

International Strategy – SS 2018

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I – Focus and Objectives

For over two decades, the European Union (EU) has established a single market through a standardized system of laws, meant to apply to all member states. Currently, these (still) number 28, and with its 510 million citizens, the EU generates about 20% of the Gross World Product. During the same time, China has jumped from an impoverished, barely developing nation to the second largest economy worldwide, and will probably claim the leading spot within the next few years. Additionally, several other developing nations – notably Russia, India and Brazil – have grown their economies over the last two decades to claim positions among the leading nations worldwide. Recent economic and political difficulties in some of these nations have had worldwide repercussions, underscoring the economic importance of these nations. Thus, numerous countries have become potentially attractive but also challenging markets for, say, an Austrian firm. At the same time, many an Austrian firm faces in its home market a slew of new, hungry and savvy competitors from the EU, as well as from emerging economies.

This course explores the challenges a firm faces as it benefits from, and copes with, internationalization. To reap the benefits, a firm needs to identify and pursue opportunities in order to compete successfully and profit from new growth markets. At the same time, a firm needs to protect its home base by identifying threats to its competitive advantage as international competition emerges. In the process, a firm has to build a multinational organizational structure to execute an increasingly distributed international strategy.

Compared to its national activities, a firm's international activities are subject to several additional considerations. These are due to potential differences in customers' preferences and habits, business relations with suppliers and other business partners, legal regimes, management culture and many other factors affecting the operation of a business. Such diverse considerations need to be carefully woven into the tight fabric of a successful international strategy.

The purpose of the course is to give you a conceptual – and at the same time practical – understanding of how firms formulate and execute their international strategies and to show you how leading businesses succeed and fail (!) in their international endeavors. Although there are numerous dimensions along which this complex subject matter could be structured, we will organize the course along two basic questions, namely WHY? and HOW?. That is: Why should a firm compete internationally and expect to succeed? How should a firm go about establishing, organizing and benefiting from its international presence?

The perspective of the course is that of managerial practitioners who need to make numerous, interrelated decisions in the face of complex and often conflicting demands.

II – Course Topics

- Why do (some) firms succeed in international markets?
- Why can successful firms struggle with their international expansion?
- How do firms find suitable partners for international expansion?
- How do firms establish an international presence through acquisition?
- How do firms enter new markets on their own?
- How do firms leverage and benefit from their international presence?

III(a) – Bibliography (Required readings)

Note: The acquisition of these readings from The Case Centre is mandatory because the readings are copyrighted, and their publishers expect payment. Therefore, each course participant must purchase his or her copy of this reading material. To acquire these cases, register and login at www.thecasecentre.org/students/course/registerForCourse and enter the CoursePack code C-1962-181501-STU.

P. Killing with N. Govinder (2003), *Bharti: “Flying on the wings of others” (A)*, IMD Case Study, IMD 3-1115.

P. Killing with T. Keys (2007), *Crompton Greaves LTD (A): Out of India?*, IMD Case Study, IMD 3-1680.

P. Killing (2010), *Nestlé’s Globe Program(A): The early months*, IMD Case Study, IMD 3-1334.

J.A. Quelch (2010), *Tesco PLC: Fresh&Easy in the United States*, HBS Case Study, 9-511-009.

A. Ryans (2006), *Saurer: The China challenge (A)*, IMD Case Study, IMD 5-0688.

III(b) – Bibliography (Optional reading)

P. Ghemawat (2007), *Redefining Global Strategy: Crossing borders in a world where differences still matter*, Harvard Business School Publishing: Boston, MA.

IV – Course Work and Methods of Evaluation

The primary method of learning in this course is based on managerially-oriented *case discussions*. In addition, there is the recommended book by Ghemawat. You are encouraged to read this text towards the end of the course to compare the author’s position with the insights you have gleaned during the course.

Cases allow you to learn from the experience of managers operating in real-world companies and from immersion in practical management and business decisions. The

cases capture the complexity faced by managers on all levels. The cases that will be assigned represent a diverse spectrum of strategic management issues. They have been selected for their relevance to the issues under discussion, as well as for their capacity and track records as good learning vehicles.

Thorough preparation of each case is a pre-requisite to learning – there are no short cuts! It is expected that you read and prepare the assigned case studies individually before coming to class. In your preparations, you may let yourself be guided by the questions posed at the end of this syllabus. We will also use small group discussions around specific assignments to further the analysis. However, group discussions are a complement to individual preparation and are not a substitute for it.

Each regular session will start with a short, multiple choice quiz that will test your comprehension of the case facts. You will earn positive points for correct answers and negative points for incorrect answers. Hence, a thorough preparation is required to obtain an overall positive score. (Please arrive in class on time, as there will be no make-up quizzes later on.)

Equally important to learning is the active involvement and contribution to class discussions. Class participation has multiple benefits. It helps you to sharpen your skills in developing a point a view, articulating this point of view and – in the face of challenges from your fellow students and your instructor – defending your point of view. It also benefits your classmates by sharing your analysis and insights with them. Thus, your contribution should be motivated by the substance of what you have to say. The quality of the contribution matters! You will earn positive points for positive contributions to class and group discussions, and negative points for distracting behavior, such as unexcused late arrival or texting and surfing the Web during class.

The final exam will be an in-class written exam. You will be given a case similar to the cases that have been presented during the stream and you will be asked to perform your own case analysis.

For the course you will be evaluated based on your performance on the quizzes (1/3 of the overall grade), in-class contribution (1/3 of the overall grade) and the written final exam (1/3 of the overall grade).

One final reminder: Please note that **preparation and class attendance are not optional; they are mandatory.** If you cannot attend during the scheduled sessions shown below, this course is not for you. If you cannot attend a given session (as a result of illness, other emergencies or a legitimate conflict), you should let me know in advance via email at: martin_koschat@hotmail.com.

V – Course Prerequisites

Successful completion of the core course “Business Level Strategy”, or an accredited equivalent.

VI – Course Director

Hon.Prof. DDr. **Martin A. Koschat**
Email: martin_koschat@hotmail.com

VII – Language of Instruction

Business English

VIII – Schedule and Location of Class Sessions

All the sessions take place at the BWZ located on Oskar Morgenstern Platz 1, 1090 Wien. All the sessions will be held on Fridays, unfortunately not always in the same location. Please consult the session calendar below.

We will begin the course on Friday, March 9, 2018 at 9:30 in HS 15 with a preview. The heart of the course is comprised of Sessions 1 – 6. Session 1 will serve as an opportunity to get acquainted. In addition, we will discuss a “live case”, that is, the case facts will be presented in class, and there are no required preparations on your part for this first session. All the other sessions require from you timely preparations. Note: These six sessions are spread over seven dates. One of these dates will be used for an outside lecture (or cancelled) possibly on short notice – during the semester.

The final exam is an in-class exam and will take place on May 25, 2018 from 9:45 – 13:00 in HS 16. Your participation is essential. Make-up exams will only be administered in case of documented force majeure. It is, therefore, important that you keep the morning of May 25 free.

You will have the opportunity to discuss the case assigned for the final exam - but not your grade, which has to be in writing - on Friday, June 29, from 9:30 to 11:30, if you so choose. (You will need to let me know in advance if you wish to do so.) For this date, class attendance is optional.

| | Session Dates | | <u>Location</u> |
|--------------|----------------------|---------------------|-----------------|
| | <u>Time</u> | | |
| Intro | March 9 | 9:30 – 11:30 | HS 15 |
| | March 16 | 9:45 – 13:00 | HS 8 |
| | March 23 | 9:45 – 13:00 | HS 15 |
| | April 13 | 9:45 – 13:00 | HS 16 |
| | April 20 | 9:45 – 13:00 | HS 16 |
| | April 27 | 9:45 – 13:00 | HS 15 |
| | May 4 | 9:45 – 13:00 | HS 15 |
| | May 18 | 9:45 – 13:00 | HS 16 |
| Final | May 25 | 9:45 – 13:00 | HS 16 |
| Debrief | June 29 | 9:30 – 11:30 | HS 16 |

IX – Session Topics

Session 1: Why are companies such as The Coca Cola Company internationally successful?

Preparation: No preparation required.

Session 2: Why are some successful companies, like TESCO, struggling in some international markets?

Preparation: Read the case *Tesco PLC: Fresh&Easy in the United States* with the following questions in mind:

1. Over the last two decades, what were TESCO's major success factors?
2. Which of these factors transfer easily/not so easily to the USA?
3. Why is Fresh&Easy struggling?
4. Was it a good idea to enter the USA (Arizona, California, Nevada)?

Session 3: Expanding internationally with partners

Preparation: Read the case *Bharti: "Flying on the wings of others" (A)* with the following questions in mind:

1. As Bharti's management, what are the pros and cons of growing in India through alliances with foreign companies?
2. As Bharti grows through alliances, what competencies must it develop?
3. As BT, what concerns would you have becoming a minority partner with an Indian company?
4. How would you deal with these concerns?

Session 4: International growth through acquisitions

Preparation: Read the case *Crompton Greaves LTD (A): Out of India?* with the following questions in mind:

1. What do you see as the major risks, and potential rewards of an acquisition of Pauwels?
2. What could be done to either minimize the risks or increase the rewards?

3. On balance, if you were a Crompton Greaves board member what would you say to Gautam and Sudhir about this proposed deal?

Session 5: Embracing a new market

Preparation: Read the case *Saurer: The China challenge (A)* with the following questions in mind:

1. What are the Twisting Systems' strength and weaknesses, particularly with respect to the China staple fiber twisting machine market?
2. Should Saurer enter the market for lower functionality twisting machines in China? What are the major advantages and disadvantages of doing this?

Session 6: Managing and benefiting from an international presence

Preparation: Read the case *Nestlé's Globe Program(A): The early months* with the following questions in mind:

1. Should Chris Johnson be pitied or envied for his new job?
2. What and who will be key to success for Chris Johnson in his new job?
3. Advise Chris how he should handle his upcoming meeting with Mario Corti to discuss staffing? What position should he take? Why? If he follows your advice, what will be the ramifications for him, and how should he deal with them?