sales of cement, therefore, the increase of GDP will affect the sales of cement. Reduced production of cement will affect the GDP as well because the cost of construction will increase and therefore, it would affect the GDP.

2*.) How specifically has CEMEX managed to outperform its leading global competitors in the cement industry? Compare it with Holderbank, the other larger competitor. What do this comparison and the other data in Exhibit 4-8 suggest about the competitive game being played out among the major international competitors?*

It is pointed that one of the major factor which led to CEMEX success over its competitors was its heavy focus on the growth in emerging markets. CEMEX is also know for conducting speculation of their weighted average growth for countries conduct business in which was nearly 4% whereas Holderbank and other cement companies which are also key players in the market had only 3% and 2% growth rates respectively. CEMEX also managed to become the leading and the first providers of the informal construction and bagged a lot of cement for the retail sales. The market was less volatile and demand was also very high in most emerging markets. The business gave CEMEX the opportunity to rebrand which helped the company to expand CEMEX’s brand identity among new client base.

It is also pointed that CEMEX led the change which guarantee delivery within 20 minutes. The company installed GPS satellites and logistic to connect truckers, dispatchers and customers hence made delivery very efficient. This therefore, increased the chances of customers’ payment payroll cost and fuel maintenance (Ghemawat, 2004). CEMEX also developed a system to be utilized by regional directors to stay updated of the operations from every department on the monthly basis. It resulted to centralized and structured techniques of solving business issues and making decisions. The competitors in the industry were less structured and different regions operate independently hence less effective. The top management met less often and therefore, the result may have been little slower to make impact in the cement industry.

*3.)What accounts for the sequence in which CEMEX entered foreign markets? How do the markets it has entered recently compare with the markets that it entered early on?*

In the early 1970s, CEMEX used to import cement to the United States, until the U.S. changed its tariff for foreign direct investment to avoid shipping and tariff cost. CEMEX purchased a plant in Texas for local production to increase its sales in the United States. Later, in 1990, it started to export Cement to Spain to study the European market. However, in 1992, it purchased a plant in Spain and later moved their business operation to Spain because of the crisis in Mexico. It started the acquisition in Spain to learn key lesson which it deployed in its mergers. It therefore, used the merger and acquisition strategies it learnt to acquire plants in Venezuela and Panama and for the expansion in India and China.

4.) *What recommendation would you make to CEMEX regarding its globalization strategy going forward? In particular, what kinds of countries should it focus its future expansion on?*

The sales of cement requires high GDP, higher population density, low rainfall, and lower coastline and therefore, Brazil, India and China are some of the countries should be considered for business expansion. Though Brazil majorly speaks Portuguese, there are several people who speak English and Spanish and therefore, CEMEX can make great impact in the market. Brazil is also close to Central and South America nations where CEMEX is a player and therefore, it can use its proximity to increase its sales and earn profit from the market.

However, in order to expand to China and India, the company should consider hiring Indians and Chinese for easier cultural transformation. Chinese and Indians who can speak English as well would be of a great advantage to the company. This would provide the company with understanding of the business culture of both countries. CEMEX should also tread carefully for its success in the new areas. It would be important to learn of the practices and nature of the industry before investing heavily in India or China.

# References

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