

## **CORPORATE STRATEGY OF INTERNATIONAL BUSINESS**

*Angelina Yadryonova,*

*Specialist of the department for work with legal entities*

*JSCB "Tenge Bank" CBU "Fergana"*

*Naima Kasimova*

*Senior Lecturer at the Department of*

*System Analysis and Mathematical Modeling*

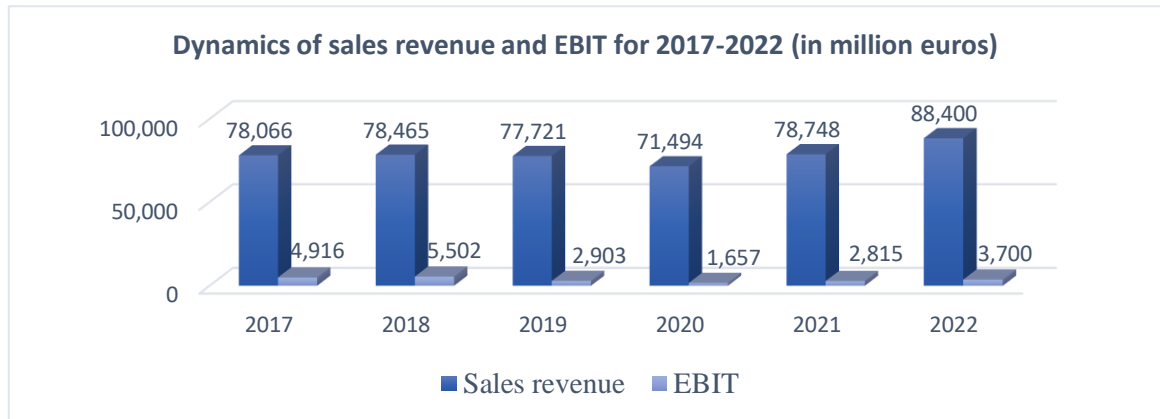
**Abstract:** *The article examines the corporate strategy of the German engineering and technological transnational company the Bosch Group. The study is based on data and indicators provided in the official reports of the Bosch Group for the period of 2017-2022. The Bosch Group has been operating in the international market for more than 130 years and is distinguished by the effective use of strategic management. Features of the formation and evaluation of the effectiveness of the corporate strategy of the Bosch Group identified using the SWOT analysis methodology.*

**Keywords:** *corporate strategy, The Bosch Group, SWOT -analysis.*

The implementation of the strategic management process into the practices of an international company, based on a systemic diagnosis of its international business environment and key competencies, enables the development of high-quality solutions to fulfill its mission and achieve corporate objectives. The selection of a strategy and its effective implementation is a paramount concern for managers, as it precisely determines the competitive advantage of the company in the international market.

Today, German Bosch Group is one of the leading engineering and technological transnational companies. There are four main directions in the business portfolio of the company: mobile solutions - hardware and industrial support, industrial technologies, consumer goods, as well as energy and building technologies. The role of the company in the international economy is determined by the following figures: the company has approximately 470 subsidiaries and regional companies in more than 60 countries, including sales and service partners; the global production, engineering and sales network of the Bosch Group covers about 150 countries. According to data from 2022, the company's sales volume amounted to 88.4 billion euros, marking a 12% increase compared to the previous year. The EBIT reached 3.47 billion euros, with an

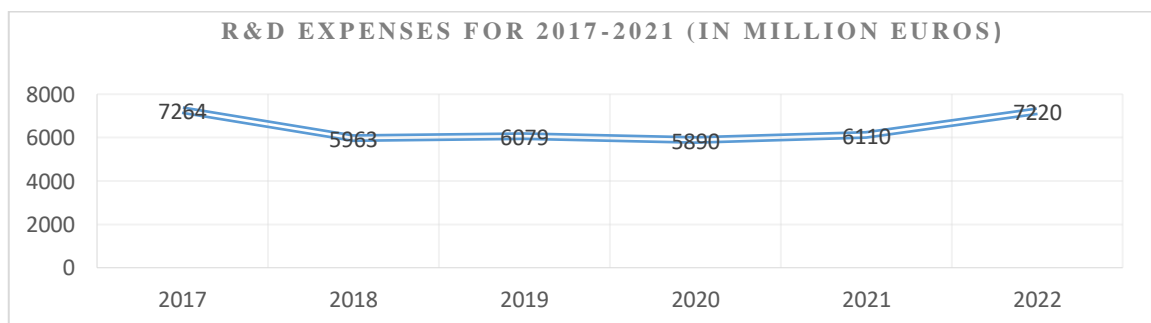
operating margin of 4.3%, which also exceeded the projected figures (see Figure 1)<sup>1</sup>.



**Figure 1. Dynamics of sales revenue and EBIT of the Bosch Group for 2017-2022 (in million euros)**

Source: Graph compiled by the authors based on annual reports from the Bosch Group; <https://www.bosch.com/company/annual-report/>

It is notable that the foundational strength of the Bosch Group lies in its continuous innovative growth, as the company actively invests in research and development. All of the company's products and services are geared towards enhancing the quality of life through the implementation of innovative solutions. For instance, research and development expenditures in 2022 amounted to 7.2 billion euros, representing 8.2% of the revenue from sales<sup>2</sup>. The graph illustrates a decrease in this metric from 2017 to 2018, which is the result of the initial adoption and implementation of IFRS 15 in 2017, and from 2019 to 2020, due to the COVID-19 pandemic. The dynamics of the company's R&D expenses are presented in Figure 2.



**Figure 2. R&D expenses of the Bosch Group for 2017-2022 (in million euros)**

<sup>1</sup>About the Bosch Group report for 2022; [https://assets.bosch.com/global/bosch\\_group/our\\_figures/pdf/bosch-annual-report-2022.pdf](https://assets.bosch.com/global/bosch_group/our_figures/pdf/bosch-annual-report-2022.pdf)

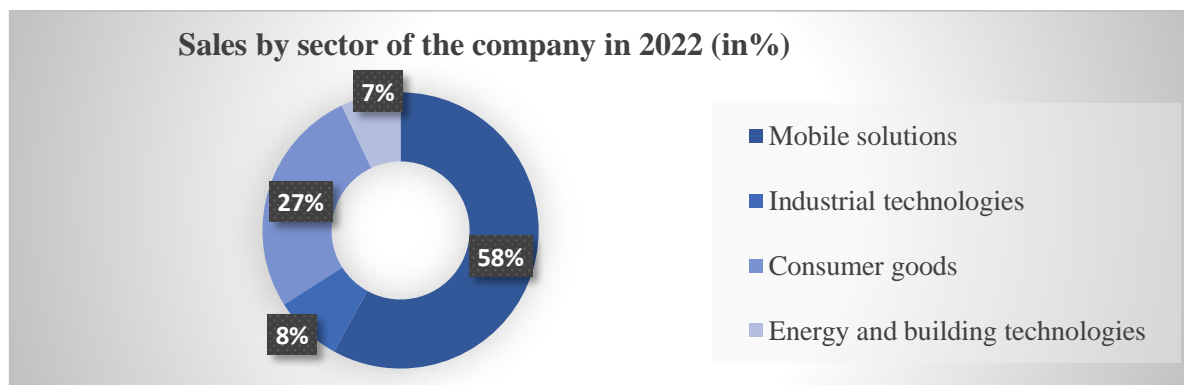
<sup>2</sup> Ibid

Source: Graph compiled by the authors based on the Bosch Group annual report; <https://www.bosch.com/company/annual-report/>

It is worth noting that out of the total workforce of 421,000 employees at the Bosch Group; approximately 86,000 employees are engaged in research and development activities across 136 locations worldwide, with 44,000 of them being software engineers<sup>3</sup>. Thanks to their contributions, the company submits applications for more than 3,800 patents worldwide annually.

The mission of the Bosch Group is to “develop products that are “invented for life”, products that inspire enthusiasm, enhance the quality of life, and contribute to the conservation of natural resources”. It is founded on seven core values that shape the corporate culture of the company: future orientation, responsibility and sustainability, initiative and determination, openness and trust, fairness, reliability and legitimacy, and diversity. The objective of the company is to strive for its future, ensuring strong and meaningful development while maintaining financial independence. The strategic focuses that will help achieve success include focus on customers, openness to change and a commitment to excellence<sup>4</sup>.

Examining the company's business portfolio, it should be noted that the company, having employed a diversification strategy for a long period of time, currently exhibits the following sales structure by main sectors (see Figure 3):



**Figure 3. Sales by sector of the Bosch Group for 2022 (in %)**

Source: Graph compiled by the authors based on the Bosch Group's annual report for 2022; <https://www.bosch.com/company/annual-report/>

Thus, the main share of sales falls on the business sector of mobile solutions, which is 58%. It should be noted that the Bosch is currently a leader

<sup>3</sup>Ibid.

<sup>4</sup> <https://www.Wearebosch.com/index.en.html>

in the development of new generation technologies that provide high performance and efficiency while conserving natural resources. Within the realm of eco-friendly mobility, the company contributes to reducing fuel consumption and CO<sub>2</sub> emissions in new vehicles. Energy efficiency and environmental protection shape the Bosch Group products in the field of industrial and construction technologies, as well as the production of consumer goods. Green technologies such as tankless gas water heaters, electric heat pumps, photovoltaic, wind power and geothermal systems are the best examples of smart technologies which are experiencing increasing demand in the international market.

The importance of developing comprehensive long-term management decisions in the context of competition arises from the growing globalization and convergence of industries, as well as the complexity of the external environment, which compels companies to intensify their strategic initiatives. At the same time, for international firms, the formation of a model that would allow analyzing strategic problems has acquired special significance today <sup>5</sup>. One of the strategic management tools that enables the determination of a competitive strategy, significantly influencing the future operations of the company, is SWOT analysis.<sup>6</sup>

The SWOT model allows analyzing the potential growth of the company competitiveness and the risks that may affect its strategic position. In other words, assessing the internal strengths (S) and weaknesses (W) of the company leads to the identification of its distinctive competencies, and the assessment of opportunities (O) and threats (T) of the external environment allows identifying potential success factors in a competitive business environment<sup>7</sup>.

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<sup>5</sup>Serova E. G., Vorobyov P. F., Fainshtein E. M. Quantitative model of SWOT -analysis and its application in strategic management: on the example of chain restaurant business. Bulletin of St. Petersburg State University. Management. T. 18. Issue . 4, 2019. - P.532.

<sup>6</sup>For the first time, the concept of SWOT analysis was described in detail in the Harvard Business School textbook "Business Policy: Text and Cases", published in 1965 and quickly gained worldwide recognition, prepared by professors of general management - E.A. Liarndom , K.R. Christensen , K.R. Andrews and W.D. Gutom . Later, the concept was developed in the monograph by K.R. Andrews "The Concept of Corporate Strategy" (1971), where his approach qualitatively changed the strategic vision of management, since in his published work the unity of the organization began to be understood not just as a kind of relationship between the structural and functional divisions of the company, but in terms of its holistic perception along with the environment. environment.

<sup>7</sup>Kotler P., Berger R., Bickhoff N. 2016. Introduction: Essential strategy know-how and nothing more. In: P. Kotler, R. Berger, N. Bickhoff . The Quintessence of Strategic Management. What You Really Need to Know to Survive in Business. Berlin , Heidelberg : Springer ; 1–3.

Table 1.

**SWOT analysis of the Bosch Group for 2021**

<b>Internal environment</b>	<b>Strengths ( S )</b>	<b>Weaknesses ( W )</b>
	S 1 - Product quality - customer loyalty <sup>8</sup>	W 1 - Unsuccessful integration of the company with representatives of other business cultures <sup>9</sup>
	S 2 - Balanced portfolio - various industries <sup>10</sup>	W 2 - Weak marketing - low spending on product promotion compared to competitors <sup>11</sup>
	S 3 - Highly skilled workforce through successful education and training programs <sup>12</sup>	W 3 - Investment in research and development is lower than that of the fastest growing players in the industry <sup>13</sup>
	S4 - Strong distribution network <sup>14</sup>	W4 - High rates of debt <sup>15</sup>
	S 5 - Performance in new markets <sup>16</sup>	W 5 - Limited success outside of core business <sup>17</sup>

<sup>8</sup> The Bosch logo on household appliances is a guarantee of quality for many consumers. Base of any Bosch Group subsidiary is the ISO 9001 standard. The quality management system covers the full cycle, from the development of new products, the search for suppliers, the approval of components and ending with the direct production of products, delivery to the consumer and warranty service. The Bosch Group standards are united. The work takes place according to one system, internal audits are regularly carried out, which maintain the harmony of the approach at all plants. ( <https://kachestvo.pro/kachestvo-upravleniya/svoy-put/kachestvo-protsesov-i-produktsii-na-zavode-bosch/> )

<sup>9</sup>The Bosch Group case as an example in India, it should be noted that the workers were faced with the complexity of the company's policies. Respondents in India argue that there are cultural differences in productivity, management and time management, and it takes a lot of work to reach consensus. German managers who encountered cross-cultural differences in doing business were forced to leave their positions and return to Germany. Some respondents also mentioned that some talented German engineers had to leave their jobs due to misunderstandings (Cross-Cultural Management : In case of Germans and Indians working at BOSCH Ltd. , Bangalore , India , M. \_ Teklemariam ; 2020. – C .50; <https://www.diva-portal.org/smash/get/diva2:1523682/FULLTEXT01.pdf> )

<sup>10</sup>At the Bosch Group, there are 4 main business areas: mobility solutions, industrial technologies, consumer products, energy and building technologies. Although each industry has a different weight in the amount of profit generated, each of the industries makes a huge contribution to the development and maintenance of the company's balance sheet. ( the Bosch Group annual report for 2021; <https://www.bosch.com/company/annual-report/> )

<sup>11</sup>For 2021 Bosch Group marketing spending amounted to 100 million dollars, the company-competitor Samsung , this figure was 2.3 billion US dollars, Philips - 150 million US dollars, LG - about 4 billion US dollars. ( <https://www.statista.com/statistics/> )

<sup>12</sup>The company in 2021 spent 2 billion euros on retraining of personnel in the field of electrical engineering. The Bosch Group in 2020 spent 1 billion euros on retraining programs for those who work with obsolete technologies and the Bosch Group management intends to allocate more funds for their development in the future. According to calculations, 500 euros will be spent on training each employee. ( <https://www.unleash.ai/learning-and-development/bosch-to-spend-e2bn-on-reskilling/> )

<sup>13</sup>Even though the Bosch Group spends more on research and development than the industry average, it cannot compete with the industry's top players in terms of innovation. It positions itself as a mature firm committed to bringing products to market based on proven features. ( <https://www.statista.com/statistics/> )

<sup>14</sup>All suppliers have a quality management system in place to ensure a defect-free delivery from the very beginning of series production. As part of the Bosch Group preventive quality assurance coordinates the necessary distribution measures. In addition, purchasing departments work with suppliers to ensure that quality requirements are consistently met. ( <https://www.bosch.com/company/supply-chain/> )

<sup>15</sup>Based on the results of 2021, the total obligations of the Bosch Group amounted to 660 million euros ( the Bosch Group annual report for 2021; pp.146-147; <https://www.bosch.com/company/annual-report/> )

<sup>16</sup>470 subsidiaries and regional companies in more than 60 countries and regions - sales and service partners in approximately 150 countries and regions around the world.( <https://www.bosch.com/websites-worldwide/> )

<sup>17</sup>Looking at net income by industry, consumer products were the most successful industry in 2021, while mobile solutions, industrial technology, energy and building technology combined bring half as much profit (the Bosch Group annual report for 2021; <https://www.bosch.com/company/annual-report/> )

External environment	Opportunities (O)	Threats (T)
	O1 - Government green initiative <sup>18</sup>	T 1 - Change in consumer buying behavior <sup>19</sup>
	O2 - Low inflation <sup>20</sup> -	T 2 - Lack of regular supplies of innovative products <sup>21</sup>
	O3 - New fiscal policy <sup>22</sup>	T3 - Increase in the minimum wage level <sup>23</sup>
	O 4 - New clients on the online platform <sup>24</sup>	T4 - The company is subject to currency fluctuations, especially given the volatile political climate in a number of markets around the world <sup>25</sup>
	O 5 - Development of the renewable sector <sup>26</sup>	T5 - New environmental regulations under the Paris Agreement (2016) may pose a threat to some existing product categories <sup>27</sup>

Source: table compiled by the authors based on the annual report of the Bosch Group for 2021; <https://www.bosch.com/company/annual-report/>

Based on a selection of internal and external environmental factors and submitted expert assessments, a SWOT analysis matrix for the Bosch Group

<sup>18</sup>In December 2019, the European Commission launched the EU Green Deal, a package of measures designed to make the European Union's economy environmentally sustainable. The goal of the Green Deal is to achieve climate neutrality by 2050 and use the climate transition to create opportunities for economic and industrial growth. The deal includes a wide range of policies and subsidies aimed at reducing pollution.

( <file:///C:/Users/User/Downloads/geopolitika-zelenoy-sdelki-evropeyskogo-soyuza.pdf> )

<sup>19</sup>Online shopping will be used by an increasing number of consumers as a sustainable mass habit is formed that has intensified since the COVID -19 pandemic. In addition to safety, this is the creation of comfort for consumers (expenses on logistics and saving time for visiting stores are excluded), an active further growth in the share of online sales is predicted. ( <analiz-izmeneniy-i-prognoz-povedeniya-potrebitelov-i-reteylorov-pod-vliyaniem-pandemii-covid-19-v-rossii.pdf> )

<sup>20</sup> In December 2021, inflation in the eurozone was 5%. A low level of inflation will reduce investors' risk on deposits. This will stimulate the influx of investment and possible economic growth of the company in the future. ( <https://rus.err.ee/1608855581/v-dekabre-godovaja-infljacija-v-evrozone-zamedlilas> )

<sup>21</sup>Over the years, the company has been inactive in differentiating its product lines; deliveries of new Bosch Group products are irregular, resulting in high and low fluctuations in the number of sales over a period of time. ( <http://fernforuniversity.com/term-papers/swot/1433/1056-bosch.php> )

<sup>22</sup>New taxation as an instrument of climate policy and other environmental goals of the European Green Deal. Environmental taxes should provide both additional revenues to national budgets and price signals and incentives for producers, users and consumers to promote sustainable growth ( <http://www.sov-europe.ru/images/pdf/2021/7-2021/Koroleva-7-21.pdf> ).

<sup>23</sup>The law to raise the minimum wage from 2021 to \$15 an hour by 2025 will increase the company's operating costs. The report concludes that the increase is long overdue and will bring broad benefits to both workers and the economy as a whole.

( <https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2025-would-lift-the-pay-of-32-million-workers/> ).

<sup>24</sup>In 2020, the Bosch project appeared Digital , which brings together a full range of consulting and implementation skills to deliver digital projects in close collaboration with the BOSCH GROUP clients " \_ Customer needs are at the heart of everything the company does. The company's technologies have a clear goal: to improve the personal and professional life of every customer ( <https://www.bosch-digital.com/> ).

<sup>25</sup> The war in Ukraine deprives people of their livelihoods, has a negative impact on energy and commodity markets; The number of displaced people in Europe [exceeded 100 million](https://www.vsemirnyjbank.org/ru/topic/fragilityconflictviolence/overview) ( <https://www.vsemirnyjbank.org/ru/topic/fragilityconflictviolence/overview> ).

<sup>26</sup>95 percent of the electricity used by the BOSCH GROUP is powered by green energy from renewable energy sources, making the company one of the pioneers of the fourth energy transition in Europe ( <https://www.bosch.com/stories/smart-grids-renewable-energy/> ).

<sup>27</sup> The agreement calls for all countries to commit to reducing their emissions and working together to adapt to the impacts of climate change, and calls on countries to strengthen their commitments over time; the agreement has been accepted by 192 countries ( <https://www.un.org/ru/climatechange/paris-agreement> ).

company was formed with the evaluation field of experts (see Table 2), as well as the correlation field of the company's strategic alternatives (see Table 3).

According to SWOT analysis matrix, the following strategic alternatives for the Bosch Group has been formulated:

- a highly skilled workforce, a strong distribution network, and high productivity in new markets can reduce the impact of changing consumer behavior and lack of supply of innovative products, and overcome these threats more effectively (S3T1; S3T2; S4T1; S4T2; S5T1; S5T2);
- a highly skilled workforce, a strong distribution network and high productivity in new markets can maintain and increase the positive effects of low inflation, as well as facilitate work with new online customers (S3O2; S3O4; S4O2; S4O4; S5O2; S5O4);
- low investment in research and development compared to competitors can lead to negative consequences of changes in consumer purchasing behavior, worsen the consequences of a lack of regular supply of innovative products and exacerbate the consequences of rising wages (W3T1; W3T2; W3T3);
- low investment in research and development compared to competitors prevents the benefit from low inflation, new fiscal policies, and also underestimates the number of new customers on the online platform (W3O2; W3O3; W3O4).

Thus, the analysis of the SWOT matrix made it possible to reveal the state of the Bosch Group and on the basis of strategic alternatives showed the possible prospects for its development. The analysis results suggest that the company should continue to support and enhance employee training programs, recognizing them as a key resource for the company. Furthermore, it should expand its distribution network and improve performance in the markets where it is present. To secure a competitive advantage, the company should adopt a strategy of investing in research and development in priority business areas.

Table 2

*The BOSCH GROUP strengths, weaknesses, opportunities and threats*<sup>28</sup>

Strengths ( S )	Experts								Average value	Weaknesses ( W )	Experts								Average value
	Expert 1		Expert 2		Expert 3		Expert 4				Expert 1		Expert 2		Expert 3		Expert 4		
	score	rank	score	rank	score	rank	score	rank			score	rank	score	rank	score	rank	score	rank	
Product quality - customer loyalty	4	2	5	1	4	1	4	5	9.3	Unsuccessful integration of the company with representatives of other business cultures	3	1	3	5	3	2	3	3	8.3
Balanced Portfolio - Various Industries	3	1	3	2	4	3	2	1	5.8	Weak Marketing	4	2	5	3	4	4	4	1	eleven
Highly skilled workforce	4	5	5	3	4	2	5	4	16	Low investment in R&D	5	5	4	4	4	3	4	5	18
Strong distribution network	5	3	4	4	4	5	5	2	15	High debt ratios	3	4	3	2	2	1	2	4	7
Performance in new markets	5	4	4	5	3	4	5	3	17	Limited success outside the core business	2	3	4	1	2	5	3	2	6.5
Opportunities ( O )	Experts								Average value	Threats ( T )	Experts								Average value
	Expert 1		Expert 2		Expert 3		Expert 4				Expert 1		Expert 2		Expert 3		Expert 4		
	score	rank	score	rank	score	rank	score	rank			score	rank	score	rank	score	rank	score	rank	
Government Green Initiative	5	2	3	1	4	1	3	1	5	Changing consumer buying behavior	4	4	5	5	4	3	5	4	18
Low inflation	3	3	4	4	4	4	4	4	14	Lack of regular supply of innovative products	3	5	4	4	2	5	5	3	14
New tax policy	3	4	4	5	2	3	2	3	eleven	Raising wages	3	3	4	3	3	4	3	5	12
New clients on the online platform	4	5	4	3	4	5	4	5	18	Currency fluctuations, volatile political climate in markets	2	1	4	2	2	1	2	2	4

<sup>82</sup> Estimated by independent experts based on the Bosch Group Annual Report for 2021; <https://www.bosch.com/company/annual-report/>; rank assessment - determination of the importance of each factor (5 - the largest, 1 - the smallest); score - quantitative assessment, determination of the company's position, in relation to each factor of the SWOT analysis (5 - the largest, 1 - the smallest).



										around the world									
Development of the renewable energy sector	3	1	2	2	5	2	3	2	5.8	New environmental regulations under the Paris Agreement (2016)	3	2	2	1	2	2	2	1	3.5

Table 3

*Problem field based on expert assessment<sup>29</sup>*

BOSCH GROUP SWOT Analysis Matrix » <sup>30</sup>		Strengths ( S )							Weaknesses ( W )				
		SCORE	Product quality -	Balanced Portfolio - Various Industries	Highly skilled workforce	Strong distribution network	Performance in new markets	SCORE	Unsuccessful integration of the firm with representatives of	Weak Marketing	Low investment in R&D	High debt rates	Limited success outside core business
Threats ( T )	SCORE		9	6	16	15	17		8	eleven	18	7	7
	Changing consumer buying behavior	18	169	105	287	278	306	18	151	196	333	128	119
	Lack of regular supply of innovative products	14	130	81	221	214	235	14	116	151	256	98	91
	Raising wages	12	111	69	189	183	201	12	99	129	219	84	78
	Currency fluctuations, volatile political climate in markets around the world	4	37	23	63	61	67	4	33	43	73	28	26
	New environmental regulations under the Paris Agreement (2016)	4	32	20	55	53	59	4	29	38	64	25	23
Opportunities	SCORE		9	6	16	15	17		8	eleven	18	7	7
	Government Green Initiative	5	46	29	79	76	84	5	41	54	91	35	33
	Low inflation	14	132	82	224	217	239	14	118	153	260	100	93

<sup>29</sup> Combining possible directions and actions - identifying strategies to neutralize threats through strengths and reduce the impact of weaknesses through opportunities

<sup>30</sup> analysis for the reporting period 2021

	New fiscal policy	eleven	102	63	173	168	184	eleven	91	118	201	77	72
	New clients on the online platform	18	167	104	284	275	302	18	149	194	329	126	117
	Development of the renewable energy sector	6	53	33	91	88	96	6	47	62	105	40	37

