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INTERNATIONAL DIVISION OF LABOUR IN PRODUCT DEVELOPMENT ACTIVITIES: TOWARDS A SELECTIVE DECENTRALISATION?

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The aim of this paper is to analyse the international division of labour among headquarters and subsidiaries located in emerging markets, concerning product development activities; in other words, we intend to identify how product development activities are being organised world-wide, how subsidiaries are being integrated (or not) in the development of new products and why their integration occurs (or not) following this or that pattern. In order to do so, we went through the cases of four car assemblers, looking at their headquarters as well as their Brazilian subsidiaries.

In the last decades, the car industry was shaken up by the idea of a "global industry" producing a "global car", that is, a vehicle that could be conceived once to be simultaneously produced and sold no matter where. The main rationale was that a "global car" could lead to economies of scale in production and product development. From the point of view of the car assembler's units in emerging countries, the arrival of the "global car" paradigm largely meant a shrinkage of their engineering structures, as concentration of product development activities in one "global R&D centre" – almost always located near the firm's headquarters – was the "one best way". Since then, the "global car" concept has changed, and, although the word "global" is still used, it is now a fact in almost all major car assemblers that a real "global" car is impossible to exist. Nevertheless, product development structures had already changed, global R&D centres had already been built, and the roles played by emerging countries in these structures are not the same as they were ten years ago.

At present, we may identify a move towards a "selective" decentralisation of product development activities – a decentralisation involving some specific subsidiaries; many authors explain this decentralisation as a market or technology driven process, that is, companies decentralise their product development activities in order to be close to local markets, and so be able to develop best suited products, and/or in order to profit from technology centres located overseas. This decentralisation, however, does not follow the same pattern in all companies. Indeed, some authors, such as Chiesa (2000) and Gassmann and von Zedtwitz (1999), have created typologies for the organisational structures for global product development activities – for instance, a firm may organise its product development activities in a "competence centre" basis; conversely, a firm may choose to integrate all its product development centres in a network, where each unit develops a part of the final product. As costs, time and quality are considered by firms the most important aspects in evaluating product development process, choosing between one structure or another is, according to the authors mentioned above, a matter of verifying which structure leads to a better balance of costs, development time and quality of the product developed.

Our proposition is that setting up a global product development structure is a more complex process that has to do with strategic and political issues. Indeed, in our case studies, we have observed that the product development organisational structure and, more specifically, the integration of foreign subsidiaries in these structures, is the result of a rationalisation process which involves the main strategy of the firm in a given market niche, the relative power of each actor – headquarters' directors and managers, subsidiaries' directors and managers, social and political regulators – and some product development activity's intrinsic characteristics. We have concluded that firms whose profit strategy demands a certain product variety in order to fit market needs and requirements as well as quick answers to changes in market conditions – due to consumers' or competitors' moves – may benefit from a decentralised product development structure in which subsidiaries are more autonomous. On the contrary, when the company's profit strategy allows product standardisation, product development centralisation may lead to a shorter time to market.

The research pointed out that, as product development activities are strategic ones, subsidiaries and/or host countries frequently "fight" for their integration – or for increasing their participation – in the global product development process. So, a decentralised product development structure depends on the relative power of each subsidiary or host country. Finally, when decentralising product development a firm should look at the characteristics of its product development process and verify that decentralisation is better suited to the final stages of product development, but may also occur, in a different degree and in a different way, in the early stages.

References

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