Developing a growth strategy for a multinational’s subsidiary in the logistics industry – based on example of Rhenus Logistics Ltd in Ireland

MBA Dissertation

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Developing a growth strategy for a multinational’s subsidiary in the logistics industry – based on example of Rhenus Logistics Ltd in Ireland

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Declaration

This dissertation is being submitted in fulfilment of the requirements for the degree of MBA in Business Management. I hereby declare that I have developed and written the enclosed dissertation completely by myself, and it does not contain other people’s work without being stated. Other sources are acknowledged in the bibliography.

Signed: Sławomir Mariusz Bartkowicz
Date: 22 August 2014
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List of Abbreviation

AEO - Authorised Economic Operator;
ATM - Automated Teller Machine;
CA - Competitive Advantage;
CC - Core Competences;
DBS - Dublin Business School;
EDI - Electronic Data Interchange;
HR - Human Resources;
GDP - Good Distribution Practice;
IMB - Irish Medicines Board;
IT - Information Technology;
KPI - Key Performance Indicators;
MD - Managing Director;
M&A - Merger and Acquisitions;
MNC - Multinational Corporation;
RLI - Rhenus Logistics Limited in Ireland;
RMD - Rhenus Midi Data;
SME - Small and Medium Enterprises;
The Group - Rhenus (Logistics) SE & Co. KG;
The UK - United Kingdom;
USA (the States) - United States of America;
VAT - Value Added Tax;
WCO - World Customs Organisation;
Abstract

Logistics companies compete on global and domestic levels, giving significant scope to their subsidiaries for execution of own strategies on local markets, whose development is understood differently by its management, and their viewpoints influence the goals and ambitions concerning growth. In order to illustrate the relevance of this research, the importance of a multinational’s subsidiary growth strategy, as part of the entire corporate business development, will be explored. Although, this research is based on a small non-probability sample, it aims to identify a general concept of growth strategy and evaluate the importance of development of a logistics subsidiary being part of a multinational corporation (MNC).

The research literature review presents examples of business growth strategy models and processes, company capabilities, core competences and Porter’s competitive framework. Primary data was obtained through the interviewing of five professionals in order to answer the research questions. Additionally, the paper evaluates the growth process, taking into account internal and external factors and future plans for growth. Finally, the research provides possible growth strategies that might be implemented by a MNC subsidiary. In order to face these factors and become a more competitive and successful branch, a special consideration is taken on the relationship with its customers and the entire MNC’s network. The findings present several conceptual and contextual insights into the role of a subsidiary in the organisation business strategy. The research concludes that whilst it is important to be a strong and vital subsidiary, there is no single path to success. A subsidiary growth strategy should be correlated and supported by the corporate level, and a branch should be an active and integrated part of entire group.
1. **Introduction**

The content of this chapter includes the debate of the background of the research topic, the aim of dissertation, including the scope, limitation, and its structure.

1.1. **Background of the problem**

The integrated world economy and competitive market are changing the way which companies traditionally operate. The integration gives a global playing field to companies and results in worldwide logistics, this industry plays an important role in the economy. In this highly competitive environment, many companies aim to gain a share of the global market and to take advantage of greater production and sourcing efficiencies. The activities of logistics service providers are becoming more international, often encompassing a broad combination of transportation, forwarding, and supply chain management. The Council of Logistics and Management (1998) defines logistics as: "the process of planning, implementing, and controlling the efficient, effective flow and storage of goods, services, and related information from a point of origin to a point of consumption for the purpose of conforming to customer requirements." As a result of the growing integration of global business, dynamic development and transformation is observed in the industry (Lieb, 2008).

Nowadays, global business seeks to achieve a competitive advantage (CA) by identifying world markets for its products and developing a manufacturing and logistics strategy to support its marketing strategy. The expenditure on using logistics firms has grown constantly and is expected to continue growing (Accenture, 2008), opening up opportunities for logistics services providers that choose the best path for growth and development (Christopher, 1992; Bowersox and Daugherty, 1995; Bowersox and Closs, 1996; Rousseau et al., 2012). The logistics industry is now more prominent with a significant increase in growth opportunities, diversification and challenges, including reductions in inaccurate or delayed information, poor services, inefficient operations, and the rate of damaged products.

The global outscored logistics market has enjoyed growth, as companies obtain the necessary resources and achieve superior logistics performance to gain a CA (Sinkovics and Roath, 2004). Globalisation and outsourcing in the logistics industry are driven by the rapid growth in international trade and helps the industry players reduce their operational costs. A successful company in the global marketspace will expand production and assembly facilities
across multiple regions to meet the needs of overseas markets, using global logistics channels to supply these facilities (Christoper, 2005). Global logistics companies have built up multiple localised networks of subsidiaries to remain close to their customers, an extensive geographic coverage by means of organic growth or mergers and acquisitions (M&A). Globalisation, further integration of the global market and the transition from an industrial to networked economy are influencing fundamental change and restructuring the logistics industry. There has been a significant increase in M&A which helps companies grow rapidly in a new location without creating a subsidiary.

The selected localisations are close to the targeted market. The market can influence the number of new locations, as well as their size and features. However, a closer look reveals that some subsidiaries are not so much networked, as semi-autonomously operated branches, where the profit and loss are usually measured at the local level. Some multinational logistics companies implement an international strategy, whereby each country manages its own branch strategy. In the day-to-day business they seek to realise synergies within the group and jointly develop individual customer solutions, however, very often processes and structures across subsidiaries are not harmonised (Carbone and Stone, 2005).

The companies which compete on both the global and domestic markets, usually have multiple localised entities engaged in the strategy process (Paroutis & Pettigrew, 2007), giving significant scope of autonomy, freedom or independence of a subsidiary which enables it to take certain decisions on its own behalf to execute own strategies on local markets (Young and Tavares, 2004). Significant improvements in terms of customer satisfaction and cost reductions are possible for growth oriented logistics companies. Local entities are capable of responding quicker to market variations, demand fluctuations, disruptions, as well as leveraging new revenue opportunities, acquiring an in-depth understanding of priority customer segments and their expectations. The autonomy has been shown to be an important influence on subsidiary local and global initiatives (Birkinshaw, 1996, 1997) and on innovative creation in the subsidiary (Ghoshal and Bartlett, 1988). “Within many industries, multinational corporates are no longer able to compete as a collection of nationally independent subsidiaries. Rather, the competition is based in part on the ability of the corporation to link or integrate its subsidiary activities across geographic locations” (Roth and Morrison, 1992). A well-conceived and executed growth strategy is a key to a company’s growth. Without a clear strategy, companies may find themselves
reacting to the market and competition, and end up embarking on initiatives and acquisitions that destroy, rather than create value for their shareholders and employees.

In order to illustrate the relevance of the research, the importance of a growth strategy of a logistics multinational’s subsidiary as a semi-autonomous entity with entrepreneurial potential will be explained. Furthermore, an explanation of the process that must be considered when planning strategy will be provided to address the particular broad conceptual framework for research, and policy-making regarding the business growth strategy of Rhenus Logistics Limited in Ireland (RLI), a subsidiary of Rhenus Group, which together with Remondis and Saria create – The Rethmann Group, a German privately-owned company which operates in three different business areas: waste management, logistics and renewable energy and animal by-products.
1.2. Research questions

The purpose of the research is to gather information about the role of the growth strategy of a multinational’s subsidiary in the logistics industry. The research will analyse the role of the subsidiary in the Group business strategy, taking into consideration, the difficulties to manage and implement global growth strategies whilst allowing the local branch to lead autonomous development. This dissertation will evaluate the growth process, taking into account internal and external factors that affect a subsidiary and it should be analysed in order to design and implement appropriate plans. Furthermore, the intention is to evaluate how economic factors might affect the effectiveness of the development of a subsidiary. Logistics firms need to have a deep understanding of their customers’ business and actively look into their customers’ production and marketing in order to proactively serve them.

The aim of this research is to identify possible growth strategies that might be implemented by a subsidiary in order to face those factors and become a more competitive and successful branch, a special consideration is to be taken on the relationship with its customers. It is also important to look at the importance of IT in the logistics industry. Finally some attention will be paid to innovation and its influence on subsidiary strategy development, as in logistics, this context has a unique nature since it is decentralised rather than centralised (Wagner and Franklin 2008).

1.3. Approach to the research

The research proceeds by overviewing and briefly evaluating alternate models employed by researchers in the field, to describe and explain business growth process. Attention is subsequently focused upon recent attempts to develop and validate stage models of growth, which is described in some detail. In conjunction with a company’s capabilities, core competences (CC) and CA, growth strategy models are to be carefully evaluated. There will be an inductive, qualitative interview conducted in-house, as an opportunity for general comments about the growth strategy implemented by the management of RLI, which may also provide an opportunity to explore this information using the grounded theory qualitative approach. This research is intended to analyse in-depth, the importance that development strategy has in the achievement of the organisation’s goals, particularly the further successful growth of a subsidiary. An interpretivism and subjectivism philosophy with an inductive approach using qualitative data through mono-method will be adapted. This approach will be
used because it is appropriate for the research objective and has a more flexible structure than the deductive approach. It can be employed when the researcher is developing theory from observation and empirical evidence, thus being flexible by its nature.

1.4. The organisation of dissertation

The dissertation is organised as the following 8 chapters:

1. Introduction – is divided in six sections: Background of the problem; Research questions; Approach to the research; The organisation of the desertion; The research limitation; Contribution of the study.

2. Literature review – where relevant sources of secondary data have been discussed. Presenting fundamental theories and models such as: business growth models, growth strategy and the company capabilities, core competences and competitive advantages.

3. Methodology – is divided into twelve sections, this explains the research methodology and methods used consisting of primary data collection, analysis, ethical issues and the researcher bias.

4. Research finding and data analysis – to present and analyse the results of the primary research. The research is conducted with a qualitative research method. For deeper exploring of the primary data two groups were formulated, to compare and contrast different opinions.

5. Conclusion and recommendations - reviews the research and answers the research questions. This chapter includes the conclusion, the author’s recommendations and some suggestions for further research.

6. Self-reflection on own learning and performance – the impact of MBA course – in this chapter, overview is given regarding the researcher’s own learning and performance through the research process and MBA study.


8. Appendices.
1.5. The research limitation

There are numerous limitations within research and findings. The aim of this research is to present a solid understanding of the importance of developing a growth strategy for a multinational’s subsidiary in the logistics industry. Due to time limitations the study focused on one firm. The small non-probability sample and specifics of the local logistics market mean the findings may not be entirely representative for the entire industry and cannot be generalised. There are four main limiting factors presented in Chapter 3: time frame, sample excluding other regions than Dublin, personal bias and the author’s professional experience. The limitations may doubt reliability and validity of the study, nevertheless the main purpose of this research is not to generalise but rather to attempt to find understanding of the topic from the prospect of experienced professionals in the logistics industry.

1.6. Contributions of the study

Logistics industry is an important part of the economy, but to date it has received little attention in strategic management and logistics management literature. To address this shortcoming, this study aims to identify a general concept of growth strategy and to evaluate the importance of development of multinational subsidiaries in the logistics industry. Many strategic possibilities are under the control of branch management, which allows them to achieve strategic goals and influence the entire corporation (Birkinshaw and Hood, 1998; Williams, 2009). The author of this study is convinced that the findings might contribute not only to logistics but Dublin Business School (DBS), academics and a wide range of businesses as the subject is relevant and comparable to a number of industries. Subsidiaries are not just subordinate elements of their parent MNC, “the role of the subsidiary company in the MNC continues to be an issue of great interest to international business researchers, and a matter of great importance to MNC executives” (Birkinshaw et al., 2005). It is important to highlight that the literature is highly fragmented and there is little connection between different perspectives (Davidson and Wiklund 2000). Also there is no coherent approach to identify a growth strategy for a multinational’s subsidiary (O’Brien, 2012) making the research particularly interesting.
2. Literature review

2.1. Introduction

In order to explore the logistics subsidiary growth strategy stages, it is imperative to understand the theoretical background of the topic. The aim of this chapter is to identify literature gaps by reviewing and evaluating previous relevant academic literature and additional sources. Topics covered in this chapter include business growth models, growth strategy processes, company capabilities, CC and CA. Review of the literature shows shortcomings of the research field.

2.2. Business growth models

The concept of location is central to international business activity, even as the world purportedly is becoming “flatter” (Friedman 2005). Indeed, the role that location plays in the development of a firm’s international CA is one of the long-standing concerns in the field of business. Although the development of subsidiary specific advantages within MNC’s structure has been studied (Rugman and Verbeke, 2001), relatively little attention has been paid to a logistics multinational subsidiary’s growth strategy development. The literature mainly focused on the different roles played by subsidiaries in terms of role variation within a single country (Jarillo and Martinez, 1990; Taggart, 1997), how roles vary across countries for a single MNC and impact of knowledge transfer on foreign subsidiary performance (Gupta and Govindarajan, 1994; Fang et al., 2010). There is an extensive research in the industry literature focusing on different logistics concerns, starting with global logistics strategies, performance, arrangements and growing pains (Chia et al., 2001; Bot and Neuman, 2003; Knemeyer and Murphy, 2004), to strategies used by the European logistics companies and successful management of small and medium enterprises (SME) in the industry (Gunasekaran and Ngai, 2003; Carbone and Stone, 2005). Even though the role of subsidiaries has become increasingly important, the research has suggested that theory is highly fragmented with little connection between the different perspectives, making the task of applying theory to multinational subsidiary research challenging, as the required level of analysis for the majority of theory is the MNC as a whole, rather than the subsidiary. Problems arise when attempting to apply firm level theory to the business unit (O'Brien, 2012). Birkinshaw and Pedersen (2009) claimed that there is considerable range for more careful application of theory within the MNC subsidiary discipline study. This research will
address the gap found in the literature by analysing possible scenarios of developing a growth strategy for a multinational’s subsidiary in the logistics industry and its influence on the global strategy.

Growth is a quintessential part of any international business (Cole, 1949; Stevenson and Gumpert, 1991), moreover “is a process that must be studied over time” (Davidson & Wiklund, 2000, p.40). The development is based on life-cycle stages through which growing businesses might typically pass. Nevertheless, the growth and life-cycle stages framework has a substantial pedigree in the literature of economics and business in general, specifically focused on small business units. Attempts to grow often undermine a company’s current market position, as Porter (1996) argued: “Effort to grow blur uniqueness, create compromises, reduce fit, and ultimately undermine CA. In fact, the growth imperative is hazardous to strategy”. The growth process itself generates complexity for the firm because of the growth crisis arising at different stages as described by the growth models. Choosing the right model is a requirement for the company’s successful development. Flamholtz and Randle (2011, pp.21-23) have developed a model for organisational growth, which identifies the key “building blocks of successful organisation”. In this model, organisational form or structure consist of six key “blocks”:

1. Niche market to be identified and developed;
2. Product and services development;
3. Resource acquisition and development;
4. Operational system for routine tasks;
5. Long-term management;
6. Organisational culture development.

The challenge of building an organisation is to create the appropriate combination of the above key variables for the stage of growth a company is currently in. The lack of fit between size and organisational structure leads to problems, which Flamholtz refers to as: “organisational growing pains”, these can be either internal or external to a firm (Scott and Bruce, 1987). Parks (1997) defined pains as growth “hurdles”. Churchill and Lewis (1983), and Kazanjian (1988) found common developmental “problems” arise at certain stages in the development of a business. Kazanjian not only found some “problems” to be more dominant at certain stages during the growth life-cycle but also a sequential pattern to this dominance. The literature emphasises that life cycles have an important role to play in the development of
the organisation. “The growing pains indicate that change is needed if an organisation is to continue operating effectively thus reduce the likelihood of failure and also indicates a lack of successful organisational development” (Flamholtz, 2009).

McGrath and MacMillan (2000); Amit and Zott (2001); Ireland et al., (2003) affirmed that for growth and prosperity creation, it is imperative to amalgamate the opportunity and advantage seeking conduct and that neither alone is adequate. Flamholtz and Kurland (2005) through their empirical research elaborated the model of success of organisational development against financial performance, by assessing the impact of the chosen strategy, this concerns the sources of CA. In contrast to the conventional view that services are the key source of CA in the case of a logistics company, the framework suggests that the true sources of long-term sustainable CA are found in the organisation’s infrastructure, especially in its operational and management systems and culture. Growth models have emphasised upon the strategy, growth and competence building (Churchill and Lewis, 1983; Greiner, 1998). A different approach is presented by Birkinshaw et al., (2005) as they argued that: “the multinational subsidiary is conceptualised as a semi-autonomous entity with entrepreneurial potential, within a complex competitive arena, consisting of an internal environment of other subsidiaries, internal customers and suppliers, and an external environment consisting of customers, suppliers and competitors. The relative strength of these competitive environments shapes the subsidiary’s options and it is then up to subsidiary manager to take the initiative to respond to the threats and opportunities to secure the subsidiary’s performance”.

2.3. Growth strategy

The market globalisation, ease of effective communication, removal of barriers to trade and foreign investment, achieving economies of scale in business, innovation in logistics, and decreasing transportation costs are the main factors reshaping logistics operation and strategies (Cooper, 1993). In determining the strength of a logistics firm, the most important consideration is the growth strategy, because organisations with a sound strategy can afford to tolerate the problems of poor leadership and confusions, while there is no remedy for bad strategies even in the presence of organisational structures and control systems (Bhide, 1996).

Strategic success generally depends on possessing an enlightened and unique vision as well as having an all-round ability, involves broad decisions about the mix and use of
resources to create a CA which is an essential aim of strategy. Strategy is about planning, to reach a vision which differentiates a company from its competitors in a positive way. There are many definitions of strategy that shed light to this complex field today. Andrews (1980) defined strategy as: “the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organisation it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities”. Mintzberg (1987) provides definitions of strategy, known as “5ps of strategy”: plan, ploy, pattern, position and perspective. He argues that: “…strategy is not just a notion of how to deal with an enemy or a set of competitors or a market, as it is treated in so much in the literature and its popular usage. It also draws us into some of the most fundamental issue about organisations as instrument of collective perception and actions”. Burns (2007, p.253) explained strategy as: “just a linked pattern of actions”, he also mentioned that strategies are continuously formulated by entrepreneurial organisations at all levels. Hofer and Schendel (1978); Johnstown et al. (2011, p.7) argued that there are three levels of strategies inside an organisation: corporate, business and operation.

![Levels of Strategy](source: Claire Devlin (2013), Strategic Management Module – slide presentation: “What is Strategy?” Dublin Business School.)

Several scholars have attempted to study the action and interaction of strategists across these levels. Floyd and Lane (2000) have elaborated the various roles of top, middle and operational level managers in organisations. Regner (2003) studied the managerial actions at
the centre and periphery of four multinational organisations. Paroutis and Pettigrew (2007) take a further step and study the actions and interactions of strategy teams over time in a multinational firm. They investigated the nature of interactions over time between strategy created at the corporate centre and the business units. As it is shown above, the local entity is located at the middle level within the overall organisational structure, so the applicability of traditional strategic management approaches can therefore be questionable. Strategic management assumed that strategy research is about helping a company's top management formulate and implement appropriate strategy (Nag et al., 2007). The suppositions presented by Andrews, (1971); Ansoff, (1965); Chandler, (1962) are:

- Strategy making is a choice process involving the hierarchical ordering of alternatives;
- Top managers encounter and process the information necessary to make a choice;
- The choice made by top management leads directly to organisational outcomes.

Even though current research underlines increasing interest of international business researchers, and acceptance that subsidiary management make strategic decisions related to their own unit (Birkinshaw et al., 2005), to date subsidiary research has failed to shine a light on processes relating to strategy, as many theorist focus on the “top management” and strategy execution and resources allocation in support of a competitive positioning strategy. These factors have led to an emphasis on top managers as the locus of strategy making (Floyd and Wooldridge, 2000, Wooldridge et al., 2008).

While many studies contribute to understanding actions and interactions across levels within a company, they pay little attention to inter-organisational interactions (Jarzabkowski and Spee, 2009). Although the individual business units of sprawling MNCs typically struggle to attain real power in corporate decision making, they are embedded in relationships with actors both internal and external to the organisation. The opportunity to leverage local ties, and knowledge, which is often unobtainable or ‘invisible’ to the parent, becomes increasingly apparent (Yamin and Sinkovics, 2007). According to a new research, logistics subsidiaries can attain widespread influence within MNCs by concentrating on business acumen (Mudambi et al., 2014). Theory and research have also suggested that in order to operate effectively, MNCs need their subsidiaries and they can develop strategy alongside their evolution (Birkinshaw and Hood, 1998; Geppert et al., 2003; Anderson et al., 2005). From this literature review, it is clear that gaps exist between subsidiary level strategy and
corporate level strategy. The research addressed this gap by answering a question: why is the growth strategy of multinational’s subsidiaries so important, and how a subsidiaries growth strategy can influence the entire group strategy?

The decision to implement a particular strategy will depend on the different factors affecting the firm’s growth (Roper, 1999). Burns (2007, pp.294-304) and Johnson et al. (2011, p.327) divided the growth strategies chosen and implemented by the firms, into three broader categories: organic growth, M&A and strategic alliances, in an attempt to identify the factors affecting the performance and growth of organisations. These include market penetration, diversification, market and service development and branch efficiency. As part of its organic growth strategy, regardless of its size, a firm should plan systematically for sales growth, organisational structures and know how to support diversification and expansion (Von Krogh and Cusumano, 2001; Pasanen, 2007).

Okumus and Roper (1999) argued that great strategies are worth nothing if they cannot be implemented. Developing a growth strategy is a complex task, made more difficult by the need to produce and compare different options in order to guarantee quality. Usually strategies are developed through a formal planning process where objectives and business missions are set up, a strategy is selected, an action programmed and finally a strategy is implemented. It is imperative to conduct control and feedback on the strategy development process to avoid a strategic drift. Strategy development can start at any stage and regularly loops back on other stages to update, review and/or amended thinking, it is the consistency behaviour over time, whether deliberate or not. In addition to intended strategy, emergent strategy can also result from coincidental behaviour – Mintzberg and Waters (1985) suggest only 10 – 30 per cent of intended strategy is realised. The primary determinant of realised strategy is emergent strategy, the decisions that emerge from the complex process in which individual managers interpret the intended strategy and adapt to changing external circumstances. Thus, the realised strategy is a consequence of deliberate and emerging factors.
De Wit and Meyer (1998) argued: “…a successful pattern of action that was not intended cannot be called a strategy, but should be seen for what it is – brilliant improvisation or just plain luck”. According to Fletcher and Harris (2002) strategic planning improves the performance of a firm and emergent processes enables the advantages of flexibility, adaptability and dynamism, which strategic planning can otherwise inhibit.

A subsidiary is unique in facing both external and internal business environment challenges which play an important role in the strategic option such as competitive field, entrepreneurship and performance that a subsidiary may pursue. There are risks associated with all four strategic options entailed in the Mintzberg matrix. Market penetration is generally considered as a low risk strategy while diversification is deemed as a high risk growth strategy, as it involves moving simultaneously into new markets and services. Choice of particular strategy by the company depends upon different factors including the company’s headquarters, the customer and services structure, firm age, scale of operation, and characteristics associated with the company (Pasanen, 2007). Research about the “correct” strategy of a firm, depending on its size has been found, Pelham (1999) argues for example, that following a differentiation strategy, small companies will have a better performance than when following a low cost strategy. According to Bhide (1996) wide ranges of problems and advices exist, many of which are conflicting, for example, adopt market penetration strategy and stick to the current markets and services, sell equity and raise capital, diversify into new services, retain control, watch fixed costs. Different growth strategies are needed for different growth requirements (Chaganti, 1987; Von Krogh and Cusumano, 2001), as every firm, has
its own stories, opinions and actions suitable for them and may not be appropriate for other companies (Bhide, 1996). Each firm has distinct organisational structure and growth strategy tailored to its particular requirement.

Von Krogh and Cusumano (2001) elaborated “Three Strategies for Managing Fast Growth”. A company can choose any combination of these strategies: scaling, duplicating and granulating. Scaling strategy means services with a large volume of shipments in the markets of expertise of the firm. A scaling company must invest aggressively, to approach new customers using the existing markets and extending services. Services development is extended around core technologies and is of vital importance for the success of the organisation (Flamholtz, 1995) however, it requires extension of infrastructure capacity. Heavy investment is required to fulfil an information technology (IT) system for all functional areas: sales, human resources (HR) and others. It can cause serious problems for a branch without a proper growth vision plan. Other than aggressive investment, important considerations while managing growth for scaling are standardisation and specialisation in functional areas with cohesive coordination, hiring of the right mix of people and incorporation of organisational structures, culture and process (Bhide, 1996; Von Krogh and Cusumano, 2001). The most complex approach to entrepreneurship perspectives found in the literature is Kuratko’s (2009, p.9) he described growth as: “…a dynamic process of vision, change, and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks, formulate an effective venture team, marshal the needed resources, build a solid business plan, and finally, the vision to recognise opportunity where others see chaos, contradiction, and confusion”.

2.4. Company capabilities, core competences and competitive advantage

The literature has defined three main types of resources: financial, social and human capital, they are crucial for any type of business to develop and grow (Wiklund et al., 2009), each has a particular role in the business and might be a challenge when constrained (Cooper et al., 1994). Subsidiaries cannot rely on its capacity and relationship with corporate headquarters to maintain and grow its operations. Many strategic options still remain under the control of subsidiaries, they must utilise these to grow its operations. However, there are many constraints faced by branches, reconfigure resources, develop capabilities, knowledge creation, innovation or raised performance (Birkinshaw and Hood, 1998; Subramaniam and
Watson, 2006), these may also influence the entire organisation (Andersson et al., 2005, Williams, 2009). Subsidiaries should take new responsibilities tapping into new ideas and opportunities in the local market, interacting with other actors in the local environment, and building unique capabilities on which the rest of the multinational can draw (Bartlett and Ghoshal, 1989; Hedlund, 1986; Prahalad and Doz, 1981). Subsidiaries must consider their capabilities and resources to evaluate whether the strategy is feasible, optimistic or rational and matches their critical success factors. “The case for making the resources and capabilities of the firm the foundation for its long-term strategy rests upon two premises: first, internal resources and capabilities provide the basic direction for the firm’s strategy; second, these are the primary sources of profit for the firm” (Grant, 1996).

The main problem faced by strategy makers is the availability of necessary information. Poor access to the required information necessary for the strategy formulation, results in generating difficulties for the management, who do not have an optimal process to follow (Mintzberg, 1978). A growth strategy is a framework linking resources to capabilities and is used as the basis for identifying the relative contribution which the different resources make to CA. The diversification, innovation and creativity into new services and/or markets will help the company in maintaining a sustainable CA, whilst keeping within the area of its expertise (Fombrun and Wally, 1989; Deeds et al., 2000).

Subsidiaries can determine their future business directions based on the strengths of their competencies. In the competitive-strategy model in which many of today’s leaders were trained, sophisticated strategic-planning systems were supposed to help senior managers decide which business to grow and which to harvest (Hofer and Schendel, 1978). However, all the planning and investment is unable to stop the competition from imitating or leapfrogging a carefully developed product-market position. In the late 1980s, the search for more dynamic, adaptive and sustainable advantage led many to supplement their analysis of external competition with a core competency assessment. Hamel and Prahalad (1990) defined CC model as: “…the collective learning in the organisation, especially how to co-ordinate diverse production skills and integrate multiple streams of technologies”, they recognised that the development of resources and capabilities would be more difficult to imitate. However this approach faced limits, as companies recognised that identifying CCs is problematic, it is difficult to know in advance what competencies to focus strategic investments on. The durability of a competency is susceptible to technological discontinuities.
Competency based strategies are dependent on people, which is very important in a service providing business such as logistics. Knowledge and expertise drive new product development, and personal relationships with key customers are at the core of flexible market responsiveness. According to Grant (2002): “When two or more firms compete within the same market, one firm possesses a competitive advantage over its rivals when it earns (or has the potential to earn) a persistently higher rate of profit”. A company can achieve a competitive edge by various means, e.g., manufacturing products more cheaply than competitors, offering unique products or services, or concentrating on small market niches. Black and Lynch (2001) have supplemented this, claiming that CA derives from doing things better, faster, cheaper in an organisation. Logistics supports each of these business strategies in its own way. To be competitive, a company must ensure that customers see sufficient value, for which they are ready to pay more than the cost of supply. A company should devise a sustainable strategy capable of maintaining the CA of the firm over a longer period of time. Due to rapid technological changes, firms are vulnerable to losing their competitive technological edge (Bhide, 1996). Long term CA of the firm is determined by the resources
which it either holds or has access to, looking from resources perspective (Barney, 1991), as company performance is influenced by the strategy and strategy is influenced by the resources (Newbert, 2007).

In the literature, scholars have developed a number of strategy typologies, however there is no consensus as to which one can effectively influence company growth the most. For instance, Porter (1985) in the “Competitive Strategy” has described a category scheme consisting of three general types of strategies that are commonly used by business to achieve and maintain CA. Porter simplifies the scheme by reducing it down to the three best types of generic competitive strategies that enable companies to outperform their sectorial competitors:

- Comprehensive Cost leadership – organising value adding activates so as to be the lowest cost producer/service provider in the industry;
- Sector-wide Differentiation – persuading customer that a product or service is superior to those offered by competitors;
- Focus – aimed at a segment of the market niches.

![Figure 8: Michael Porter’s – Competitive Advantage Model](image-url)
The third strategy can be interpreted as an application of the first two strategies with a focus on one particular market segment. Both cost leadership and differentiation are relatively broad in market scope while market segmentation is narrow. To create CA a subsidiary needs to review its strengths and choose the most appropriate strategy. Logistics concepts such as “mass customisation” or “postponement” even allow cost leadership and differentiation strategies to be achieved simultaneously.

Whatever strategy is decided, a company should make sure that it is not middle of the road because one business cannot do everything well. Unlike Porter, Miller and Camp (1985) focus on the strategies of differentiation in innovation and differentiation in marketing. Ireland et al., (2003); Meyer and Hepard, (2000) concentrate on entrepreneurship itself as strategy. However, theory presented by Moreno and Castillas (2008) contend that the decision making related to growth is mainly situated at the corporate level strategy, and the fact that well-known Porter’s thesis is the business level strategy, makes them unsuitable when researching subsidiaries growth strategies. As Porter’s strategies are more focused on profitability instead of growth, his CA model can bring above average levels of profitability to a business. A different point of view is presented by Birkinshaw et al., (2005) they argued that if a local entity will be taken as a semi-autonomous unit that achieves competitiveness to a greater or lesser degree as a function of the environment in which it is located, Porter’s theory of competitive strategy can be applied.

Balancing risk diversification, short-term earnings, and long-term shareholders value by optimising how the enterprise allocates resources to business units, services, research and development projects or other business initiatives, are some of the most difficult issues that managers face in today’s complex organisations. The corporate strategy concept most in use is portfolio management, a forward-looking approach combining business unit, new business, and functional strategies to achieve a balance of growth and shareholder value creation, while recognising interdependencies. A proper knowledge management system to acquire, create and share knowledge is a requirement of all firms regardless of their size (Von Krogh and Cusumano, 2001), and it is a major resource of the company (Grant, 1996). Ability of the management to convert knowledge into code and general know-how is of vital importance for the organisation to select its strategy. It is important for a firm, in order to expand the business, to augment its knowledge capability by accumulating and incorporating new knowledge quicker than the competing companies to new markets, product or services (Von
Krogh and Cusumano, 2001). Capability of creation, dissemination and transfer of organisational existing knowledge effectively determines the firm’s CA (Kogut and Zander, 1992). It is the strategy, which helps the firm in acquiring the right knowledge and capabilities at the right time, which is one of the key requirements for growth (Von Krogh and Cusumano, 2001). Logistics customers value the quality of service, not the resources possessed by the company. The performance is determined by the strategy directing and utilising these founding resources to transform them into marketable services. As compared to strategies and environment, resources have a lower level of importance (Newbert, 2007) hence, it is important for a subsidiary to understand its relationship of performance, strategy and resources.

From this literature review it is clear that gaps exist in relation to the application of CA theory to particular activities of the logistics industry and this research will address this gap by answering the questions, what direction should be taken to stimulate efficient business growth, how is the growth managed in subsidiaries and what resources are needed to maintain it.
3. Methodology

3.1. Introduction

The purpose of this chapter is to illustrate and understand the methodology used in conducting this study and to fill in the gaps found in the academic literature. This chapter introduces the research questions and the methodology of the research, including research: philosophy, approach, choice and frame, and the method of data collection and analysis. The ethical considerations, the researcher biases and the limitations of this study are also presented below.

3.2. Research questions

The research is to gather information about the role of the growth strategy of a multinational’s subsidiary in the logistics industry based on example of RLI. The proposed research questions are:

a) Why the growth strategy of multinational’s subsidiary is important?

The objective of this question is to provide a general concept of growth strategy and evaluate the importance of the development of a subsidiary, as part of a multinational’s company.

b) How the Rhenus Group business-level strategy influences the development of the Irish branch?

The main purpose of this question is to analyse the role of the subsidiary in the Group business strategy, taking into consideration, the difficulties to manage and implement global growth strategies and allow the local branch to lead autonomous development.

c) What direction should be taken to stimulate efficient business growth of RLI?

The question is intended to evaluate the growth process, taking into account internal and external factors that affect RLI and it should be analysed in order to design and implement appropriate plans.
d) How is the growth managed in RLI, is there strategic fit and sufficient resources to maintain it?

The aim of this question is to evaluate how legal and economic factors might affect the effectiveness of the development of RLI. Furthermore, the intention is to provide possible growth strategies that might be implemented by RLI in order to face those factors and become a more competitive and successful branch, a special consideration is to be taken on the relationship with its customers.

3.3. Research methodology

This research was intended to analyse in-depth, the importance that development strategy has in the achievement of the organisation’s goals, particularly in the further successful growth of RLI. An interpretivism and subjectivism philosophy and inductive approach using qualitative data through mono-method was adapted. The reason for each choice is explained by using the Research “Onion” Model.

3.4. Research philosophy

![Figure 6: The Research “Onion”](source: Saunders et al., (2007), Research Methods For Business Students, p.101, Pearson Education Ltd.)

Research philosophy is a belief or an idea regarding the collection, interpretation, and analysis of data collected. Saunders et al., (2007, p.101) have suggested that the research should apply the Research “Onion” Model as a robust way to evaluate an appropriate approach to the research process, according to authors it reflects the development and nature
of knowledge, “[…] the research philosophy you adopt contains important assumptions about the way in which you view the world”.

Interpretivism was used because it believes that the reality is relative and can contain multiple scenarios. This perspective recognises that business people are all different in the way they interpret business situations, and suggest that the research needs to understand the difference between humans as “social actors”. The researchers have to acquire an emphatic perspective in order to enter their social world so to understand the world from their point of view (Sanders et al., 2007, p.103). This philosophy is aligned with the research that was conducted, providing a better understanding of the growth strategy and highlighting its importance.

3.5. Research approach

The inductive approach was used as it can be employed when the researcher is developing theory from observation and empirical evidence, thus being flexible by its nature. The researcher that employs an inductive approach is developing theory and is particularly interested with the context in which events are taking place (Saunders et al., 2007, p.119).

3.6. Research strategy

In conducting this research the grounded theory was used, according to Saunders et al., (2007, p.142) the theory is: “particularly helpful for research to predict and explain behaviour, this emphasis being upon developing and building theory […] data collection starts without the formation of an initial theoretical framework. The theory is developed from data generated by a series of observations. This data can lead to the generation of predictions which are then tested in further observation that may confirm, or otherwise, the prediction”. This strategy was helpful in the research as it helped discover, through the interviews – data analysis – how growth strategy is managed, especially how RLI operates.

3.7. Research choice

A mono-method selection is considered suitable to this research. Kahn and Cannell (1957) describe interviews as a purposeful discussion between two or more people. Semi-structured in-depth interviews were carried out with five different leaders of RLI as they have close and truly lived experience of the research topic. The interviews were ideal for the
researcher to explore the aims and questions posed by this research, as it promotes more flexibility in interactions and investigation, and only governed by the degree required and gathered in terms of quality and quantity (Weiss, 1994). The face-to-face interviews were consistent in order to address matters regarding services quality, customer relations and the development plan of RLI.

3.8. Time horizon

Since there is a restricted time to complete the dissertation, cross sectional horizon was applied in this research. This method is useful for short-term research. Thus, the growth strategy was studied over a period of time. Cross-sectional study aims at capturing a snapshot of a situation at one moment in time (Saunders et al., 2007, p.148).

3.9. Qualitative

The choice of method is qualitative research as it can provide insight to aid an investigation about growth strategies which is not possible to elucidate with purely quantitative methods. Creswell (2009) describes this as: “A means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. The process of research involves emerging questions and procedures, data typically collected in the participant’s setting.” Qualitative approaches are rooted in philosophical traditions with different epistemological and ontological assumptions (Saunders et al., 2007, pp.102-108). Ontology is the view of how one perceives a reality. Epistemology is the beliefs of the way to generate, understand and use the knowledge that is deemed to be acceptable and valid. Aastrup and Halldorsson (2008) based on the ontology and epistemology elaborated the paradigmatic justification for the use of case studies in logistics research, they argue: “…to reach the causal depth required for revealing the real domain of logistics activities and performance: to reveal the working of mechanisms in loosely coupled structures showing open systems characteristics through a constant alternation between abstract and concrete reasoning”.

In order to answer the research questions, primary data was collected through in depth-interviews in RLI. The aim of this research was to explore the importance of the branch strategy growth. However, secondary data was carried out as well, this originated from multiple valid sources of evidence as follows: books, journals, newspapers, relevant electronic sources.
3.10. Non-probability sample

In accordance with Saunders et al., (2007, pp.207-208) there are different sampling techniques which can be divided into two groups; probability and non-probability sampling. With non-probability samples, it is impossible to generalise on statistical grounds in line with the proposed strategy of developing a growth strategy for a multinational’s subsidiary in the logistics industry. A non-probability sampling was undertaken, which involved purposive sampling technique of a group of employees as: “This form of sample is often used when working with very small samples” (Saunders et al., 2007, p.230). Participants were approached to be involved in interviews from different categories of RLI staff who have experienced four alternative areas of logistics:

1. Managing Director (MD) – interviewee 1;
2. Head of Life Science – interviewee 2;
3. Air-freight Manager – interviewee 3;
4. Logistics Manager – interviewee 4;
5. Operations Manager – interviewee 5.

3.11. Ethics

“Ethical issues cannot be ignored, in that they relate directly to the integrity of a piece of research and of the disciplines that are involved (Bryman and Bell, 2011, p.122). As the interviews were conducted in-house, preliminary contact was made with participants. All transcripts, notes and audiotapes are stored safely at the researcher’s home. Participants were informed in detail about the purpose of this research and knew in advance the information required. Confidentiality was assured to all participants. In this regard, Bryman and Bell (2011, p.133) state that informed consent: “[...] means that prospective research participants should be given as much information as might be needed to make an informed decision about whether or not they wish to participate in a study. Covert observation transgresses that principle, because participants are not given the opportunity to refuse to cooperate”. Furthermore, the right of privacy for participants was respected. They had the opportunity to refuse to answer sensitive questions, treat each case sensitively/individually and given a genuine opportunity to withdraw. “The right to privacy is a tenet that many of us hold dear, and transgressions of that right in the name of research are not regarded as acceptable”
(Bryman and Bell, 2011, p.136). Also, particular care was taken not to reveal confidential details of the company.

3.12. Researcher bias

A personal bias can interfere with the process of interviews. Respondents could have been under author influence during the interviews as the researcher of this study has worked in RLI for over eight years and has complete access in gathering all information required for this study. However, the interpretation of data could also have been a bias since the researcher is an employee with experience and own opinion, it is important to be neutral when it comes to new concepts and development ideas.

3.13. The research limitation

In conducting this research, some practical efforts were required. Time management was a limitation. Indeed, combining job and personal activities in order to have the time to conduct interviews was challenging. The sample did not include other regions outside of Dublin as there is no other office in the Republic of Ireland.
4. Research findings and data analysis

4.1. Introduction

The purpose of this chapter is to explore, analyse and assess the research findings and results of the research process. This chapter is divided into five sections. The first presents the participants and their professional background and experience. The four remaining sections are in relation to the research questions presented in the methodology chapter. Findings obtained from the interviews are further explained and detailed in this section and the questions used to conduct this research are in appendix 1.

4.2. Participants’ presentation and group formulation

All participants have worked in the industry for 27 years or longer, gaining varied experience through their professional lives. The logistic industry was not the first choice for some of them, as interviewee 4 argued: “Generally people get into this industry as a result of some circumstances, that’s exactly what happened to me”. This participant started work in warehouse positions, first was a company importing raw materials from the States and exporting finished products back, then in a company importing office equipment. In the next position, his main task was to re-develop the warehousing system, physical storage and retrieval of products in the site, encompassing both the physical and the appropriate support systems for timely put away and retrieval of stock and ISO 9002 implementation. During the next 8 years he implemented similar improvements across the company branches around Europe. After a few years, participant took a General Manager role in a print management company, where he built a warehouse structure and dealt with the company’s major suppliers and customers. After 3 years, the participant moved to a logistics company who specialised in print brokerage, being involved in the general management. Next step was to set up a consulting company, which delivered software and logistics projects managements to clients. In 2011, he was approached by RLI to develop the contract logistics side of the business.

The logistics industry was also not the first choice for interviewee 3. Her first position was in a solicitor’s office, then onto an engineering firm. In 1980 she moved to Irish Express Cargo, starting in the post room and finishing as an Air-freight Manager. Next role was a Regional Account Manager in Expeditors®. This position increased her experience in customer service, management and Key Performance Indicators (KPI). In 2003 DB Schenker were looking for an Operations Manager for their Dublin office with an air freight operations
tasks, logistic and account management role. In 2009 RLI approached the interviewee to fulfil the company global strategy as they were looking for an experienced Air Freight Manager.

Participants’ background and career development differ significantly. Some of them gained their industry knowledge through working in logistics from the very start and have worked in the Dublin office since the company was established. Interviewee 1 started work in the transport industry when he was 18, working for many companies located in Ireland and Switzerland. In 1979 he established a joint venture transport business with Hamann International and in 1987 was appointed as MD. Hamann were bought by IHG-Logistics in 2000 and the interviewee sold his shareholding. In 2006 Rhenus Group acquired IHG, there were no major changes apart from the rebranding of the Irish branch and the participant manages the subsidiary until today.

In November 1987, interviewee 5 started his work in Hamann, he gained experience in almost every area in the company through varied roles. This participant began work in the Deep Sea Section, dealing primarily with USA, China, Middle East and some air freight, after 8 years he was appointed to the Trailer Division, where he finally became its manager.

Interviewee’s 2 first role was a warehouse position in Irish Express Cargo, and soon progressed to various departments. In 1999 he was appointed as deputy MD in Intercontinental Cargo with the main task to change the company structure and develop its IT system. In 2001, company was taken over by DB Schenker and the participant remained the MD. Interviewee then set up a consultancy firm - Transport Solution, a service provider to the freight forwarding and logistics industry, focusing on the design of a supply chain, cost and operations restructure. In 2008, interviewee was approached by RLI with an offer to set up an air freight division. The participant then received a full time position to develop the international side of the business.

For the purpose of this research, 2 groups have been created to compare and contrast the differing understanding and approach towards the subsidiary growth strategy and the role the group plays in this, taking into consideration participants’ professional background, experience and current position in the company:
1. The Executives – participants with managing director and/or consultancy experience: interviewees 1, 2 and 4;

2. The Managers - participants with operational management experience: interviewees 3 and 5.

4.3. Why the growth strategy of multinational’s subsidiary is important?

4.3.1. The Executives

All participants agree that the number one goal for any multinational’s subsidiary is to make profit. The Executives contend that the role of a subsidiary differs in various industries. For instance, the subsidiaries of a pharmaceutical MNC are completely different to the subsidiaries in a logistics MNC. For example, an Irish pharma subsidiary may only produce medicines, whilst the American subsidiary may focus on research and development, with the group company taking the profit. However, in the logistics business there are more interactions, synergies and dependency between subsidiaries, as they must cooperate to ship goods from point A to point B. Nevertheless, common traits for every organisation mean that they should all be familiar with strategy, tactics and planning. Once a company knows what the strategy is and the goals are placed properly, the next important thing is to have an action plan that all parties are familiar with. They must have all the necessary information to work towards a successful strategy and the role of headquarters is to coordinate and correct the action plan. Problems may arise when a subsidiary does not agree with the strategy, or they have not been given the necessary tool to deliver the strategy. The plan should be communicated strongly to all parties, so that the entire group is working towards a combined goal. The interviewee 3 stated: “Use your strategy, tactics and then your action plan. The action plan will be different in the UK compared to Ireland or Poland, there are some specifics in those markets and they all bring you to your target”. It is important that all parties agree to the plan and tactics, to ensure subsidiaries do not go off and do their own thing. Headquarters have tools such as KPIs to help the branches ensure they are hitting their targets and delivering the correct service.

Rhenus subsidiaries constantly report back to headquarters with their results, however, as RLI is so small, its impact, on the group’s annual profitability is less significant than many others, for example, when compared to France: “…it will be like petty cash”, as the
interviewee 1 stated. The Irish market is small and saturated, the first role of RLI is to serve the Group, as interviewee 2 stated: “…we have trailers coming in, we have air-freight requirements, ocean freight requirements and the contract logistics. We are here as a services centre for the bigger nations and the big trade lines. In order for us to develop the branch, increase profitability and improve our recognition in the marketplace, we must win new business”. The participant added: “…there are a lot of other things needed to make it happen, so we need to have the right structure in place including operations, sales, customer service and transport. They need to be locked in, and the only way this can happen is through IT and improved systems. However, without an excellent workforce, you have nothing. If you do not have a happy staff, you will not have a productive staff, this is a major constraint as it is your staff and their initiatives that help develop your IT processes. If our staff are not happy the business does not work efficiently”. The company wants its Dublin office to serve their business, to look up opportunities in Ireland and make a real commercial business decision. RLI has expertise and market knowledge, it can be taken as value adding not only to the Group’s global customers but to the Group itself, actively supporting its strategy and pushing to coordinate different parts of the Group.

The Dublin office has added value to the Group, for example, Rhenus Group acquired Midi Data, renamed to Rhenus Midi Data (RMD), they are a last mile delivery provider for computer and ATMs. Subsequently, RMD bought Lupprians, a company who provide a full range of logistics solutions, from specialist transport services to hi-tech warehousing, engineering services, parts management, supply chain and demo systems management, with very little competition in the market. The Group now contains:

- RMD which focuses in particular on customised logistical transport and logistics solutions for unpacked, sensitive technical products;
- Lupprians offers the same services but brings in added value solutions to the customer;
- RLI - international trailer services.

However, up to this point, there was no communication between these three Group members. The first opportunity arose when RLI got a request for quotation from an Irish based company EMC. Interviewee 1 and 2 arranged a meeting in Amsterdam with the other two divisions. This was the first time they were introduced to each other. At the start there was a lot of scepticism and opinions: “…we do not need other guys to support us”. After the Dublin
executives made a presentation, the other two divisions could not believe how valuable it could be if the three subsidiaries were to co-operate and combine their resources. The significance in this case was that like RMD, Lupprians and RLI all individually, did business with EMC at the same time. Rhenus could now offer EMC a full service from source by RLI picking up and moving the goods to Lupprians or RMD who ship the EMC products to South Africa for final mile delivery. Interviewees added that: “…all EMC repairs and returns are shipped back to Cork to Wisetek Solution, and we are just after signing a deal for an exclusive, strategic partnership alliance with them”. Working together they can use Lupprians’s system as their system is compatible with EMC. To enable the Group to provide full customer service to EMC, a Rhenus representative was sent to South Africa to set up an agent, there is also a representation in Amsterdam and in Ireland. After this meeting in Amsterdam, they discovered a great solution, together they could offer EMC a Resource Management Mapping Service, and gain CA over their competitors, as this solution cannot be easily replicated.

4.3.2. The Managers

The Managers opinions are very supportive to the Executives’. They stressed the importance of investment needs in a MNC’s subsidiary development, interviewee 3 argued that: “Even though every organisation strives to be profitable, an investment has to happen first, as without investment you will never grow your personnel and your experience, number one has to be investment in people, products and all of your resources”.

They stated the importance of company recognition. A MNC should have a standardisation with every branch being under the same logo having the same procedures, as per interviewee 5: “The Rhenus brand should be known worldwide, but to achieve that we need to have honesty and integrity, and treat both staff and customers well. Integration may influence pricing as Ireland is a very small market, if we buy a container space or aircraft space, it will be expensive. However, if Rhenus Group globally comes together to purchase a hundred thousand tonnes of air-freight or containers, through economies of scale, it will mean a much stronger bargaining position”.

The knowledge and expertise shared is also an important factor of MNC’s subsidiary: “…some of the Rhenus offices deal with for example, a pharmaceutical company, who have a presence in both Germany and Ireland, but Ireland cannot break into them. However, if we
were to approach them with a recommendation from our German sister company, and explain we can offer similar standards of service, they might be more likely to work with us. The Rhenus logo gives us worldwide recognition and shows we are part of the Rhenus Group, this recognition opens up new markets to us. Through us, other branches can get access to the Irish market”.

4.3.3. Summary

It is clear from my comparison of interviewees opinion that even though the Managers views are valuable and accurate, these are only a supportive background to the Executives answers for two reasons:

1. The Executives are more experienced and familiar with the Rhenus Group strategy;
2. There is weak communication within the subsidiary, the Managers are not informed about the Group or branch strategy and their opinions are based on own knowledge and experience.

However, both groups are unanimous in that despite the different role of subsidiaries in different businesses, they play an important role in a MNC’s strategy through agreed tactics and action plan. The strategy can be expressed not only by dealing with the company’s customers but also by cooperating with other branches, bringing own initiative and sharing their knowledge and expertise to strengthen the entire organisation. It is particularly important to a local branch in the logistics industry that head office should take under consideration local environment and allow branches use their own action plan if necessary. However, in this industry each part of the network is dependent, therefore they should be optimally integrated with the group, to ensure they properly support MNC’s strategies in gaining and maintaining a CA, on the local and global markets. These can only be effective if headquarters supports and coordinate subsidiaries growth strategy by investment, resources development and new technology implementation.
4.4. How the Rhenus Group business-level strategy influences the development of the Irish branch?

4.4.1. The Executives

To get a better understanding of how the Group influences RLI, it is necessary to have a look at Rhenus, as the multinational provider of logistics services, subsequently growing by acquisitions made in Europe and Asia. In the Middle East, as this region can be unstable, Rhenus works with agents from outside the Group network. There are no plans to go to the USA as interviewee 2 argued: “…for a German company, opening up a network in the States, will take a long time, will take huge investment and there is little chance to be close to any of the big players like Khune & Nagel, Ceva or Expeditors®. Therefore, we only operate in the States through agent networks”.

The Rethmann Group bought Rhenus in 1998, and consequently created a conglomerate primarily involved in water management, recycling, bio-industry and contract logistics. The company expansion policy is to grow by acquisition. In 2006 they bought IHG-Logistics, owner of the Dublin branch. This take-over gave Rhenus a European network for land transport, extended its world-wide freight services and added warehousing sites across the continent. The Group only got involved in the air-freight side of the business when they acquired a very profitable, local company in the Netherlands, called Road-Air, unfortunately shortly after these acquisitions the European economy shrunk into a recession. Main markets such as France, Italy, Spain and Germany moved from profit to loss making, which resulted
in the Group focusing on reducing these losses rather than focusing on company integration. This effectively slowed down the development or extension of the company strategy into smaller countries.

Predominately, the Executives were of the opinion that there is no central policy driven from headquarters, policies are lacking, slow and disjointed in certain areas. They argue that: “...the policy has been weak throughout the Group, there is no real unification”. Because of the many acquisitions in the organisation, the IT system is weak and they have not integrated the individual systems with the Groups platform. Rhenus Group is a member of System Alliance Europe and its branches have EDI connectivity (appendixes 2 and 3), but as interviewee 2 stated: “there is no cohesion, from end to end, there are multi references being generated by multi-systems, and that leads to a huge number of problems”.

Rhenus Group is launching a new integrated IT platform to be commonly used by all of its branches, but this project is moving slowly, it needs a lot of investment and could take years to complete.
They started with the most modern CRM platform architecture called SUGAR Enterprise. This allows subsidiaries to collaborate across extended teams, publish and manage CRM functionality to customers and partners, and receive a complete overview of all sales opportunities, (appendix 4). Although this looks very promising, there are some constraints, both on a corporate and branch level that need to be taken away. Firstly, monthly access costs €30 per person, so RLI decided to subscribe access for only one person, effectively restricting access from those who may add or receive benefits to it. The majority of the Executives in RLI are not familiar with this feature, they argued: “SUGAR? Nobody told me anything about that”. Moreover it does not fulfil its core function such as extended collaboration, interviewee 4 argued:”...nobody told me that there is a customer in Frankfurt who is also in Ireland. Only this year, some German guys arrived in Ireland and spoke to this customer that we are dealing with and they did not even tell us they were coming”.

Another tool being implemented by the company - the Road Tariffs Configuration (appendix 5), already seems like it is not useful for the branch as the cargo ratio between Ireland and the rest of Europe is not balanced, it should be split more on an equal basis. RLI controls only 30% of the Rhenus Group cargo coming into Ireland, with other members of the Group controlling the remainder. According to interviewee 1, “…this is 30% against 70%, for us it will be a greater benefit, if the Group will break out the cost on the Irish service, in the continent and here, and everything in the middle, and will say: the Irish service is worth so much to the Group, who controls most of the commodity, minus 30% of profit, so there is profit to share”.

The SUGAR access is not the only charge imposed by Rhenus Group onto its branches. Every subsidiary pays a corporate levy for management and IT. RLI pays €79,000 annually. The Executives feel that this is not a fair charge as according to them, there is not enough support from the Group: “…on deep-sea, air-freight and contract logistics we do not work with any Rhenus office […] it is quite unfair because they do not produce anything for Ireland. We produce everything here ourselves. We have to make a contribution but I think this is burdening on a small subsidiary like ours. We could use this money and employ somebody with great experience. We would like to see a return on our money, but that is how multinationals operate, there is no point to argue”.
Rhuneus Group operate in contract, freight and port logistics, additionally in Germany they also do public transport. Unlike in Ireland, usually these are standalone businesses with standalone management in different premises. As interviewee 1 affirmed: “We have to do all as a one man show here. We have a combined physical establishment of trailer services, deep-sea, air-freight and contract logistics”. Even though interviewee 4 argued that: “…these do not fit in the same facility, it’s very difficult to have them all in one place”. However, as the Irish market is small and specific, to make distributions and collections profitable, all divisions need to be kept together. Interviewee 1 added: “…as many other similar companies here, with an exception of big integrators like DHL, we need that, otherwise we cannot exist”.

Source: Rhuneus Logistics Ltd.
In most European countries Rhenus operates as if in one country, as there are a lot of big companies, no border control, effectively many more trailers are swapped between branches. Unlike Ireland, located off the mainland with the sea in-between, as interviewee 1 stated: “Ireland is a small, consumer’s economy, consequently you cannot turn trailers around like in the continent because there is less going out than coming in, and we do not send back trailers to each country. The only exception is the UK, our biggest trade partner with a lot of traffic going in and out. Our main export market is pharmaceutical, which is about 60% of the business, the rest is in agricultural and dairy products”. The trailer side from the continent is mainly paid abroad, the earning capacity in Ireland is tiny the participant added: “…we have to have the trailer service to be a forwarder, but this is less attractive to us, because generally it generates profit to the Group and not us”. Within this service, a problem arises with the profits as each subsidiary works based on a bonus scheme system. There are always two dependant trading partners, as the participant argued: “…they fight trying to squeeze each other on the commodity surface. There is constantly a middleman scenario, one person is quoting another person, with a big mark-up, who is going to get the highest mark-up. Some policy should be made within the Group, as we should all be working together. In other words, if we were to make no profit on our distribution, it should be funded by the Group as the profit goes to the German side”.
Rhenus headquarters wants its branches to serve the Group business, find opportunities and make commercial business decision. The biggest opportunity in Ireland is the pharmaceutical export, a very specialist area, and RLI strategy is to grow this. To comply with legal regulations, RLI have acquired all necessary staff, security systems, credits and certification, such as the Good Distribution Practice Passport – GDP (appendix 6).

![Figure 11: The Good Distribution Practice Passport](https://www.irishexporters.ie/section/GDPPassportScheme)

Figure 11: The Good Distribution Practice Passport

- **GDP Passport**
  - Quality
  - Security
  - Safety

**Quality** systems to ensure that products are stored handled and distributed as required by the GMP Licence.

**Security** of the supply chain of pharmaceutical and medical device products.

**Safety** of the products, ensuring supply chain integrity and enhancing patient safety.

Source: Irish Export Association: [www.irishexporters.ie/section/GDPPassportScheme](https://www.irishexporters.ie/section/GDPPassportScheme)

However, to be fully compliant for this business, RLI have to obtain an Irish Medicines Board (IMB) licence (appendix 7), as all pharmaceuticals need to be stored in a temperature controlled warehouse. To get the license RLI have to rent or buy a proper facility, this would help develop the contract logistics side of the business. The subsidiary does not have the resources to fully develop this plan, so they have asked for Group support. However, even though a detailed five year business plan was prepared and presented, headquarters will not support the branch, until there is a guarantee of income. Interviewee 1 shares the headquarters’ opinion argued: “…if we were to get a large client to fill the contract logistics warehouse, we will become totally reliant on them, and if they were to walk out tomorrow, it might take two or three years to replace them. This kind of risk exposure is just silly”. Interviewee 2 did not hide his disappointment: “…we cannot work like this, where headquarter does not support us, so if we sign a deal now for €2 million deal for five years, they want to know what guaranteed business we will have in five years’ time, this is impossible to predict. Investments are not risk free, but this is what businessmen do, you look
at your make up, you look at the Irish market and you take a calculated business risk, unfortunately we cannot do this alone. The Group are very good at making investments but the business needs to be almost on their knees before this is done”. Moreover, before the regulations changed, RLI carried a lot of pharmaceuticals to different countries, as participants argued that now their hands are completely tied because the Group in mainland Europe does not have the infrastructure to handle pharmaceuticals “…they do not have all of these accreditations and facilities to be able to store pharmaceuticals, then we cannot use our trailer service to ship out these products to Europe, fortunately the air-freight is not a problem”.

Similar issues applied to the air-freight side of the business. Rhenus bought Road-Air, but they do not have an air-freight infrastructure within the rest of Europe. Outside of Holland, subsidiaries work with multiple agents located in different parts of world, as there is no Group agents’ network available. Rhenus do not have an air freight hub in the UK, other than the forwarding capacity. Their main hub is in Amsterdam, whilst their major competitors have hubs in London and Manchester. This means RLI have to send goods on trailers to Amsterdam, and then they can be flown around the world, this increased cost reduces their competitiveness. Interviewee 1 said: “…we will be 10% more expensive to get to Amsterdam than our competitors having hubs in Heathrow, we should be competing with them, to send our traffic to Heathrow and do our worldwide consoles there. Again our hands are tied in Ireland because, the Group do not have an air-freight network worldwide”. Moreover, Road-Air had a long established cooperation with many local competitors of RLI, these were set up before Rhenus took them over. As RLI is a new player in air-freight business on the local market: “…I’m extremely disappointed with all of this, as we had a Group meeting when Rhenus bought Road-Air, and spoke to their MD, and I said we have three month to get everything sorted. Afterwards I found that Road-Air was not prepared to work with us exclusively, because they already have their own agents in Ireland. Now, we have an air-freight license and department but only business from outside Rhenus Group” – interviewee 1 stated.

RLI serves the Group and at the same time is able to generate its own generic business. Because of the market size and lack of support from the company, the Group policy allows RLI to do their own thing, and work with other agents. There are three agents who recognised Ireland as a niche market. They cooperated with RLI, helping them to capture market and acquire expertise in Ireland. RLI works with them without any interference from the Group,
because as interviewee 1 stated: “…if we did not, we would be smaller. Our decision from the last 4-5 years was to not lose our size. We decided to maintain our staff without any profit and run a number of services. This decision was accepted by Germany, if they are looking for us to be profitable, than they must give the best steps to suit us”.

Rhenus’ policy to grow by acquisition is disadvantageous for RLI for two reasons given by interviewee 1:

1. “….if you will buy something, especially in the air-freight, the biggest danger is that every single overseas agent might disappear, as they might be in competition with Rhenus, any business you might generate would be gone”;

2. “…if we will extend the deep-sea line agents for example, we will have to carry business for companies who might be in opposition to the Group on the continent, and consequently the line may cut us off as has happened in the past”.

4.4.2. The Managers

Like the Executives, the Managers group opinion is that workforce between the Group and Ireland are disconnected. Apart from the trailer side of the business, still run by part of the former IHG Logistic management, participants do not see any significant influence on their work. Prevailing opinions were: “…my work here is standalone and independent. I give time to reach out to Rhenus in Holland or Germany, but it is really on customer to customer bases, however, in the day-to-day dealings, I do not have that much contact”. Managers claim they do not see much support from the Group: “…what I’m doing here Rhenus has no impact”, everything what they do is based on their own experience: “…what I do here is my own organic work, without the Group support”. They feel that the global logistics strategy of Rhenus is not applied in Ireland, admitting that they: “…do not know if there is a group strategy, because we are on the peripheral or beyond the UK” or “…I do not know what the strategy is, but I think certainly a global strategy might help us. I think they could influence us, if they do or not is another thing”.

Similarly to the Executives, the Managers do not know anything about SUGAR or the Road Tariffs Calculator. None of the interview participants were able to say much about SUGAR, which confirms this tool is not used effectively in Ireland. To gain knowledge and understanding, the branch SUGAR operator was approached. A short conversation with her
only affirmed that this feature is not used properly across the entire Group, she argued that: “…a lot of information is not filled in or is written in many different languages and to gather any information takes too long”. Another problem she pointed out is that SUGAR is not compatible with Azyra, the operational system used in Ireland, additionally lowering the usefulness of it: “…I think one of the issues is that Azyra is so good from the point of view of being fully integrated with operations, finance etc. So I would not give up something good to have something worse”.

4.4.3. Summary

It is clear from my comparison of interviewees’ opinion that Rhenus’ polices are lacking and are very disjointed. Due to the number of acquisitions made by the Group, its global workforce are very segregated and are still only coming together, keeping the Group on periphery in terms of having a cohesive workforce throughout the network. Moreover, new IT features show that Rhenus do not efficiently share information between branches. As the company focus on the main European markets, their lack of strategy effectively slows down development of small subsidiaries such as Ireland, who are left to try to fit into the Rhenus Group. At the moment, Rhenus global polices do not fit Irish specification and consequently RLI could be considered as an Irish owned company using the network, rather than being part of the large multinational.

4.5. What direction should be taken to stimulate efficient business growth of RLI?

4.5.1. The Executives

The Executives agreed that to maintain position and growth, the subsidiary has to focus on air-freight, pharmaceuticals, contract logistics, deep-sea and road freight services. In order to significantly develop air-freight, a company should be acquired in the UK, which would give RLI access to the London or Manchester hubs. However, this acquisition can only be made by headquarters. To be fully prepared to deal with the lucrative pharmaceutical and healthcare sector, RLI must obtain an IMB warehouse. Unfortunately, unlike its competitors who heavily invested to develop the pharmaceutical side of their businesses in the past, Rhenus has no infrastructure in the continent to deal with pharmaceuticals. Nevertheless, interviewee 2 argued: “…we should try to retain what we have, and have a very clear focus on the pharmaceutical sector”.
The Executives agreed that RLI need to have room for growth and the biggest constraint is the warehouse facility. However, the Group is reluctant to support a facility investment unless profit is guaranteed. The Executives differ in their opinions on approaching the warehouse issue. Whilst, interviewee 1 stated: “I believe we would have to stand up and make an investment in the terms of facilities. We would have to target individual owned companies that understand this business. Then move forward with a very clear sales strategy in terms of getting in, there is no point to go where everybody else is, as we need to go and do something different. If we do not do something different that will add some value, it will become a rate issue, so you are cheaper than him. But if I can do something else that is smarter and faster, this creates new opportunities. Otherwise you will be with hundreds of other forwarders fighting for pennies”. Interviewee 4 agreed with the above, adding that, the company could win in contract logistics, if it is able to store enough pallets. RLI’s warehouse capacity is too low, based on the square footage of the site, the warehouse would need to be nearly twice as high to enable them to store enough pallets to make a profit.

Another way to win is to provide an added value services to its customers, but the Group support is required to get this new facility, the participant added: “…we are in that game but we are not available to get the business, if you will get that business, you will get the facility and you might get other businesses, there is no room to take more customers to the current facility”. Moreover, some customers have a very attractive product and the right security should be in place: “…which we do not have here, we have cameras out there, but they cannot turn”. This new facility would help the company to obtain the IMB license and this would allow RLI to charge more money for doing the same things. As the participant stated: “…let’s get IMB then we will get €4.00 handling a pallet, and not only €2.00 like now. We almost won the Heineken contract, but they went to somebody else who actually do the same things but have a proper facility. We have to go and get a proper facility and then go to the market and win the business”. Although, interviewee 1 agreed that the warehouse facility is a bottle neck in the branch development, in his opinion before a big investment is made, the branch has to utilise all current available resources. He said that RLI could eliminate all domestic transport and use the warehouse facility purely for contract logistics activities. There are some plans to outsource all domestic transport handling but to be able to do that: “…the company that we might work with, will have to improve their facility. We need to be able to push our trailers to somebody who will offload them and arrange the delivery”.
However, this may not fully support the branch development strategy, as interviewee 4 noticed: “...why do we not have IMB - because it is not possible to get it in this facility”.

The RLI Far East, deep-sea division is a niche service, everything comes directly to Ireland, with 90% of the cargo payable in Ireland, as interviewee 1 argued: “…our strategy is to keep up to 90% control of every piece of business that’s coming here”. Participant also explained that, there is a problem caused by a deal made by headquarters in relation to China and its tax rebate regulations. The repayment of a certain part of the taxes already paid by taxpayers for exported goods before they are exported. This includes value added tax and consumption tax. Trade service companies are allowed to apply for tax rebates or exemptions after they sign contracts with SME to sell goods to the overseas market. The deal made by the Group ultimately costs money to buyers in Ireland, being charged for the Chinese import, he argued: “…if we can get clients in Ireland to change to Free On the Border transport, we could dictate the rates, and eliminate all these ridiculous charges from coming on. We have to focus on getting control on the particular side of the market”.

The Executives argued that it is really difficult to make profit on the trailers side of the business. Prior to the Group winning the Volkswagen contract, RLI’s export side did not have sufficient cargo to send a trailer to every big city in Europe. However, now they are in the position to transit to virtually every single part of Europe, either through its Dutch partner or through Rhenus UK. According to the Executives, the sensible strategy going forward will be to hub Irish exports to either UK or Holland, but this requires a huge emphasis on the hub to ensure they will not put their own cargo ahead of RLI’s. There is no consistency among the Executives on how to deal with RLI’s imports, as the price focused scenario is a bigger issue here than cargo volume. Interviewee 1 argued: “...the import has to be direct, and this is very much price conscious at the moment. One of the most noticeable things, since the recession started, is that almost none of the freight forwarders went to the wall, but you can find a lot of customers went to the wall. It did not happen to the freight industry as they had retained cash from the good years before the recession. However, now we have the same level of competitors and much bigger price competition but with fewer customers in the market, who are buying by quotes”. Interviewee 2 opted oppositely, to hub both import and export side of the business: “…we should have a very robust, daily service to and from the UK, so we can ship out cargo to UK and Amsterdam and bring over trucks at cheaper rates, and do likewise with inbound. There are huge benefits from doing this as we will have to cover reduced costs,
and a hub will share the profits. We will only need customer service here, who will monitor the tariffs and tracking system. They will look after collection, dockets go to transport and they will organise collections”.

The Executives said a few more issues need to be looked after to stimulate efficient growth. One of these is the lack of Rhenus name recognition on the Irish market, as interviewee 3 said: “…name, this is what is stopping us from growing”. Interviewee 2 mentioned a second issue: “…for sure IT, staff and staff training”. Regarding the EMC case, discussed in section one of this chapter, interviewee 1 argued that the Group has to be pushed in the electronic side of the business: “…if you look at how interested customers are in the specialist areas like last mile delivery for computers and ATM’s”.

The statement: “…the best strategy will be to go back to the customers and find out what they really need and what is their core business, we could outsource some of their non-essential jobs and focus on their core business”, made by interviewee 1, shows that RLI is trying to find its best way to grow. Interviewee 2 pointed out that better networking within the branch is necessary: “…we have services which are all tunnel vision, they do not look left or right, there is no networking in Dublin and everybody is too focused on their own service”. Whilst interviewee 4 is even more radical in his opinion about how to support the branch development: “…in Dublin office, there is no strategy or structural planning. Some mangers might have their plan, but these are not combined with the branch planning structure”.

4.5.2. The Managers

The Managers argued that RLI have all the necessary expertise and know the local market better than anybody else. They agreed that the autonomy RLI get from the Group can be an important factor to stimulate branch development. Similarly to the Executives, the Managers argued that the branch needs more marketing to make the Rhenus name recognisable in the market. They agreed that staff in the Irish branch are too segregated and focused only on their own job, highlighting that RLI should focus on staff training: “…there is not enough resources available for people to diverse into other aspects of the business to learn, to give them a broader knowledge of how Rhenus is run and does its business, and what more they might be able to bring to the table”. They claimed that there is not enough training given for staff: “…to give them a good basis to do their job, they can feel confident and work better”. This applies to both operations and sales: “…our sales people should really know the basics
and they do not know enough, as they have not been given the opportunity to sit in and get some experience in all services, we probably need some products training for them and they can then go to the market to sell to different areas”. Managers added that at the very least, key staff should have a good understanding of costs, profit and opportunities, because at this level these individuals can greatly influence the costs.

In the Managers opinion there is not enough support from management in Dublin, and the subsidiary structure should be re-shaped. Interviewee 3 emphasised the need to have more staff with some experience in the freight industry: “…to be able to do some air-freight selling, let me go out on business calls. What I need is a little team around me that could do some day-to-day operations that can win the business and build as we go along, expanding where we need to expand”. Whilst interviewee 5 stated: “…you cannot just say we need more people, we need more money but most of all we need direction on where to apply them. I would say to work properly, we should structure to keep people, I should be able to walk away from this office and have time to develop. To do that, is not a matter of money, is not a matter of resourcing but retaining the people who can actually do the job properly and be dependable”.

The Managers were in agreement that RLI has to identify customers whom they should target. Similarly to some of the Executives, in interviewee 3 opinion, RLI should focus on SME customers rather than big MNC: “We are not big enough to go to the very big companies, I think we should go for small to medium sized businesses, they will rely on you and will advance themselves with you. I think our relationship should be more personalised in relation to how we deal each another”. Interviewee 5 added: “We certainty will not go for huge customers where price is absolutely everything. Because we will end up being really busy and making no money”. Both participants added that RLI should not be depending too heavily on one or two clients as: “…we might lose them and we will have trouble replacing them. It should be decided by the Board which type of customer we need, this is not just about the money, it’s a service we will give them and a service that they are ready to pay for”, as the service and price should be correlated, particularly in the demanding services.

4.5.3. Summary

The Managers group were more coherent in expressing their needs and opinions about which development direction should be taken, however, they have only been focused on the
departments they manage. They were not familiar with the branch strategy. They also argued that RLI is very segregated and staff and structure might not fit to current market challenges. It seems there is a lack of communication, not only between management levels in RLI, but also among members of each group. Resulting that there is no agreement to the kind of customers the branch should approach. RLI does not use in full, the autonomy they get from the Group or the resources available to them and the CA these create. Instead of preparing a solid, cohesive strategic development plan for the branch, they work on day-to-day basis, reacting instead of planning.

4.6. How is the growth managed in RLI, is there strategic fit and sufficient resources to maintain it?

4.6.1. The Executives

The Executives are of the opinion that when developing business, it is very important that the company listens to its customers and looks at what resources they have, to develop the supply chain so that it fits the customers’ requirements, whilst adding a little bit more to gain a CA. RLI uses its resources, opportunities and innovations to interact with other actors in the local market, and build its unique capabilities. Interviewee 2, as an example, mentioned GE, a Cork based company he recently visited. Every week they move temperature controlled pharmaceuticals for Eastern Europe through various different logistics companies, because of the products specifics, none of these companies are able to provide a complete solution to GE requirements. Participant stated: “…we can put a solution on their table, it is not easy but we can do it. Because we have the GDP passport and we carry sufficient temperature controlled cargo transported throughout Europe”. The only difficulty is that GE’s amount of pallets differs each week: “…some weeks they have 1 pallet, others 20 or 30 pallets”. To support and develop this service, interviewee decided to combine GE shipments, with another RLI Cork based customer, Leo Pharma. Shipments for both places are to be collected on Fridays and loaded in the same container to: “…have the container stuffed and make a profit. Moreover, customer is satisfied as nobody else is able to provide an export groupage service from Ireland, as it has to have the right coordination, temperature and compatibility of the similar products”. This is a new logistics service, which Rhenus can use to target pharmaceuticals.

RLI decided to develop its deep-sea department. Interviewee 1 stated it is unusual that RLI, as a freight forwarder, is able to work with a non-vessel operator which combined with
the Rhenus Group dense network in Asia, gives a significant CA to RLI. Many other freight forwarding companies use RLI Far East direct services coming through Shanghai, Ningbo, Hong Kong and Singapore ports. Interviewee stated: “…our customers do not control sufficient business, they can only manage a nomination freight which is controlled by individual shippers. We increased our control to 90% in all of these countries, gaining control of the service. This is a highly profitable area where we definitely put a lot of work in relation to the strategy, and we need to keep control of this”.

As RLI has no space in its warehouse, they need to develop other services to increase profits. Interviewee 4 claimed that he always looks at his customers’ accounts, looking for opportunities to develop RLI’s products. At the moment he is working on improving the service for one of its customers, a bank with about 64 branches around the country. The bank wants RLI to deliver personalised packages to its customers. Each branch send an order into the RLI web-portal, Rhenus provides A3 posters, DA leaflets, FOBs and other marketing tools supplied by the bank, prepares packages and delivers these to the banks customers. The improvement is that instead of having these posters delivered, RLI will print them. When the order comes in, RLI will print the A3 PDF poster, pick a leaflet, and put everything together in one box and ship out. Thanks to that: “…is less likely that bank might go to somebody else, because they have everything in one place now, not only can we provide the service but we can add more value, make more money, but also get you closer to our customer. All we need is an A3 printer in the warehouse”.

Another example given by the participant goes beyond traditional logistics activities. One of RLI’s biggest customers is a marketing company whose main activity is to buy and sell print products. RLI ties them with Azyra, with all their orders going straight to the RLI system, which makes it harder for them to change service provider. RLI deals with a person who buys goods from China. The marketing company has a customer that wants to buy 4 million snack boxes to serve to passengers on planes. Interview 4 initiated a procurement process through the Chinese buyer to outsource manufacturing tasks to local reliable partner which will result in lower cost and greater profit. RLI will then re-sell these to the marketing company and they will sell these to their customers. These boxes will cost about €300,000 and RLI will make about €40,000 profit. By doing this, RLI will have earned more money than from 6 months of storing products for them. RLI has its advantage over the competitors
because customer’s websites go directly to RLI warehouse system and by offering ad hoc services to the customers. This system would be hard for RLI’s competitors to replicate.

The financial resources have been retained in RLI ever since interviewee 1 sold his shares, as he insisted that the maximum they can take out of the company is no more than 50% of annual profit, with the rest remaining in Ireland. RLI have not allowed the Group to withdraw all cash resources as they may be needed in the long term, either to maintain the cash flow, to secure credit or possible future investments. As interviewee 1 stated: “…we are allowed to spend the retained money, but of course we will not be able to buy anything without the Group involvement. For example, this will help us to bring in specialist people if we need them”. Interviewee added that RLI managed a lot of risks during the recession, such as “…not enough credit whilst taking business on lower margin”. However, interviewee 4 argued: “…we went quite well through the recession but it was mainly because we got a lot of business from the Group’s companies, they obviously know what they are doing, so they were giving us the business”.

RLI has some difficulties in deciding the kind of customers they should target. Some Executives said: “…we cannot target any big one as we will never get them”. Interviewee 2 argued that: “…is not true, as we got EMC and Leo Pharma, it took 4 years but we finally got their business”. Some other individuals are of the opinion: “…we cannot go after the big ones because it takes too long to develop and we need business now”. The majority of SMEs cannot be given credit, because their balance sheets do not support it, consequently only pre-paid accounts can be opened. In opinion of the interviewee 2: “…it is a huge difficulty when you target these customers. As a multinational company you should talk to the big players in the market. It is suicide to not do that”. The SMEs just need to move their goods and do not use the value added services, the interviewee added: “…you can sell them your services but there are hundreds of competitors and your margin is depleted. In reality, the only way you will earn decent margin is to go to the big end of the market”. Interviewee 4 agreed that this issue needs to be resolved as it is impossible to build any strategy without a clear customer target.

The Executives agreed that another very important resource is the staff and like in most companies, they have a mix of good and poor staff. Interviewee 1 stated that: “…90% people are really putting in. We could grow because we actually retain people, even when we lost some business through the recession, where pricing was critically important. We have not
really lost a lot and that’s due to the ability of the staff and their competitive instinct”. However, there are some weak individuals in terms of the knowledge of the business, but in many cases that can be fixed through encouragement, training and strong leadership, as interviewee 2 argued: “…you will never be able to fix everything”. The Executives differ in their opinion about some individual’s poor performance. Whilst interviewee 1 stated: “…unfortunately some poor staff are here too long and there is nothing you can do about it”, interviewee 2 argued: “…the management should not to be afraid take action if an employee will not fulfil their duties, but they have to also support them”. Interviewee 4 added “…we are not equipped to look after personnel issues here”. However, such a small entity as the Irish branch cannot afford to have a HR manager, which makes it more difficult to deal professionally with staff issues.

The Executives agreed that there has not been enough innovation in the last number of years. However, they significantly differ in opinion of the reason for this. Interviewee 1 argued: “…we were always taking risks, like starting off business from the Far East or the Polish service, where nobody else was ready to try it. What the company is today, and what it was in the better times, was always driven by our management, without any input from the Group. We lost our risk taking and innovation, so in other words looking at what else we can do. When the Irish market was declining, we had to stop risk, there was no point as we might lose all money just to be innovative”. The interviewee argued that now is time for innovation, the company should start looking for a new facility: “…we are now negotiating with a couple of potential customers, so if we get this business we will be moving to a brand new facility”.

4.6.2. The Managers

The Managers focus on customers on the personal level, as interviewee 5 argued because RLI grew from nothing it resulted in: “…a small company mentality that each personal contact with a customer is important”. However, the interviewee added: “…it gets harder to sustain when you get bigger, and also as a company we do not have a structured approach, because bigger companies are more rigid”. Interviewee 3 stated: “I always do an extra little bit. Just to satisfy my own sense of worth, that I have given it a 110%, and I think customers do appreciate it, because the air freight has grown from the very first day I came in until today”. Interviewee 5 identifies opportunities and then, he considers: “…what resources do I need, how can I make it financially viable. My strategy is to give a customer pretty much what they want, because if you keep customers happy, they will come back to you”. For
managers, it is very important to build personal commitment with their customers to make profit and keep customers satisfied: “…they always get a feeling from me that they do not have to worry because, I will look after it, and they trust me in 100%” – interviewee 5 added. One of the biggest customers of RLI’s road service is An Post. They started to deal with a lot of customers who were ordering from companies like Amazon, for example. That created a need, as they require products to be sent late in the evening and delivered to Ireland early in the morning as interviewee 5 stated: “…they want pretty much 24/7 and 365”.

The Managers argued that they do not know what the company aspiration or mission is: “…I think the link here is broken and everybody runs around like headless chickens, they do their own things, not understanding that what they do can affect others. Top management need to sit down and revise what the mission and vision are, and build the plan around” or “…I do not know what the compelling mission is here, as a senior manager I do not know the direction”. Managers are of the opinion that there is very poor communication: “…I do not think the company communicates any goals. If I have a criticism, it would be on its communication and certainly communication of goals”. Similarly to the Executives, this group is not in agreement about what kind of customers they should target, SME or big multinationals.

RLI have some individual staff members who understand what they need to do, they know their jobs and know on a monthly basis that they have to grow their profit on the small piece of business that they are dealing with the service which they provide. Overall, there is not enough information given to them in relation to how the company is progressing, what the growth is like or what the profitability is so they can get the overall picture. The impression is that only bad news is shared with staff, there is no incentive or motivation system. Managers agreed that in most cases RLI have the right people, with the right attitude. However, they differ on their opinion about the company structure, interviewee 3 argued that: “We do not have the right people in right places, the right processes and procedures correctly in place. The whole organisation needs to be changed and this can only come from the top management down. Whilst interviewee 5 stated: “…organisational structure is generally okay, but the way we currently operate could be improved”. RLI grew organically and from the start it had an open door policy, everybody from MD to all managers can be approached by any staff member. In the participants opinion, this helps staff feel equal, but from the other
side, the hierarchy is not followed which causes some confusion, as staff members might unintentionally get different directions from managers or directors.

Similarly to the Executives, the Managers are of the opinion that RLI do not take full advantage of technology. They argue that the use of technology should be intensifying to automate more process activities. The Managers are aware that the last couple of years were very difficult, and the company was reacting to the market changes rather than through any planning, which is essential for any organisation to secure its growth. The Managers agreed that the majority of innovations in RLI come from 2 people, MD who, despite the recession decided to apply and gain a GDP and Authorised Economic Operator certificate (appendix 8). The second person is the Head of Life Science who sees opportunities, and explores them. Interviewee 5 added: “…pretty much everybody else, is too conservative, they do not take any risk, they do not have vision and are often trying to hold back changes and investments”.

4.6.3. Summary

It is obvious from the research that the Executives are aware that the subsidiary cannot rely on its capacity and relationship with the corporate headquarters to maintain and grow its operations. To maintain RLI’s growth efficiently they are constantly looking for new solutions, products and service developments to get closer to customer’s needs, satisfy them and respond to the market challenges. Some of the Executives use their knowledge and business connections to go beyond traditional logistics activities and to offer support and solutions to all customers. Similarly to the Managers they know that to gain a CA, they cannot focus on price alone but on differentiations in services, products, and by tying customers with RLI operational system, making it hard for them to walk away. RLI have to constantly consider customers’ needs and changing environment, they are aware that personal contact and proper commitments with the customer is a key factor to gain CA. The Executives and Managers agreed that a very important factor supporting growth and development is staff. However, the Managers pointed out they have no tools to motivate their staff or react in the case of poor performance. Whilst some of the Executives added that because of the lack of a HR department, not all personnel issues are solved properly. Unclear structure and an open door policy, make managing staff and their work even more difficult. There is no clear answer to how financial resources might support efficient growth of the branch. It seems there is no clear strategy and cohesive action plan prepared for the
subsidiary, each participant works separately without any central coordination. Moreover, majority of the participants argued that internal communication is very weak, making most participants followers rather than leaders.
5. Conclusions and recommendations

5.1. Introduction

The main objective of this chapter is to present final conclusions, provide recommendations and suggestions for improving and developing a growth strategy of a multinational’s subsidiary in the logistics industry based on the Rhenus Ireland subsidiary. This chapter also explains the limitations of this research and attempts to propose suggestions for further research.

5.2. Conclusion

In reference to the literature review and conducted interviews, the general conclusion is that in the current globalised and competitive business environment, a logistics MNC’s successful growth strategy is highly dependent on their subsidiaries’ performance, as they are in a better place to use the local knowledge and expertise to drive new product development. Their personal relationships with key customers mean they are at the core for flexible market responsiveness. However, processes and structures across subsidiaries are often not harmonised, making a MNC’s strategy disjointed. Moreover, branches are focused on their own performance and profit, which makes it difficult to optimise the utilisation of resources and abilities through the entire corporation. MNCs are aware of importance of the above situations, they know these can be improved through the sharing of best practices. In addition, logistics companies should determine if there are functions and/or activities that could be aggregated at some level – whether at headquarters, by country or through shared services centres. Some logistics MNC’s try to unify their organisations through implementing a new IT platform to join its subsidiaries in one cohesive network, but this is a slow and expensive process which requires a lot of investment. MNC’s standardisation and processes streamlining across all subsidiaries help to develop a competitive and innovative organisation, which could think and act in terms of networks. Its collective learning will support and evolve a MNC’s core competencies, making it difficult for competitors to replicate. Unification should increase the company’s efficiency, and using the combined resources of the entire Group will strengthen its position in the market and gain a sustainable CA.

A strategy is a linked pattern of actions and is continuously formulated by entrepreneurial organisations at all levels. Development of the corporate level strategies of logistics MNCs,
will only be successful when associated with an action and tactics plan, and agreed and effectively communicated to all business units. Moreover, all subsidiaries should be involved in the strategy creation, to ensure they are active players, with possibilities to influence the corporate performance, if necessary. In developing a corporate level strategy, logistics MNCs should take local markets under consideration, their specifics and the degree of distinctiveness achieved by subsidiaries. As subsidiaries may support the corporate strategy where the emergent strategy appears to adapt the deliberate strategy according to the changing external circumstances. Subsidiaries should be allowed to evolve their own development plan to be able to react to local market challenges, supporting a subsidiary performance and its market position. However, while developing a branch strategy, it is also important to develop good relationships with headquarters and other branches, in order to enrich the entire organisation and gain a CA. A subsidiary should be taken as a semi-autonomous unit that achieves competitiveness to a greater or lesser degree as a function of the environment in which it is located, which is where Porter’s theory of competitive strategy can be applied.

The main role of a logistics subsidiary is to serve the MNC and help to exploit the market through its local expertise, responding swiftly and innovatively to customers evolving needs. The application of Porter’s competitive advantage theory to particular activities on a branch level, helps to decide which direction should be taken to stimulate a subsidiary’s efficient growth. Even though gaps exist between subsidiary and corporate level strategy, and autonomy might by granted to a branch, a subsidiary’s development is strongly influenced by the MNC performance. To be competitive, a subsidiary cannot just rely on its own resources and capabilities, performing only as a local independent entrepreneur, focusing on own transactions and market. To secure its growth, a subsidiary may need some serious investment in their infrastructure from headquarters, as often a branch is not able to carry on investment burdens without group support.

A multinational’s subsidiary in the logistics industry should be able to engage its managers and staff to determine its future business directions based on their strengths and competencies. Whilst it is important to be a strong and vital subsidiary, an overall perspective on their business is required. As there is no single path to success, a branch needs a greater systematisation and a strong network orientation. Developing a growth strategy, a subsidiary should focus on its customers, differentiation, innovation, marketing and creativity into new
services and/or markets, as these will help a company in maintaining a sustainable CA, whilst keeping within the area of its expertise. Moreover, the strategy should be regularly reviewed and updated when necessary. A subsidiary growth strategy should be correlated and supported by the corporate level, and a branch should be an active and integrated part of the entire group.

5.3. Recommendations

As a result of the findings and conclusions discussed above, recommendations on how to strengthen the development of a growth strategy of a multinational’s subsidiary in the logistics industry are presented underneath.

5.3.1. A Logistics MNC

1. If a MNC grows through acquisition, they should ensure it is properly planned and is not chaotic. They should build a plan for the acquisition to encourage a smooth transition, and remain involved once the takeover is complete, to secure its integration with the entire network.

2. If an MNC has a disjointed policy and a lack of proper information sharing, it can mean they do not have a cohesive workforce, or proper processes and structures in place throughout all of its branches. They should prepare a cohesive strategy for the entire group to pull them together to work as one network and should improve the sharing of best practices.

3. A MNC growth strategy should incorporate central driven plans and tactics for all of its branches, in both big and small countries, taking under consideration their specific and special requirements. Particular emphasis should be put on effective communication, training for branch management and cooperation between all of its subsidiaries.

4. A profit centre scenario should only be used when dealing with outside contractors, and not used internally between branches. This should be driven by a corporate policy and all subsidiaries have to be aware and constantly looking for what is good for the group. They should be working together to reduce total costs, as opposed to competing with each other.
5. If management fees exist, a MNC should revise, reduce or take away these fees that they levy on its subsidiaries. Particularly, in the case of small subsidiaries, where they can only avail of limited support from the group and have to rely more on its own knowledge, innovation and resources. Retained money can be used for its growth and development.

6. It is difficult to know in advance which core competencies the MNC’s subsidiary should focus strategic investments on, a MNC should be eager to support its subsidiaries required investment, particularly with long term investments, as in the case of the new facility required in Dublin. A company should demand a business plan but it seems unfair to expect a guaranteed profit. A subsidiary management should assess possible risk and profit, and in the case of an investment, a monitoring plan could be implemented.

7. Development of logistics companies specific services such as the air-freight or pharmaceutical side of the business should be taken up by headquarters and a cohesive strategy should be built to create a profitable group network. Many branches are too small to develop all areas of expertise and whole business without group support. The entire organisation should try to find synergies that exist between group resources and infrastructure. If necessary they could create a team of specialised people, who because of their business knowledge could deal with these services.

8. The durability of a core competency is susceptible to technological innovation. When subsidiaries use a number of different IT systems, their headquarters should decide on how to eliminate the inefficiency that exists when using different service and maintenance providers. Using a single IT platform for the entire organisation will lower the overall cost. Implementation of new features, should be centrally coordinated and controlled, where all branches follow the same rules. Using standardised common systems, all subsidiaries will get closer, tighter and could share marketing and financial information.

5.3.2. A Logistics MNC’s subsidiary

1. A subsidiary should look at its life-cycle stage to see whether or not it needs to update its growth strategy, to be able to take a decision on how to support the business development.
2. A subsidiary must consider their capabilities and resources to evaluate whether the strategy is feasible, optimistic and rational and matches their critical success factors. A branch should look at the potential for growth. An action and tactics plans should be prepared, ensuring that they build the right development plan.

3. Subsidiaries should not just rely on their own resources when planning their development, but should consider the available group resources and infrastructure. Even if autonomy is granted from headquarters, they should remember they are not an independent entity and their strategy must couple with the group. This will help a subsidiary avoid difficulties caused by a lack of synergies with its group, for example, poor infrastructure.

4. To be familiar with a branch strategy, the head of each department should be involved in subsidiary budgeting with a special emphasis on own departments.

5. A subsidiary should ensure that it has effective internal communication. Branch strategy should be communicated to all staff, particularly managers, as they need to know what the Group and branch strategy is, to ensure they are implementing the right action plan and have an optimal process to follow. Staff should not be segregated in their work and all departments should co-operate among themselves. This should be systematically controlled and updated when necessary.

6. A training plan for subsidiary’s staff should be prepared, implemented and periodically reviewed and repeated. A branch should implement an incentive scheme, and use this to help motivate the staff.

7. If a branch is driven to a large extent by one person, who might often be a branch MD, it is important for all senior managers to contribute innovation and opportunities to secure the branch development.

8. If a subsidiary is too small to have a HR department, instead of trying to internally solve personnel issues, a branch should outsource this function to a HR company, who specialise in Human Resources and HR planning, as these companies know that SMEs cannot afford to have a HR Manager. The outsourcing to a specialised HR company might cost a fraction of the costs of having an in-house manager, and all issues with personnel will be managed by them.
9. A MNC’s brand name should be recognisable, if it has no presence in the local market, the name recognition should be improved through an integrated and well planned advertisement campaign.

5.4. Limitation and suggestion for further research

It is important to note that due to time limitation, the research only focused on one firm for the small non-probability sample and specifics of the local logistics market. Findings may not be entirely representative for the entire industry and cannot be generalised, as logistics companies vary in their integration, services profile, operations and organisation structure, but still provide a solid basis for conclusions reached. To gain a deeper knowledge, further research should examine subsidiaries growth strategies in other MNC logistics companies, with a special emphasis on the big global logistics integrators such as DHL, FedEx®, UPS® or TNT.

This research focused on the development of growth strategies for a multinational’s subsidiaries in the logistics industry, the findings indicated that IT development and optimising process and network structures, are two important implications for a subsidiaries development, and further research should examine:

1. The role of IT development in the logistics subsidiary

Development of the Internet and related technologies opened unexpected possibilities in the logistics industry. As was presented in the research, employing information and communication technology as a means of enhancing logistics competitiveness is an ongoing challenge for logistics executives. Logistics companies have to constantly decide which applications to invest in, which suppliers to use and when a version update is appropriate. However, IT does not automatically provide CA to the firm. The research should answer the following question: How might IT contribute to gaining a CA in a logistics subsidiary?

2. Optimising process and logistics network structures

Logistics providers not only handle transportation and warehousing for many clients, but are also deeply integrated in their customers’ processes. The providers should optimise the logistics processes and streamline the network structures to have an impact on operational
costs and services efficiency. The research should explore the question: Which best possible service level can the subsidiary offer and guarantee to customers?
6. Self-reflection on own learning and performance

6.1. Rationale for undertaking MBA

I was truly interested in studying Business Management/Administration to increase my knowledge and expertise. I believe pursuing an MBA will help me to enhance my career, switch industries and make myself a marketable employee in a variety of business management fields. My study undertaken in DBS, gave me the opportunity to gain general business and management expertise that can be applied to nearly any industry. This study has prepared me to work in a business management role after graduation regardless of my previous educational background and work experience.

6.2. Discussion of skills development

I have gained huge benefits from the content covered during all modules and the dissertation stage of my study, at both personal and professional levels. Professional benefits include the knowledge I have gained regarding the subject and all the related principles and theories, as well as mastering a certain level of knowledge in business management. The MBA taught me to look at problems and opportunities holistically. It also provided analytical frameworks, such as risk assessments, cost-benefit analysis and strategic plans that I can apply to any problem or opportunity I might encounter.

I feel that this was a learning-by-doing course, significantly developing my cognitive skills. This study introduced me to in-depth knowledge and expertise in business, management, the importance of learning and innovation, critical assessment of the business environment both on the domestic and international field, and to evaluate how the business environment can influence management, strategy formulation and implementation. The efficiency of achieving learning outcomes was greatly enhanced by the teaching style of the lecturers, and effective teaching tools and materials used during the classes. The content drew on economic, political and organisational theories to help consider the factors that impact strategy formulation, development and implementation in the international context. The core values of the content were firmly rooted in best business practice with a focus on organisational behaviour and human resource aspects of management which covered communication, negotiations and decision making, leadership, diversity, ethics, cultural values and their impact on effective management in a global business environment.
My management skills were significantly improved by the various groups work. We had a team of people from different countries, leading to diversity in terms of approaches and thinking, with different cultures and languages, varied educational and work experience. However, rather than creating difficulties, these differences helped us to enrich our experience. I found my communication skills greatly developed as a result of engaging in interesting group conversations during the classes and group work.

6.3. Knowledge and skills acquired during the dissertation process

6.3.1. Choosing a dissertation topic a secondary research.

I knew from the start that I wanted to investigate an area in the company that I work for, however, I was unsure about which area I would focus on. After a meeting with my MD, he asked me how my study was going, at this time the Research Skills Analysis module had just started and I was about to decide my topic of research. He told me that potential growth strategy dilemmas are always some of the most challenging and demanding issues whilst managing a company, but once the whole concept is understood, and issues are analysed, it can be a very interesting topic. A second factor in choosing this research was the Strategic Management module of the MBA course. These lectures reassured me that gaining useful real world skills in how to analyse possible growth strategies might be an excellent investment in my future professional development.

For the secondary research, I mainly used the strategy management sources, starting with the core book for the Strategic Management module, all Moodle presentations and materials handed out to us during classes. I also searched online for any additional resources. Although I reviewed a few books on strategic management, in general, I mainly read journals and reports on logistics and management, as I believed that they would provide me with deep, current information and trends. As expected, I found gaps in the academic literature with regard to growth strategies of a multinational subsidiary in the logistics industry. In fact, I was surprised about the lack of cohesive management resources available in this context. Accordingly, during the literature review stage of the research I learned to prioritise the secondary data related to the research questions according to a set of important criteria such as the authority and credentials of the author, date of publication, the credentials of publisher etc. A valuable contribution of the research experience was my increased level of competency as a researcher, relating to the formation of critical mind-set towards the secondary data. It
has to be acknowledged that prior to engagement in this research, I was prone to accepting most of the viewpoints formulated in books and articles as facts, reasoning that if an individual has published a book, he/she must have a deep knowledge in the topics discussed within the literature. However, the current research experience has changed my viewpoint. Moreover, I was able to identify a range of shortcomings associated with some works discussed in the literature review. I expected that writing the literature review would not be an easy task, but with the well-constructed planning system, many sources of relevant literature and support of my dissertation supervisor, I managed to stay organised and consistent throughout the process. This experience has equipped me with necessary skills in order to identify the shortcomings associated with secondary data and offer inputs for improving the contents of materials. It helped me to improve my organisational and analytical skills and made me more productive in my professional life.

6.3.2. Primary research process

This was a demanding experience, where I was engaged in research of such a scale that involved primary data collection and analysis in an individual manner. Working for Rhenus Logistics Ireland, meant I had a good understanding of the important role the subsidiary has in the Group, prior to the secondary research. I have worked in this branch for over eight years, where, through my work in different positions within the organisation, I have gained business management experience at both a domestic and international level, delivering customer service standards, while ensuring the achievement of demanding targets and corporate objectives. For this reason, I wanted to explore a possible growth strategy from a local business perspective as opposed to a head office perspective.

The qualitative research on this particular topic was very valuable. While conducting qualitative research was a new experience for me, I enjoyed the process and learned a lot. I not only strengthened relations with my office colleagues but I also expanded my research and interview skills and improved my critical thinking skills. Aside from the enjoyment I got talking to them, discussing specific issues helped me gain a better understanding of many areas of our business. My self-confidence has increased significantly as a result of conducting this research. This was mainly achieved through overcoming insecurity and communicating with primary data sources – members of the sampling group in a confident manner.
6.3.3. Dissertation formulation

I found both my primary and secondary sources very valuable. The literature review provided me with the opportunity to expand my knowledge and learn about each topic, while the industry and subsidiary development reports on current market trends, helped me understand the context better. As I carried out qualitative research on a topic that had not yet been studied in the industry before, I found it important to be detailed about primary findings. For this reason, I allocated around 4,180 words for the relevant literature review and around 9,900 for my findings analysis. In order to draw conclusions and provide businesses recommendations, I compared and contrasted my findings with the relevant literature. I found this process very useful as it helped me improve my analytical skills. The outcomes of the research are similar to what I had expected. I believe that my dissertation topic is current and will help to fill gaps in the academic literature, providing beneficial information to multinational’s subsidiaries in the logistics industry.

6.3.4. Learning style

Learning takes time and patience and it is a process in acquiring new knowledge or skills. According to Bevis (1989, p.78) learning also involves a change in attitude, behaviour, perception, insights, or a combination of these that can be repeated when the need arises. There are many different learning types and approaches to learning. In 1974, Kolb identified four modes in the learning cycle. Parallel to the modes identified by Kolb, Honey and Mumford (1986) developed a set of individual learning styles:

1. Activist;
2. Reflector;
3. Theorist;
4. Pragmatist.
I am an enthusiastic activist, I am impulsive, open-minded and flexible. I always enjoyed getting involved and participating with new challenges and encouraging others to work hard to make things happen. As a result of the MBA course, I have developed a theorist learning style, improving my ability to be more rational in my decision making, significantly boosting my analytical and critical thinking skills, which was extremely helpful while conducting this research.

6.4. Career plan

My career goal is to move into a Business/Modelling Analyst, Insights and Improvements role within an international company. Based upon my client relationship management experience, business and account development skills, I believe I can make a significant contribution to a business operation. I have prior experience as a Division Manager, where I was fully accountable for controlling the inventory, receiving and exporting of products and stock control, as well as managing staff and developing client accounts. In my current role, the business management strategies I have devised and implemented have been successful in developing existing buyer relationships, generating valuable new business and building
professional teams. Furthermore, I have been instrumental in delivering a substantial increase in weekly sales levels, resulting in a major impact on the company's profit. I am commercially astute and possess the necessary qualities to develop and build new business accounts, this skill was gained through my work experience, education and studies. My results-driven nature has enabled me to continue to enhance my personal and professional progression by gaining numerous qualifications such as a Master’s Degree in Administration, a MBA and national diplomas in Business Studies and Advanced Networking. My current career plan is illustrated in the chart below. To achieve these goals, I will need to improve my presentation skills in order to effectively present a case and provide a viable solution in a professional manner, to refine my communication skills which will help me secure that client, deal or project, to show my strategic thinking skills in a job interview, as strategic thinking skills speak to my ability to problem solve and think on my feet.

![Figure 13: Career Plan](image)

6.5. Conclusion

I feel that my critical thinking abilities have been greatly improved by encouragement from the lecturers to critically analyse the key concepts and principles of the module. In the group work, we got a deep understanding of the courses, which was aided by full analysis and
discussion of our concerns, where we could debate the opinions of different people, whose approach differed, because of their origin, culture and experience in both their personal and professional background. However, writing the dissertation was the most useful experience overall.

I found that the MBA study and the dissertation were excellent in improving not only my English but also my analytical, problem solving and research and investigative skills. We had a lot of information to process, and formulate into answers. Thanks to these, I have learned how strategic management impacts the performance of organisations. I now know how to critically evaluate strategies with logical arguments and relevant terminology, how to formulate a convincing strategy and evaluate the practical challenges inhibiting the implementation of strategies, communicate strategies and strategic ideas, effectively formulating and implementing strategies. This has improved my presentation skills. I am also able to identify firms that have employed successful strategies, explain why their strategies were successful, argue whether their success can be sustained, and describe the extent to which their experience applies to other organisations.
7. Bibliography


8. Appendices

8.1. Appendix 1 - Interview Questions

1. Can you please discuss your background in the transport and logistics field specifically about your accomplished courses and experience in this area?
2. How long have you been working for this company?
3. In your opinion what should be the number one goal for the organisation?
4. Can you please explain how the global workforce is managed in this company? Specifically explain if there is any expatriate and impetrate global policy.
5. Tell me about the global company strategy and the about how this is applied at a local level?
6. In your opinion, how should the Rhenus Group strategy influence the Irish branch development, is there anything that can be used while creating the Group level development plan?
7. Do you think that planning is still important even though we live in an uncertain world, please explain why?
8. What are your goals for the strategy?
9. What are the resources needed to support the business growth strategy?
10. What company development strategies are necessary to support the business growth strategy?
11. How are you going to support the product development and customer development with company development strategies?
12. Is this the best business growth strategy, and will it create competitive advantage?
13. Why will this strategy best help the company meet its goals?
14. Why will this strategy best help the company align with its aspirations?
15. Target customer segment- What is the segment the company should target?
16. Customer Development Channels - what are the customer development channels you will use to find, acquire, and grow your customers and services?
17. What are the expected competitive advantages that will be created in the target customer segment?
18. Are other customer segments less attractive?
19. What are the anticipated risks, obstacles that need to be overcome?
20. How do you remake the organisation into a continually innovating one?
21. How do you reinvent operations to take change in stride while remaining disciplined about costs?

22. Does Rhenus still have a compelling mission, vision and differentiated strategy that all staff fully understand and accept?

23. Do you have the right people, processes and organisational structure to achieve Rhenus’ aspirations?

24. Do you have an organisation-wide culture that helps growth profitably and ethically?

25. Is there anything more you would like to add concerning this subject?
8.2. Appendix 2 - System Alliance Europe

System Alliance Europe is a cargo network combining the competencies of leading medium-sized logistic service providers. The network, which was founded in 2005, is a forward-looking cooperative of European groupage freight forwarders. They offer customers a European platform for groupage transport through their own regional partner. Organisational and IT guidelines guarantee high quality standards, transparent processes and reliable handling of shipments.

The System Alliance Europe partners benefit from optimized invoicing and more process transparency. Following a two-year development period, CargoClear, a web-based clearing solution designed for the specific requirements of logistics companies, was successfully implemented within the network. The consignment data transmitted via EDI simplify and accelerate the entire process; partners or tariffs can quickly be integrated into the clearing process and rapidly modified. All consignment data are transmitted in real time, and the clearing results are generated based on agreed charge rates. Here a uniform tariff structure is utilized. Payments expected or those yet to be made are visible immediately.

8.3. Appendix 3 - Electronic Data Interchange

Electronic Data Interchange (EDI) is a standard format for exchanging business data. The standard is ANSI X12 and it was developed by the Data Interchange Standards Association. ANSI X12 is either closely coordinated with or is being merged with an international standard, EDIFACT.

An EDI message contains a string of data elements, each of which represents a singular fact, such as a price, product model number, and so forth, separated by delimiter. The entire string is called a data segment. One or more data segments framed by a header and trailer form a transaction set, which is the EDI unit of transmission (equivalent to a message). A transaction set often consists of what would usually be contained in a typical business document or form. The parties who exchange EDI transmissions are referred to as trading partners. EDI messages can be encrypted.

Source: http://searchdatacenter.techtarget.com/definition/EDI
8.4. Appendix 4 - SUGAR Enterprise CRM

SUGAR Enterprise is a full-featured CRM suite that combines industry-leading features with the most modern CRM platform architecture. It allows the company to collaborate across extended teams, publish and manage CRM functionality to customers and partners, and receive complete overview of all sales opportunities is being provided and familiarisation with the whole customer situation. SUGAR shows a complete view of all customers supports the control of sales agreements and alerts to future sales opportunities during the whole sales process. It is generally seen as the hub for managing and analysing business’ interactions with each customer where the transparency is guaranteed.

Key Facts and Features:

1. Central sales tool, common database;
2. Implementation as a standard system for all business units;
3. All possibilities for cross sealing activities;
4. Each company/account, and its address, exist only once and all business units can work together on this account;
5. 360 degree view on each of customers – (entire Rhenus Logistics Company);
6. Overview of all sales activities, financial and operational data (COGNOS-Link);
7. Sales coordination by excellent reporting possibilities (planning of visits, pipeline report, turnover report) according to the user rights.

Source: [https://sugar.rhenus.com](https://sugar.rhenus.com)
8.5. Appendix 5 - The Road Tariff Configuration

The Road Tariff Configuration – RTC, is hi-tech software, system built to generate price and offers to customers, with focus on groupage. The industry-leading product is updated daily and enables Rhenus to provide a standard quotation within just 30 seconds. It is now used as the company’s primary quotation tool, providing a clear and effective way for customers to receive cost calculations. RTC calculates an offer based on master a calculation scheme, customer shipment structure and margin selected. It also supports generation of spot offers based on the local pricing scheme and provides extended analysis functionality to check calculation results and margins.

Key Facts and Features:

- **Standardisation:**
  - Standardised freight calculation process;
  - Standardised market appearance through consistent offer layouts

- **Cost-Based, security and transparency:**
  - Reliable cost-based calculations can be automatically created – no manual offers, minimise failures;
  - Standardised reports can be defined and easily provided by Cognos;

- **Reduction of internal effort:**
  - Reduction of required resources for freight calculations
  - Sales department is responsible for offer preparation, No other experts are needed to prepare an offer;

- Intuitive handling (without deep Excel-skills).

Source: Rhenus Logistics Ltd.
8.6. Appendix 6 - The Good Distribution Practice

The Good Distribution Practice (GDP) Passport by the Irish Exporters Association is the first of its kind and ensures compliance and safety throughout the whole supply chain. Manufacturers can then ensure that pharmaceutical and medical devices products are transported, stored and handled according the GMP and GDP regulations and guidelines by dealing with GDP Passport holders. The Code is focused at providing training courses to all levels of personnel involved in the supply chain. The key to success is the full suite of standardised and certified training which is to be undertaken by all those engaged either directly by the manufacturer or indirectly by the Service Provider in distribution activities, as stated in ‘WHO Good Distribution Practices for Pharmaceutical Products’, section 7.1. The training needed to become a GDP Passport Holder is outlined below:

1. Appointment of GDP Champion – must have completed an intensive 3 Day GDP Champion Training;
2. All relevant operational staff completed 1 day GDP Introduction Training;
3. All Drivers involved in Transportation & Handling of Pharmaceutical Products must complete 2 Hour Driver Training.

The industry has also recognized the need for a compliant supply chain for pharmaceutical products, and the GDP Passport was enthusiastically welcomed when it was launched in October 2009 by Mr. Patrick O’Mahony, CEO of the Irish Medicine Board, and several companies, both indigenous and international, have already signed up to the GDP Passport to undergo the training required and the IEA has already awarded 2 companies with the GDP Passport; in 2010 a further group of companies will have met the requirements and will be awarded with the GDP Passport, making Ireland the leader in pharmaceutical supply chain compliancy.

Source: Irish Export Association: [www.irishexporters.ie/section/GDPPassportScheme](http://www.irishexporters.ie/section/GDPPassportScheme)
4. CONTROLLED TEMPERATURE STORAGE/TRANSPORTATION

For the purposes of this document ‘controlled temperature storage’ is defined as the storage requirements for products not requiring cold storage or freezing.

Unless otherwise indicated in product literature and labels, medicinal products can be stored under conditions of room temperature without compromising stability or recommended shelf-life. The temperature storage indications for these products are for example ‘Do not store above 25ºC’, ‘Do not refrigerate’, ‘Do not store above 30ºC’.

Controlled room temperature implies a certain degree of control over the temperature of the storage conditions in that extremes of hot and cold temperatures are not encountered.

Temperature mapping should be performed on all storage areas to ensure that all locations are likely to remain within the specified temperature limits over the seasons of the year. Warehouses should be temperature mapped in the empty and full states to determine the temperature distribution under extremes of external temperature. The mapping exercise should be performed both during summer and winter in order to assess worst case scenarios, as extremes of temperature may adversely affect the temperature distribution within the warehouse storage area.

Temperature mapping should be repeated after significant modification to the premises, changes in stock layout or changes to the heating system. Due considerations should also be given where the practice of turning off heating systems overnight or over weekends is employed. In general, medicinal products should not be stored next to sun-facing windows, at high levels in poorly insulated stores, at high levels under or near fluorescent lights, or next to heaters. Storage areas beneath skylights should be investigated during mapping studies to ascertain suitability for storage there. Medicinal products should not be stored in areas shown by the temperature mapping to be unsuitable.

A continuous temperature monitoring system is required for the storage of medicinal products. The extent of temperature monitoring necessary for the storage of these products
and the locations to be monitored will depend upon the size of the facility and the results obtained from the temperature mapping studies.

The minimum requirement is that the use of a calibrated max/min thermometer be employed. The max/min thermometer(s) should be placed at appropriate strategic locations, identified during temperature mapping studies, throughout the warehouse and read, recorded and reset daily. Electronic continuous temperature-recording devices that measures load temperature in one or more locations may be employed. Portable data-loggers that can be downloaded onto a computer may also be used instead of a fixed device.

The temperature monitoring devices should be calibrated on an annual basis against a certified, traceable reference standard. Calibration certificates should be reviewed and approved by the wholesaler to ensure acceptability.

With the exception of very small stores, the locations for the max/min thermometers should normally include all levels of the facility where medicinal products may be stored. The frequency of reading and recording the temperatures should be increased during periods of exceptionally hot or cold weather. Other areas such as self-contained storage units (e.g., controlled drug storage) should also be included in the temperature mapping and subsequent monitoring programmes.

Records should be checked daily and independently reviewed and approved on a monthly basis by the Responsible Person. Procedures should be in place for prompt notification of any deviations outside specified limits to the Responsible Person. Investigations into deviations outside the limits must be documented.

The method and time of transportation, the local seasonal temperatures and the nature, size and temperature control requirements of the load should all be considered when arranging distribution of medicinal products.

These conditions must also be considered for representatives’ samples kept in car boots and goods distributed using postal services or couriers. There should be a procedure in place for implementing corrective action in the case of the goods having been transported at temperatures outside of those specified for the products.
8.8. Appendix 8 - Authorised Economic Operator

Authorised Economic Operator (AEO) status is a certified standard issued by customs administrations in the EU. It certifies that a business has met certain standards in relation to their security, management systems, compliance with customs rules and ongoing solvency. Under a World Customs Organisation (WCO) initiative an AEO certification may eventually be recognised worldwide.

AEO status is open to businesses of any size that are involved in customs activities. The conditions and criteria for AEO status will apply to all businesses regardless of their size. However, the means to achieve compliance will vary and be in direct relation to the size and complexity of the business, type of goods handled etc. Manufacturers, exporters, freight forwarders, warehouse-keepers, clearance agents, carriers and importers may apply for AEO status.

The more businesses that apply for and get AEO status the more secure the International Supply Chain will become. However, it is up to each business to decide if AEO is for them and this decision will probably be based on an assessment of the likely benefits, their role in the supply chain and the cost (if any) of applying for and maintaining AEO status.

Before submitting an application businesses should undertake a self-assessment of their procedures to ensure that they can meet the qualifying criteria. In this regard Revenue has designed a self-assessment questionnaire to help businesses prepare for the evaluation. When you are confident that your business will meet the qualifying criteria, you should submit the AEO application to AEO Section, Government Offices.

### 8.9. Appendix 9 - Research Plan

**Time Allocation:**

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