

International Strategy – SS 2024

Martin A. Koschat

I – Focus and Objectives

For almost three 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 number 27, and with its 447 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. Additionally, several other developing nations – notably Russia, India and Brazil – have grown their economies 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 other developed and 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 find and pursue opportunities to 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 must 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 three basic questions, namely WHY, WHERE and HOW. That is: Why should a firm compete internationally and expect to succeed? Where should a firm produce and compete? 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. The course is not about memorizing theories but about developing and sharpening managerial decision skills.

II – Course Topics

- Intrinsic factors of success in international markets
- Extrinsic factors of success in international markets
- Modes of entry in international markets
 - Partnering
 - Acquisition
 - Greenfield
- Leveraging and benefitting from 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 by logging-in and registering at www.thecasecentre.org/students/course/registerForCourse. Please use the CoursePack code **C-5960-181501-STU**. Failure to register and pay will result in a delay of the recording of your final grade.

C. Cote, S. Estrin, D. Shapiro and K. Nunner (2021), *Vestas Wind Systems: China and the Global Wind Turbine Market*, Ivey Publishing Case Study, W25129.

L. Heely, W. Ulaga and Z. Carmon (2023), *Lemonade: Delighting Insurance Customers with AI and Behavioral Economics: A Disruptive InsurTech Business Model for Outstanding Customer Experience and Cost-effective Service Excellence*, INSEAD Case Study, 520-0079-1.

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

P. Killing (2018), *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.

III(b) – Bibliography (Optional reading)

P. Ghemawat (2018), *Redefining Global Strategy, with a New Preface: Crossing Borders in a World Where Differences Still Matter*, Harvard Business Press: 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, 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 a written exam. On the day prior to the exam, I will send you a case similar to the cases that have been presented during the stream. On the day of the exam, you will get my questions at the beginning of the designated time period, and you will email me your analysis of the case – addressing my questions – at the end of the designated exam time. Naturally, the exam is open-notes and open-books. You can also use the internet.

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). You receive a passing grade if you obtain at least 50% of the maximally attainable score.

One final reminder: Please note that preparation and class attendance are not optional; they are mandatory. **Missing more than two regular sessions will result in automatic failure.** 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 of Class Sessions

All sessions take place on Fridays from 11:30 to 14:45, in HS 12 at Oskar Morgenstern Platz 1. You will find the dates in the schedule below.

We will begin the course with a preview session (Session 0) on Friday, March 1, 2024, starting at 11:30 and ending before 13:30. I will present a brief overview of the course. You will have the opportunity to ask questions and to determine whether this course is for you.

Subsequently, we will have six sessions around six case discussions which will take place on March 8, March 15, April 12, April 19, April 26, May 3, and May 17. (Note, these comprise seven dates. One of these dates will be cancelled during the semester.)

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 your timely preparations.

The final exam, with the format outlined above, will take place on May 24 during the regular class hours from 11:30 to 14:45. Your participation is essential. Make-up exams will only be administered in case of documented force majeure. You will have the opportunity to discuss the business issues raised in the final exam with me on Friday, June 14, 2024, from 11:30 to 13:30, if you so choose. If you wish to do so, you will have to give me advance notice.

Note that the purpose of this session is not to discuss your grade. If you wish to contest your grade you will have to do so in writing.

Session Dates

| | Date | Time | Venue |
|--------------|----------------|----------------------|-------------------------------|
| Intro | 1. March | 11:30 - 13:30 | HS 12 |
| | 8. March | 11:30 - 14:45 | HS 12 |
| | 15. March | 11:30 - 14:45 | HS 12 |
| | 12. April | 11:30 - 14:45 | HS 12 |
| | 19. April | 11:30 - 14:45 | HS 12 |
| | 26. April | 11:30 - 14:45 | HS 12 |
| | 3. May | 11:30 - 14:45 | HS 12 |
| | 17. May | 11:30 - 14:45 | HS 12 |
| Final | 24. May | 11:30 - 14:45 | HS 12 or virtual (TBD) |
| Debrief | 14. June | 11:30 - 13:30 | virtual |

IX – Session Topics

Session 1: What makes The Coca Cola Company successful?

No preparation required.

Session 2: One model of international expansion: Partnering.

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 3: Another model of international expansion and its pitfalls: Greenfield.

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 4: How would you judge the international expansion potential of *this* company?

Preparation: Read the case *Lemonade: Delighting Insurance Customers with AI and Behavioral Economics* with the following questions in mind:

1. Why do consumers look for insurance and what do they expect from an insurance company?
2. What is a traditional insurance company's value proposition to consumers and how well does it typically deliver on its value proposition?
3. How does *Lemonade* differ from a traditional insurance company?
4. What explains the phenomenal growth of *Lemonade*, and is it sustainable?

Session 5: How attractive is China? Honestly!

Preparation: Read the case *Vestas Wind Systems: China and the Global Wind Turbine Market* with the following questions in mind:

1. What are the sources of Vesta's competitive advantage?
2. How important is China for Vesta's strategy?
3. Should Vesta aim to expand its market share in China?
4. How sensible is Vesta's strategy of low-cost production in China in view of the China-US trade war, and what are the alternatives?

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?