West Michigan Business Review

Volume 4 | Issue 1 Article 9

1-1-1998

Germany's International Strategic Weapon: Environmentalism

Michael J. Cotter
Grand Valley State University

Summary of Results:

It is clear that a significant number of West Michigan firms are aware of the opportunities provided by international business. Nearly half of the firms have named a person whose primary responsibility is international business. When firms target resources of this type to international sales, it suggests that they are taking the idea of international business very seriously.

More than half of the firms report that international sales have increased 25% or more in the past five years. Although this is much smaller compared to what they reported last year (150%), it suggests steady international growth. Comparing last year's figures to this year's, firms reported that they are selling about the same amount of product internationally as a percentage of total sales.

Identical to last year's results, Canada remains the top country target for international sales. Interestingly, China replaced Germany as the top future sales target, with Brazil vying for second place.

As was reported in 1995, industrial and commercial equipment were still the principal types of products sold overseas in 1996. Exporting remained the international sales mode of choice for West Michigan firms in 1996, as it was in 1995.

Perhaps most importantly, firms perceive that international sales contribute to growth and competitiveness. These results are consistent with last year's, and suggest that managers believe that international business has the potential to positively impact the firm in various ways.

Germany's International Strategic Weapon: Environmentalism

Michael J. Cotter, Marketing Department, Seidman School of Business, Grand Valley State University

Introduction:

Business decision makers worldwide are coming under additional pressure from increasingly stringent standards generated by aggressive packaging laws instigated in Europe. These new packaging standards promise to act as a substantial barrier to exporting success by west Michigan firms. This unlikely strategic weapon of "environmentalism" could arm governments with a powerful rationale for either outright rejection of import products or placeing them at a significant disadvantage in the marketplace.

The present research depicts the international situation that exporting manufacturers in western Michigan face regarding new packaging and labeling laws. Understanding logistic dimensions facing exporters in a demanding country may be useful in strategic planning for an accelerating global trend in environmental warfare. As a specific case in point, examples are offered demonstrating how German laws generate competitive advantages for German firms domestically and internationally.

Germany's Packaging Laws:

Recently, Germany has phased in a radical concept in packaging laws which require companies doing business in Germany to reclaim materials used packaging the product. Since 1991 all packaging used for transporting goods (pallets, styrofoam containers, barrels, and crates) in Germany were required to be accepted back by manufacturers and distributors. In 1992, manufacturers, distributors, and retailers were required to accept all returned secondary packaging (blister packs and cardboard boxes). During 1993, distributors, retailers, and manufacturers were obliged to accept returned sales packaging necessary to transport and contain goods up to the point of sale or actual consumption (foil wrapping, styrofoam, cardboard, and cans). Further, fully half of packaging materials used in any of Germany's federal states must be collected and 30 to 70 percent of this material (depending on make-up) must be recycled or reused. In 1995, 80 percent of packaging materials used in Germany's federal states must be collected and 80 to 90 percent of the collected material (depending on its make-up) must be recycled or reused. Firms found guilty of dumping or burning such materials are subject to substantial legal penalties.

Home Field Advantage:

The guidelines clearly encourage German firms to avoid packaging waste wherever possible since everything sent out the warehouse door may migrate back to the firm. The increased cost of materials management in terms of labor, machinery, and space is directly linked to material volume. German firms gain financially in the long run by designing minimized packaging.

German firms are also driven to maximize every opportunity to use recyclable materials. This ready availability of recycled materials will reduce manufacturer's dependence on suppliers and may offer greater leverage in demanding price decreases.

The new packaging laws may also spur the manufacturers to exploit this market of environmentally concerned consumers by seeking public relation advantages based on environmental efficiency. Businesses could advertise their technical expertise which may lure consumers seeking to purchase products having a smaller negative environmental impact. Refined package design may not stand out in Germany where all firms strive for package minimization or recyclability, but products exported offer a differentiated advantage to ecologically sensitive consumers in other countries.

While Germany's environmental laws have the primary purpose of reducing its waste material problem, it gives its companies a new strategic weapon. The laws may protect German home markets from foreign competition and spur German companies to exploit new opportunities in foreign markets.

Protecting the German Market:

Stringent legal German demands on manufacturers, distributors, and retailers act as a formidable barrier for foreign firms seeking to export to

Germany. Costs may prove prohibitive for manufacturers who export products long distances which may demand additional protective materials. These firms must absorb the expense of returning the packaging materials back to the source country or hiring German firms to handle the packaging materials logistics to meet regulation standards. This may force the exporting firm to raise prices to cover the additional cost which encourages German competitors to whittle away at market share. Reports have surfaced of British companies having exports to Germany turned away at German border points. The cause of the block involved using "wrong-sized" pallets by German standards or because arrangements for recycling or return of packaging and shipping materials were insufficient. The cost of abiding by the regulation by any exporting firm may compel them to abandon the German market. Cost aside, firms exporting products to Germany simply may not have the technical capability to meet the recycling/reuse targets demanded of packaging materials and have to abort all export efforts to Germany.

German importers, retailers, and wholesalers may be reluctant to handle foreign products even if they have recyclable packaging because the responsibility of waste logistics eventually rests on their shoulders. Further, German manufacturers have a massive head start on outsiders firms.

German strategy rests on a powerful and perfectly acceptable rationale. Protesters of Germany's demand for a decreased environmental impact may have difficulty arguing convincingly that more pollution is favorable to less.

Management Implications:

Western Michigan export opportunities to Germany may be sharply curtailed without considerable change in packaging design and/or accommodations made for recycling according to German standards. These standards lend an enormous advantage to firms already operating in accordance with the laws through bolstered retailer favor and resulting increased shelf space. As countries face increasing pressure to accommodate environmental groups' demands, the ability to export to those countries will be bolstered.

Therefore, not only does Germany have a socially acceptable rationale for throwing up a trade barrier to other countries, it has a substantial lead in movement along the experience curve in engineering environment-friendly packaging. Firms presently superior in engineering technology ultimately stand to gain by Germany's laws. Presumably, the advancement in environmentalism which blocks competition will be used repeatedly in the future by creating increasingly stringent requirements which are not within the reach of less advanced countries.

Is a Firm's Market Orientation Related to Performance?

Ram Subramanian, Management Department, Seidman School of Business, Grand Valley State University

The external environment (customers, competitors, suppliers, etc.) affects an organization. This is a truism. The business press is replete with stories of firms that are successful because they are flexible in responding to changes that buffet them. Recently, researchers from the discipline of marketing coined a term, "market orientation", that sought to throw more light on the nexus between a firm and its external environment. Their research added empirical evidence to the above mentioned truism. But their evidence came exclusively from looking at manufacturing companies. In addition, their measurement of market orientation was incomplete in the sense that the instrument that they developed did not incorporate all the literature-derived elements that made up the construct of market orientation. Our research that is reported here attempted not only to refine the instrument but also to test the relationship of market orientation to firm performance in service firms.

The marketing researchers looked at market orientation as consisting of three behavioral components and two decision criteria. In this context, the term "market" is a surrogate for the firm's external environment. A firm that is market oriented collects information about competitors (the first behavioral component) and customers (the second behavioral component). However, such ongoing efforts at collecting external environmental information is not what makes a firm market oriented. Rather, it is the third (and probably the most critical) behavioral component that emphasizes interfunctional coordination or preparing each department within the organization to act in a concerted fashion to respond to the market information that makes an organization market oriented. The two decision criteria deal with the need for a long-term emphasis and the necessity of adequate profits to provide the resources to become market oriented.

The original research looked at whether market orientation was reflected in firm performance in a sample of divisions (or strategic business units - SBUs) of a large forest products company. SBUs that scored high on the market orientation scale did indeed outperform (higher ROI, higher sales growth, etc.) those that scored low. Subsequent research on other types of manufacturing firms lent further support to the strong positive relationship between market orientation and performance.

We wanted to examine if the same relationship held true in the case of service firms. In addition, we wanted to look for variables that may temper (or moderate) the otherwise positive relationship between the two. We chose the health care industry because it was going through a difficult transition from a protected to a highly competitive environment and therefore exhibited the features that we were interested in. Because the two decision criteria (long-term focus and profit emphasis) were dropped from the instrument developed by the original researchers, (albeit their importance in the incomplete literature), we first combed the literature to get better and more valid measures of the two decision criteria. We constructed a new instrument to measure market orientation in service firms – new in the sense that it improved on the old one by adding valid measures for the two decision criteria and was worded to reflect the specific situation faced by service firms. In addition, we incorporated performance measures that looked at both efficiency and effectiveness.

We collected data from 159 U.S. hospitals. The sample was drawn from throughout the country, including the West Michigan area. We took adequate steps to ensure that our sample reflected the population and that our instrument was both reliable and valid.