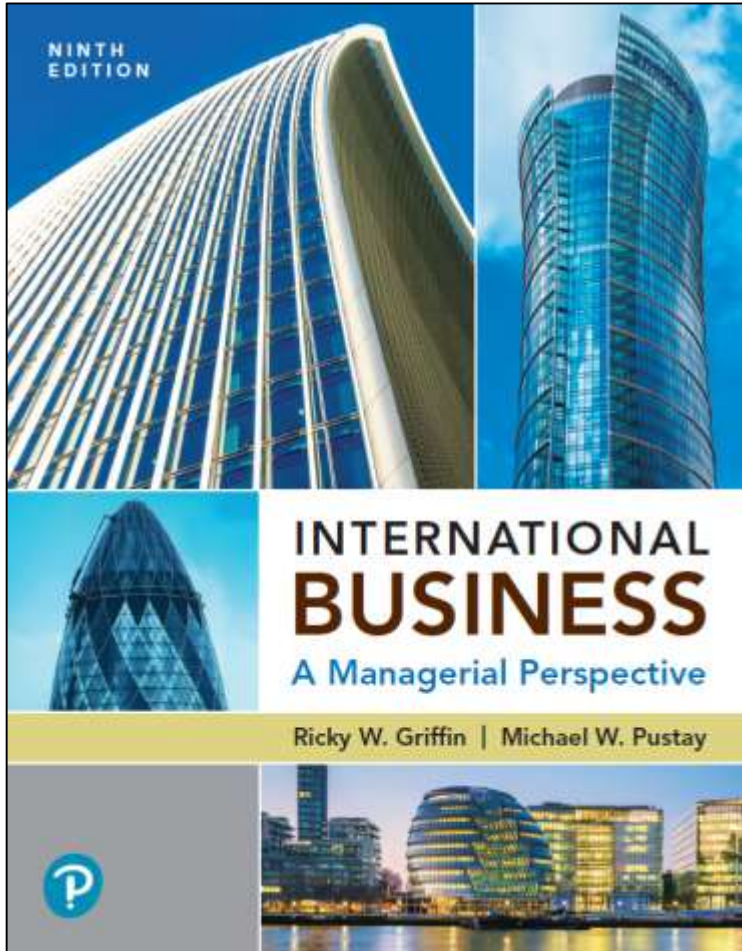


International Business: A Managerial Perspective

Ninth Edition



Chapter 1

An Overview of
International Business

Learning Objectives

- 1.1 Discuss the meaning of international business.
- 1.2 Explain the importance of understanding international business.
- 1.3 Identify and describe the basic forms of international business activities.
- 1.4 Discuss the causes of globalization.

What Is International Business?

- International business consists of business transactions between parties from more than one country
- **International Business vs Domestic Business**
 - Boundaries
 - Currencies
 - Legal Systems
 - Cultures
 - Availability of Resources

Why Study International Business?

- Provides the knowledge and skills that are essential for your career in the twenty-first century
- Helps you make better career assessments and interact effectively with managers around the world.
- Keep pace with future competitors
- Stay abreast of the latest business techniques and tools
- Obtain cultural literacy

International Business Activities

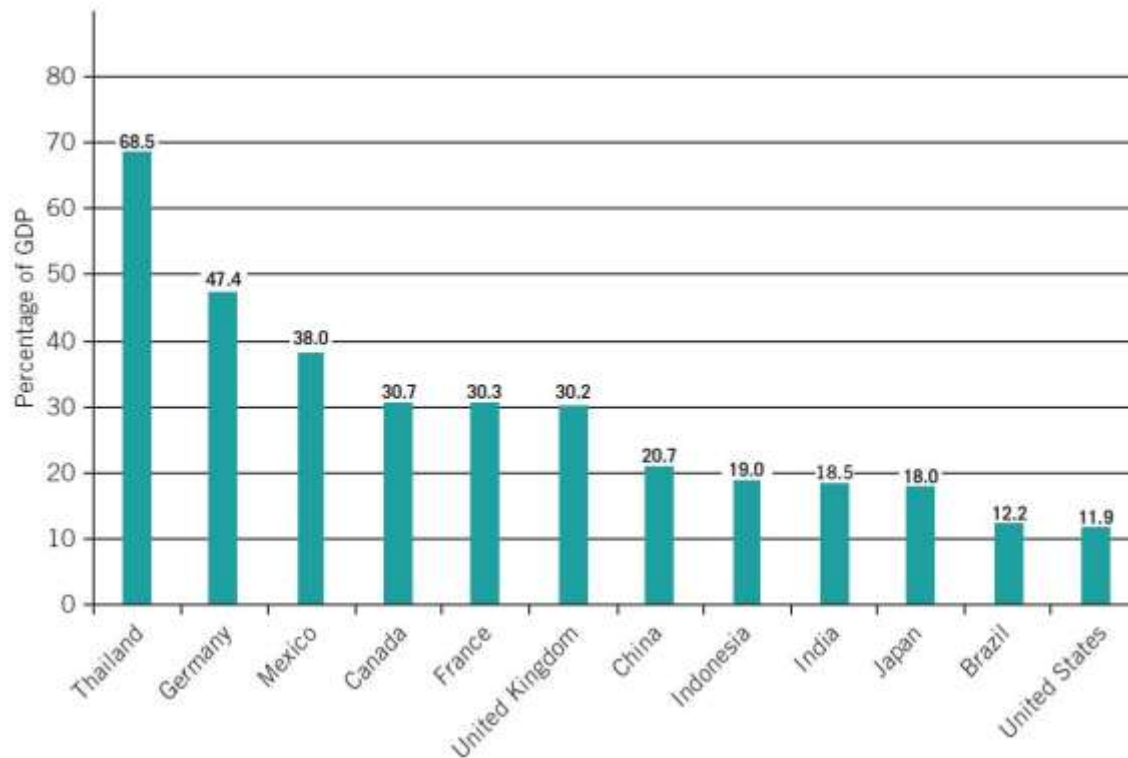
- Exporting & Importing
- International Investments
- International Licensing
- International Franchising
- International Management Contract

International Business Activities: Exporting and Importing (1 of 2)

- **Exporting:** selling of products made in one's own country for use or resale in other countries.
- **Importing:** buying of products made in other countries for use or resale in one's own country.
- Exporting and importing activities often are divided into two groups:
 - Trade in goods: tangible products (British – Visible Trade)
 - Trade in services: intangible products (UK – Invisible trade)

International Business Activities: Exporting and Importing (2 of 2)

Figure 1.1 Exports of Goods and Services as a Percentage of GDP for Some Key Countries (2017 data)



Source: Based on World Trade Organization Trade Profiles 2018.

International Business Activities: International Investments

- Foreign Direct Investments (FDI)
- Foreign Portfolio Investments (FPI)

International Business Activities: Other Forms

- **International licensing**

- the use of its intellectual property (patents, trademarks, brand names, copyrights, or trade secrets) to a firm in a second country in return for a royalty payment.

- **International franchising**

- when a firm in one country (the franchisor) authorizes a firm in a second country (the franchisee) to use its operating systems as well as its brand names, trademarks, and logos in return for a royalty payment. For e.g McDonald

- **International management contract**

- Management Services (Hotel Industry).

International Business Activities: An International Business

- Multinational Corporation (MNC)
- Multinational Organization (MNO)

The World's Largest Corporations in 2017 (1 of 2)

Table 1.1 The World's Largest Corporations

	Revenues (in billions of U.S. dollars) 2017	Revenues (in billions of U.S. dollars) 2007
Walmart	500.3	379.0
State Grid	348.9	132.9
Sinopec Group	327.0	159.3
China National Petroleum	326.0	129.8
Royal Dutch Shell	311.9	355.8
Toyota Motor	265.2	230.2
Volkswagen	260.0	149.1
BP	244.6	291.4
Exxon Mobil	244.4	372.8
Berkshire Hathaway	242.1	118.2
Apple	229.2	24.0
Samsung Electronics	211.9	106.0
McKesson	208.4	101.7

The World's Largest Corporations in 2017 (2 of 2)

Table 1.1 [Continued]

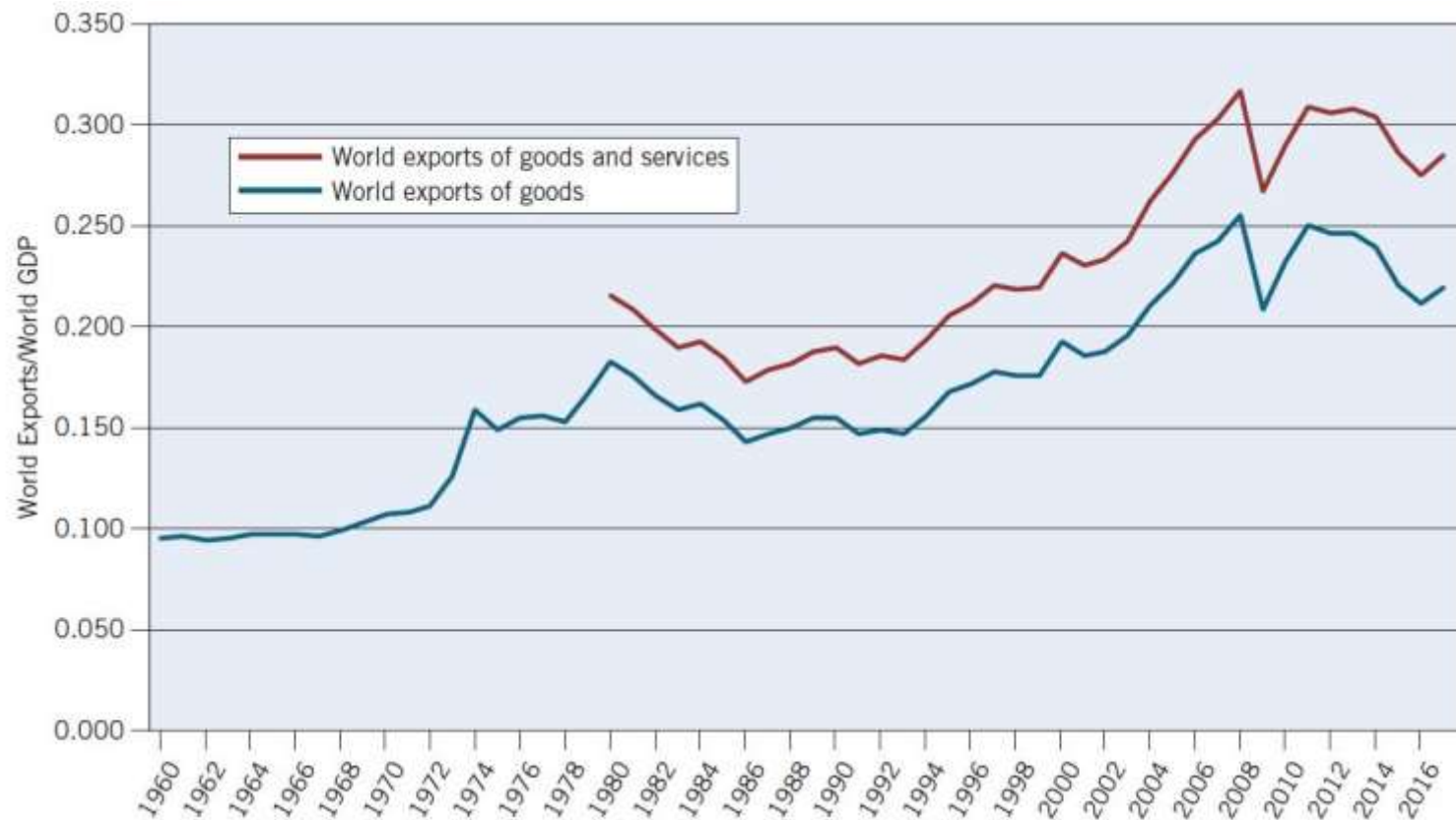
	Revenues (in billions of U.S. dollars) 2017	Revenues (in billions of U.S. dollars) 2007
Glencore	205.5	142.0
UnitedHealth Group	201.2	75.4
Daimler	185.2	177.2
CVS Health	184.8	76.3
Amazon	177.9	14.8
EXOR Group	161.7	n.a.
AT&T	160.6	118.9

Sources: Based on www.fortune.com, accessed July 30, 2018; *Fortune*, July 21, 2008, pp. 161-171; “Glencore’s turnover soars to \$142 billion in 2007,” www.metalbulletin.com, March 11, 2008, various corporate websites.

Contemporary Causes of Globalization (1 of 2)

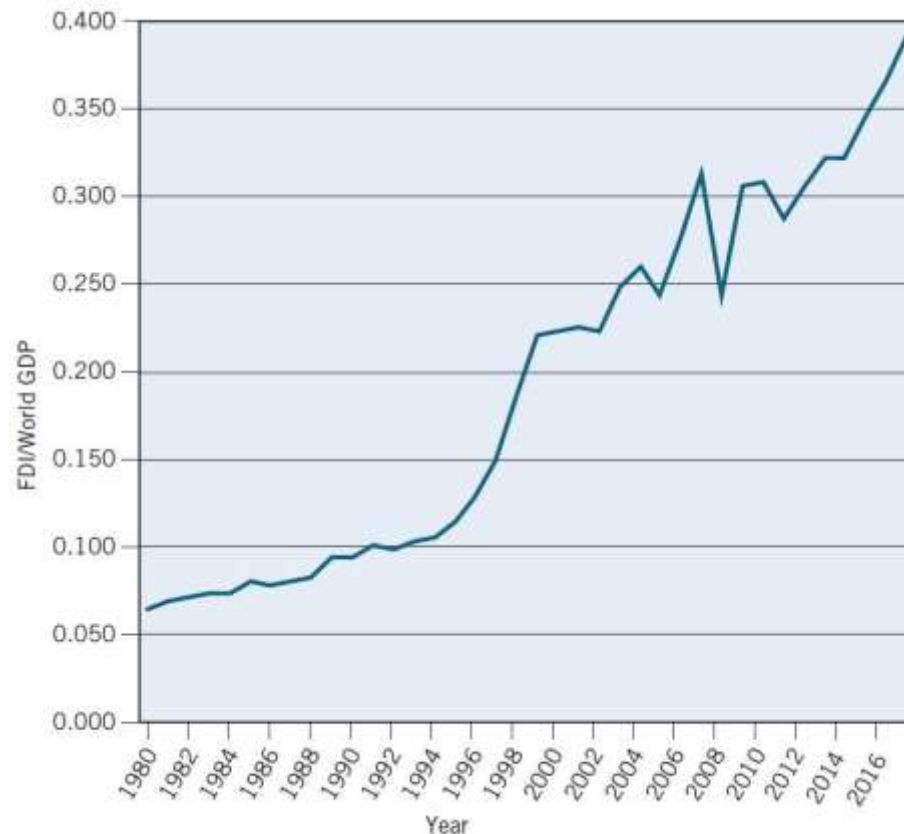
- What is Globalization?
 - the inexorable integration of markets, nation-states, and technologies... in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper, and cheaper than ever before

Figure 1.2 World Exports as a Percentage of World GDP



Source: Based on World Bank statistical database (for GDP data) and the World Trade Organization database (for exports of goods and exports of services).

Figure 1.3 Stock of Foreign Direct Investment (FDI) Relative to World GDP



Source: Based on World Bank, *World Development Indicators* data bank, accessed August 1, 2018; United Nations Conference for Trade and Development, *World Investment Report*, various issues.

Contemporary Causes of Globalization (2 of 2)

- Causes of Globalization
 - Strategic Imperatives
 - Environmental Changes

Contemporary Causes of Globalization: Strategic Imperatives

- To leverage core competencies
- To acquire resources and supplies
- To seek new markets
- To better compete with rivals

Contemporary Causes of Globalization: Environmental Causes

- Changes in the Political Environment
 - Reduction of trade and investment barriers
 - General Agreement on Tariffs and Trade (GATT)
 - World Trade Organization (WTO)
 - European Union (EU)
 - Regional accords (for e.g NAFTA)
- Changes in the Technological Environment
 - Advances in Transportation (the sailing ship)
 - Changes in Communications Technology (postman)
 - Improvement in Information Processing (pencil and paper)

Contemporary Causes of Globalization: Globalization and Emerging Markets (1 of 2)

- Transformed global marketplace
 - The collapse of European Communism
 - The ideological and policy changes undertaken by China and India
 - The reduction of trade barriers

Contemporary Causes of Globalization: Globalization and Emerging Markets (2 of 2)

- **Emerging Markets?**

Countries whose recent growth or prospects for future growth exceed that of traditional markets.

- BRIC Countries
- Big Ten (Argentina, Brazil, China, India, Indonesia, Mexico, Poland, South Africa, South Korea, and Turkey.)
- Non-High Income Countries

Table 1.2 Characteristics of Selected Emerging Markets, 2017

BRIC

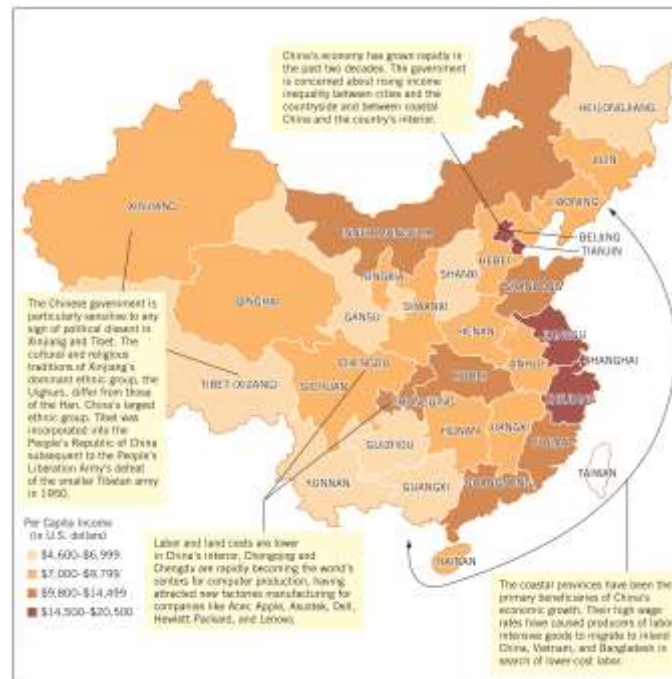
Country	Total Population (millions)	Total GDP (billions of U.S. dollars)	Per capita GDP (in U.S. dollars)
Brazil	209	2,055	9,821
Russia	144	1,578	10,743
India	1,339	2,597	1,940
China	1,386	12,237	8,827
Total	3,078	18,467	

Big Ten

Country	Total Population (millions)	Total GDP (billions of U.S. dollars)	Per capita GDP (in U.S. dollars)
Argentina	44	638	14,401
Brazil	209	2,055	9,821
China	1,386	12,237	8,827
India	1,339	2,597	1,940
Indonesia	264	1,016	3,847
Mexico	129	1,150	8,903
Poland	38	525	13,812
South Africa	57	349	6,161
South Korea	51	1,531	29,743
Turkey	81	851	10,541
Total	3,598	22,984	
World total	7,530	80,068	10,714

Source: Based on World Bank, *World Development Indicators* data bank.

Map 1.1 China's Regional Challenges



Source: Based on “China Quietly Releases 2017 Provincial GDP Figures,” *Forbes*, February 12, 2018; “Rich province, poor province,” *The Economist*, October 1, 2016; “Truckloads of notebooks mark first step of long march inland,” *Financial Times*, May 24, 2011, p. 17.; “Factory blast roils tech supply chain,” *Wall Street Journal*, May 24, 2011, p. B1; “China’s rising wage bill poses risk of relocation,” *Financial Times*, February 16, 2011, p. 3; Chinese National Statistics Bureau, 2010 Census.

Review Questions

- What is international business? How does it differ from domestic business?
- Why is it important for you to study international business?
- What are the basic forms of international business activity?
- How do merchandise exports and imports differ from service exports and imports?
- What is portfolio investment?
- What are the basic reasons for the recent growth of international business activity?

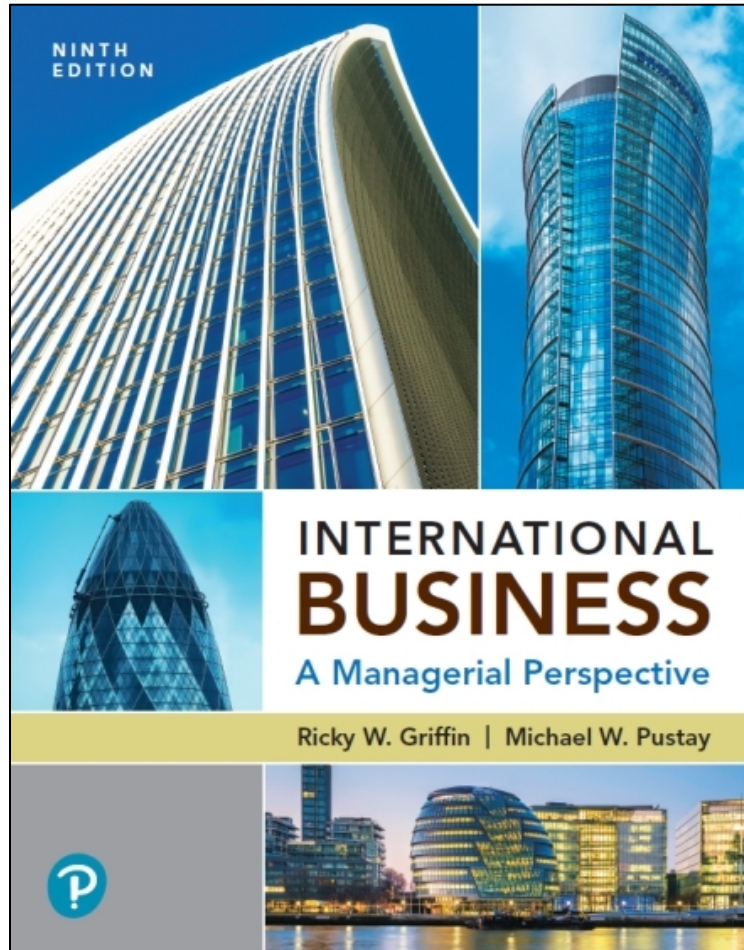
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Chapter 2

Global Marketplaces and Business Centers

Learning Objectives

2.1 Discuss North America as a major marketplace and business center in the world economy.

2.2 Describe Western Europe as a major marketplace and business center in the world economy.

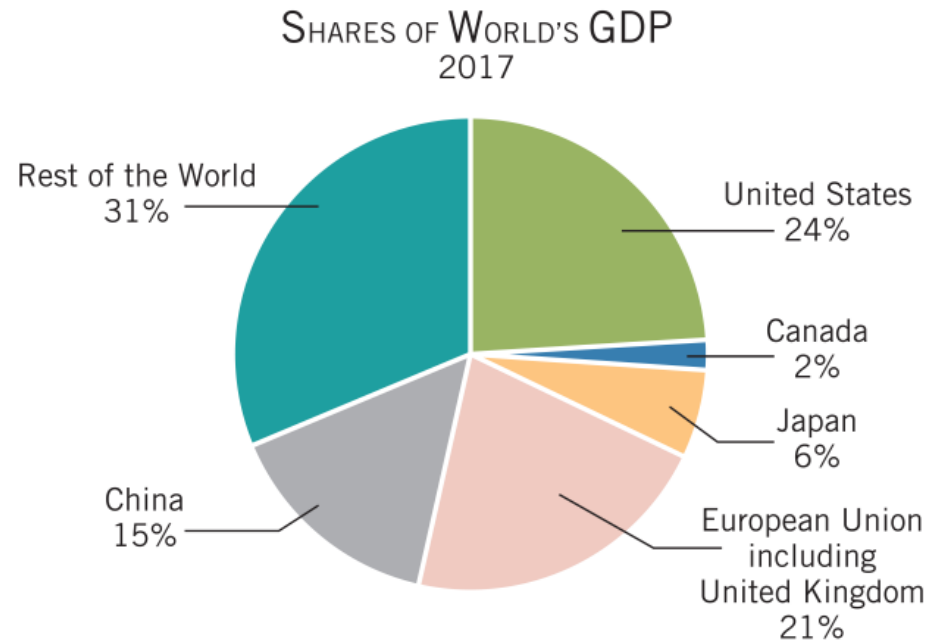
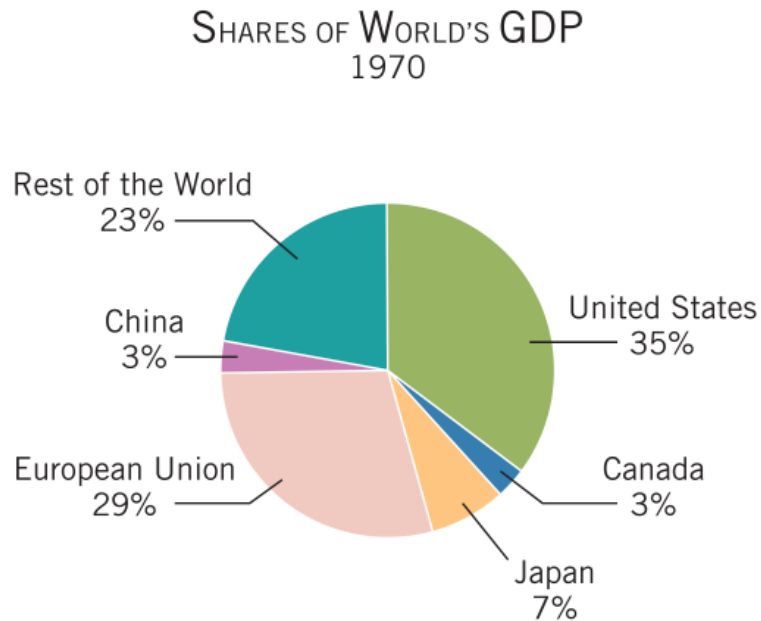
2.3 Analyze the role of Eastern Europe and Central Asia in the world economy.

2.4 Discuss Asia as a major marketplace and business center in the world economy.

2.5 Assess the development challenges facing African and Middle Eastern countries.

2.6 Evaluate the economic prospects of the South American countries.

Figure 2.1 The World Economy 1970 and 2017



The Marketplaces of North America

Country	Population (millions)	2017 GDP (billions of U.S. dollars)	GDP per capita (in U.S. dollars)
Canada	37	\$1,653	\$45,032
United States	326	\$19,391	\$59,532
Mexico	129	\$1,150	\$8,903
Central America	48	\$258	\$5,357
Caribbean	45	\$466	\$10,325

- Home to 585 million people, these countries produce approximately 28 percent of the world's output.

The Marketplaces of North America:

The United States (1 of 2)

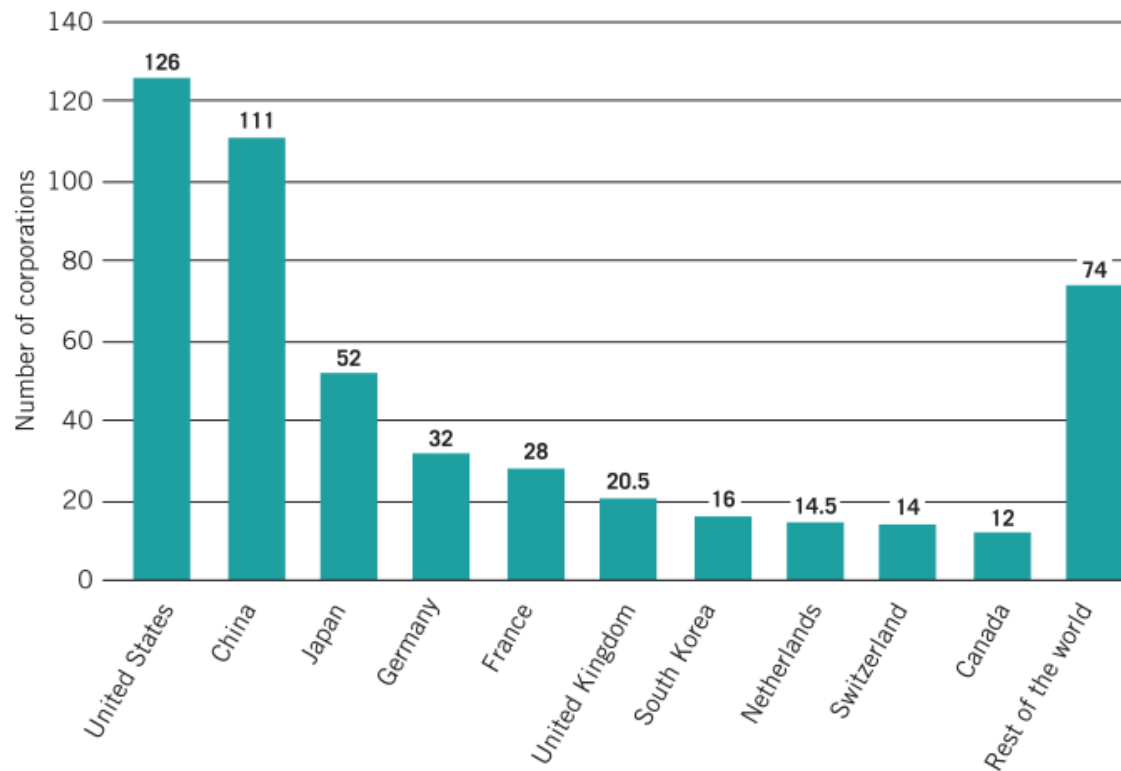
- World's largest economy
 - 24% of the world's GDP in 2017
 - One-tenth of world exports of goods and services
 - About one-eighth of world imports of goods and services
- Prime market for high-income countries
- U.S. Dollar is used as
 - Invoicing currency and
 - Foreign-currency reserve

The Marketplaces of North America:

The United States (2 of 2)

- Political stability and military strength
 - Flight Capital
- Foreign Investments
 - Important recipient of long-term foreign investment
 - \$4 trillion foreign investment in US businesses
- International Trade
 - Increasingly more important
 - Relatively small component of the U.S. economy
- MNCs
 - 27% of the world's 500 largest corporations are headquartered in the United States

Figure 2.2 Headquarters of the World's 500 Largest Corporations in 2017 by Country



Source: Based on data from www.fortune.com, accessed July 30, 2018.

The Marketplaces of North America:

Canada (1 of 2)

- Second largest land, 37 million population.
- Exports
 - Vital to the Canadian economy: 31% of its 2017 GDP of \$1.7 trillion
 - Rich natural resources: Canada's most important exports (forest products, petroleum, minerals, grains)
 - The United States: The dominant market for Canadian goods
 - US-Canada two-way trade of \$680 billion is one of the largest bilateral trading relationships in the world

The Marketplaces of North America:

Canada (2 of 2)

- Foreign Investments
 - Proximity to the huge U.S. market
 - Stable political and legal systems
 - Excellent infrastructure and educational systems
 - Lingering Risk: long-standing conflict between French-speaking Canadians and English-speaking Canadians – separatist movement since 1960
 - Bilingual labeling laws.

The Marketplaces of North America: Mexico

- The world's most populous Spanish-speaking nation
- Beginning in the mid – 1980s, Mexico
 - Reversed economic nationalism policies
 - Opened its markets to foreign goods and investors
 - Reduced government's role in its economy
 - Signed a series of free trade agreements (NAFTA - Mexico, Canada, and the US) (1999 - EU, 2000 - El Salvador, Guatemala, and Honduras, 2004 - Japan and Uruguay).

The Marketplaces of North America: Central America and the Caribbean (1 of 2)

- Divided geographically into two groups:
 - Central America
 - The Island States of the Caribbean
- Collective population of 93 million with a GDP of \$724 Billion
- Several island states have achieved high-income status (Aruba, the Bahamas, and the Cayman island).
 - Vibrant offshore financing or tourism industries
- Costa Rica and Panama are classified as an upper-middle income

The Marketplaces of North America: Central America and the Caribbean (2 of 2)

- Political instability
- Chronic U.S. military intervention
- Inadequate educational systems
- Weak middle class
- Poverty
- Import limitations

The Marketplaces of Western Europe

- Western Europe
 - Members of the EU
 - Other Western European Countries

Map 2.2 Western Europe



The Marketplaces of Western Europe: The EU

- Comprises 28 countries
 - 27 after Brexit
 - GDP \$17.3 Trillion and population of 513 million
- Seeks to promote European peace and prosperity
- One of the world's richest markets
- EU members are Free-market-oriented, parliamentary democracies
- 19 EU members adopted the euro (€)

The Marketplaces of Western Europe: Influential Members of the EU

- Economically, Germany is the EU's most important member (GDP - \$3.7 Trillion)
 - Fourth largest economy (after US, China and Japan)
 - Germany's strict anti-inflation policies
- Politically, France exerts strong leadership within the EU
 - leading proponent of promoting common European defense and foreign policies and strengthening human rights and workers' rights in the EU.
- The United Kingdom has challenged France's positions
 - British exiting the EU (Brexit)

The Marketplaces of Western Europe: Newest EU Members

- Were either part of the Soviet Union (Estonia, Latvia, Lithuania) or allied with the Soviet Union (Bulgaria, Czech Republic, Hungary, Poland, Slovakia and Romania)
- Restructured their economies from centrally planned communist systems to decentralized market systems
- Implemented political, legal, and institutional reforms
- Some are achieving high-income status

The Marketplaces of Western Europe: Other Western European Countries

- **High-Income Countries:**
 - Iceland, Norway, and Switzerland
 - Several small, “postage stamps” countries such as Andorra, Monaco, and Liechtenstein
 - Free market-oriented countries account for 2 percent of the world’s GDP
- **Middle-Income Countries:**
 - The Balkan countries of Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, and Serbia
 - Post–Cold War economic progress was slowed by chaos and conflicts

The Marketplaces of Eastern Europe and Central Asia

- Soviet Union's collapse in 1991
 - Newly Independent States (NIS) (15 Soviet Republics)
 - Commonwealth of Independent States (CIS)

The Marketplaces of Eastern Europe and Central Asia: Russia

- Largest in land mass and ninth-largest population (144 million people).
- Well endowed with natural resources, including gold, oil, natural gas, minerals, diamonds, and fertile farmland.
- Difficult transformation from communism to a free-market system
- The world's second largest oil producer and exporter
- Collapse of Oil price in the 2010s: Slow GDP growth

The Marketplaces of Eastern Europe & Central Asia: The 5 Central Asian Republics

- Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan, and Kyrgyzstan
- Common characteristics
 - Russian Influence
 - Religion: Dominantly Islam
 - Language: Turkic/Persian roots
 - Mountains and desserts dominate their landscape
 - Fossil Fuel Reserves
 - Per capita incomes among the five range from \$801 in Tajikistan to \$8,837 in oil-rich Kazakhstan.

The Marketplaces of Asia (1 of 2)

Asia is home to more than half the world's population, yet it produces less than a third of the world's GDP

- Source of both high-quality and low-quality products
- Source of both skilled and unskilled labor
- Major destination for foreign investments by MNCs
- Major supplier of capital to non-Asian countries
- Aggressive and efficient entrepreneurs

The Marketplaces of Asia: Japan

- One of the world's economic superpowers
- Island country, 127 million people, GDP of \$4.9 trillion (second to US until 2010)
- Japan's economic success
 - Partnership between MITI and industrial sector.
- Japan's challenges
 - Slow economic growth in the 1990s
 - Adjustments to changes in the world economy
 - Trade practices
 - Growing demographic crisis

The Marketplaces of Asia (2 of 2)

Australia

- Rich in natural resources
- Relatively small workforce
- Merchandise exports are 17% of its 2017 GDP
- Natural resource industries (gold, iron ore and coal).
- Land-intensive agricultural goods (wool, beef and wheat)

New Zealand

- 4.8 million people.
- After 1980s, Greater reliance on market-based policies
- Exports are 18% of its 2017 GDP
 - Extensive pasture lands (dairy products, meat and wool).
 - Main purchase (Australia, China, Japan and USA).

The Marketplaces of Asia: The Four Tigers

- Pacific Asia is one of the world's most rapidly industrializing regions
- South Korea, Taiwan, Singapore, and Hong Kong
 - The “Four Tigers”
 - The newly industrialized countries (NICs)
 - The newly industrialized economies (NIEs)
 - “Emerging Markets”
 - High income countries

The Marketplaces of Asia: The Four Tigers: South Korea

- One of the world's fastest-growing economies
- Merchandise exports accounted for 37% of its 2017 GDP of \$1.5 trillion.
- Tight cooperation between the government and large conglomerates
- Samsung, Hyundai, Daewoo Group, and LG

The Marketplaces of Asia: The Four Tigers: Taiwan

- 24 million people
- One of the world's fastest-growing economies
- Reliance on family-owned private businesses
- Reliance on export-oriented trade policies
- Exports accounted for 63% of its 2017 GDP

The Marketplaces of Asia: The Four Tigers: Singapore

- Became Independent in 1965
- Population of 5.6 million
- Thrives on reexporting
 - Exports totaled \$537 billion in 2017 GDP
 - Per capita income \$57,714 (5.6 million population)
 - Excellent port facilities
- Initiated with textiles,
- Center for oil refining
- Sophisticated communications and financial services
- High-technology center

The Marketplaces of Asia: The Four Tigers: Hong Kong

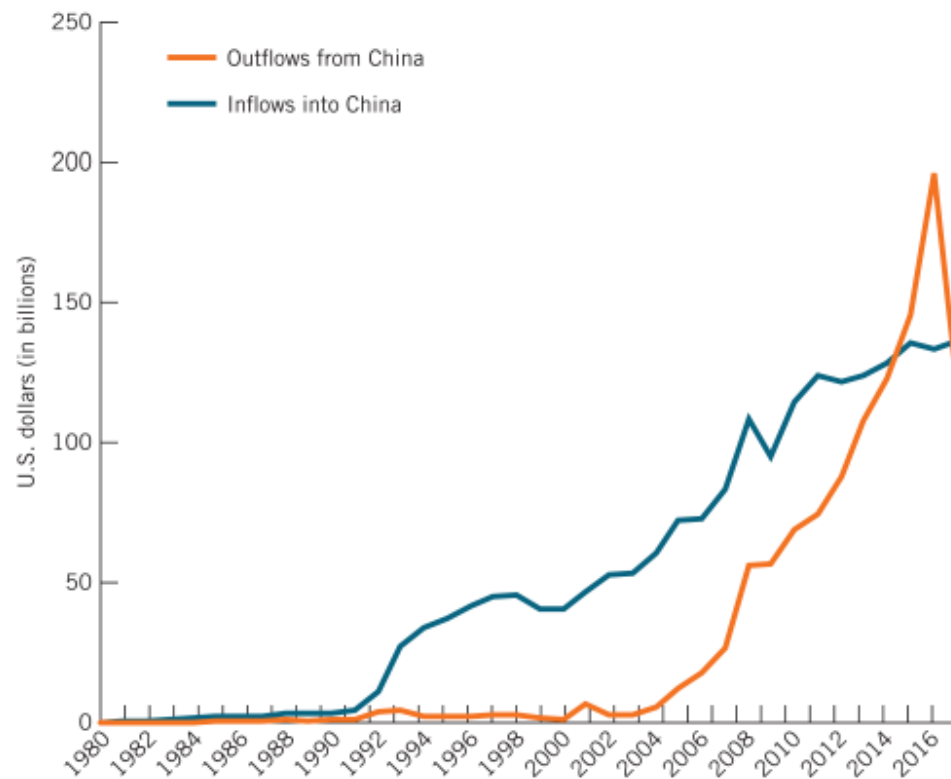
- Population 7 million
- Enjoys a fair degree of autonomy
- Attractive to international businesses
 - Deep, sheltered harbor
 - Entry point to mainland China
 - Highly educated, highly productive labor
 - Banking and financial services
- Reexporter
 - Exports totaled for \$550 billion in 2017.

The Marketplaces of Asia: China (1 of 2)

- Population 1.4 billion
- Mixed system
 - Communist Party-led state
 - Market-oriented economic policies
- Vibrant economy
 - Grew 10.9% a year from 2000 to 2009
 - FDI in China has exploded since 1992
 - Urbanization
 - China's outbound FDI has skyrocketed since 2005

The Marketplaces of Asia: China (2 of 2)

Figure 2.3 China's Inward and Outward Foreign Direct Investment Flows, Annual, 1980–2017



Source: Based on United Nations Conference for Trade and Development Database.

The Marketplaces of Asia: India

- Population 1.3 billion, and one of the poorest countries
- British Influence
- 1991 market-opening reforms
 - Reduced trade barriers
 - Opened the doors to increased FDI
 - Modernized the country's financial sector and 7% GDP growth since 2000.
- Challenges
 - Corruption is widespread
 - Infrastructure is overburdened
 - Lack of clarity in government policy is problem for foreign investors.

The Marketplaces of Asia: Southeast Asian Countries

- Promising records of economic development
- Thailand, Malaysia, and Indonesia
 - Low labor costs
 - Recipients of significant FDI
- Vietnam
 - Becoming important to MNCs
 - Inexpensive, young, and trainable workforce
 - Intel, for instance, built a billion-dollar chip testing and assembly factory in Ho Chi Minh City, while Samsung has invested \$6.5 billion in factories producing electronic display products

The Marketplaces of Africa & the Middle East: Africa

- Covers 22% of World land
- 54 countries with 1.3 billion population
- European Colonial influence (began to reverse in mid-1950s).
- Vestiges of colonialism remains
 - Chad, Niger and Ivory Coast tied to France
 - Kenya, Zimbabwe, Republic of South Africa modeled along British lines.
- Oil Exporters (Algeria, Angola, Gabon, Libya and Nigeria).

The Marketplaces of Africa & the Middle East: Africa

- Zambia economy benefitted with rising demand for copper
- Botswana is famous for its diamond fields
- Agriculture accounts for more than 40% of GDP of Burundi, Chad, Mali, Niger and Sudan.
- South Africa: The continent's growth engine (fertile farmland, gold, diamond, chromium and platinum).
- Exports, primarily minerals and agricultural goods accounted for 30 percent of its \$349 billion GDP.

The Marketplaces of Africa & the Middle East: Middle East (1 of 2)

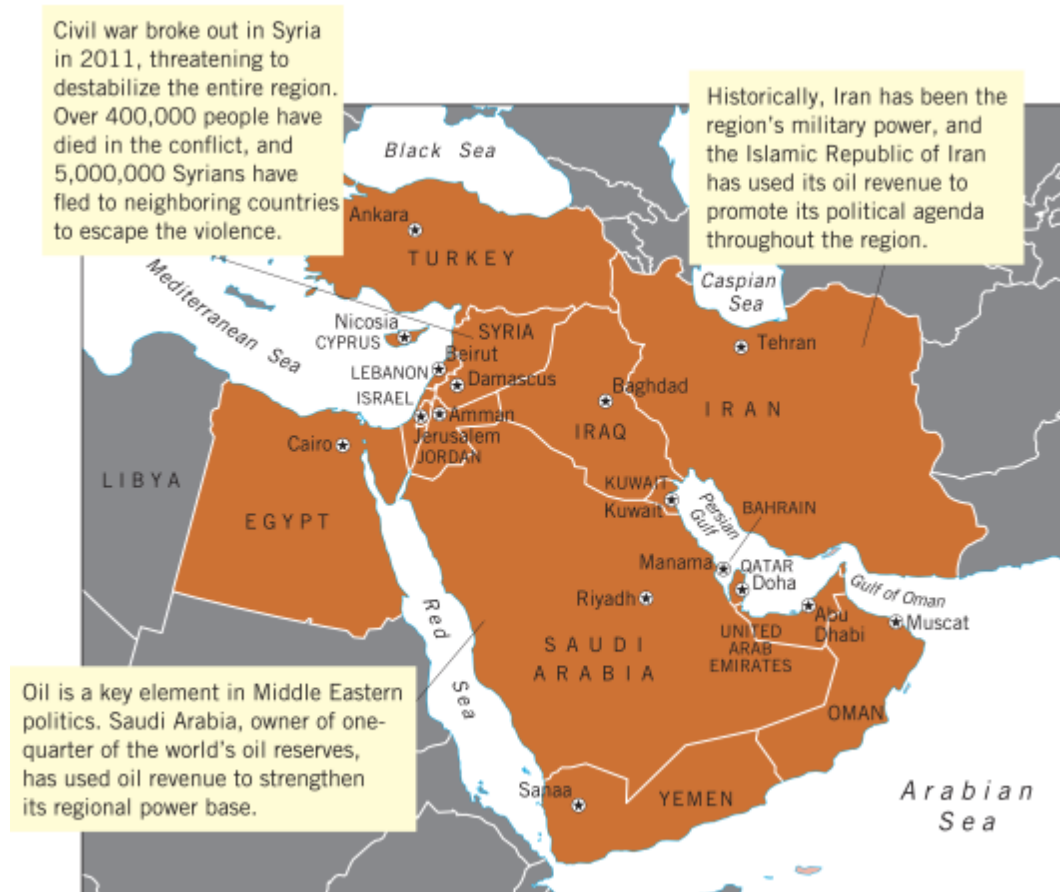
- “Cradle of Civilization” – world’s earliest farms, cities, governments, legal codes and alphabets originated).
- Birthplace of world’s major religion
- History of conflict and political unrest (Arab-Israel wars, Iran-Iraq war, two Persian Gulf wars, civil war in Libya, Syria and Yemen)
- Home to many oil-rich countries
- Saudi Arabia – largest economy in middle east with a GDP of \$684 billion.

The Marketplaces of Africa & the Middle East: Middle East (1 of 2)

- Oil accounts for 42 percent of GDP and 90% of total exports.
- Qatar - the highest per capita income at \$63,506 per annum
- Dubai - Diversification: “Life After Oil”, foreign trade zones
- Dubai – Emirates Airline Qatar – Qatar Airways
- Abu Dhabi – Etihad Airways

The Marketplaces of Africa & the Middle East: Middle East (2 of 2)

Map 2.7 The Middle East



The Marketplaces of South America (1 of 2)

- Common political, social, and economic history
- Huge income disparities, Widespread poverty and Political instability
- Destructive **import substitution policies** – Argentina, Brazil and Chile.
- Reversed import substitution policies in the late 1980s
- Economic boom during the 1990s
- Argentina (Wheat), Bolivia (Tin), Chile (copper)
- Brazil (Iron ore, Soybeans, petroleum products), GDP \$2.1 trillion, export \$251 billion

The Marketplaces of South America (2 of 2)

Map 2.8 South America



Review Questions

- Describe the U.S. role in the world economy.
- How do differences in income levels and income distribution among countries affect international businesses?
- What role did MITI serve in the Japanese economy?
- What is a keiretsu?
- Who are the Four Tigers? Why are they important to international businesses?
- What is a chaebol?
- Discuss the role of natural resources and agriculture in Africa's economy.
- How did import substitution policies affect the economies of Brazil and Argentina?

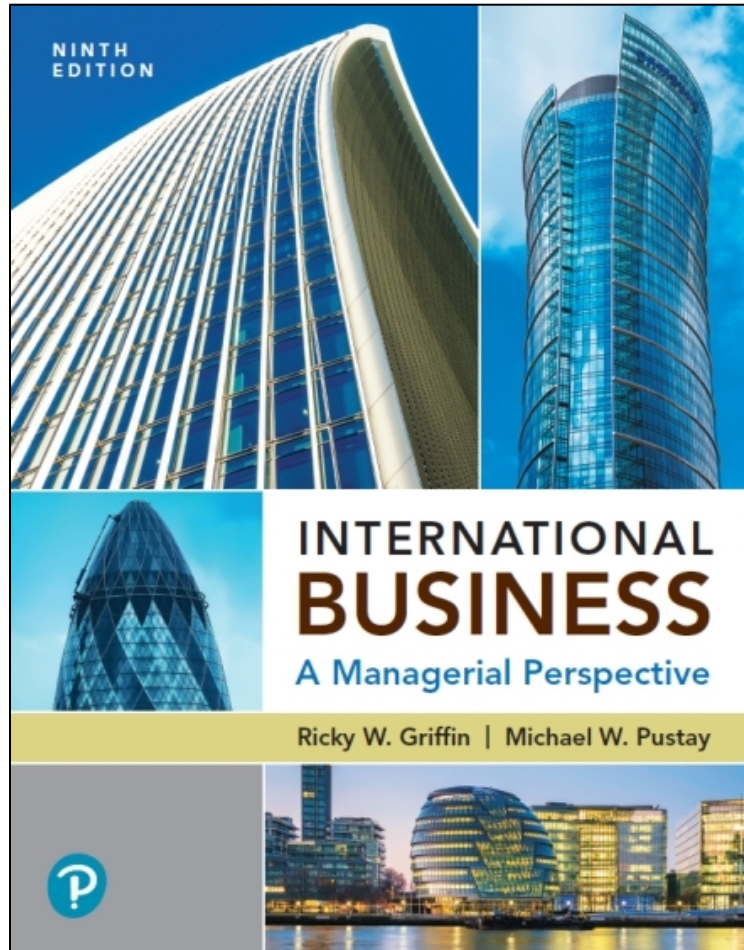
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Chapter 11

International Strategic Management

Learning Objectives

- 11.1** Characterize the challenges of international strategic management.
- 11.2** Assess the basic strategic alternatives available to firms.
- 11.3** Distinguish and analyze the components of international strategy.
- 11.4** Describe the international strategic management process.
- 11.5** Identify and characterize the levels of international strategies.

International Strategic Management

- **International strategic management** is a comprehensive and ongoing management planning process aimed at formulating and implementing strategies that enable a firm to compete effectively internationally.
- The process of developing a particular international strategy is often referred to as **strategic planning**.

Challenges of International Strategic Management (1 of 2)

Fundamental Questions

- What products and services to sell?
- Where and how to make them?
- Where and how to sell them?
- Where and how to get resources?
- How to outperform the competition?

Complexities

- Understand and Deal with Multiple:
 - Governments
 - Currencies
 - Accounting Systems
 - Political Systems
 - Legal Systems
 - Languages
 - Cultures
- Acceptable Trade-offs

Challenges of International Strategic Management (2 of 2)

Three sources of competitive advantage for international business are unavailable to domestic firms.

- Global Efficiencies
 - Location efficiency,
 - Cost efficiency - economies of scale, economies of scope
- Multinational Flexibility
- Worldwide Learning

Strategic Alternatives (1 of 2)

MNCs typically adopt one of four strategic alternatives in their attempt to balance the three goals of global efficiencies, multinational flexibility, and worldwide learning.

- Home Replication Strategy
- Multidomestic Strategy
- Global Strategy
- Transnational Strategy

Strategic Alternatives (2 of 2)

Figure 11.1 Strategic Alternatives for Balancing Pressures for Global Integration and Local Responsiveness



Source: Based on Sumantra Ghoshal and Nitin Nohria, “Horses for courses: Organizational forms for multinational corporations,” *Sloan Management Review* (Winter 1993), pp. 27 and 31.

Components of an International Strategy

Four Basic components of strategy development are

- **Distinctive Competence**
 - “What do we do exceptionally well, especially as compared to our competitors?”
- **Scope of Operations**
 - “Where are we going to conduct business?”
- **Resource Deployment**
 - “Given that we are going to compete in these markets, how should we allocate our resources to them?”
- **Synergy**
 - “How can different elements of our business benefit each other?”

Distinctive Competence

- Cutting-Edge Technology
- Efficient Distribution Networks
- Superior Organizational Practices
- Well-Respected Brand Names

Scope of Operations

- **Geographic Regions**
 - Countries, regions within a country, or clusters of countries
- **Market or Product Niches**
 - Premium-quality Market Niche, Low-Cost Market Niche, or Other Specialized Market Niches

Resource Deployment

- Product Lines
- Geographical Lines
- Combination

Synergy

- The whole is greater than the sum of the parts.



Developing International Strategies

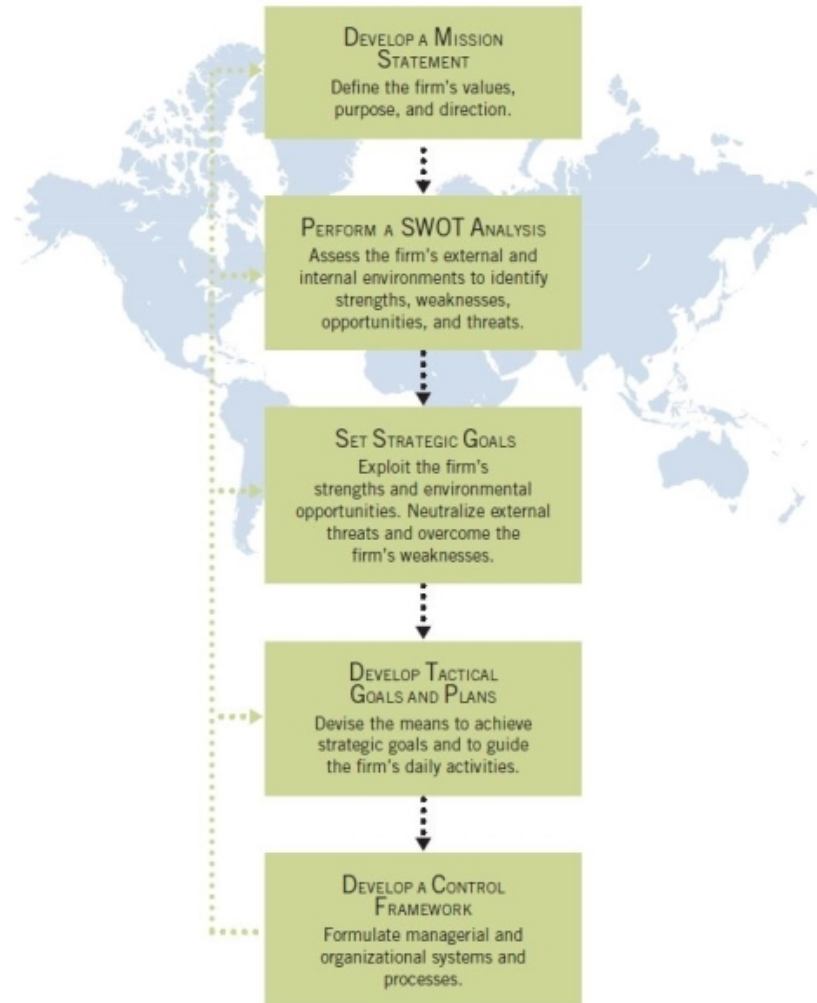
Stages

- Strategy Formulation
- Strategy Implementation

Steps

- Develop Mission Statement
- Perform SWOT Analysis
- Set Strategic Goals
- Develop Tactical Goals and Plans
- Develop Control Framework

Figure 11.2 Steps in International Strategy Formulation



Mission Statement

- Organization's Purpose, Values, and Directions
- Firm's Target Customers and Markets
- Principal Products or Services
- Geographical Domain
- Core Technologies
- Concerns for Survival
- Plans for Growth and Profitability
- Basic Philosophy
- Desired Public Image

Environmental Scanning and the SWOT Analysis (1 of 2)

- **Environmental Scan**

- External

- Opportunities
 - Threats

- Internal

- Strengths
 - Weaknesses

Environmental Scanning and the SWOT Analysis (2 of 2)

Figure 11.3 The Value Chain



Sources: Based on *Competitive Advantage: Creating and Sustaining Superior Performance*, by Michael E. Porter, The Free Press, a Division of Simon & Schuster Copyright © 1985 by Michael E. Porter and *Strategic Management and Competitive Advantage: Concepts and Cases*, 4th edition, by Jay B. Barney and William S. Hesterly, © 2012 by Pearson Education, Inc., publishing as Prentice Hall.

Strategic Goals

- Major objectives the firm wants to accomplish
 - Measurable
 - Feasible
 - Time-Limited

Tactics

- Specific tactical goals and plans
- Tactics usually involve middle managers
- Focus on the details of implementing the firm's strategic goals

Control Framework

Managerial Processes + Organizational Processes =
Strategic Goals

Levels of International Strategy

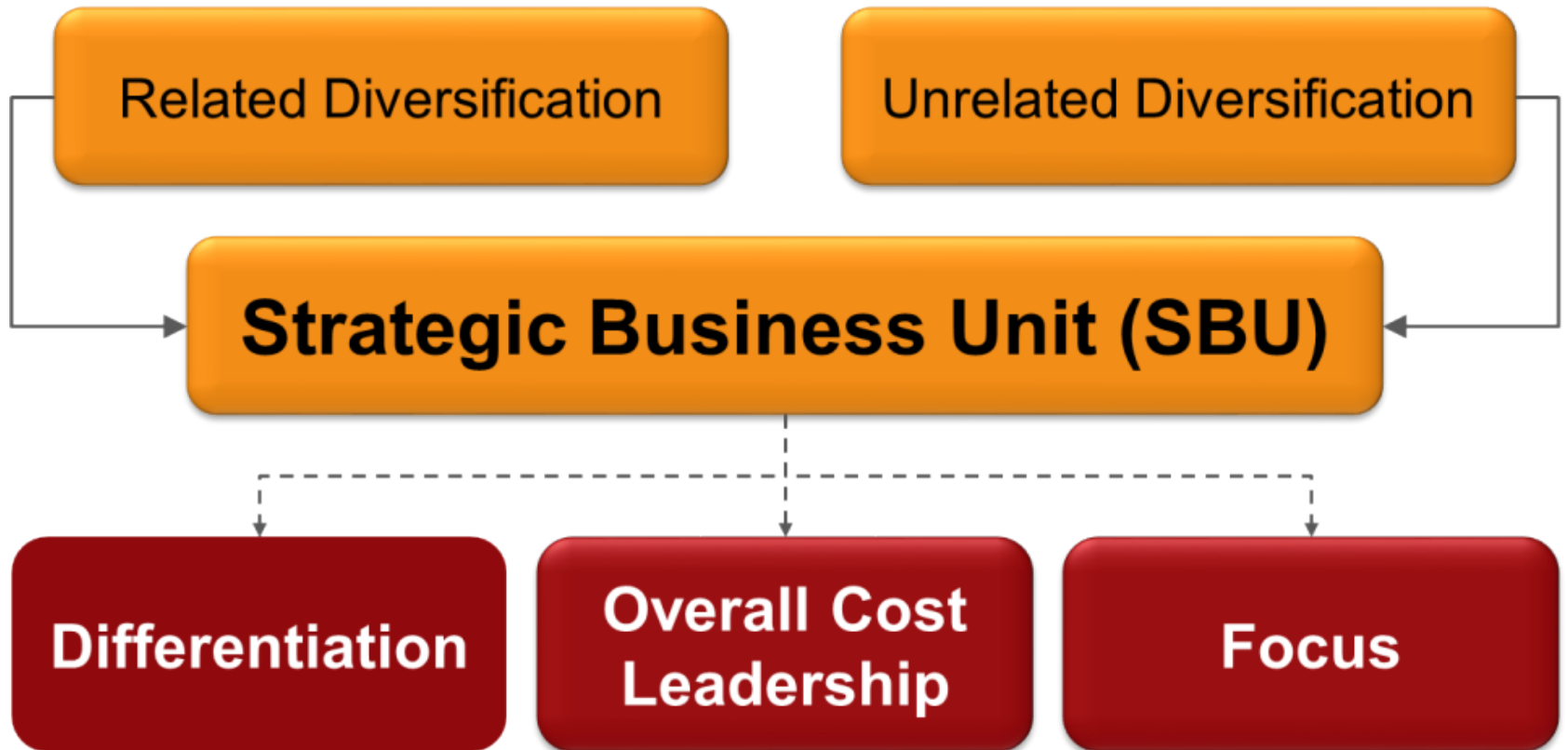
Figure 11.4 Three Levels of Strategy for MNCs



Corporate Strategy

1. Single-Business Strategy
2. Related Diversification Strategy
3. Unrelated Diversification Strategy

Business Strategy



Three Strategies

- Business Strategy
 - Differentiation
 - Cost Leadership
 - Focus Strategy

Functional Strategies

- International Financial Strategy (capital structure, investment policy, debt policies, risk reduction techniques)
- International Marketing Strategy (product mix, advertising, promotion, pricing, and distribution)
- International Operations Strategy (sourcing, plant location, plant layout, design, technology, inventory management)
- International Human Resource Strategy (recruit, train, evaluate performance, labor relations, salaries)
- International R&D Strategy

Review Questions (1 of 2)

- What is international strategic management?
- What are the four basic philosophies that guide strategic management in most MNCs?
- How do international strategy formulation and international strategy implementation differ?
- What are the steps in international strategy formulation?
Are these likely to vary among firms?
- Identify the four components of an international strategy.

Review Questions (2 of 2)

- Describe the role and importance of distinctive competence in international strategy formulation
- What are the three levels of international strategy?
- Why is it important to distinguish among the levels?
- Identify and distinguish among three common approaches to corporate strategy.
- Identify and distinguish among three common approaches to business strategy.
- What are the basic types of functional strategies most firms use? Is it likely that some firms have different functional strategies?

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