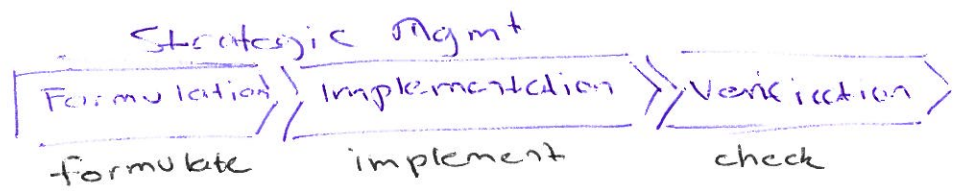


① International Strategy



WHERE DO WE GO?

HOW ARE WE GOING TO GET THERE?

① Foreign direct investment is increasing  
 major economic driver of globalisation  
 needs for strategic mgmt

③ emerging international challenges

- diversification of operations
  - changing international environment
  - foreign direct investments
  - trade (3x)
  - Gross domestic product (4x)
  - geographical diversification
  - entry into new geo. markets w/ specific needs
  - fast growth
  - high potential in new markets
- ② need to coordinate + integrate op. with unified, agreed-on focus / over all focus

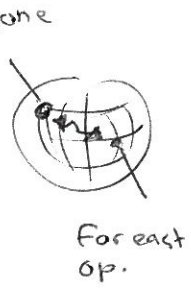
benefits of strategic planning

MNC believe → critical for their success  
 ↳ 5-10 years plans  
 helps to coordinate + monitor op.  
 helps to deal with political risks, competition, currency instability

	Company type	
Profitability (😊)	few foreign op.	big % of overseas sales
Profitability (😊)	medium planning intensity	high intensity planning
Profitability (😞)	exaggerated planning intensity	low intensity planning process

Critical

using home strategies over different cultures  
 to strong dependency of geographically distribute operations  
 where can decisions be taken? (home only?)  
 ↳ 😞 profitability



Continuously changing international environment  
 need for strategy

accuracy of forecast

goods (services) [OIT]

External Env. Fast changes continuous + consistent scanning

Internal Env. ability to take advantage of international marketing opportunities

Strategic Goals (BSG) - Implementation

key-role @ middle mgmt  
 put strategy to action

ability / competitive advantage [S/W]

Key success factors

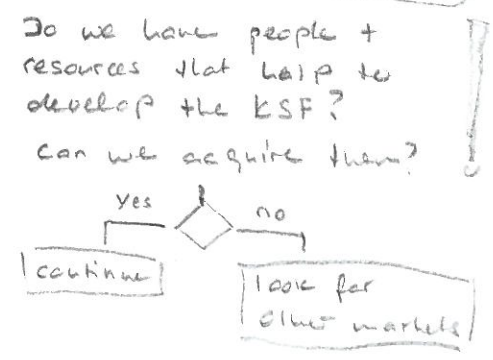
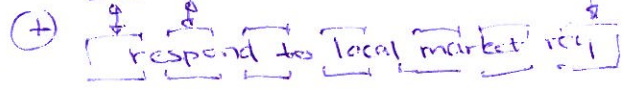
don't look primarily for barriers, but how companies can utilize their resources + capabilities to take advantage of environmental opportunities.  
 realistic appraisal

- eg airline
  - price
  - safety
  - quality of services
  - friendly, helpful personell
- eg automobile industry
  - quality
  - styling

Supply Chain Mgmt Best in the world

Nokia  
 technology + processes

efficiently developed global platform



Brother - inland product  
 GDP gross domestic product  
 FDI foreign direct investment

IS: \$ sawaiger Kabel



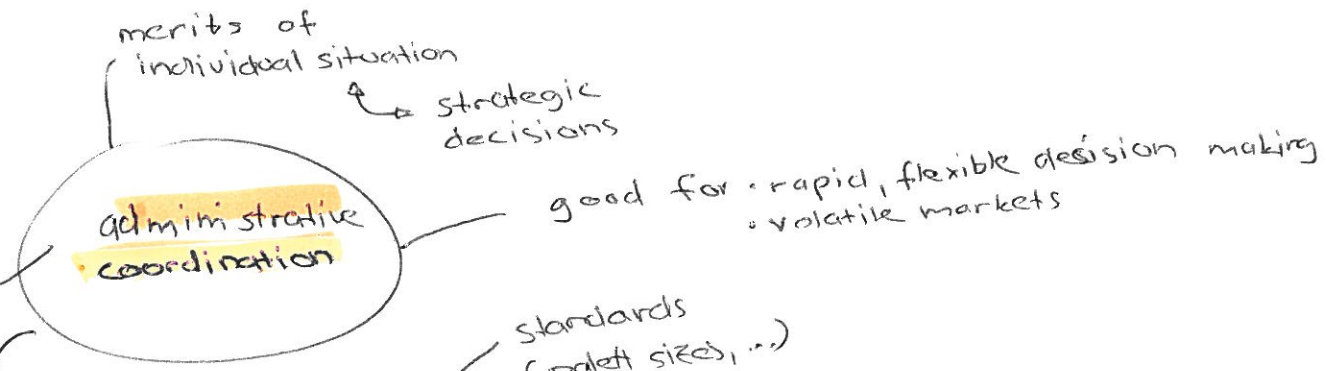
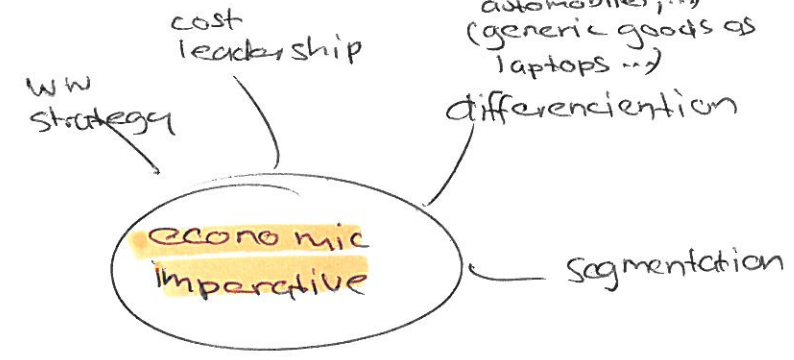
middle mgmt are @w  
to stimulating profit growth

↳ today's managers have  
to learn how to expand  
these efforts to an  
international level.

value chain  
\$\$\$

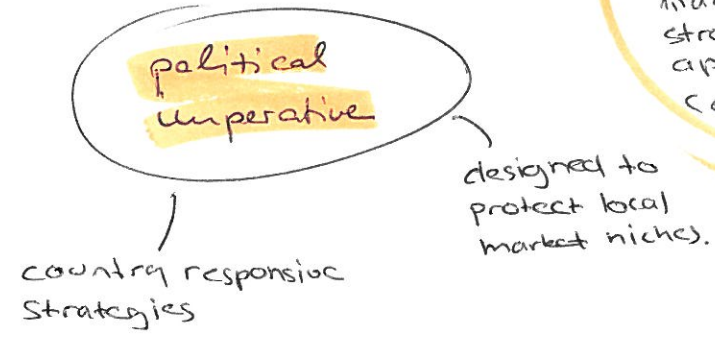
good for global sourcing  
supply chain mgmt  
optimize the whole chain  
actively! Go in!  
Do intercompany coord.  
for the companies in  
the chain.  
Don't let the factories  
worry about this.  
→ shrink deliver cycle

good for **homogenous products**  
over different markets (steel, heavy el.  
systems, chemicals,  
automobiles, ...)  
(generic goods as  
laptops ...)



Approaches of  
formulating +  
implementing  
strategy

don't base on predeter-  
mined economic  
or political  
strategy  
learning to  
adapt to the  
culture /  
region



many MNC combine  
strategic  
approaches  
(eg for different  
regions)



Ⓐ change attitudes  
and raise expectations  
for service quality

VC  
\$\$\$

Success depends heavily  
on marketing, sales + service

total  
quality  
mgmt  
Ⓐ Implement  
and live TQM

good for country customized products  
(insurances, customer packed goods, ...)

Quality is implemented  
in operation to meet or  
exceed cust. expectations.  
Customers include buyer,  
external user  
+ support personell inside +  
outside the organization

Quality strategy is  
formulated @ Top Mgmt  
& diffused through the whole  
comp.

TQM Techniques  
→ inspection  
→ statistical control  
→ HR techniques → self managing teams  
→ empowerment

Global strategy

- e.g. Matsushita
- get global recognition
- often M&A
- low-cost driven strategy
- good for high cost pressure

Transnational strategy

- most challenging quadrant
- successful MNC seek to operate here
- e.g. Monsanto (agriculture)
- modular plant forms for local adoption
- very difficult to do effectively
- good for companies that find appropriate synergies in global corporate functions

Quelle: Cutlers p.260, 290

economy of scale

high degree of economic integration

Aircrafts  
Cameras  
Consumer electronics  
Computers  
Automobiles

Production + distribution of products/services  
• homogeneous @  
• worldwide base

Synthetic fibers  
Cement

- local product development
- use focus-groups to find requirements
- adopt tools + techniques for managing local workforce

Need to understand  
• different customer tastes  
• in segmented regional markets  
• national standards  
• regulations by government/agencies

Telecom  
Aerospace

National responsiveness

Low — High

Global integration	High	Global strategy primarily based on price comp.	Transnational strategy most preferred but most difficult
	Low	International strategy	Multi-domestic strategy emphasize local adaptation

Besides!

There are positive performance effects from tailoring the strategy to particular industry and country characteristics

Steel  
local clothing  
Packaged goods

clear cases  
more complex environmental situations

international strategy (typically only temporary phase)

- economic of scale
- being sensitive to differentiation } little value
- characterized by increased international standard for products + services
- lower need for centralized @ strategic decision making
- adapt activities to different countries

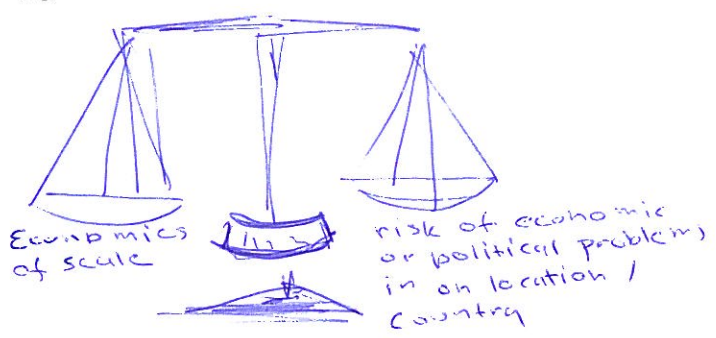
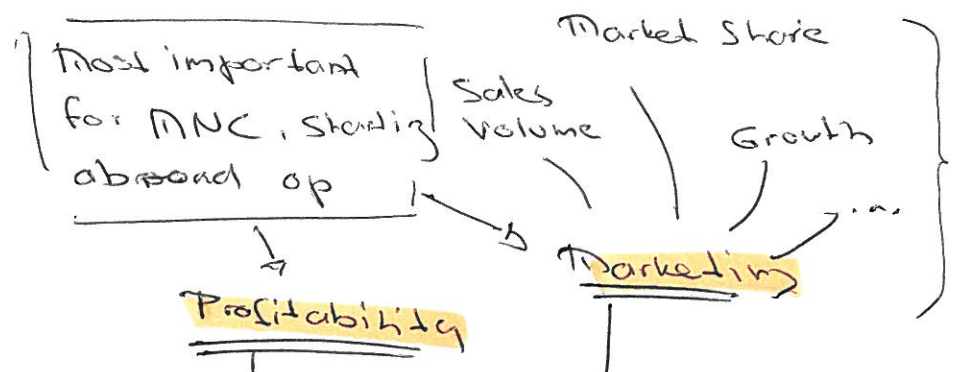
NICHT ANZUSTREBEN

- for companies with valuable core competences that host-country competitors don't have
- high transportation costs of produced goods

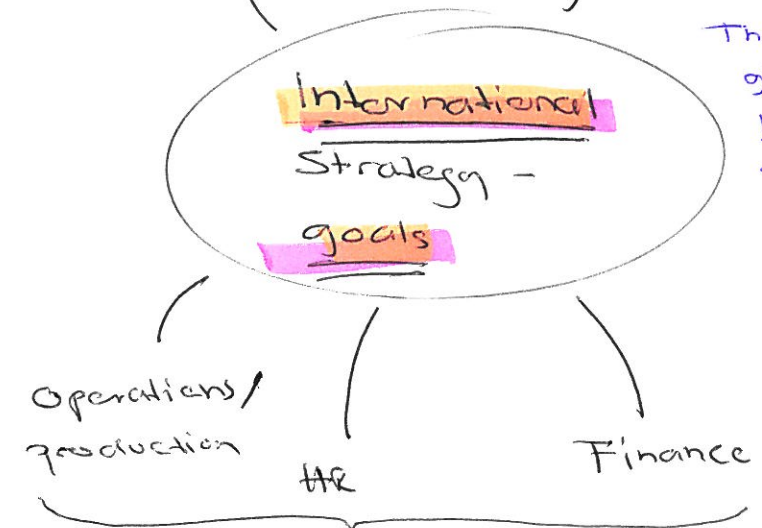
multi-domestic strategy

- niche companies
- ignore economics of scale
- satisfy differentiated needs
- e.g. Philips diagnostic tools for doctors
- increases a firm's cost structure but increases the likelihood that products fit + will be successful





The main goal is global efficiency, NOT country sub optimization



trade rules

central planning economies

restrictions on foreign investments

local partners

Company policy accept or not?

see sheet 7

Strategy implementation is the process of providing good + services in accord with the predetermined plan of action



dominating

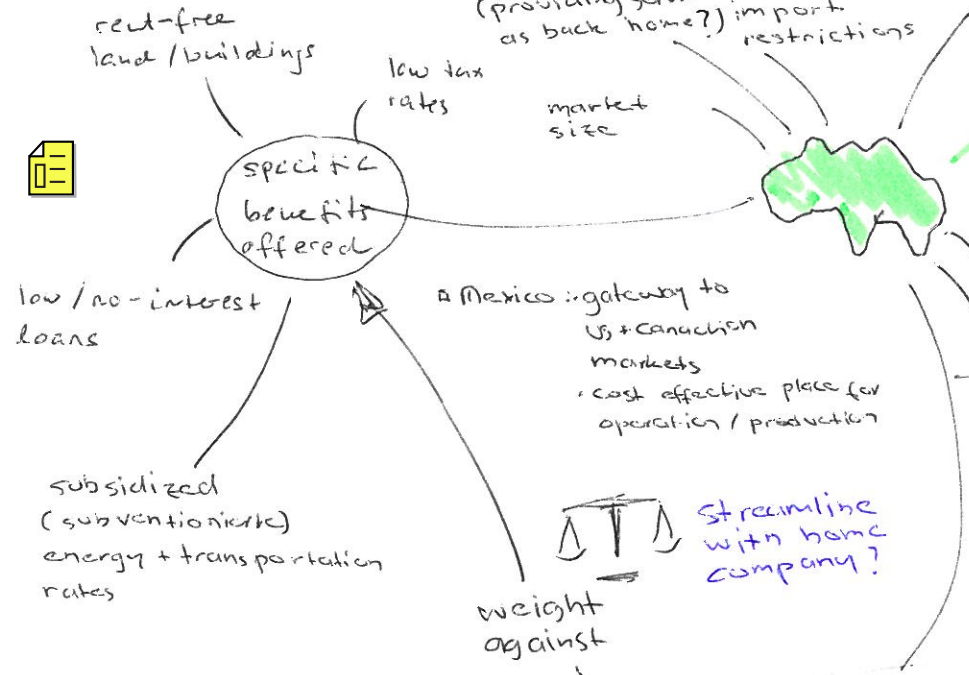
country-by-country 4P

marketing

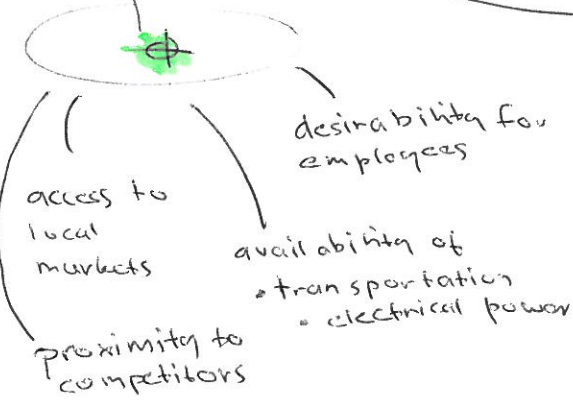
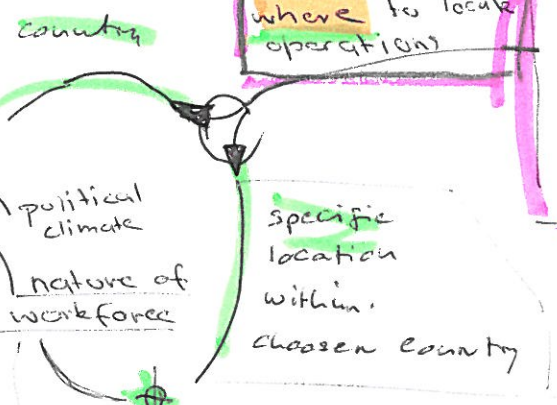
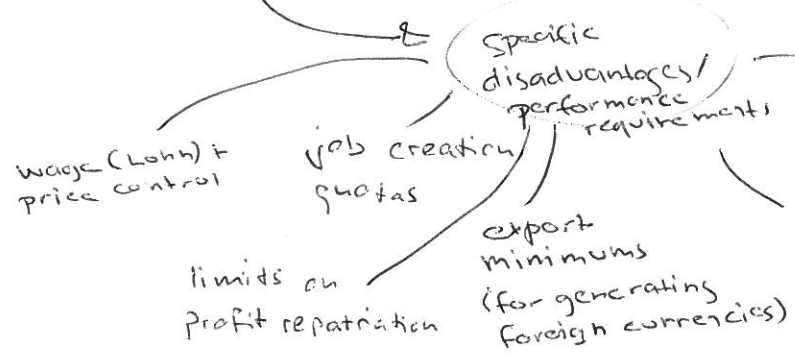
production

finance

- consider WW production
- produce central
- assembly local
- local
- farm out cost intensive tasks to low cost countries.
- global financing
- Währungsrisiken



Streamline with home company?



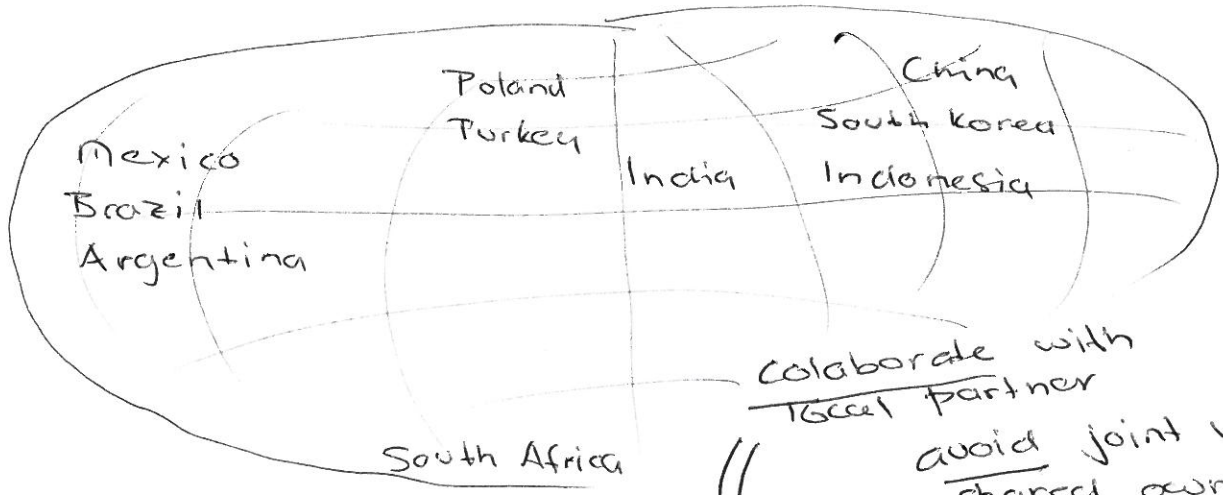


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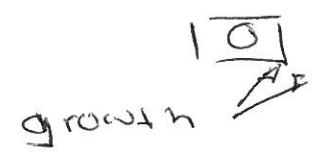
# Emerging markets

- Privatization
- market liberalization
- "markets in a transition"

The big 10 (1997)  
(8156 PZFI)



Collaborate with local partner  
 avoid joint ventures / shared ownership constructs



- Political
- economical
- underdeveloped institutional systems

Volatility

- corruption
- failure to enforce contracts
- bureaucratic costs

## First mover strategies

be (one of) the first to enter a market

capture learning effects ↑ important for increasing market share

achieve scale economics

develop alliances ↑ with the most attractive local partners

Risk of pre-mature entrance

Take over privatized (former state-owned) enterprises.

- Telecom
- Energy

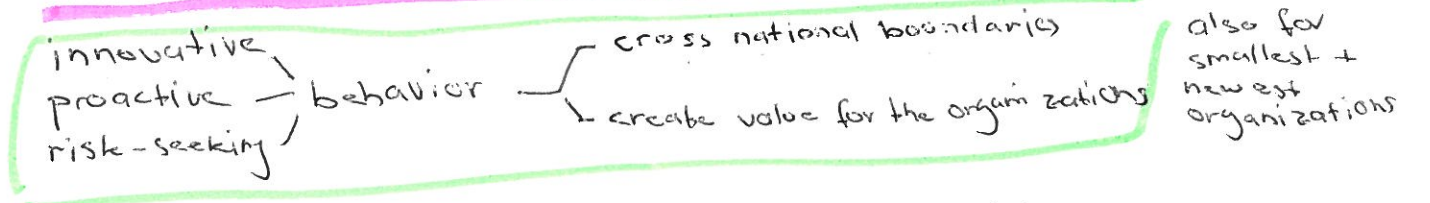
## Strategies for the base of the pyramid

☹ incremental adaptation of existing technology / products is not effective @ BoP

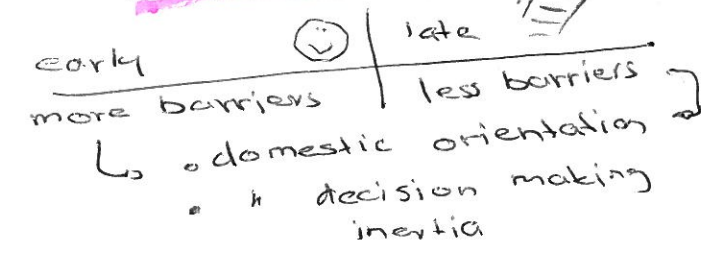
- smaller scale strategies
- build relationships with local governments, small entrepreneurs / non profits

Challenge: Bring awareness of the product to BoP populations

## International entrepreneurship



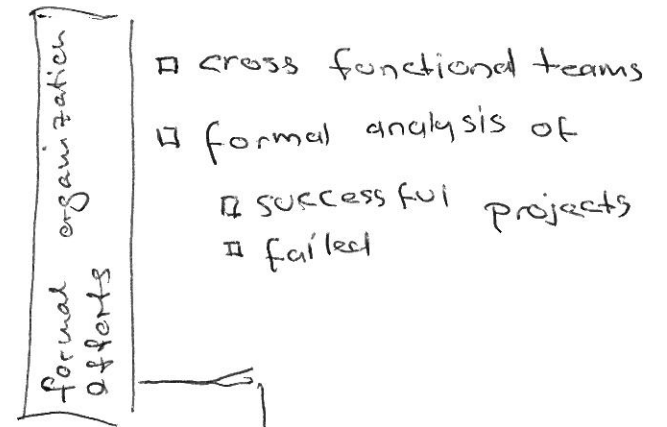
## Internationalize



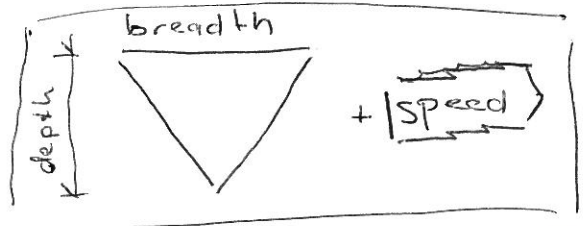
## Key Capabilities

- international entrepreneurial orientations
- marketing orientation
- global technological competence
- foreign distributor competence
- quality focus

6



enhance



technological learning (TL)

opportunities

international

improves venture performance (growth, return on equity)

no simple process



# Entry Strategies

\* agent, distributor, wholesaler (grossist), value adding retailer

Export: Potential problems:  
Foreign distributor → some countries have strict rules for dropping → prepare well

Import Partner with overseas suppliers

- partner with specialists for services
- LOC
- currency conversion
- financial assistance
- paperwork (export mgmt company, own export department)
- minimal investment

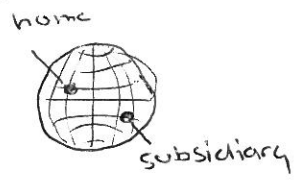
often the only choice for small + new companies wanting to go international

## Export/Import

- little control on marketing and distribution
- difficult to customize products
- import tariffs

# Entry Strategies + Ownership Structures

## Wholly owned subsidiary



often chosen by smaller companies especially if international + transaction costs are high

- costs of negotiation
- transferring information

Acquire expertise and knowledge that is relevant to the host company

- ⊕ Total control
- ⊕ Fit with companies culture + mgmt style
- ⊕ clearer communication and shared visions
- ⊕ Potentially most profitable (if successful)
- ⊖ high risk - large investment in one area
- ⊖ Important capital investment
- ⊖ not very efficient when entering multiple countries
- ⊖ Takes time
- ⊖ many newly developing countries prohibit this
- ⊖ Barriers by legal + regulatory requirements to foreign ownership
- ⊖ sometimes home country opposes "job export"

## Mergers + Acquisitions



- ⊕ fast international expansion
- ⊕ Full control over acquired company

- ⊕ good for
  - quickly expand resources
  - construct high-profit products in a new market
- ⊖ substantial challenges/efforts
- ⊖ premerger agreements
- ⊖ postmerger integration → clearly communicate new operational goals
- ⊖ barriers
  - cultural differences
  - time constraints
  - risk of poor financial results
  - transition costs
  - important capital investment
- ⊖ Vertrag so regeln, dass der bisherige Inhaber nicht zum Konkurrenten wird.
- ⊖ integration of key people

## alliances + joint ventures

- ⊖ difficulties in disparate cultures
- ⊖ differences in strategic intent
- ⊖ Excessive dependence on partner for skills
- ⊖ lack of trust

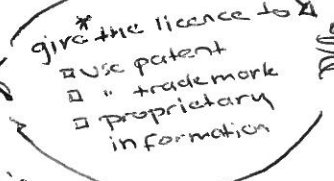
- ⊕ good for
  - improvement of efficiency
    - economies of scale
    - spread risks
    - profit from synergies
  - access to knowledge
  - overcome political factors
  - collusion or restriction in competition
  - entering emerging markets
  - partners achieve economies of scale + scope
  - partners share risk + resources

Forms:

- cross marketing arrangements
- technology sharing agreements
- production - contracting deals
- equity agreements

good if: I can deliver key components

## licensing



- \* restrict to geographic locale
- \* limit time period

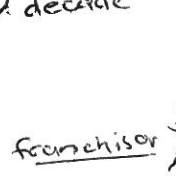
- good for
  - ⊕ patented products
  - ⊕ sell mature product to new markets
  - ⊕ high entry costs into new market
  - ⊕ licensor lacks financial + managerial resources
  - ⊖ loose of control (distribution)
  - ⊖ low profit potential
  - ⊖ risk: licensee turns to competitor
  - ⊖ difficult to verify (Verhaltensforschung, Treuhänderei)

choose carefully

## Franchising

- ⊕ good for
  - fast food industry
  - hotel industry

- ⊕ Fast market entry
- ⊕ Low capital costs
- ⊕ Proven concept
- ⊖ loose control over
- ⊖ long term agreements make other alternatives impossible



- allows to operate an enterprise using its
  - trademark
  - logo
  - product line
  - methods of operation

- pay a fee
  - 1) up front fee
  - 2) percent of revenues

## tips

- ⊕ know your partner well before alliance is formed
- ⊕ expect differences in alliance objectives
- ⊕ having desired resource profiles doesn't guarantee complementary
- ⊕ Be sensitive to your partner's needs
- ⊕ Create a relationship that is based on trust
- ⊕ Tight + specific performance criteria
- ⊕ Enter the partnership as 'student' rather than 'teacher'
- ⊕ Autonomy from corporate parents
- ⊕ Long 'courtship' period (Weberburgs daver) (An)

⊕ Critical success factors



# Organizational Structures 11

## Organizational changes

Dell: move from standard computers sold through internet to individual setups incl. colors through retail stores

Coca-Cola: Move from global integration to national responsiveness

Li & Fung: Move from regional sourcing agent to develop the entire process from concept to prototype to delivery of goods. -> "full control of overall value chain"

BP: from global product division structure to area (after buying) 'Standard oil' / Ohio

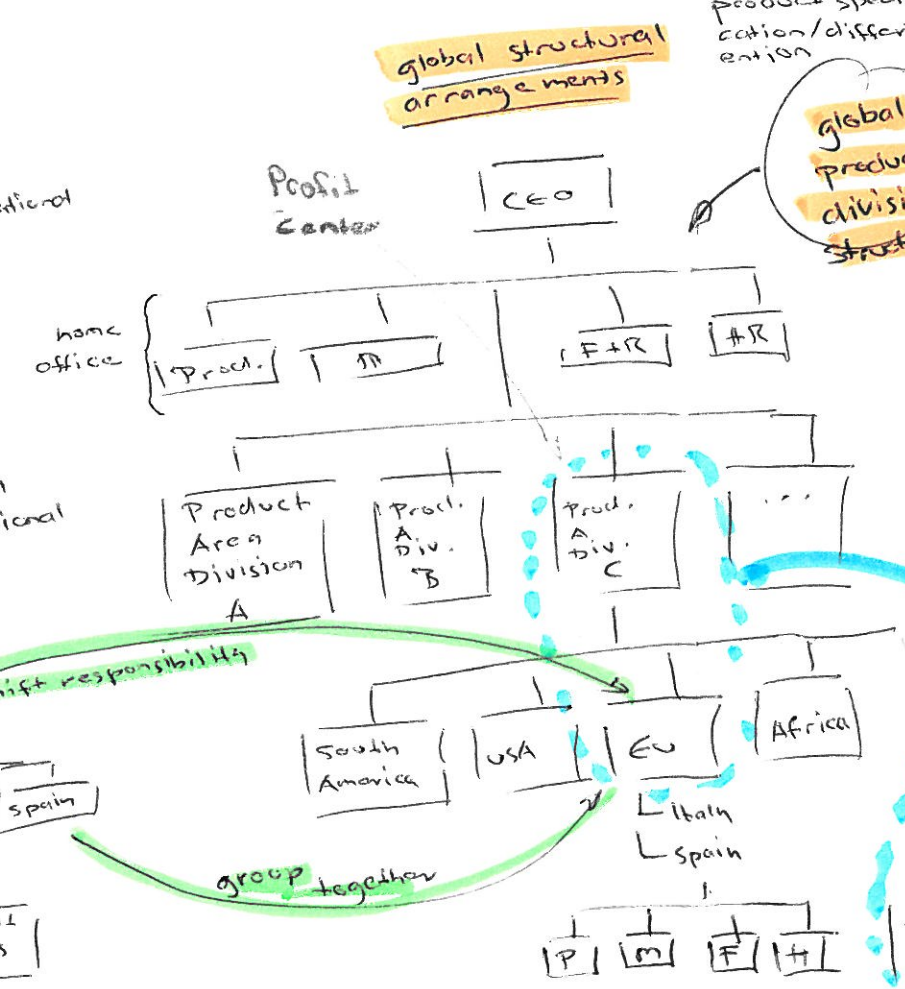
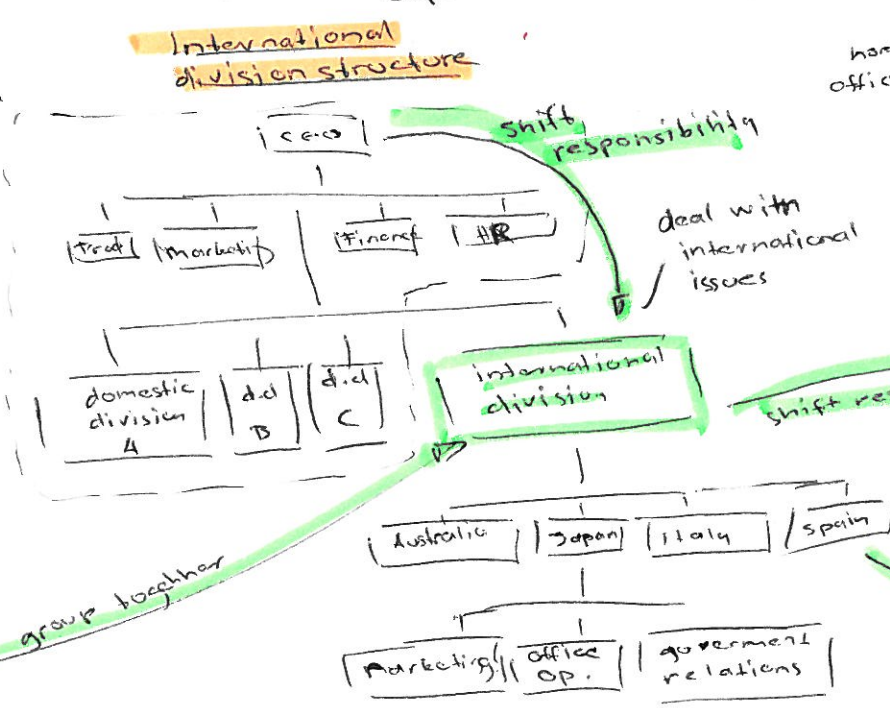
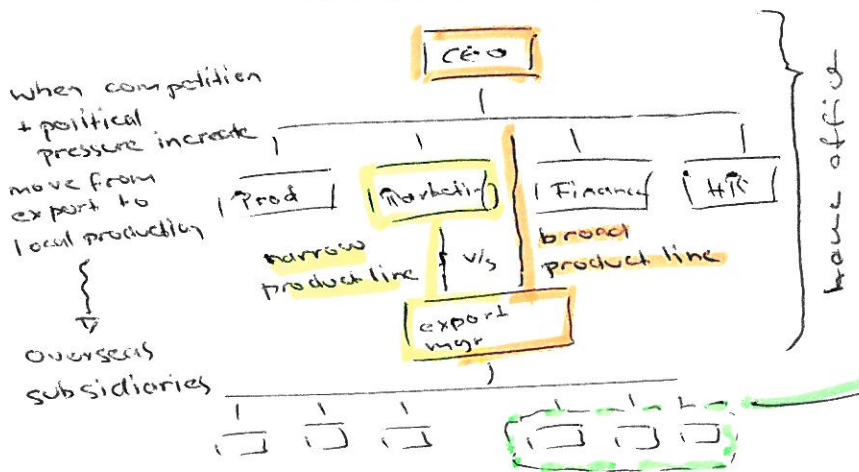
- while growth: international div. is often penalized due to lack of resources
- different camps with different objectives
- domestic + international managers are separated
- helps to develop a cadre of internationally experienced managers
- develop unified, overall approach to intern. op.
- top mgmt attention on international business

- good for
- companies in development stages
  - companies with
    - small international sales
    - limited geographic diversity
    - few executives with international experience

- good for
- initial entry into int. markets
  - exporting locally produced goods
  - operations that need on-site presence from start

rest of the company: remains as a domestic operation

### Initial division structure



• many division mgrs focus more on local instead of international markets

• risk to focus on short-time product success, no invest. in long-term areas

• duplication of staff + facilities within each div.

• close contact customer - R&D

• product planning on global basis

• product emphasis

- good for
- products in growth stage in life cycle
  - high need for product specification/differentiation

• loss of cross-selling opportunities

• duplication of efforts in geographic areas bc multiple products

• lack of centralized product mgmt

• fast reaction on environmental changes

- good for
- putting international operation on same level as domestic
  - mature businesses
  - narrow product lines
  - products differentiated based on geographic area
  - country based production

global product division structure

global area division structure

Variants: global Area Divisions can be put ahead of product area division

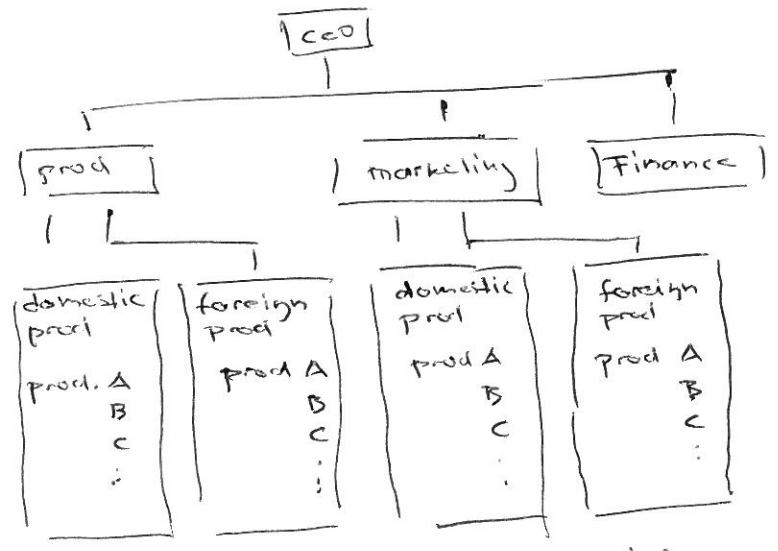
geographical area div EU





Organizational Structures 21

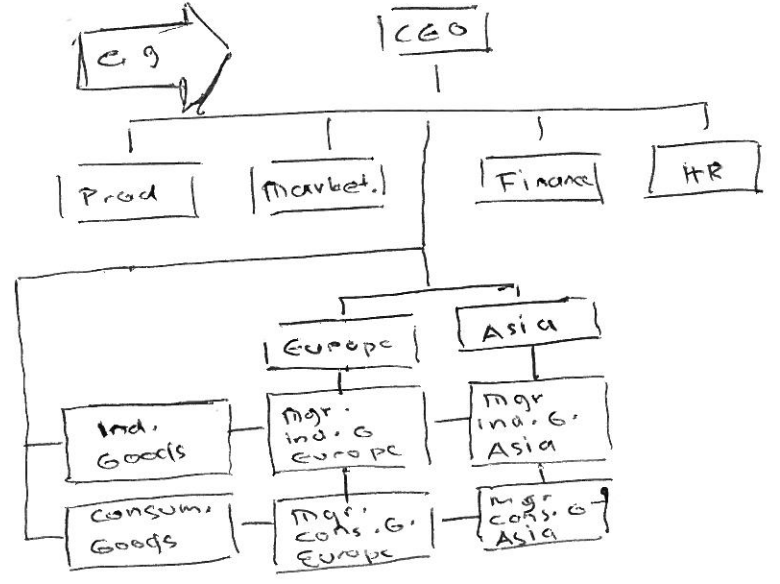
global functional structure



Used by extractive companies  
 → oil  
 → mining

mixed organization structures

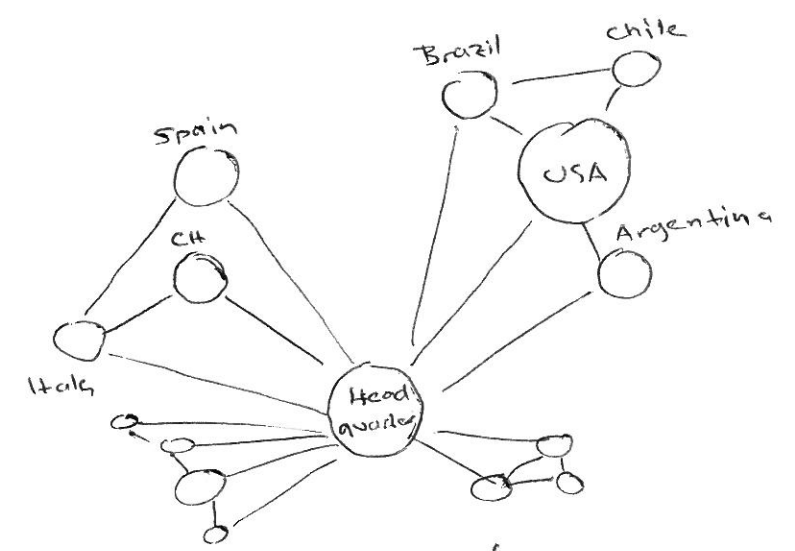
- combination of
- global product dep. structure
  - " area " "
  - " functional structure



- ⊕ adaptable to specific needs
- ⊖ increases complexity
- ⊖ difficult to
  - coordinate people
  - get everyone to work for common goals
- ⊖ To many groups go their own way

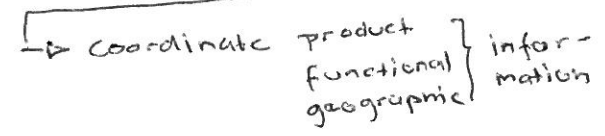
➔ many MNC opt for simple and lean structures

transnational network structures



- take advantage of global economies of scale
- be responsive to local customer demands

Concept based on nodes



Components of transnational network

- ① Dispersed subunits
- ② Specialized operations
  - focus on particular product lines
  - marketing areas
  - research areas
- ③ interdependent relationships
  - share information + resources

Survey:

