Operations: the various value creation activities a firm undertakes
Primary activities: Design, creation and delivery of the product, its market, and its support and after-sale service

Support Activities: provides inputs that allow the primary activities to occur

organization architecture: the totality of a firm's organization, including formal organizational structure, control systems, and incentives, organizational culture, processes, and people

Organizational Structure: the three-part structure of an organization, including its formal division into subunits such as product divisions its location of decision-making responsibilities within that structure, and the establishment of integration mechanisms to coordinate the activities of all subnets

Controls: metrics used to measure the performance of subunits and make judgemenst about how well managers are running those subunits

Incentives; devices used to reward appropriate managerial behavior

Processes: are the manner in which decisions are made and work is performed within the organization.

Organizational cultureL values and norms shared among an organization's employees

Strategic fit: to perform well a company's strategy must fit given the market conditions

Global Expansion, Profitability, and Profit Growth:
“Expand the market for their domestic product offerings by selling those products in international markets.
Realize location economies by dispersing individual value creation activities to those locations around the globe where they can be performed most efficiently and effectively.
Realize greater cost economies from experience effects by serving an expanded global market from a central location, thereby reducing the costs of value creation.
Earn a greater return by leveraging any valuable skills developed in foreign operations and transferring them to other entities within the firm’s global network of operations.”

Core competencies: skills that competitors cannot easily match or imitate
→ competitive advantage

Location economies: cost advantage from performing a value creation activity at the optimal location for that activity
→ some countries are more productive in producing certain products than others

Localization Strategy: focuses on increasing profitability by customizing the firm's goods or services so that they provide a good match to tastes and preferences in different national or regional markets.

→ best when there are substantial differences across nations or regions with regard to consumer tastes and preferences and where cost pressures are not intense (cannot do cost reductions)

Transnational strategy: when a company faces strong cost pressures and local responsiveness simultaneously through economies of scale while also differentiating product offering

International strategy: trying to create value by transferring core competencies to foreign markets where indigenous competitors lack those competencies. (first produced domestically and then introduced foreign but since it doesn't exist there they can price whatever without customization)

As competitors arise, international and localization strategy can no longer work

Strategic alliances: cooperative agreements between potential or actual competitors
→ may facilitate entry into a foreign market
→ allow firms to share fixed costs and risks
→ bring together complementary skills and assets neither company can develop on own
→ help the firm establish technological standards for the industry
Cons:
→ give competitors a low cost route to new tech and markets
→ alliance are risk: might give away more than it receives

How to make alliance work:

1. Choose right partner: help achieve goals, same values, unlikely to opportunistically exploit the alliance for its own ends
2. Alliance structure: risks of giving too much away are reduced, contractual safeguards, agree in advance to swap skills to ensure equitable gain,
3. Managing alliance: building interpersonal relationships

Trade barriers, government, war, etc all can change the strategy we need to use

**CHAPTER 13:**
Chapter about the decision of which foreign market to enter, when, and on what scale and the choice of entry mode

Basic Entry Decisions:

- [ ] Which Foreign Market to enter:
    - Purchasing power, future wealth, economic growth rates, living standards, economic growth, risks associated with it
    - benefit -cost-risk-trade-off is likely to be most favorable in politically stable developed and developing nations that have **free market system**
        - Least favorable in politically unstable developing nations with mixed/command economy
    - Value an international business can create in a foreign market.
        - If the product is new in the market then the value of the product goes up
            - Higher prices build sales more rapidly
- [ ] Timing of Entry:
    - Timing of entry: entry is early when a firm enters a foreign market before other foreign firms and late when a firm enters after other international businesses have established themselves.
    - First-mover advantage: advantages accruing to the first to enter a market
        - E.g: preempt rivals and capture demand by establishing a strong brand name
        - Build sales volume in the country and ride down the experience curve ahead of rivals. (cost advantage)
        - Create switching costs that tie customers into their products or services
    - First-mover disadvantages: disadvantages associated with entering a foreign market before other international businesses
        - Pioneering costs: costs that an early entrant has to bear that a late entrant can avoid (if market is so different then they have to devote so much time to do it) promoting costs, establishment costs
- [ ] Scale of Entry and Strategic Commitments:
    - Enter on a significant scale: cons are strategic commitments, might have fewer resources to expand in other markets ; pros: show that you are committed, gives reason to believe in company, make competitors think twice.
    - Small scale entry: allows a firm to learn about a foreign market while limiting the firm's exposure to that market/ can gather information about the
- [ ] Market Entry Summary:
    - Gotta figure out whether you want first mover advantages
    - You can still be a late entrant and have a successful business
        - If its a developing country wait and learn from other competitors

Entry Modes:

- [ ] exporting
    - Begin journey here usually
    - Is the sale of products produced in one country to residents of another country

- Pros: it avoids the substantial costs of establishing manufacturing operations in the host country; help a fir achieve experience curve and location economies; if producing in central location cna have scale economies
- Cons: may not be appropriate if lower-cost locations for manufacturing the product abroad can be found ; (not argument against exporting but more from home country); high transportation costs (to solve, can scale regionally), tariff barriers

- [ ] Turnkey Projects: a project in which a firm agrees to set up an operating plant for a foreign client and hand over the "key" when the plant is fully operational
  - Most common in chemical, pharmaceutical, petroleum-refining, etc
  - Pros: great way of earning great economic returns from that asset; allows great FDI where the foreign country does not have tech for a plant
  - COns: no long term interest in foreign country; inadvertently create a competitor; if the firms tech is a competitive advantage, they are selling it out to competitors
- [ ] Licensing: arrangement in which a licensor grants the rights to intangible property to a licensee for a specified period and received a royalty fee in return (patents, inventions, formulas, etc)
  - Pros: firm does not have to bear the development costs and risk associated with opening a foreign market, perfect when don't want to/cant use too many financial resources, used when firm possesses some intangible that might have business
  - Cons: does not give a firm tight control over manufacturing, marketing, and strategy; a licensee is unlikely to allow a multinational firm to use its profits to support a different licensee in another country; can lose control over their technically
  - Can reduce risks by entering cross licensing agreements which is more restricted; Fuji Xerox model and link an agreement to form a joint venture and both companies have important equity stakes
- [ ] Franchising: a specialized form of licensing in which the franchiser sells intangible property to the franchisee and insists on rules to conduct the business
  - More long term than licensing and usually pursued by service firms
  - Pros: firm is relieved of many of the costs and risks of opening a foreign market on its own; build big global presence
  - Disadvantages: Quality control (the franchisee hold company image); no reason to consider need for experience curve;
- [ ] Joint ventures: A cooperative undertaking between two or more firms
  - 50-50 ownership and contribution
  - Pros: firm benefits from local partners knowledge of host country competitive culture, culture, language, politics, business; when costs are high might be able to share costs/risks; sometimes only feasible option depending on politics
  - Cons: risks giving control of its technology to partner; does not give a firm tight control over subsidiaries that it might need to realize experience curve nor have tight control over subsidiary; shared ownership arrangement can lead to conflicts
- [ ] Wholly owned subsidiaries: a subsidiary in which the firm owns 100 percent of the stock
  - Greenfield venture: set up new operation in host nation

**CHAPTER 17:**

Human resource management: activities an organization conducts to use its human resources effectively
→ determining the firm's human resource strategy, staffing, performance evaluation, management development, etc

Expatriate manager: a national of one country appointed to a management position in another country

People need to be in the right positions for a firm to outperform their competitors and they have to be trained properly and have necessary skills to succeed, must have good compensation so they feel motivated

Each strategy needs a different skill set and needs so HRM works to overcome them

Staffing policy: strategy concerned with selecting employees for particular jobs
Corporate culture: organizations norms and value system

Types of staffing policies;

- Ethnocentric Approach: an approach within the multinational enterprise in which all key management positions are filled by parent-country nationals
  - Done because they believe the host country lacks qualifies individuals to fill senior management positions ; think its best way to maintain corporate culture; believe best way to create value
  - Cons: limits advancement opportunities in host country and can lead to resentment, ower productivity; lead to cultural myopia
- Polycentric Approach: A staffing policy in a multinational enterprise in which host-country nationals are recruited to manage subsidiaries in their own country, while parent-country nationals occupy key positions at corporate headquarters
  - This is usually response to shortcomings with ethnocentric approach as host country less likely to make cultural mistakes; may be less expensive to implement
  - Cons: limited opportunities to gain experience outside their own country and cannot progress farther than subsidiary; may isolate corporate headquarters with subsidiary;
- Geocentric Approach: an approach where best people are sought for key jobs throughout a multinational enterprise regardless of nationality
  - Makes best use of human resources; creates number of employees who are comfortable working in multiple cultures;
  - Host countries sometimes want their citizens to get jobs so they make immigration hell to make it more difficult; can be expensive to implement

Expatriate managers: ethnocentric and geocentric relies on this
→ expatriate failure: the premature return of an expatriate manager to the home country

- Average cost per failure to the parent firm can be as high as 3 times the expatriates domestic slaar tplus cost of relocating
- Reasons for failure managers (US)
  - Spouse cannot adjust

        - Managers cannot adjust
        - Family problems
        - Personal emotional maturity
        - Inability to cope with responsibility
    - Reasons for failure managers (EURO)
        - Inability to cope with responsibility
        - Difficulties in new environment
        - Personal emotional problems
        - Lack of tech competence
        - Spouse cannot adjust

Expatriate selection: can reduce failure by screening and choosing proper candidates

- Self orientation : high self esteem, confidence, metal well being
- Others orientation : willingness to communicate, build relationships
- Perceptual ability : ability to understand why people behave the way they do
- Cultural toughness : can adjust to the foreign country

Training and Management Development:

- Cultural training:
    - Foster an appreciation for host country
    - Understanding will help empathize; training in culture, history, politics, economy, religion, and social and business practices
    - Arrange familiarization trip
- Language Training: start learning host country language as it shows effort put forth
    - Can communicate easier
- Practical training: ease them into a day-day routine

Return to country:

- They usually aren't recognized for the work they have done and don't know how to use new knowledge and experience well

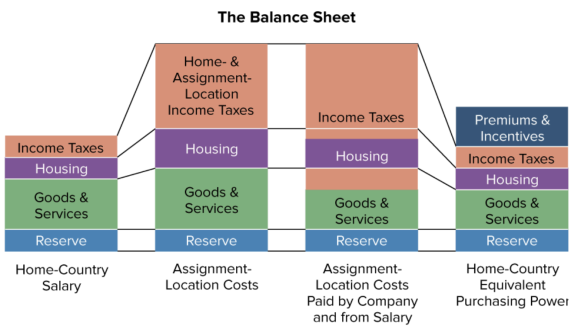
Management development and strategy: designed to increase overall skill levels of managers through a mix of ongoing management education and rotations of managers

Performance Appraisal: systems are used to evaluate the performance of managers against some criteria that the firm judges to be important for the implementation of strategy and the attainment of competitive advantage globally

- Problems;
    - Unintentional bias: can be biased based on culture
        - Lack of experience working abroad (it needs a different skill set so they end up being biased on the wrong side)
- More weight should be given to onsite managers appraisal (better at evaluating)
- How should compensation be given is a huge issue (should it be adjusted to economic circumstances in each country)
    - Huge problem because some firms have people with different cultures and because of that some may expect more

Expatriate Pay:

- Balance sheet approach: an approach to expatriate pay and it equalizes purchasing power across countries so employees can enjoy the same living standard  in their foreign posting that they enjoyed at home. It also provides financial incentives to offset qualitative differences between assignment locations
    - After taxes, housing, expenditures are all deducted




- Base salary: Base salary should be in the same range however sometimes there might be a higher because they usually get higher in the developed countries
- Foreign service premium: extra pay which the expatriate receives from working outside country of origin (inducement to keep the job)
    - 10-30% after taxes
- Allowances: hardship(when sent to difficult location – standards are lower than hoe country[health, amenities]), housing (to ensure that they can afford same quality of housing), cost of living allowance (enjoy the same standard of living), education (children can receive schooling)
- Taxation: Pay taxes to both home and foreign country
        - Firm typically pays host country taxes
        - Also makes up difference if taxes are higher so you get same take home
- Benefits: Ensure you receive same medical as home

Diverse good:
- Bigger talent pool
- Customers can interact
- Improve brand image
- Improve performance (can find things nuances others cant see)
- Increases employee satisfaction

Concerns of organized labor:
- Company can counter a abor bargain (strike) by moving production to another country
    - Keeps highly skilled tasks at home and switches basic to host and that makes it easy to switch countries
- When company brings parent country work ideals

Strategy of organized labor:
1. Trying to establish international labor organizations
2. Lobbying for national legislation to restrict multinationals
3. Trying to achieve international regulations on multinationals through such organizations as UN