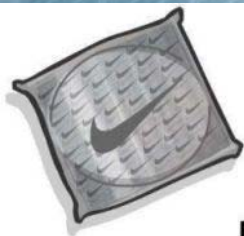


INTERNATIONAL MANAGEMENT

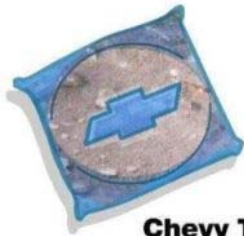
4



NIKE
JUST DO IT



McDonalds
We love to see you smile.



Chevy Truck
Like a rock.



Pringles
Once you pop, you can't stop



KFC
Finger-lickin' good.



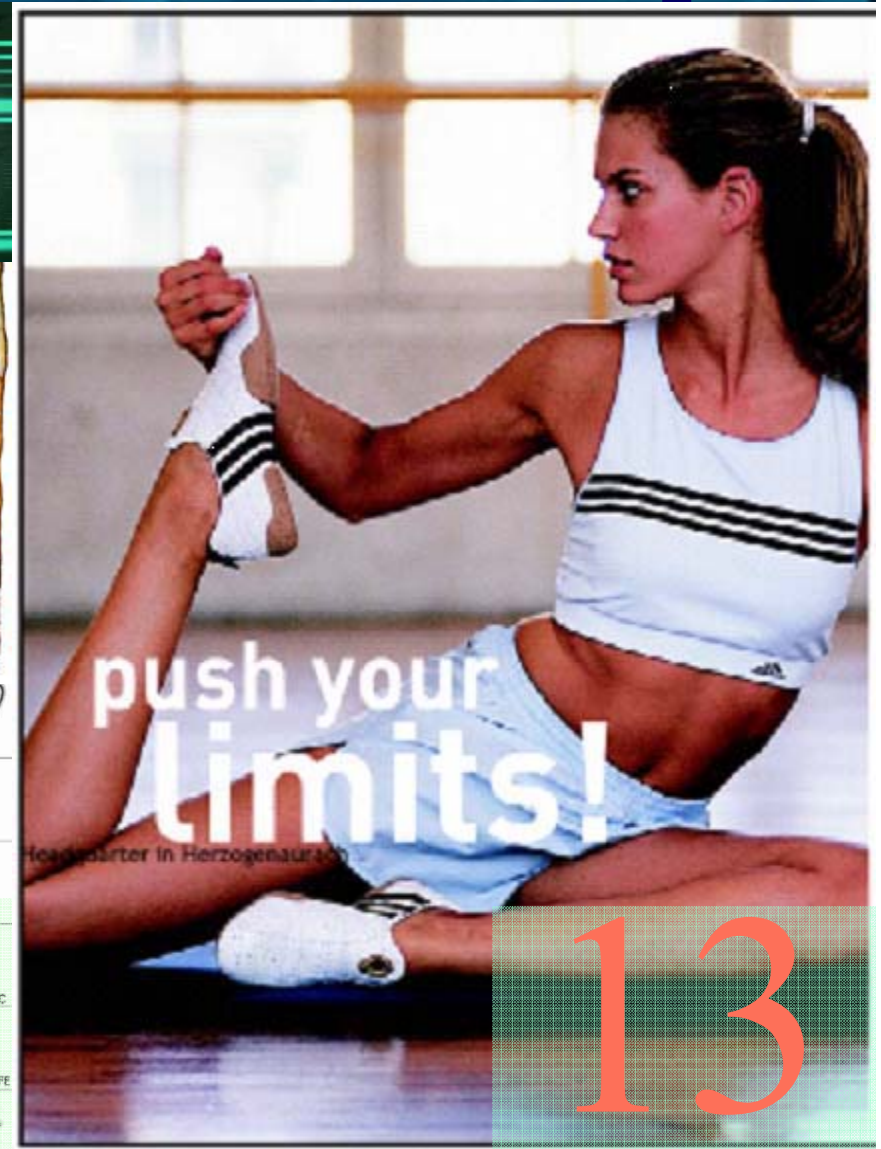
Bounty
The quicker picker-upper.



M&M's
It melts in your mouth, not in your hands.



Pampers
It keeps going and going and going...



13

THE GLOBAL ENVIRONMENT

- **In the past, managers have viewed the global sector as closed.**
 - ▣ Each country or market was assumed to be isolated from others.
 - ▣ Firms did not consider global competition, exports.
- **Today's environment is very different.**
 - ▣ Managers need to view it as an open market.
 - ▣ Organizations buy and sell around the world.
 - ▣ Managers need to learn to compete globally.

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Global Strategies and the Multinational Corporation

OUTLINE

- ┌ Implications of International Competition for Industry Analysis
- ┌ Analyzing Competitive Advantage within an International Context
- ┌ Applying the Framework
 - (1) International location of production
 - (2) Foreign market entry strategies
- ┌ Multinational Strategies: Globalization versus National Differentiation
- ┌ Strategy and Organization of the Multinational Corporation

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The Internationalization Process



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Implications of Internationalization for Industry Analysis

INDUSTRY STRUCTURE

- ┌ Lower entry barriers around national markets
- ┌ Increased industry rivalry
 - lower seller concentration
 - greater diversity of competitors
- ┌ Increased buyer power: wider choice for dealers & consumers



COMPETITION

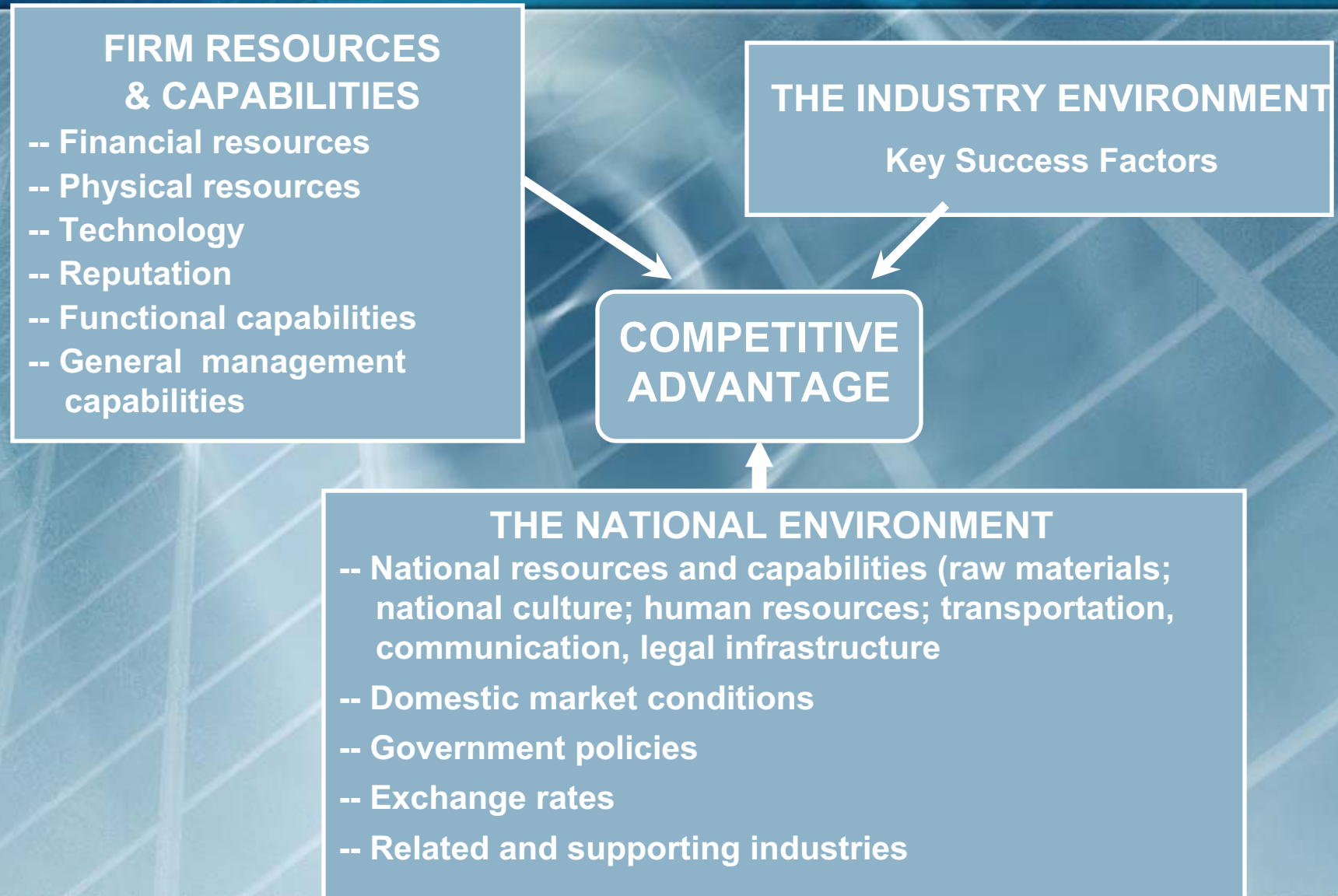
- Increased intensity of competition



PROFITABILITY

- Other things remaining equal, internationalization tends to reduce an industry's margins & rate of return on capital

Competitive Advantage within an International Context: The Basic Framework



National Influences on Competitiveness: The Theory of Comparative Advantage

A country has a relative efficiency advantage in those products that make intensive use of resources that are relatively abundant within the country. E.g.

- ┌ Philippines relatively more efficient in the production of footwear, apparel, and assembled electronic products than in the production of chemicals and automobiles.
- ┌ U.S. is relatively more efficient in the production of semiconductors and pharmaceuticals than shoes or shirts.

When exchange rates are well-behaved, comparative advantage becomes competitive advantage.

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TARIFF BARRIERS

- A **tariff** is a barriers to trade.
 - Tariffs are taxes levied upon imports.
 - These seek to protect jobs in the home country.
 - Other countries usually retaliate.
- **Free trade:** in a free trade agreement, each country seeks to specialize in things they make most efficiently.
 - ┌ If India is more efficient in making textiles, and the USA in making computer software, then each country should focus on these.



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DISTANCE & CULTURE BARRIERS

- **The second leading cause of trade barriers.**
 - **Distance** closed the markets as far as some managers were concerned.
 - Communications could be difficult.
 - Languages and cultures were different.
- **During the last 50 years, communications and transportation technology has dramatically improved.**
 - └ Jet aircraft, fiber optics, satellites have provided fast, secure communications and transportation.
 - These have also reduced cultural differences.

Effects on Managers

- **Declining barriers** have opened great opportunities for managers.
 - Managers can not only sell goods and services but also buy resources and components globally.
- **Managers now face a more dynamic and exciting job due to global competition.**



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FREE TRADE

NAFTA: North American Free Trade Agreement.

- ┌ **Abolishes most tariffs** on goods traded between Mexico, Canada and the U.S.
- ┌ Allows unrestricted cross-border flows of resources.
- ┌ Many U.S. firms have now invested in Mexico.
- This is a manufacturing opportunity.
 - ┌ Wage costs are lower in Mexico.
 - ┌ Can serve Mexico with a plant in Mexico and reduce freight.
- ┌ Managers face new opportunities and threats.

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GLOBAL TASK ENVIRONMENT



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➤ Suppliers & Distributors

- Managers buy products from global suppliers or make items abroad and supply themselves.
 - Key is to keep quality high and costs low.
- *Global outsourcing*: firms buy inputs from throughout the world.
 - GM might build engines in Mexico, transmissions in Korea, and seats in the U.S.
 - Finished goods become global products.
- *Distributors*: each country often has a unique system of distribution.
 - Managers must identify all the issues.

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➤ Customers & Competitors

- Formerly distinct national markets are merging into a huge global market.
 - True for both consumer and business goods.
 - Creates large opportunities.
- Still, managers often must customize products to fit the culture.
 - McDonald's sells a local soft drink in Brazil.
- Global competitors present new threats.
 - Increases competition abroad as well as at home.

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Forces in the Global General Environment



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Political-Legal Forces

- Results from diverse and changing nature of each countries' political system.
- *Representative democracies:* such as the U.S., Britain, Canada.
 - *Citizens elect leaders* who make decisions for electorate.
 - Usually has a number of safeguards such as freedom of expression, a fair court system, regular elections, and limited terms for officials.
 - *Well defined legal system* and economic freedom.

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Political-Legal Forces

- ***Totalitarian regimes:*** a single political party or person monopolize power in a country.
 - Typically do not recognize or permit opposition.
 - Most safeguards found in a democracy do not exist.
 - Examples include Iran, Iraq, and China.
- These are difficult to do business with given the lack of economic freedom.
- Further, *human rights issues* also cause managers to avoid dealing with these countries.

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Economic Systems

- Free market economy: production of goods and services is in private ownership.
 - Production is dictated by supply and demand.
- Command economy: decisions on what to produce, how much, done by the government.
 - Most command economies are moving away from the command economy.
- Mixed economy: certain economic sectors controlled by private business, others are government controlled.
 - Many mixed countries are moving toward a free enterprise system.

Recent Trends

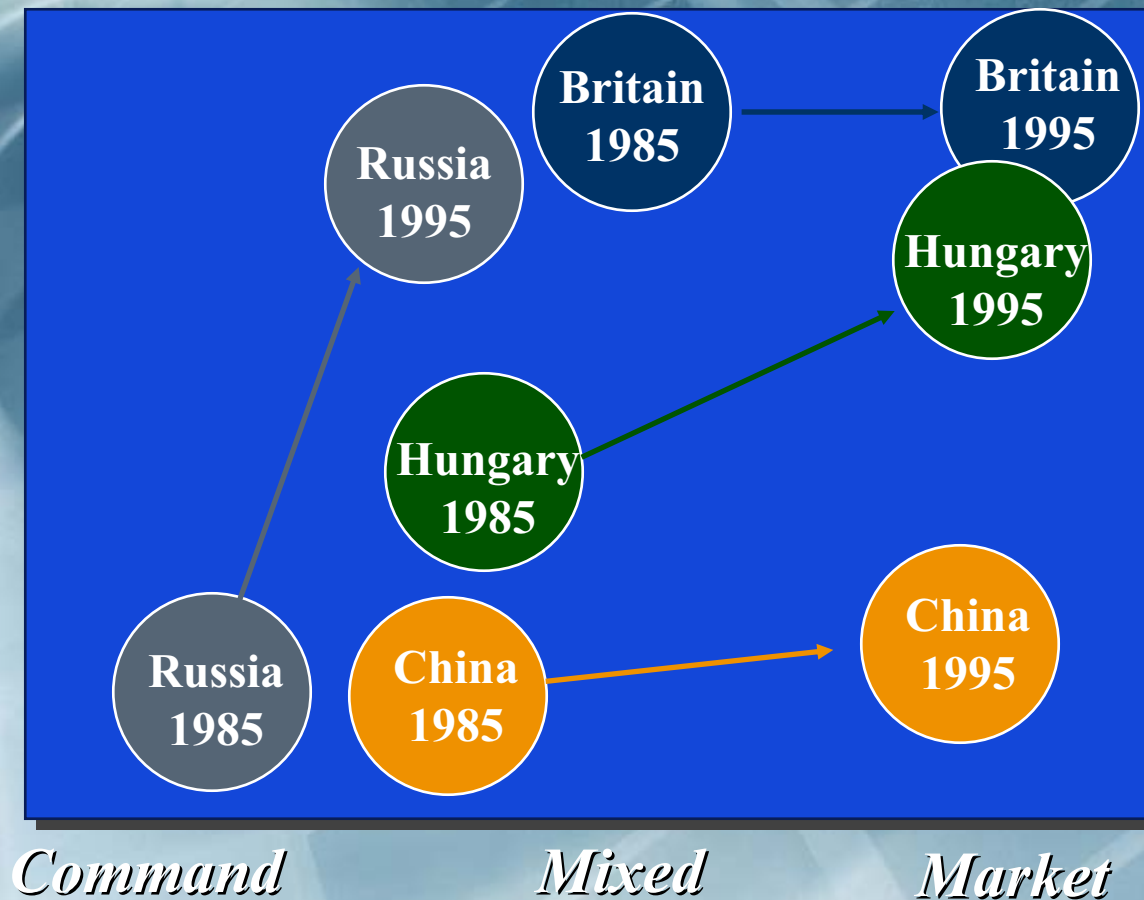
- Current shift away from totalitarian dictators toward democratic regimes.
 - Very dramatic example seen in the collapse of the former Soviet Republic.
 - Also very pronounced in Latin America and Africa.
- With this shift, has come a strong movement toward free market systems.
 - This provides great opportunities to business managers on a global level.
 - Many businesses are investing millions in former totalitarian countries to seize these opportunities.

Changing Political and Economic Forces

Democratic

**Political
Freedom**

Totalitarian



Economic Freedom

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Sociocultural Forces

1. **National culture:** includes the values, norms, knowledge, beliefs, and other practices that unite a country.
2. **Values:** abstract ideas about what a society believes to be good, desirable and beautiful.
 - ❑ Provides attitudes for democracy, truth, appropriate roles for men, and women.
 - ❑ Usually not static but very slow to change.

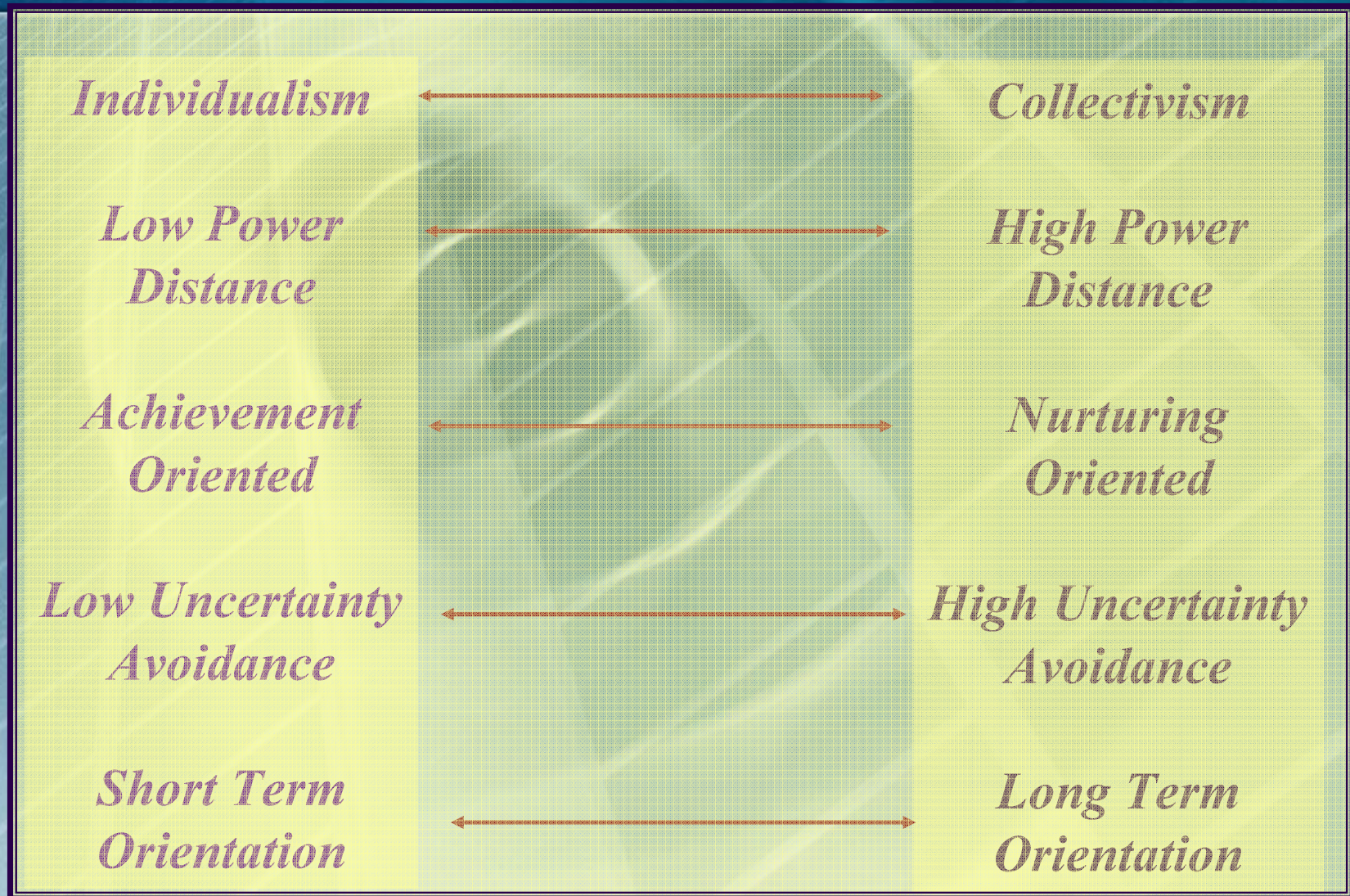
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Sociocultural Forces

3. **Norms: social rules prescribing behavior in a given situation.**
- ❑ **Folkways:** routine social conventions including dress codes and manners.
 - ❑ **Mores:** Norms that are central to functioning of society. much more significant than folkways.
 - ❑ More examples include theft, adultery, and are often enacted into law.
 - ❑ Norms vary from country to country.

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Hofstede's Model of National Culture



1. Individualism v. Collectivism

- **Individualism:** world view that values individual freedom and self-expression.
 - Usually has a strong belief in personal rights and need to be judged by achievements.
- **Collectivism:** world view that values the group over the individual.
 - Widespread in Communism.
 - Prevalent in Japan as well.
- Managers must understand how their workers relate to this issue.

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2. Power Distance

- A society's acceptance of differences in the well being of citizens due to differences in heritage, and physical and intellectual capabilities.
 - In high power distance societies, the gap between rich and poor gets very wide.
 - In low power distance societies, any gap between rich and poor is reduced by taxation and welfare programs.
 - Most western cultures (U.S., Germany, United Kingdom) have relatively low power distance and high individualism.
 - Many economically poor countries such as Panama, Malaysia have high power distance and low individualism.

3. Achievement vs Nurture

- **Achievement oriented societies** value assertiveness, performance, success.
 - The society is results-oriented.
- **Nurturing-oriented** value quality of life, personal relationships, service.
- The U. S. and Japan are achievement-oriented while Sweden, Denmark are more nurturing-oriented.

4. Uncertainty Avoidance

Societies and people differ on their willingness to take on risk.

- **Low uncertainty avoidance** (U.S., Hong Kong), value diversity, and tolerate differences.
 - Tolerate a wide range of opinions and beliefs.
- **High uncertainty avoidance** (Japan and France) are more rigid and do not tolerate people acting differently.
 - High conformity to norms is expected.

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5. Long Term Outlook

- **Long-term outlook** is based on values of saving, and persistence.
 - Taiwan and Hong Kong are cultures that are long -term in outlook.
- **Short-term outlook** seeks the maintenance of personal stability or happiness right now.
 - └ France and the U. S. are examples of this approach.

International Expansion

- **Importing and Exporting:** the least complex method of expansion.
 - Exporting: firm makes products and sells abroad.
 - Importing: firm sells products made abroad.
- **Licensing:** firm allows foreign organization to make and distribute goods for a fee.
 - Helps the home firm since it does not have to set up a complete production and distribution network.
- **Franchising:** company sells a foreign organization the rights to use brand name and know-how in return for payment and profit percentage.

International Options

- **Strategic Alliances:** managers pool resources with a foreign firm and both organizations share the rewards and risks.
 - Allows firm to maintain control which is a problem with exporting, licensing, and franchising.
- **Wholly-owned foreign subsidiary:** firm invests in production operations in a foreign country.
 - └ Many Japanese auto firms have done this in the U.S.
 - └ This is very expensive but can yield high returns.

International Expansion



Low *Level of Foreign involvement and investment needed by a global organization* *High*

Organization Structure and Management Systems

OUTLINE

- **Evolution of the corporation**
- **Principles of organizational design**
- **The role of hierarchy: bureaucratic control vs. modular integration**
- **Alternative structural forms**
- **Management systems**

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Evolution of the Modern Corporation

The business environment

Strategic changes

Organizational consequences

**Early
19th
century**

**Local markets
Transport slow
Limited mechanization**

**Firms specialized &
focused on local
markets**

**Small firms.
Simple manage-
ment structures**

**Late
19th
century**

**Introduction of
railroads, telegraph
industrialization**

**Geographical and
vertical expansion**

**Functional struct-
ures. Line/staff
separation. Accou-
nting systems**

**Early
20th
century**

**Excess capacity in
distribution. Growth
of financial institut-
ions & world trade**

**Product &
multinational
diversification**

**Development of
multidivisional
corporation**

General Motors' Organization Structure, 1921



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Source: A.P. Sloan, *My Years with General Motors*, Orbit Publishing, 1972, p. 57.

The Basic Tasks of Organization

Achieving high levels of productivity requires SPECIALIZATION



Specialization by individuals necessitates COORDINATION



For coordination to be effective requires COOPERATION



**But goals of employees \neq goals of owners
THE AGENCY PROBLEM**



THE ORGANIZATIONAL CHALLENGE:

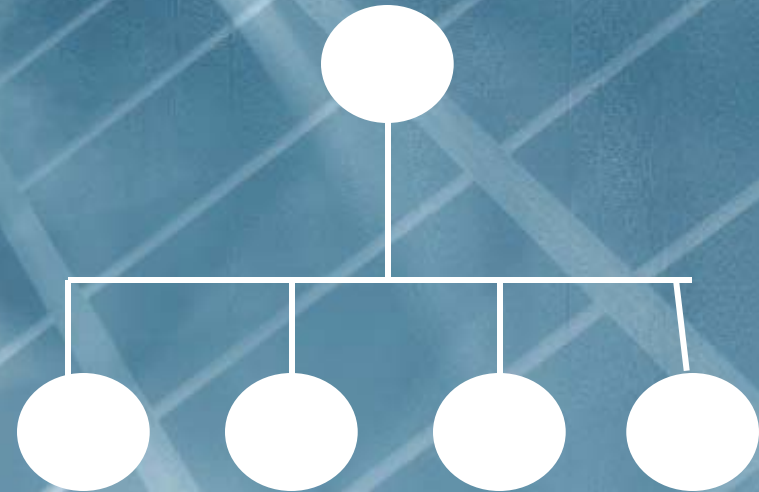
to design structure & systems that:

- ┌ **Permit specialization**
- ┌ **Facilitate coordination by grouping individuals & link groups with systems of communication, decision making, & control**
- ┌ **Create incentives to align individual & firm goals**

Hierarchy Economizes on Coordination



(a) Self Organizing Team:
10 interactions

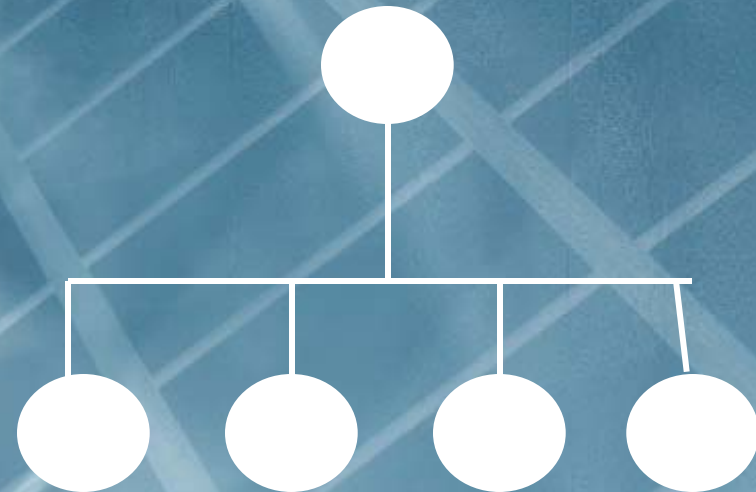


(b) Hierarchy:
4 interactions

Hierarchy of Loosely-Coupled Modules Allows Flexible Adaptation



Tightly-coupled, integrated system: Change in any part of the system requires system-wide adaptation



Loose-coupled, modular hierarchy: partially-autonomous modules linked by standardized interfaces permits decentralized adaptation and innovation

Weber's Principles of Bureaucracy

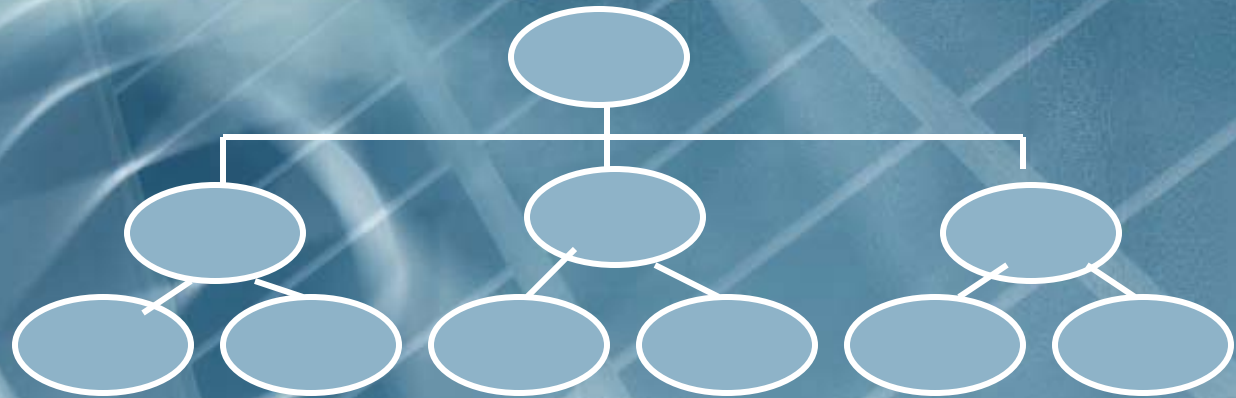
- **Rational-legal authority**
- **Specialization of labor**
- **Hierarchical structure**
- **Coordination and control through rules and standard operating procedures**
- **Standardization employment practices**
- **Separation of jobs and people**
- **Formalization of administrative acts, decisions and rules**

Mechanistic and Organic Forms

FEATURE	MECHANISTIC	ORGANIC
Task definition	Rigid & highly specialized	Flexible; less specialized
Coordination & control	Rules & directives imposed from the top	Mutual adjustment. Cultural control
Communication	Mainly vertical	Horizontal & vertical
Commitment & loyalty	To immediate superior	To the organization & its goals & values
Environmental context	Stable with low technological uncertainty	Dynamic, ambiguous, technologically uncertain

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Designing the Hierarchy: The Basis for Defining Organizational Units and their Relationships

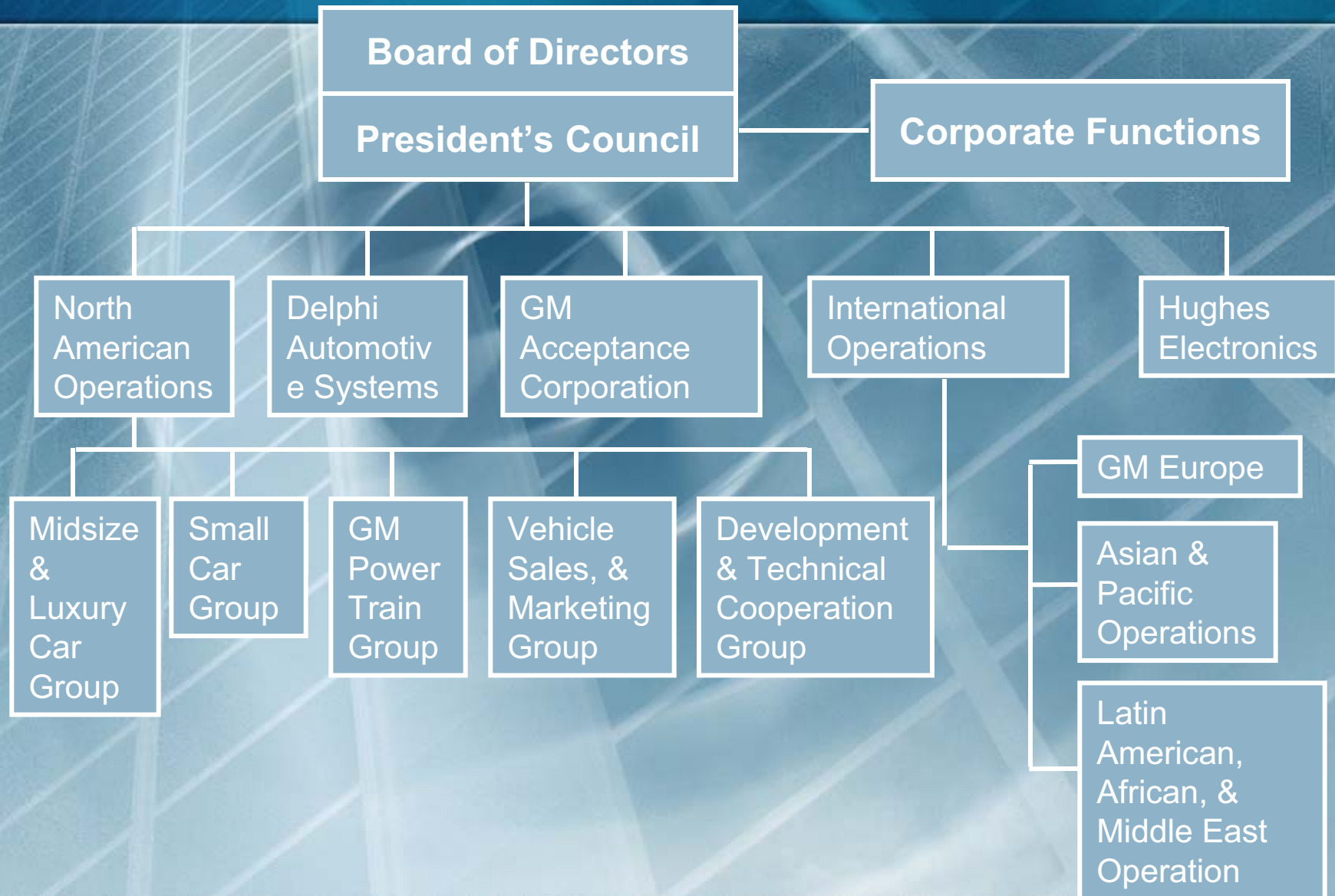


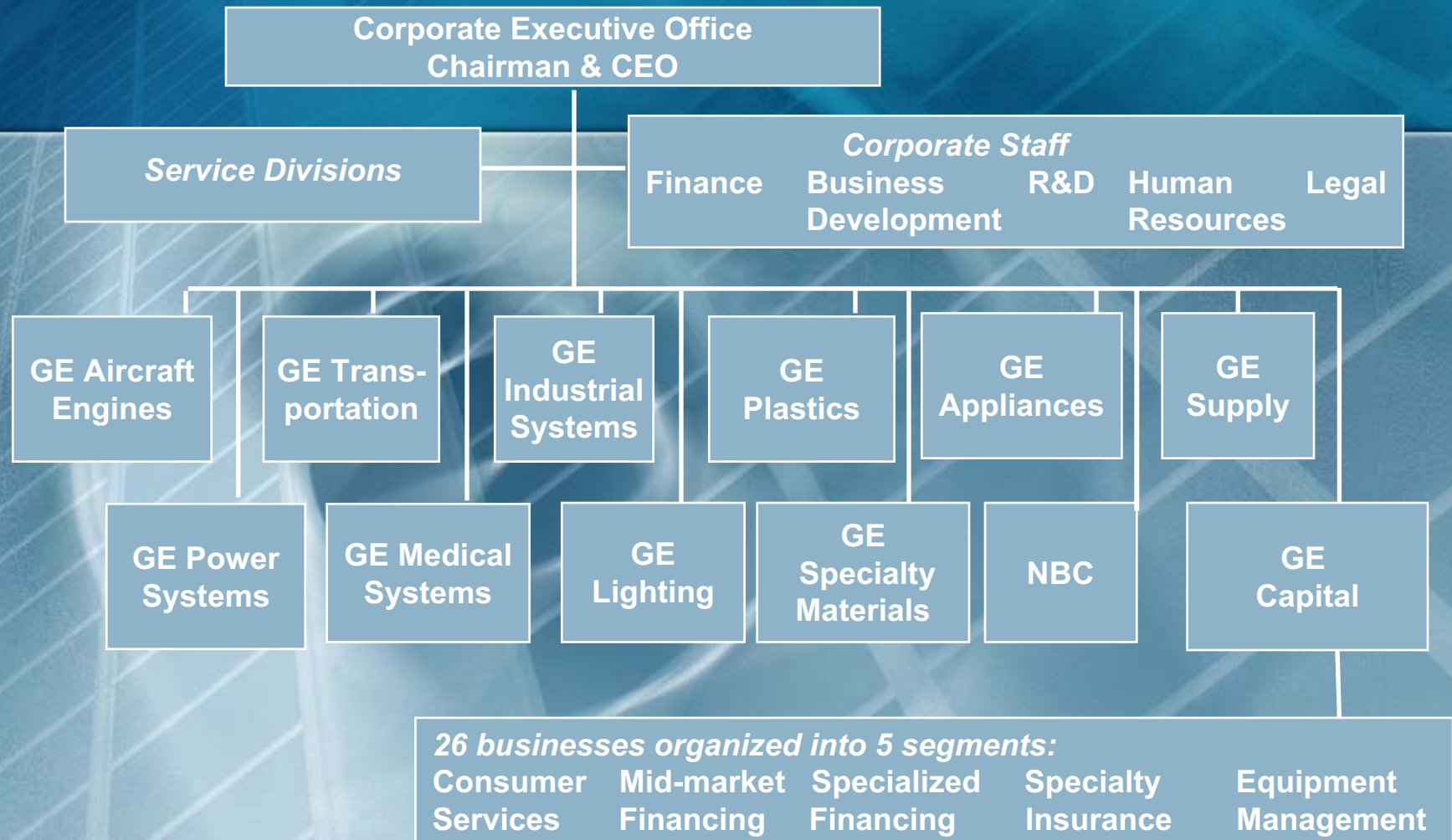
Units may be defined on the basis of Common Tasks, Products, Geographical Proximity, or Process/Function

Critical issue: *Intensity of Coordination*—Employees with the greatest interdependence should be grouped into same organizational unit.

Additional criteria: Economies of Scale, Economies of Utilization, Learning, Standardization of Control Systems

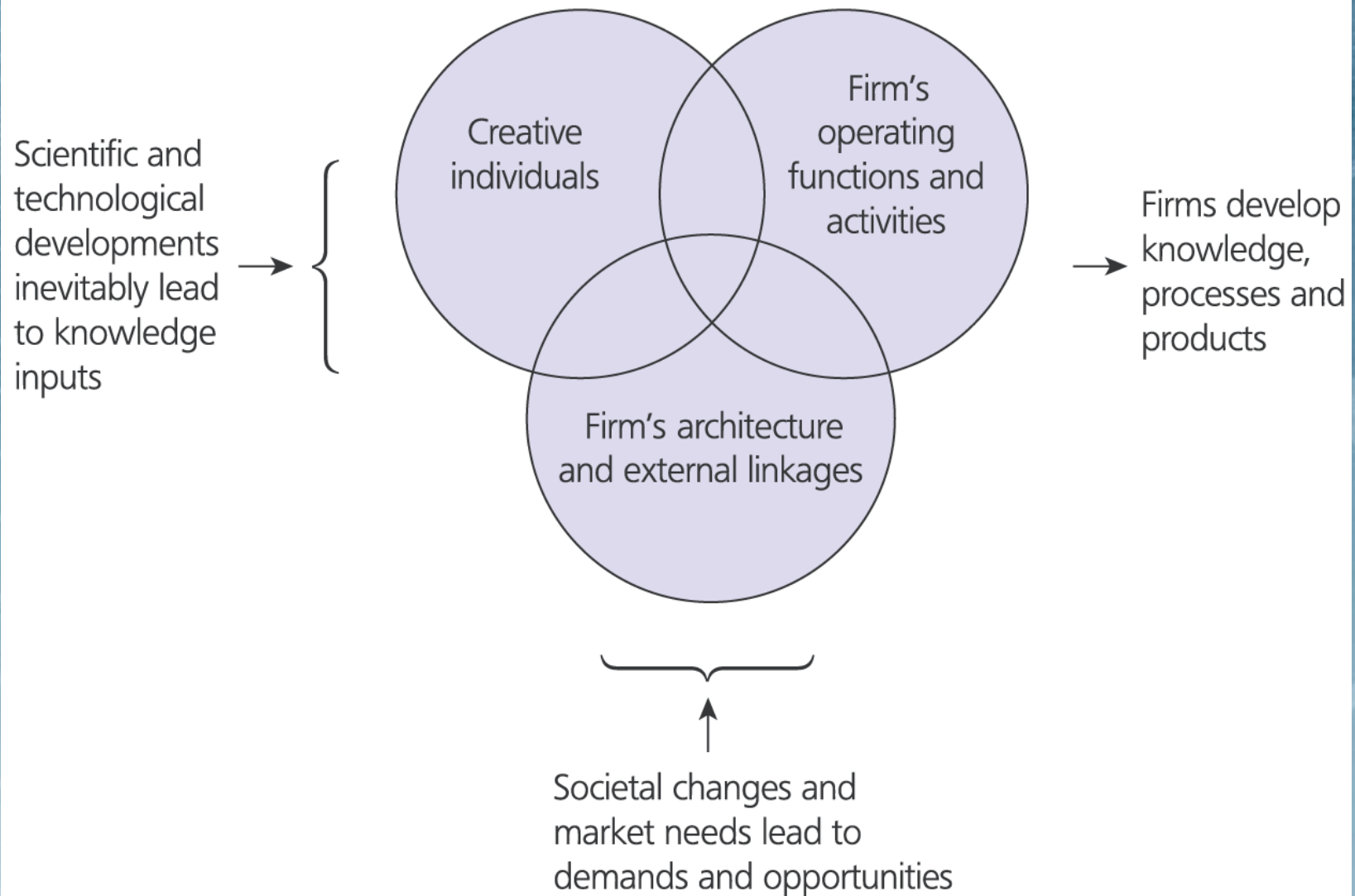
General Motors' Organization Structure, 1997



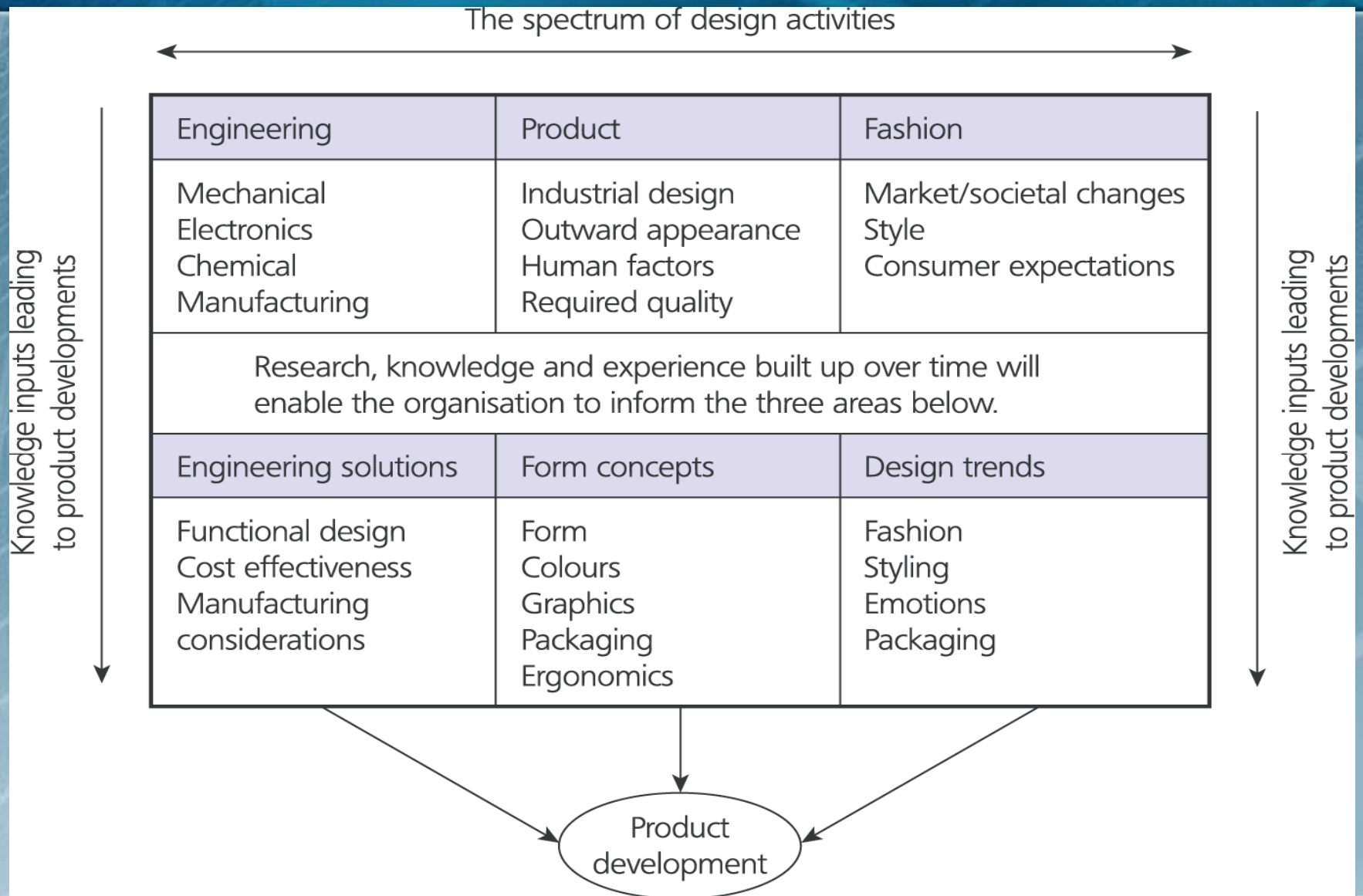


General Electric's Organization Structure, 2002

Overview of the innovation process



The interaction between development activities and design environment

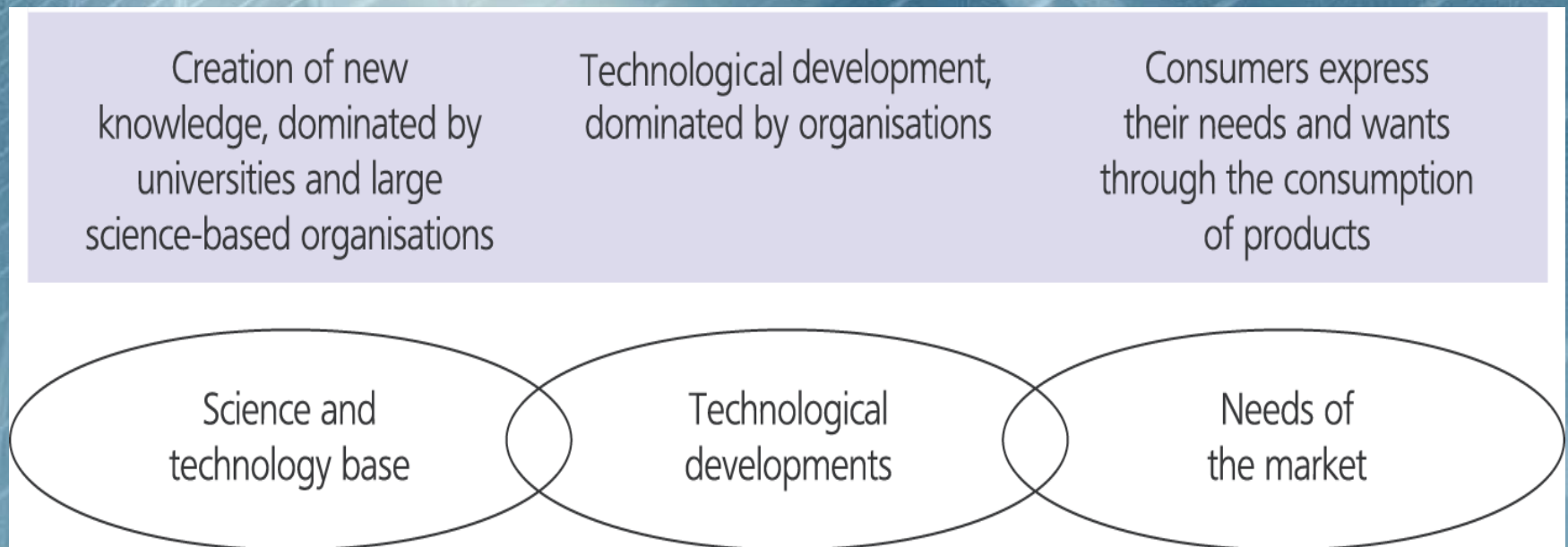


The popular view of science



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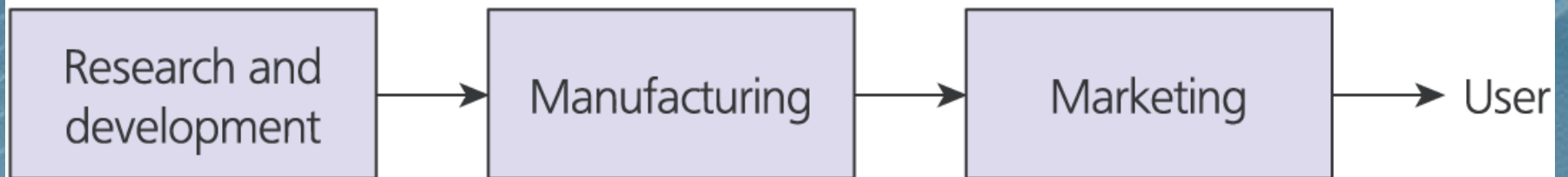
Conceptual framework of innovation



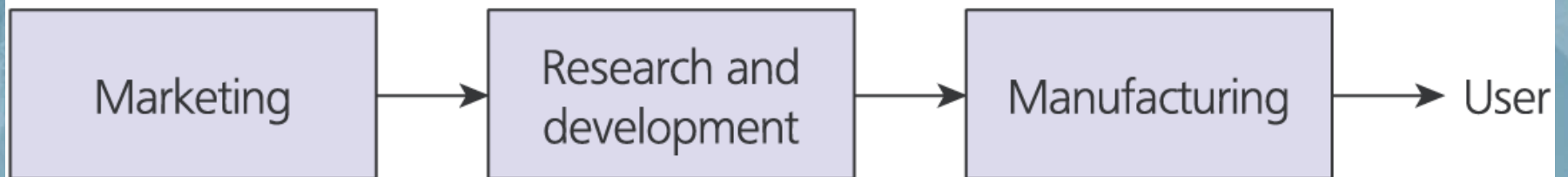
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Linear models of innovation

Technology push

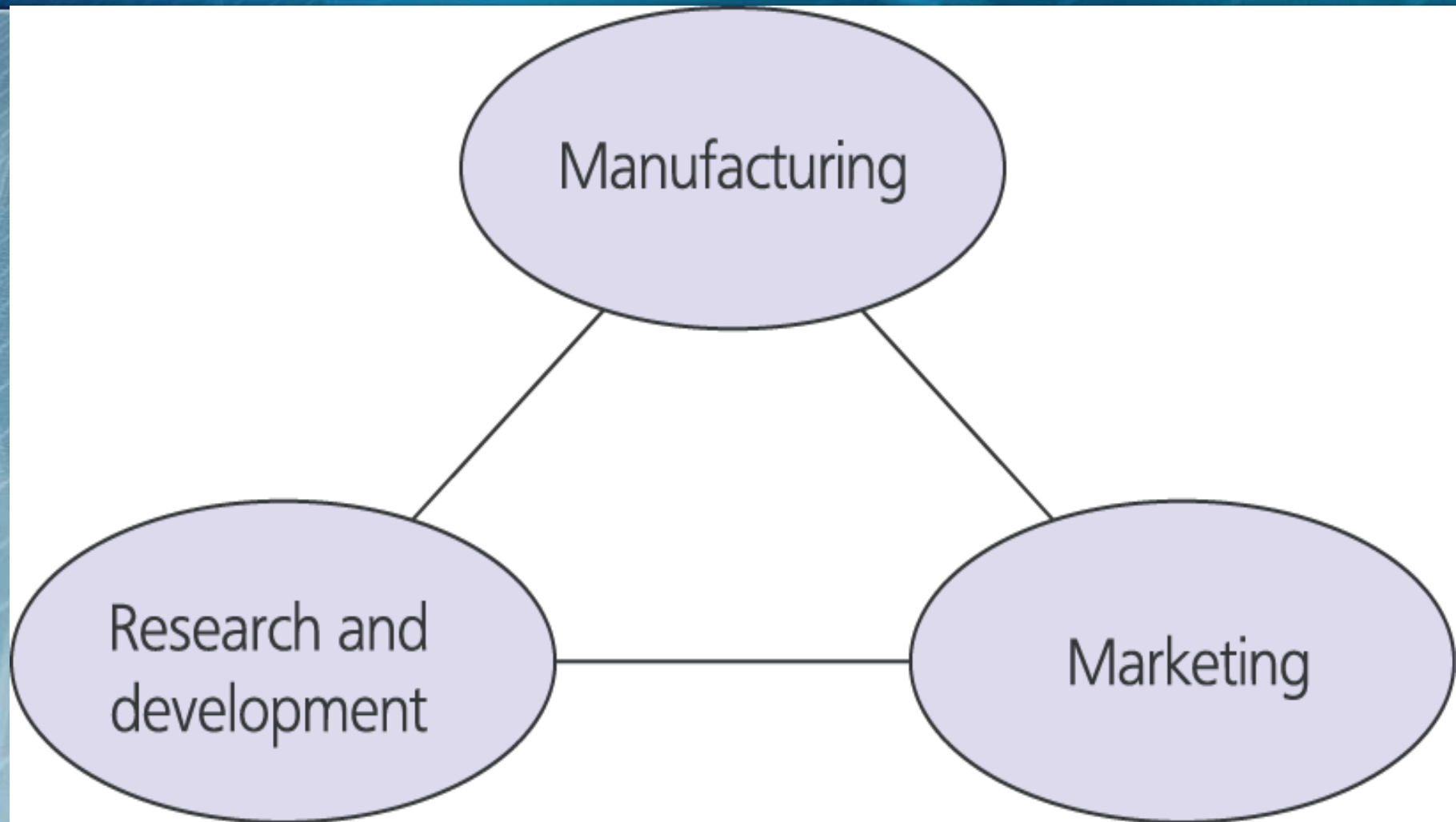


Market pull



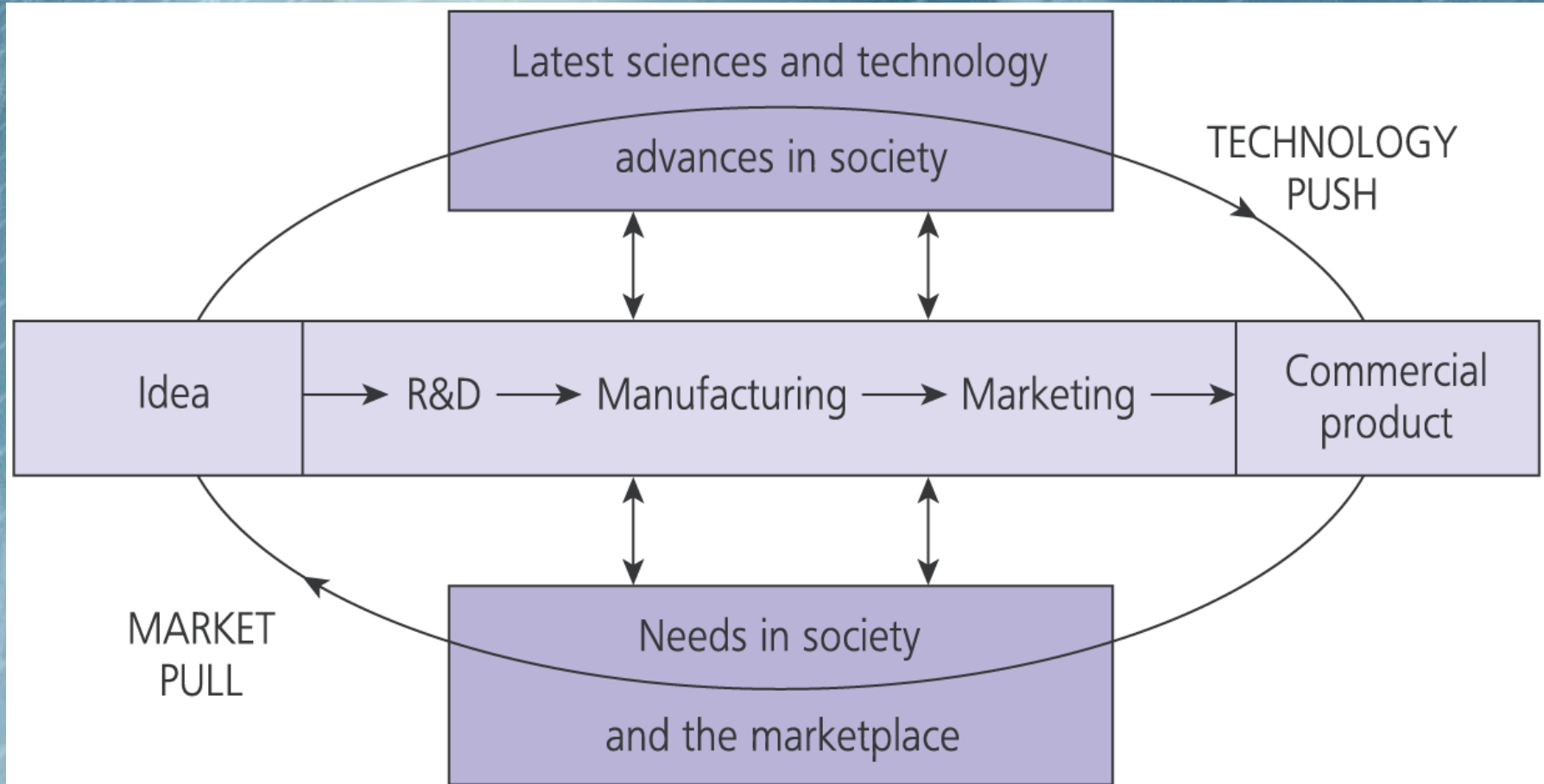
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Simultaneous Coupling Model



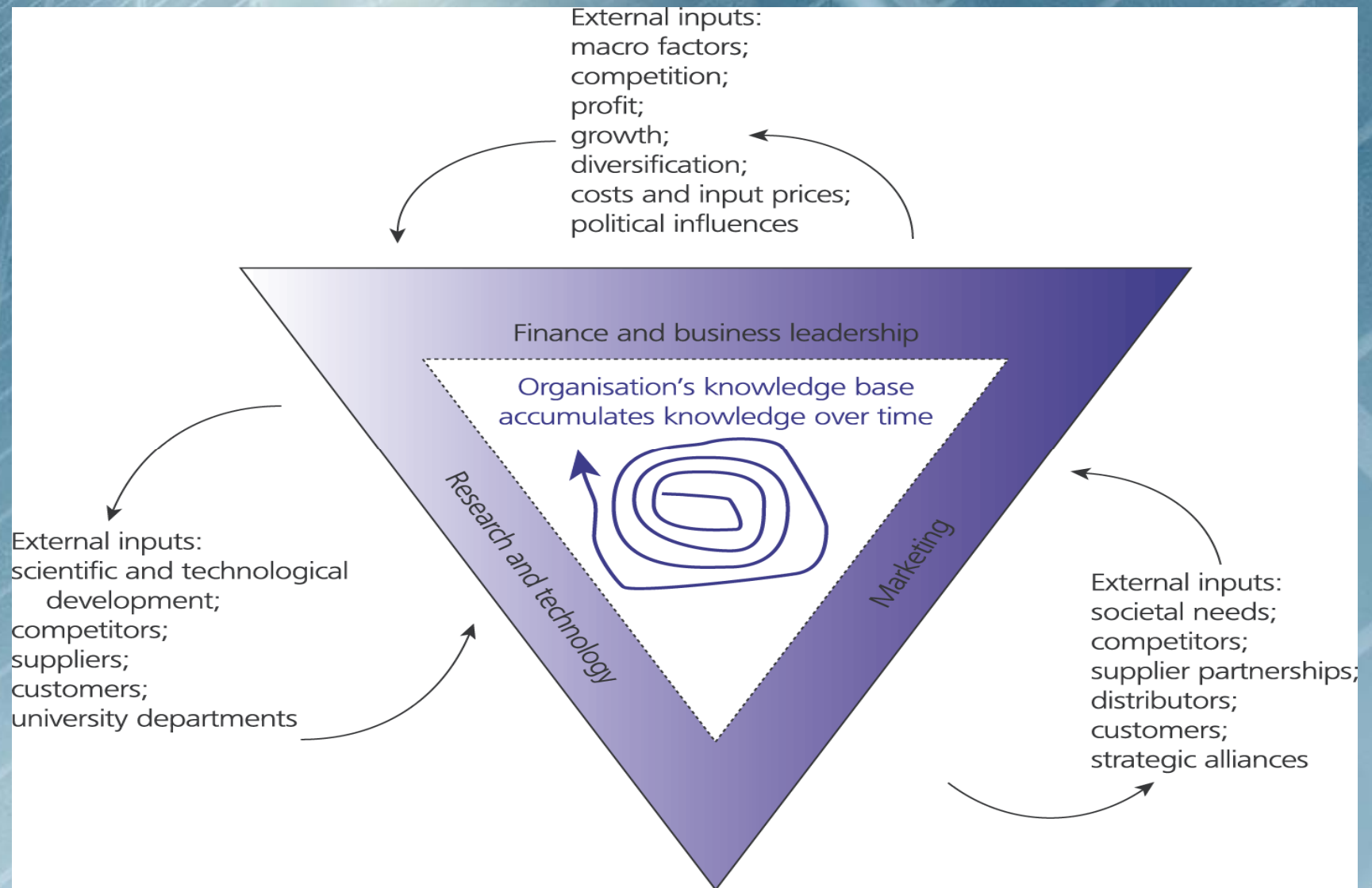
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Interactive Model of Innovation



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Innovation as a Management Process





■ **THANK YOU**

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