Session Guidance

# Prep for Lecture – Topic outline

Use the following outline to focus on the parts in the text book that are absolutely necessary. The two exams will be solely based on these topic outlines, which are provided for every class with a lecture part.

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| ***Notes and additional information are provided in italics*. An asterisks symbol (\*) is placed against sections and subsections that need careful attention. Key concepts are highlighted in yellow.** |

**CH. 7 INTERNATIONAL STRATEGY: CREATING VALUE IN GLOBAL MARKETS** *(Strategy spotlights and Executive interview in this chapter are optional reads. Read them only for further understanding of some of the concepts. No need to read the initial paras, go straight to the section below)*

**The Global Economy: A Brief Overview** *(Skim through this for just a basic understanding.)*

**Factors Affecting a Nation's Competitiveness** *(read the section in-depth)*

Diamond of national advantage

**Factor endowments**

**Demand conditions**

**Related and supporting industries**

**Firm strategy, structure, & rivalry**

**7.1 Strategy spotlight India and the diamond of national advantage***(Normally you can avoid reading strategy spotlights but we consider this strategy spotlight an exception because it provides an important variation to the diamond of national advantage. Focus on understating this variation.)*

US Demand conditions *(for this example US demand condition is equivalent to foreign demand condition. Observe that the demand condition in the normal diamond is the domestic demand)*

**International Expansion: A Company's Motivations and Risks** *(Focus on understanding the implication for international strategy)*

**Motivations for International Expansion** *(Understand how and why the following can be motivators for international expansion.)*

**Increase Market Size**

**Take Advantage of Arbitrage**

**Enhance a product’s growth potential**

**Optimize the location of value chain activity**

Performance Enhancement

Cost Reduction

Risk Reduction

**Learning Opportunities**

**Explore Reverse Innovation**

**Potential Risks of International Expansion** *(No need to read details if you are able to understand why something is a potential risk for international expansion.)*

**Political and Economic Risk**

Rule of law

Counterfeiting

**Currency Risks**

**Management Risks**

**Global Dispersion of Value Chains: Outsourcing and Offshoring** *(Don’t read this subsection.)*

**Achieving Competitive Advantage in Global Markets** *(read the section in-depth)*

**Two Opposing Pressures: Reducing Costs and Adapting to Local Markets** *(pay close attention to EXHIBIT 7.3 Opposing Pressures and Four Strategies)*

**International Strategy** *(Notice that this has a narrower connotation than the title of this chapter. International strategy in this subsection has a very specific meaning so pay close attention. Understand what this strategy means and consider “EXHIBIT 7.4: Strengths and Limitations of International Strategies in the Global Marketplace”. No need to read “Risks and Challenges”)*

**Global Strategy** *(Understand what this strategy means and consider “EXHIBIT 7.5: Strengths and Limitations of Global Strategy”. No need to read “Risks and Challenges”)*

**Multidomestic strategy** *(Understand what this strategy means and consider “EXHIBIT 7.6: Strengths and Limitations of Multidomestic Strategy”. No need to read “Risks and Challenges”)*

**Transnational strategy** *(Understand what this strategy means and consider “EXHIBIT 7.7: Strengths and Limitations of Transnational Strategy”. No need to read “Risks and Challenges”)*

**Global or Regional? A Second Look at Globalization** *(Don’t read this subsection.)*

**Entry Modes for International Expansion (***Do not read this section)*

# Guidance to approaching the TARGET case

# This week we drastically shift the focus from understanding the whole to one very specific decision related to international strategy. It is an extremely short case because it is essentially elaborating a specific business decision (entry into Canada). Since we are going to dissect that one particular decision our approach will be very different. As an extension, we will also be doing some things that we hadn’t done before. Below I highlight the major deviations from our previous approaches.

# *Obvious failure*

# Please note that Target Canada was an absolute failure of the most humongous proportions. I wanted to share this because the aftermath is not our main concern but what happened within the timeline provided in the case. If you do a superficial analysis of the circumstances, there is no real apparent reason why this should have failed so miserably. In fact, it should have easily succeeded. Believe me, as someone who personally experienced this from start to finish, most of Canadians didn’t expect it to be such an epic failure. So for this case we will go beyond the apparent and dig a little deeper into the possible reasons.

# *Exhibits*

# This case has a disproportionately large amount of data in the exhibits. So pay a lot of attention and effort towards the exhibit (except perhaps exhibit 1). A related aspect is some form of number crunching. I want you to pay very close attention to the numbers with the sole purpose of determining whether it is a worthwhile investment. Utilize any form of numerical analysis or tools that you may have previously learnt at CSUF or elsewhere.

# *US point-of-view*

# The case talks about the top management coming from US. So their understanding of Canada will probably be just a little more than what most of you will have. In this case (more than any other), you can really try to get into their shoes and think of what you would have done in Canada.

# *Outside case facts*

# In order to further enhance this understanding I will permit any outside case investigation to understand Canada. To manage your time and effort, I would suggest restricting your ‘google’ or ‘wiki’ searches to just those aspects that are already in the case. It could be an aspect of Canada (culture, geography, population centers, etc.) that you do not fully understand from the case. In the guidance questions I ask some very specific outside case investigation questions but you can go beyond these. You can also utilize the sources that are already mentioned in the case. Again, the reason for permitting you to go outside the case is to help you get a similar perspective as the Target US folks who were managing Target Canada.

**NOTE: You are still not permitted to use outside sources related to any of the companies in the case including, Target USA, Target Canada, Walmart, Sobey’s, Loblaw etc. Only aspects about Canada as a country can be researched using outside sources.**

# *Bookish knowledge vs reality*

# In the previous cases we have tried to contrast reality with the concepts in the book to some extent. While the concepts in the book were applicable, their application was also extended beyond what the book indicated. In this Target Canada case we will still try to connect with the concepts and terms with the book but this time we are trying to resolve a puzzle. If there was so much accumulated knowledge that the book itself demonstrates, how could a major corporation like Target get it so wrong in expanding to a country like Canada, which many consider to be just the 51 state in the USA?

# *Comparative analysis*

To understand Target’s competitive advantages we will extend the use of Diamond structure of national competitiveness by comparting the four factors (Factor endowments; Demand conditions; related and supporting industries; and Firm strategy, structure & rivalry) for both USA and Canada.

You should also compare the risks and motivations that would have probably played a part in Target’s decision making. Place yourselves in the decision maker’s shoes and try to simulate their line of thought process that made Canada an attractive destination.

# Guidance questions for the TARGET case

Guidance questions are meant to provoke a thought process. Ponder over them, especially when the answers are not evident. Remember, in a case discussion there are **no right answers but only better answers**.

***Outside-case investigation***

Try and understand the following about Canada:

1. Where are the major population areas?
2. What was the exchange rate between USD and CAD during this period?
3. How is Tim Hortons different from Starbucks?
4. How does Canada compare with the US on some key country level statistics – population, GDP, geographic area, etc.

***If you were the advisor to Target***

Answer the following questions assuming the role of an outside advisor to Target.

1. Evaluate Canada’s attractiveness for a new retail entrant using the concept of “diamond of national advantage”.
2. What do you think was the motivation for Target to enter Canada? Do you agree with the motivation, irrespective of how it was done? Justify.
3. Evaluate the potential country related risks that Target faced when entering Canada. Compare these risks with those that might have presented if Target entered Russia (consider the country risk ratings provided in the book).
4. Consider the two opposing forces (costs vs adaptation) and evaluate which expansion strategy Target adopted. Do you agree with this strategy in principle, even if you may differ in terms of implementation? Justify.
5. Which competitor in Canada was Target directly trying to counter? Which competitor(s) should it have countered? Why?
6. Utilizing exhibits, evaluate if Target had the necessary approach to sustain its presence in Canada and eventually succeed.
7. Considering all of the above, what would you do differently? Why?