

# International Business 2101

## International Business Strategy (2020 Semester 2)

### Week 1: Introduction and Course Overview

What is International Business?

- **International business:** business activities that involve the transfer of resources, goods, services, knowledge, skills or information across national boundaries
  - Uses raw materials, capital and people to accomplish these goals

### Week 2: Strategy & Global Strategy

#### What is Strategy?

- The strategy is about choice, direction, and where should we go? What should we do, what is our approach? - This decision is the formulation of strategy. Then if the strategy can be implemented - how we can make it happen
- Key questions in strategic management at the top level of management
  - ❑ Why do some firms succeed while others fail?
    - E.g. why Nokia is gone, but Apple and Samsung are booming
  - ❑ Why do some firms enjoy sustainable competitive advantage while others don't
  - ❑ How to make a choice (formulation of strategy) and make it happen (implementation of the system)

Performing different activities from rivals' or performing similar activities in different ways, however, Porter argues that most companies today compete based on operational effectiveness. **Operational Effectiveness Is Not Strategy**

#### Examples of Trade-off:

- Choose low-risk investment → Gain lower rewards
- Higher quality standards to build reputation → More quality control & assurance costs
- Higher advertising online → Reduced advertising on TV

#### What is an international business strategy?

- How to design a successful winning strategy
- It determines the international success or failure of firms (Think global, act local)

#### *Strategy Fit:*

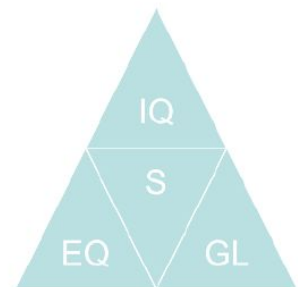
- Strategic fit is fundamental not only to competitive advantage but also to the sustainability of that advantage because it is harder for a competitor to match an array of interlocked activities than it is merely to replicate an individual activity

## Globalisation -- For and Against

FOR	AGAINST
<ul style="list-style-type: none"> <li>- Increased global competition + growth</li> <li>- Firms can assist the environment b/c globalisation</li> <li>- Exposes economics suppliers and customers for the business</li> <li>- Transfer of technology, knowledge + resources</li> <li>- Provision of FDI</li> <li>- Lifting people out of poverty, e.g. China</li> <li>- Quick transport + communication</li> <li>- Labour mobility increases</li> </ul>	<ul style="list-style-type: none"> <li>- Rich get richer, poor get poorer</li> <li>- Damages the environment → lack of regulation in many developing nations</li> <li>- Emerging + developing economies vulnerable to volatilisises → ‘contagion effect’</li> <li>- Loss of jobs + undermining of wages in developed nations → transfer of production to developing countries</li> <li>- The exploitation of workers in developing countries</li> <li>- Risk of cultural homogeneity</li> <li>- Givers MNCs too much power</li> </ul>

### The Success Triangle:

- How you can succeed in the context of globalisation and international business
- **Elements:**
  - ❖ IQ: language, logic, mathematics
  - ❖ EQ: emotional intelligence → interpersonal skills, self-awareness, understanding others, creativity, adapt to environments
  - ❖ GL: global leadership → cultural intelligence, strategic thinking, international perspective
  - ❖ Skills



## Week 3: Digitisation, Institutional Variety & COVID-19/Uncertain Environment

- **Cross-sectional** and **Longitudinal** research:

Longitudinal studies differ from one-off or cross-sectional studies. The main difference is that cross-sectional studies interview a fresh sample of people each time they are carried out. In contrast, longitudinal studies follow the same model of people over time.

- **Quantitative** and **Qualitative**:

Quantitative research is “explaining phenomena by collecting numerical data that are analysed using mathematically based methods (in particular statistics).” Qualitative research seeks to answer

questions about why and how people behave in the way that they do. It provides in-depth information about human behaviour.

- **Mediator and Moderator :**

A mediating variable explains the relation between the independent (predictor) and the dependent (criterion) variable. A moderator is a variable that affects the strength of the connection between the predictor and the criterion variable.

## Week 4: Institution-based view: the importance of the institution

### An institution-based view of strategy:

- Institutions affect individual and firm behaviours
- Covering institutions, cultures, and ethics
- Strategists need to appreciate the big picture in which competition around the globe takes place.

### Formal Institutions

- An expensive legal and regulatory framework of courts. police. lawyers. regulators and other mechanisms that enforce laws and regulations to facilitate the widening of markets

- **Benefits of Formal Institutions**

- Support arms-length transactions by bringing distant parties(strangers) together
- Foster rule-based transactions that attract new players into a global economy that cannot operate on informal institutions alone
- Facilitate economic expansion and growth

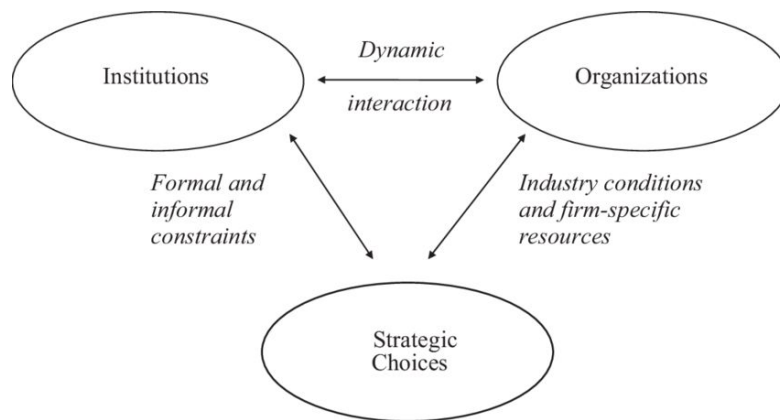
### Political System: Totalitarianism

- Only **one** representative party, which exhibits **control** over every facet of political and human life
- Power maintained by **suppression** of opposition
  - Dominant ideals -Media censorship, political repression, and denial of rights and civil liberties
- A common form -Communist totalitarianism

### Political Systems: Democracy

- Government is controlled by **citizens** either directly or through elections
- A democratic society cannot exist without at least a **two-party** system
  - once elected, the representative is held accountable to the electorate for his or her actions
  - **private property rights**: Individual can own property and assets
  - **limited government**: only essential functions such as defence, roads, schools etc.

### Types of legal systems:



Institutions are more than background conditions Institutions provide guidelines to firms as to how they can act, and what can be done with legal or other guarantees.

Institutions *directly* impact a firm's formulation and implementation of the strategy

### Hofstede's Dimensions of Cultural Values

- **Power Distance**

- Distinguishes the levels of hierarchy accepted by the society
- French and Italian managers have a penchant for centralized authority: French and Italian subsidiaries abroad are more likely to have majority ownership control.
- Solicitation of subordinate feedback and participation ( empowerment), widely used in Western European and North American countries, is seen as a sign of weak leadership and low integrity in higher power distance countries(Egypt, India, Mexico, and Russia).

- **Individualism versus Collectivism**

- Focuses on the importance of the individual versus the group in social and business situations
- Individualist U.S. firms often desire to find ways to differentiate, whereas collectivist Japanese firms tend to converge on a defensible position
- Because entrepreneurs are usually willing to take more risk, individualistic societies tend to foster relatively more entrepreneurship
- Collectivism may result in relatively lower levels of entrepreneurship  
→ Singapore and Japan currently score very low on

- **Masculinity versus femininity**

- Measures the degree of sex-role differentiation

#### High masculinity countries

- Good managers are typically assertive, decisive, and aggressive (only in masculine countries does this word carry a positive connotation)
- Firms may have a relative advantage in mass manufacturing (e. g, Japan)

#### High femininity countries

- Managers are less visible, more intuitive

- polycentric staffing policy appoint mostly host country nationals
- geocentric staffing policy appoint the best person, regardless of his/her nationality
- and that could include third-country nationals, nationals of a country other than the MNC's home country and the country of the subsidiary

2. As an international management consultant, what, do you think, can be the motives for transferring staff abroad?

There are three main company motives for transferring staff abroad:

**1. To fill positions**

- This motive is important whenever qualified local staff might not be available or specific knowledge transfer to subsidiaries is considered necessary

**2. Management development**

- Gives the manager international experience and develops him/her for future tasks in subsidiaries abroad or with the parent company

**3. Coordination and control**

- Has two principal objectives. Socialization of both expatriate and local managers into the corporate culture, and, creation of a verbal information network that links subsidiaries and HQ

3. What are the alternatives to expatriation in BHP?

**Short-term assignments / extended business travel arrangements**

- Instead of offering the usual three to five-year assignment stints abroad, companies could look at reducing the time to six months or a year, if the project allows. This practice usually goes hand-in-hand with single-status relocation, which means the expatriate will travel alone while the family stays behind. It will incur **higher travel costs** as the expat flies back to visit family more often, but **relocation costs** would be limited to one person and therefore significantly lower, as for example smaller accommodation is needed and no education expenses for relocating children have to be taken care of.

**Telecommunication**

- The use of communication technology to its fullest by holding **teleconferences** and using the Internet to cut down on long-distance business trips. With services like instant messaging, **Skype** and other voice or video conferencing software as the norm nowadays, this practice can be more or less effective depending on the country and the project you are working on. Personal contact and visits are indispensable when doing business in relationship-oriented cultures, and saving time by using technology to communicate and establish relationships may cost you more in the long run.

**One-Way expatriation / Localization**

- New assignees go abroad with the understanding that they are not under expatriate status, i.e. **not expected to come back to the home country**. Existing expatriates are taken off the home-country payroll and given local contracts. For many families, this is a great solution, especially when they have been abroad for a while and developed strong ties to the host country.