

THE UNIVERSITY OF NEWCASTLE
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Faculty of Business and Law

International Business Strategy GSBS6481

Week 12: Course Review
Dr. Hao Tan

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Outline

- Briefing on the final exam
- Review of the course: Class discussion
 - Key points of each session
- Q&A

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GSBS6481 Final Exam

- **When: Friday, 5 Aug 2022, 2:00pm**
- Duration: 120 minutes
- How: Open Book; Online; Invigilated (please refer to my announcement in the [course site](#) on 25 June for further information)
- Where: In our course Canvas site – access through formal examination for viewing and answering questions. Also a zoom link is available in the course site under “zoom” section for the purpose of invigilation. **Please join the zoom at 1:30pm on 5 Aug**
- Exam structure: Answer **ANY FOUR (4)** of the five (5) essay questions
- Question type: Essay style
- Weighting: Each question is worth 10 marks each. The exam is worth 40% of your total course mark.

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Further instructions

- Write sufficient for each question, so to meaningfully answer the question – a short paragraph will not be enough
- There is no specific word count for each answer. However, quality is preferred over quantity.
- The focus of exam questions is on applications of theories and concepts introduced in this course to real world examples
- Be aware that simply copying and pasting text from another source, without proper referencing, is plagiarism and therefore totally unacceptable.
- **You must express all concepts in your own words and provide information relevant to the specific question**
- As this is a final exam, no feedback will be available
- Each question has approximately 25 minutes to answer so use the time wisely
- Please note that once the exam paper has been made available on Canvas, no queries about the questions or the paper can be answered

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Course review

- *Summarizing each module - What are the key takeaways?*

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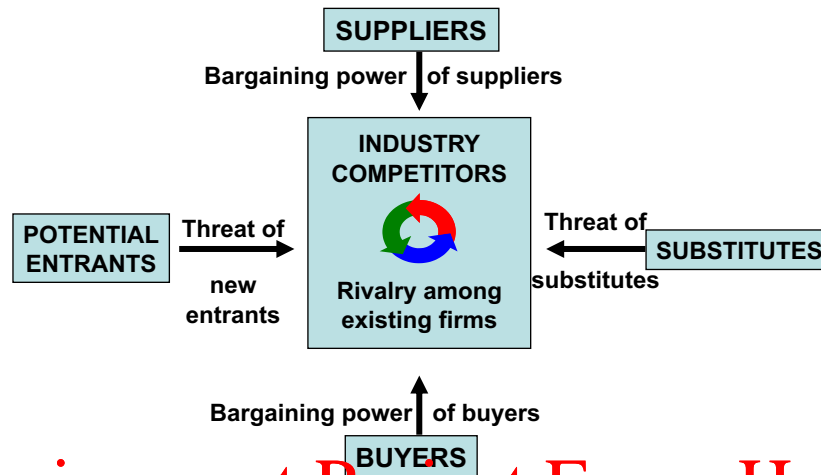


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Lecture 2: The Industry-Based View of International Business Strategy

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Five Forces Framework



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1. Rivalry among competitors

- Conditions that can *depress* industry profitability
 - A large number of competing firms (e.g. luxury vs mass market cars)
 - Rivals are similar in size, influence, and product offerings (e.g. airlines)
 - High-price, low-frequency purchases (e.g. "big tickets" vs "staple goods")
 - Capacity is added in large increments (e.g. semiconductor)
 - Industry slow growth or decline
 - High exit costs (e.g. airlines)

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2. Threat of potential entry

- Conditions that **lift up** entry barriers
 - Large scale-based advantages (economies of scale) (e.g. telecommunication)
 - large non-scale-based advantages (e.g. drug firms using patent)
 - Adequate product proliferation
 - Sufficient product differentiation
 - Fear of retaliation
 - Government policy banning or discouraging entry

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3. Bargaining power of suppliers

Bargaining power - The ability to **raise** prices and/or **reduce** the quality of goods and services.

- Conditions that **empower** suppliers
 - A small number of suppliers
 - Suppliers provide unique, differentiated products
 - Focal firm is not an important customer of suppliers
 - Suppliers are willing and able to vertically integrate forward

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4. Bargaining power of buyers

- Conditions that **empower** buyers
 - A small number of buyers
 - Products provide little cost savings or quality-of-life enhancement
 - Buyers purchase standard, undifferentiated products from focal firm
 - Buyers are willing and able to vertically integrate backward

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5. Threat of substitutes

Substitute are products or services from *outside* a given industry that perform *similar* functions.

- Conditions that **increase** the threat of substitutes
 - Substitutes are superior to existing products in quality and function
 - Switching costs to use substitutes are low

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Additional resources for an industry analysis based on the five forces model

- The [website](https://libguides.babson.edu/c.php?g=26453&p=161511) that provides a practical guide for Porter's Five Forces Research
<https://libguides.babson.edu/c.php?g=26453&p=161511>
 - Some criteria or references you can use to define an industry: 1, official industry classification. E.g. [North American Industry Classification System](#); [Australian and New Zealand Standard Industrial Classification](#) which is provided by [Australian Bureau of Statistics](#)
 - 2, Defined by industry itself, and reflected by the composition of industry association
 - 3, by equity analysts according to companies publically listed in stock markets
- Industry reports/profiles available in database e.g. Marketline Advantage or IBISWorld, both available through UoN library online

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Lecture 3: The Resource-Based View of International Business Strategy

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Tangible vs. intangible resources and capabilities**• Tangible**

- Resources and capabilities that are observable and easily quantified
- Broadly organized in three categories:
 - Financial
 - Physical
 - Technological

• Intangible

- Resources and capabilities not easily observed or difficult (or impossible) to quantify
- Examples include:
 - Human
 - Innovation
 - Reputation

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The VRIO Framework: Features of a Resource or Capability

VALUABLE?	RARE?	COSTLY TO IMITATE?	EXPLOITED BY ORGANIZATION?	COMPETITIVE IMPLICATIONS	FIRM PERFORMANCE
No	—	—	No	Competitive disadvantage	Below average
Yes	No	—	Yes	Competitive parity	Average
Yes	Yes	No	Yes	Temporary competitive advantage	Above average
Yes	Yes	Yes	Yes	Sustained competitive advantage	Persistently above average

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The VRIO Framework: Value

- Value = benefits – costs
- Only value-adding resources can lead to competitive advantage, whereas non-value-adding capabilities may lead to competitive disadvantage.
- 'Valuable' in a sense they enable a firm to implement its strategy

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The VRIO Framework: Rarity

- The Question of Rarity
 - Valuable *common* resources and capabilities can lead to competitive parity but no advantage.
 - Valuable *rare* resources and capabilities can provide, at best, temporary competitive advantage.
 - Resources and capabilities that add value in new areas needed to keep up with the competition (benchmarking).

Once competitors develop equal abilities, then no unique and distinctive capability remains on which to build a competitive advantage.

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The VRIO Framework: Imitability

- The Question of Imitability
 - Valuable and rare resources and capabilities are a source of sustained competitive advantage only if competitors have a difficult time imitating them
 - Imitation of tangible resources (such as plants, software, or trucking fleet) is easy.
 - Imitation of intangible resources (knowledge, managerial talents, and organizational culture) is much more difficult.
- Costly to Imitate
 - Capabilities that other firms cannot develop easily, usually due to:

Unique Historical Conditions

Causal Ambiguity

Social Complexity

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The VRIO Framework: Organization

- The Question of Organization
 - How is a firm organized to develop and leverage the full potential of its resources and capabilities?
 - Complementary assets

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GSBS6481 International Business Strategy
 Week 4: The Institution-Based View of International Business Strategy
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An Institutional Framework

- Formal and informal institutions govern individual and firm behavior
- Formal and informal institutions are supported

DEGREE OF FORMALITY	EXAMPLES	SUPPORTIVE PILLARS
Formal institutions	<ul style="list-style-type: none"> Laws Regulations Rules 	<ul style="list-style-type: none"> Regulatory (coercive)
Informal institutions	<ul style="list-style-type: none"> Norms Cultures Ethics 	<ul style="list-style-type: none"> Normative Cognitive

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Case study and discussion

- Use the article by Li & Hendrischke: Chinese Outbound Investment in Australia: From State Control to Entrepreneurship, available through the UoN library [link](#), as a reference and discuss the following questions

What are the main institutional drivers and inhibitors for Chinese investment in Australia?

More specifically, what are the major formal and informal institutional factors, both China and Australia, affecting Chinese investment in Australia?

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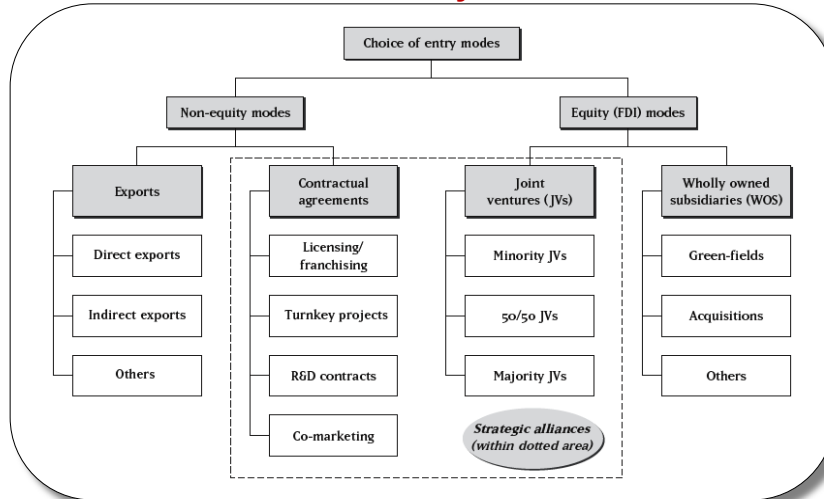
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Lecture 5: Foreign Market Entry

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How to enter: The choice of entry modes

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Exporting and Importing

- Often the only available choices for small and new firms wanting to go international
- Provide an avenue for larger firms that want to begin their international expansion with a minimum of investment
- Exporting and importing can provide easy access to overseas markets
- Subject to trade barriers and protectionism

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Exporting and Importing

Licensing

- An agreement that allows one party to use an industrial property right in exchange for payment to the other party
- By licensing to a firm already there, the licensee may avoid entry costs
- Licensor usually may be a small firm that lacks financial and managerial resources
- Companies that spend a relatively large share of their revenues on research and development (R&D) are likely to be licensors

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Exporting and Importing

Licensing

Franchising

- Business arrangement under which one party (the franchisor) allows another (the franchisee) to operate an enterprise using its trademark, logo, product line, and methods of operation in return for a fee
- Widely used in the fast-food and hotel/motel industries
- With minor adjustments for the local market, it can result in a highly profitable international business

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<div>Exporting and Importing</div> <div>Licensing</div> <div>Franchising</div> <div>Alliances & JVs</div>	<ul style="list-style-type: none"> – Alliance <p>Any type of cooperative relationship among different firms.</p> <p>Global Strategic Alliance (GSA): <u>Voluntary</u> agreements between two or more firms from different countries who pursue exchange, sharing, or co-developing of products, technologies, or services.</p> <p>As globalization increases, strategic alliances and networks have proliferated globally.</p> <ul style="list-style-type: none"> – International joint venture (IJV) <p>An agreement under which two or more partners from different countries <u>own or control</u> a business</p> <ul style="list-style-type: none"> – Advantages <p>Improvement of efficiency</p> <p>Access to knowledge, Political factors</p>
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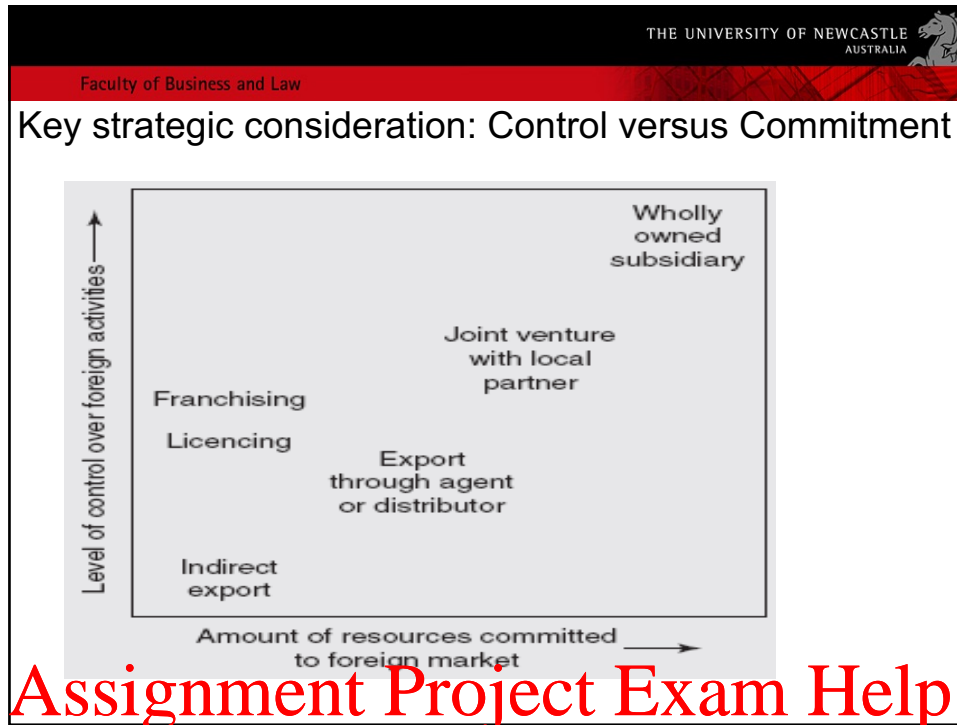
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<div>Exporting and Importing</div> <div>Licensing</div> <div>Franchising</div> <div>Alliances & JVs</div> <div>Wholly owned subsidiary</div>	<ul style="list-style-type: none"> – An overseas operation that is totally owned and controlled by an MNC – MNC's desire for total control and belief that managerial efficiency is better without outside partners – Types: Merger & Acquisition (M&A), Greenfield operation etc.
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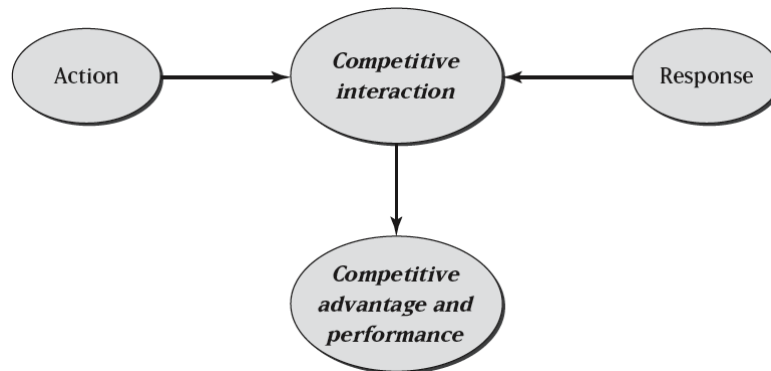
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Lecture 6: Competition Dynamics in International Business Strategy

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Strategy as actions

Source: C. M. Grimm & K. G. Smith, 1997, *Strategy as Action: Industry Rivalry and Coordination* (p. 62), Cincinnati: Thomson South-Western.

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Competitive interactions

- Competitive dynamics – actions and responses undertaken by competing firms
- Competitive dynamics involve not only attack/counter attack, but also cooperation in the among firms
- Attack
 - an initial set of actions to gain competitive advantage
- Counterattack
 - a set of actions in response to attack

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Competitive Dynamics (cont'd)

- Signaling

Firms may enter new markets, not necessarily to challenge incumbents but to seek mutual forbearance by establishing multimarket contact

Firms can send an open signal for a truce

Firms can send a signal to rivals by enlisting the help of governments

Firms can organize strategic alliances with rivals for cost reduction

- Collusion – collective attempts between competing firms to reduce competition

–tacit collusion – firms indirectly coordinate actions by signaling their intention to reduce output and maintain pricing above competitive levels

–explicit collusion – firms directly negotiate output and pricing and divide markets

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Lecture 7: Diversifying and Restructuring

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Product diversification

- Product-related diversification
 - Enter into new product markets and / or business activities that are related to a firm's existing markets and /or activities
 - Common technologies, marketing and manufacturing
- Product-unrelated diversification
 - no obvious product-related connections
 - those firms are also called conglomerates

Examples?
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Benefits and costs of product diversification

- Benefits?
 - ..of Product-related diversification?
 - Economies of scale – derived from operational synergy
 - ..of the Product-Unrelated diversification?
 - Economies of scope – derived from financial synergy
- Costs?
- Diversification premium and diversification discount

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Lecture 8: Organization of MNCs

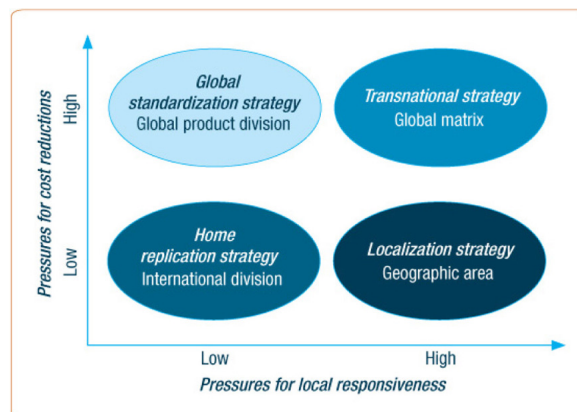
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The Integration–Responsiveness Framework: Four Strategic Choices



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Student group presentations: Examples of MNCs organization structures

- A brief introduction of the company, its main businesses and the international coverage
- An introduction of the organizational structure as illustrated by an organizational chart (i.e. how the main businesses of the multinational company are organised internationally)
- Any additional remarks, e.g. reasons why the company set up such a structure, any changes in its structure in the past, and whether you think the structure fits its international business strategy

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Week 11: Corporate Social Responsibility of MNEs and Governing
Global Corporations and

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A Stakeholder View of the Firm

- A stakeholder is “any group or individual who can affect or is affected by the achievement of the organization’s objectives”
- Primary and secondary stakeholder groups
 - Primary stakeholder groups are those on whom the firm relies for survival and prosperity
 - Secondary stakeholder groups are defined as “those who influence or affect, or are influenced or affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival”
- CSR advocates argue that all stakeholders have an equal right to bargain for a ‘fair deal’

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MNEs’ CSR activities - Student presentations

- Every student please download and discuss a recent Corporate Social Responsibility report (or sustainability report) of a multinational company
- Each student please have a brief presentation introducing the report you have examined
- Please consider the following in your presentation:
 - What are the main businesses of the company;
 - What are the main areas covered in the report;
 - What are the main highlights in the report - In your view, is the information included in the report credible and does it reflect a genuine effort of the company in CSR?

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Best of luck in the final exam.

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