

International Strategy – SS 2021

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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 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, 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-3814-181501-STU**. Failure to register and pay will result in a delay of the recording of your final grade.

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 (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.

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

In addition, we will use the following case that will be provided to you at the beginning of the course at no extra charge:

J. Walsh with A. Woolfrey and S. Coughlan (2008), *The Coca-Cola Company (abridged)*, IMD Case Study, IMD 5-0741.

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

Due to circumstances beyond our control, the course will be offered as a distance learning course. This means several things. You, the students, have to write more than if the course were held in a traditional classroom setting. (Correspondingly, I, the instructor, have to read more. Actually, a lot more.) In addition, we will meet for each session in a virtual classroom.

To follow the course, each of you needs a computer with a microphone and a camera as well as speedy internet access. (“Speedy” means, your internet access needs to be fast enough to watch YouTube videos.)

There will be a Moodle website for this course. Please make sure that you have access to the University’s Moodle platform as soon as possible. There, on the page for the course 2021S 040281-1 International Strategy (MA), we will hold the virtual class sessions using the software BigBlueButton which provides real-time sharing of audio, video, and slides, as well as a webcam, a chat and a screen function.

Apart from the format, the primary method of learning in this course is still 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.

Your expected contribution to this course is threefold: 1) Preparation, 2) Classroom contribution, 3) Individual analysis (a.k.a. Final Exam). You will be evaluated based on each of these three components. Regarding these three components:

Preparation:

There is a heavy emphasis on your individual preparation. For a given case, I am asking you to submit your pre-analysis of the case by the end of day of Thursday prior to the Friday when the case is scheduled for discussion.

Your analysis should address each of the questions posed in the syllabus. There should be about one good paragraph per question for a total of no more than two double-spaced pages.

The format of your submission can be either MS Word or Adobe PDF. (If you have a problem with either, let me know.) Submit your work by email to my regular address, that is, martin_koschat@hotmail.com.

I will grade your submission as “not satisfactory”, “satisfactory” or “good”. I will provide a sample solution as part of our general discussion in class, usually the following week.

Class participation:

Attendance is mandatory. The virtual breakout rooms work quite well. There you can consult your colleagues. Through the chat function of BigBlueButton you can contribute to a session and your contribution can be recorded.

Final Exam:

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, I will send you 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.

Evaluation:

You will be evaluated based on the quality of your preparation (40%), your course participation (20%) and the final exam (40%). This weighting reflects the realities of the format.

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 or other emergencies), 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

Again, all class sessions are virtual. All regular sessions take place on Fridays running from 11:30 to 14:45.

We will begin the course with a preview session on Friday, March 5, 2021, starting at 11:30 and ending before 13:00. 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 case discussions which will take place on March 19, March 26, April 16, April 23, April 30, May 7 and May 21. (Note, these comprise 7 dates. One of these dates will be cancelled during the semester.) The final exam with the format outlined above will take place on May 28 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 25, 2021 from 11:30 to 13:00, 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.

IX – Session Topics

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

Preparation: Read the case *The Coca-Cola Company* (TCCC) with the following questions in mind:

1. What are the functions performed by TCCC, its bottlers and retailers in bringing a bottle of Coca-Cola to a consumer?
2. In the value chain consisting of TCCC, bottlers and retailers, whose job is easy? Whose job is difficult one? Why?
3. How and why has TCCC's approach to its customers changed over the last two decades?

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?