

Current-event

- Find TWO articles in 2000-2020. One is good action and one is bad action.
- The firm cannot be the same as your group project company. The action cannot be discussed in the classes already (e.g. examples that instructor used for teaching)
- Topics can be: internal analysis (firm capabilities), cost leadership strategy, differentiation strategy, strategy process, corporate governance (e.g. CEO, board), entrepreneurship, innovation, outsourcing, diversification, alliance, merger or acquisition, international strategy, corporate social responsibility.

Current-event

- In each action, please describe the example in the first paragraph and then give YOUR own analysis using the content of lectures (not repeating the analysis from the article).
- Example file “Action-100000.doc” is in blackboard/course content.
- Each action is a one-page limit with 12 points of the text and one-inch margins. One-page limit for each article/action and the total is two-page limit for two articles/actions.

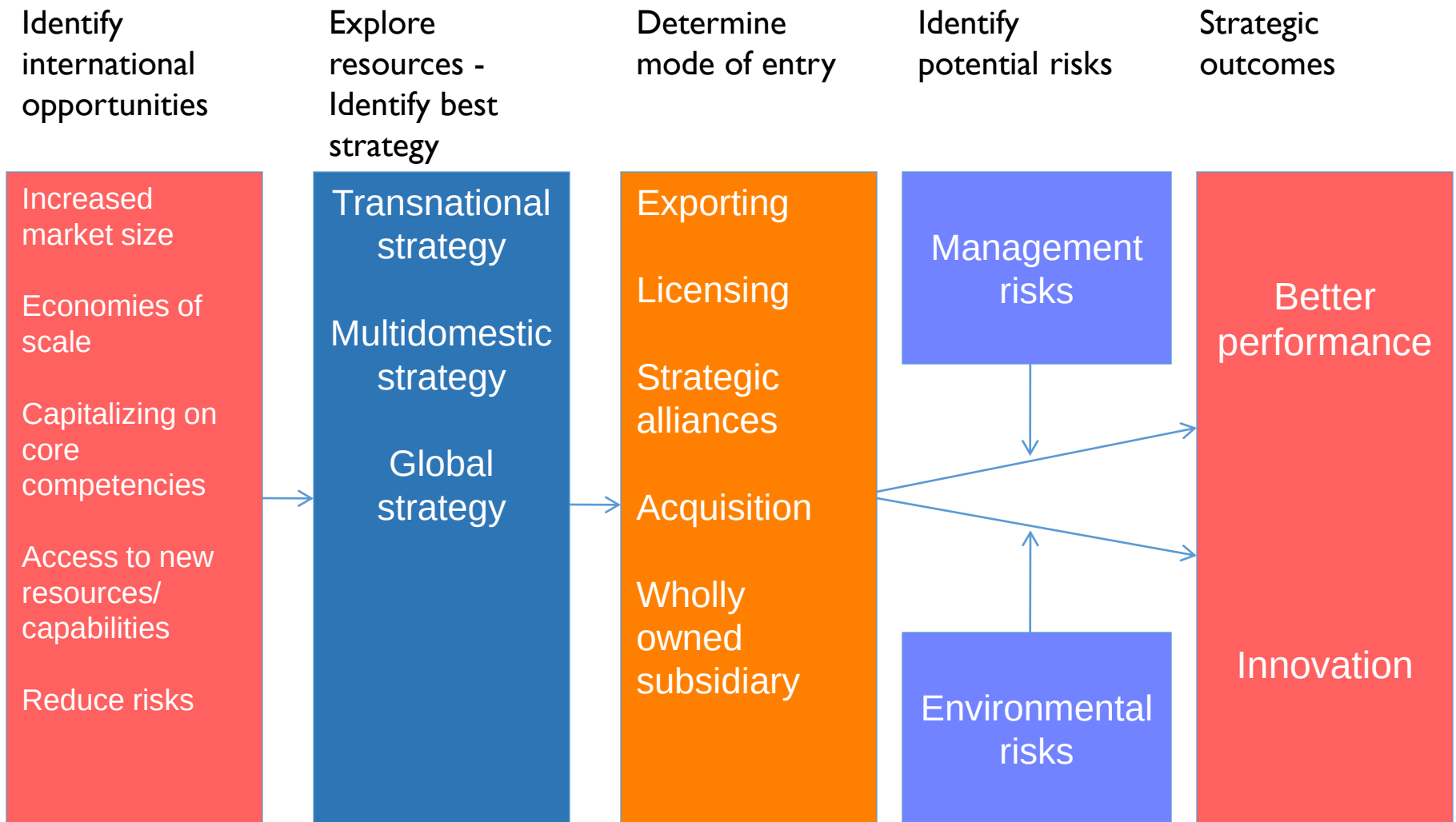
Current-event

- Grades **(changed!)**:
 - (1) correctly name your files (2 points): “Action-ID#.doc”, e.g. “Action-100000.doc”. Either pdf or doc is ok.
 - (2) fill in the excel (2 points): to ensure no duplications
<https://docs.google.com/spreadsheets/d/1zldxf6EXLf2D0GpKmh6KFdvTXkhe0nPsMCpYb67RsOQ/edit?usp=sharing>
 - (3) a clear illustration of two firm actions (6 points)
 - (4) a clear analysis of the good action (5 points)
 - (5) a clear analysis of the bad action (5 points)
- Submission (due 5 pm on 11/12. I will check on 5 pm 11/05 for a quick look):
<https://rice.app.box.com/f/5c14635c896c4498b862e331a486348d>

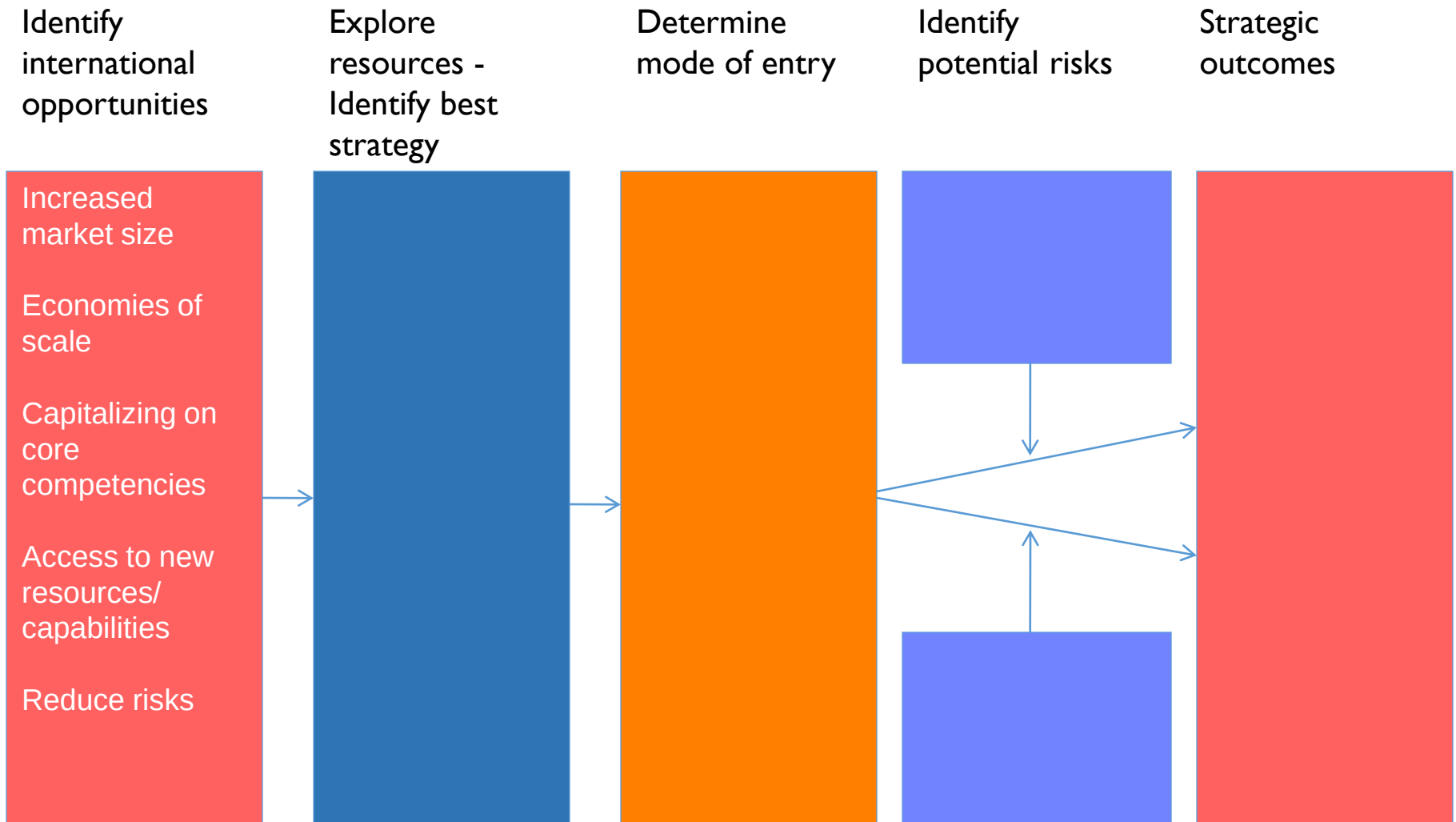
International strategy

- Focal firm in the same country
- Focal firm in different countries (this class)

Opportunities and Outcomes of International Strategy



Opportunities and Outcomes of International Strategy



Identifying International Opportunities: Incentives to Use an International Strategy

I. Increase Market Size

- Access to new customers
- Pursue long-term growth
- When the home market is mature and saturated

Identifying International Opportunities: Incentives to Use an International Strategy

2. Economies of Scale

- Expanding size or scope of markets helps to achieve economies of scale in manufacturing as well as marketing, R&D, or distribution
- Costs are spread over a larger sales base
- Profit per unit is increased

Identifying International Opportunities: Incentives to Use an International Strategy

3. Capitalizing on Core Competencies

- Leverage competencies and capabilities into a position of competitive advantage in foreign markets
- Weak patent protection in some countries implies that firms should expand overseas rapidly in order to preempt imitators

iPhone vs. Hi-Phone



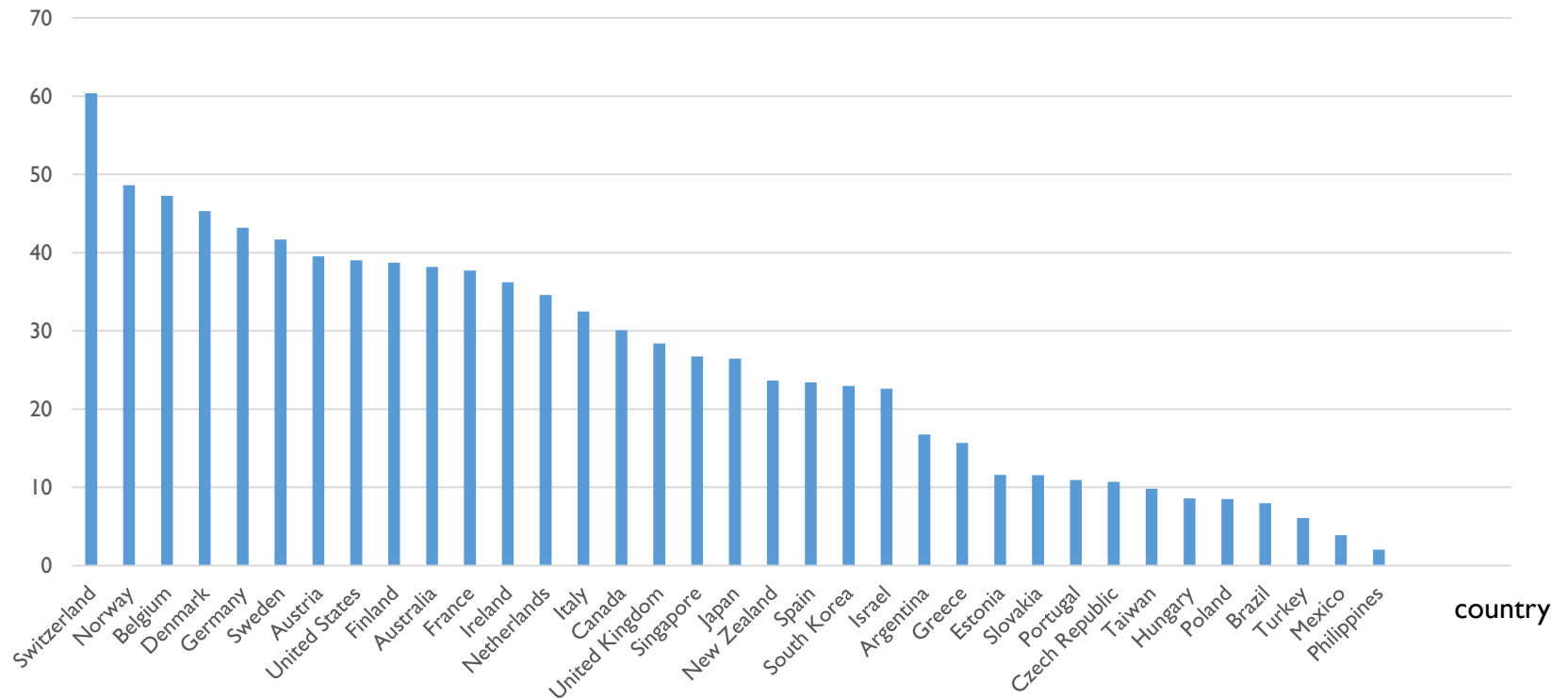
Identifying International Opportunities: Incentives to Use an International Strategy

4. Access to Resources and Capabilities

- Low-cost labor
- Distribution networks
- Natural resources
- Specialized technical knowledge

in US dollars

Hourly Compensation Costs in Manufacturing in 2016



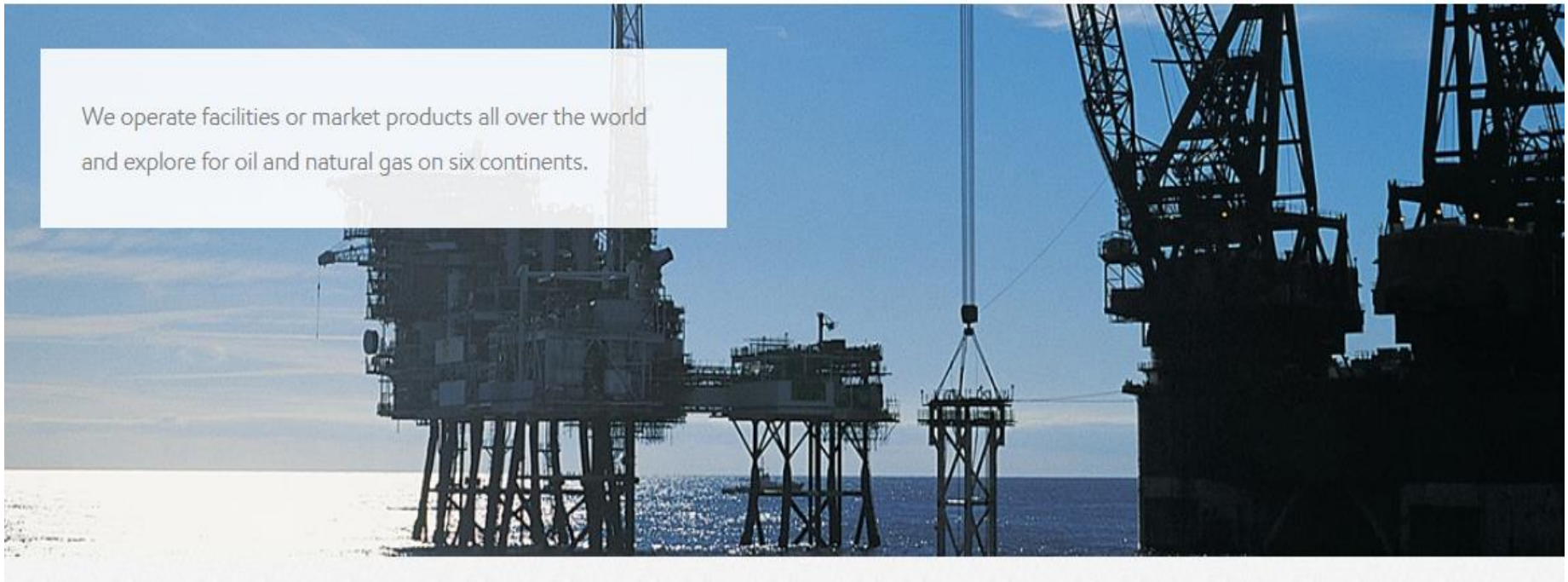
Notes:

1. Compensation costs include direct pay, social insurance expenditures, and labor-related taxes.
2. Source: The Conference Board, International Labor Comparisons program, February 2018

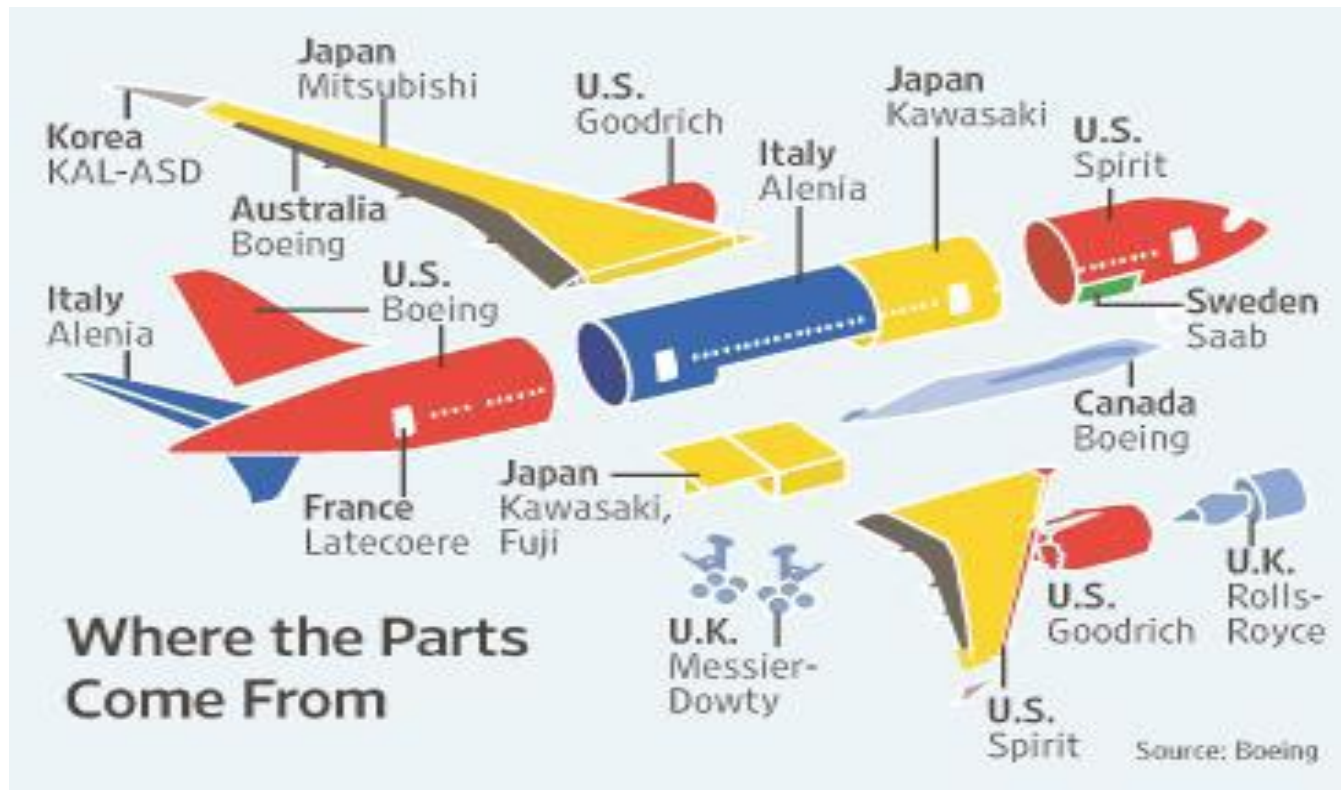
ExxonMobil

Worldwide operations › Locations

We operate facilities or market products all over the world and explore for oil and natural gas on six continents.



Boeing Dreamliner – International Value Chain in Action

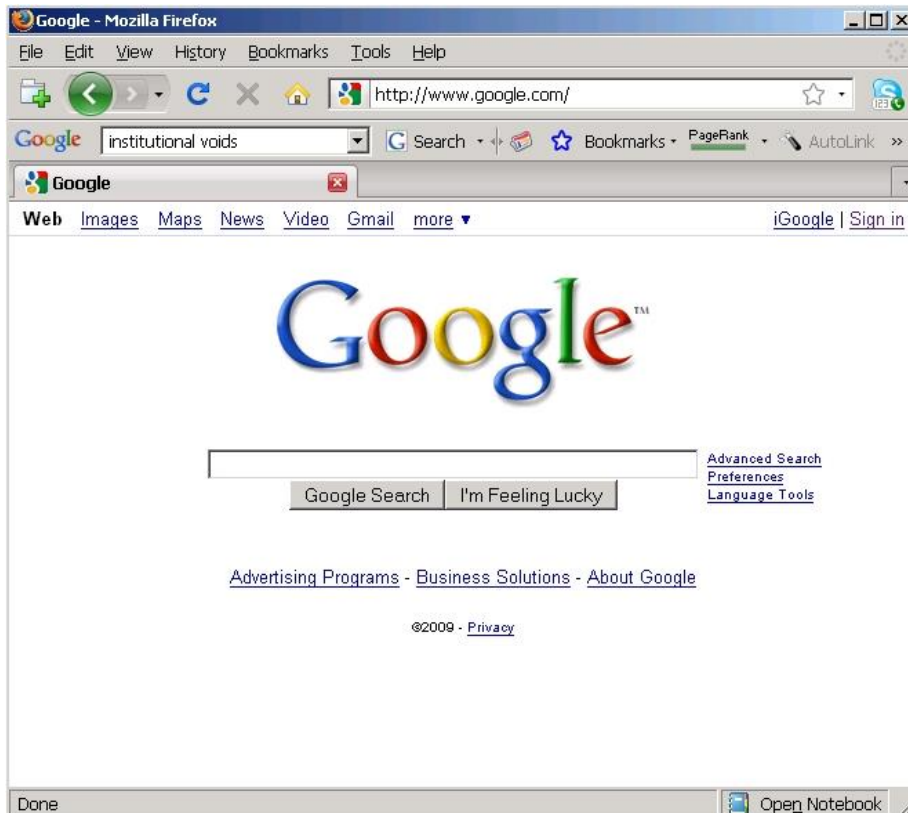


Identifying International Opportunities: Incentives to Use an International Strategy

5. Spread Business Risk

- Currency
- Political risks
- Economic depression
- War

Google vs. Baidu



However, barriers of entry

Why does Starbucks go international?

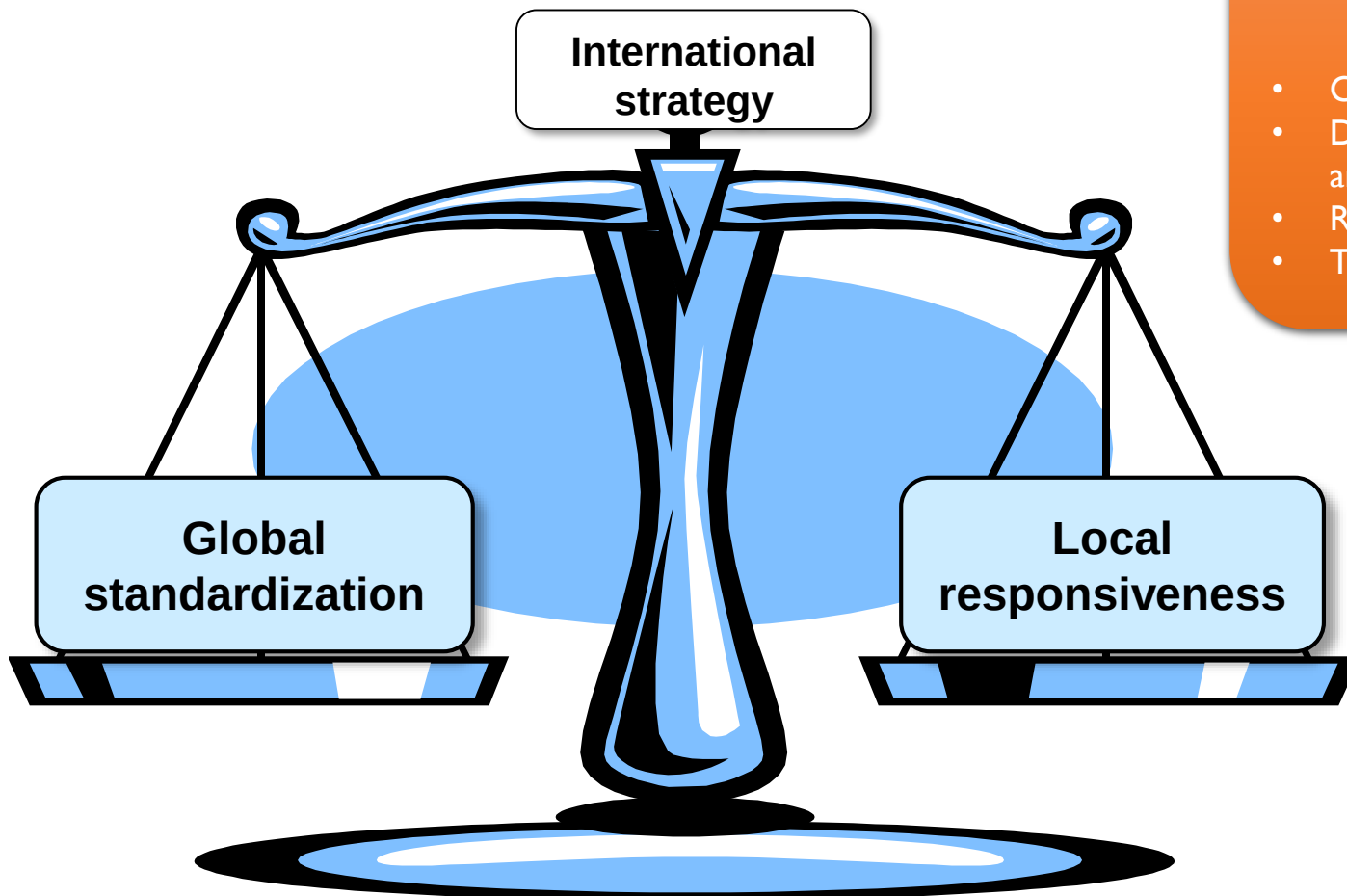
- Increased market size
- Saturated domestic market
- Growing demand for specialty coffee

Why is its internationalization slowed? (2007-2009)

- Intense competition
- Rising coffee bean price
- Global economic recession

Different Strategic Approaches for Competing Globally

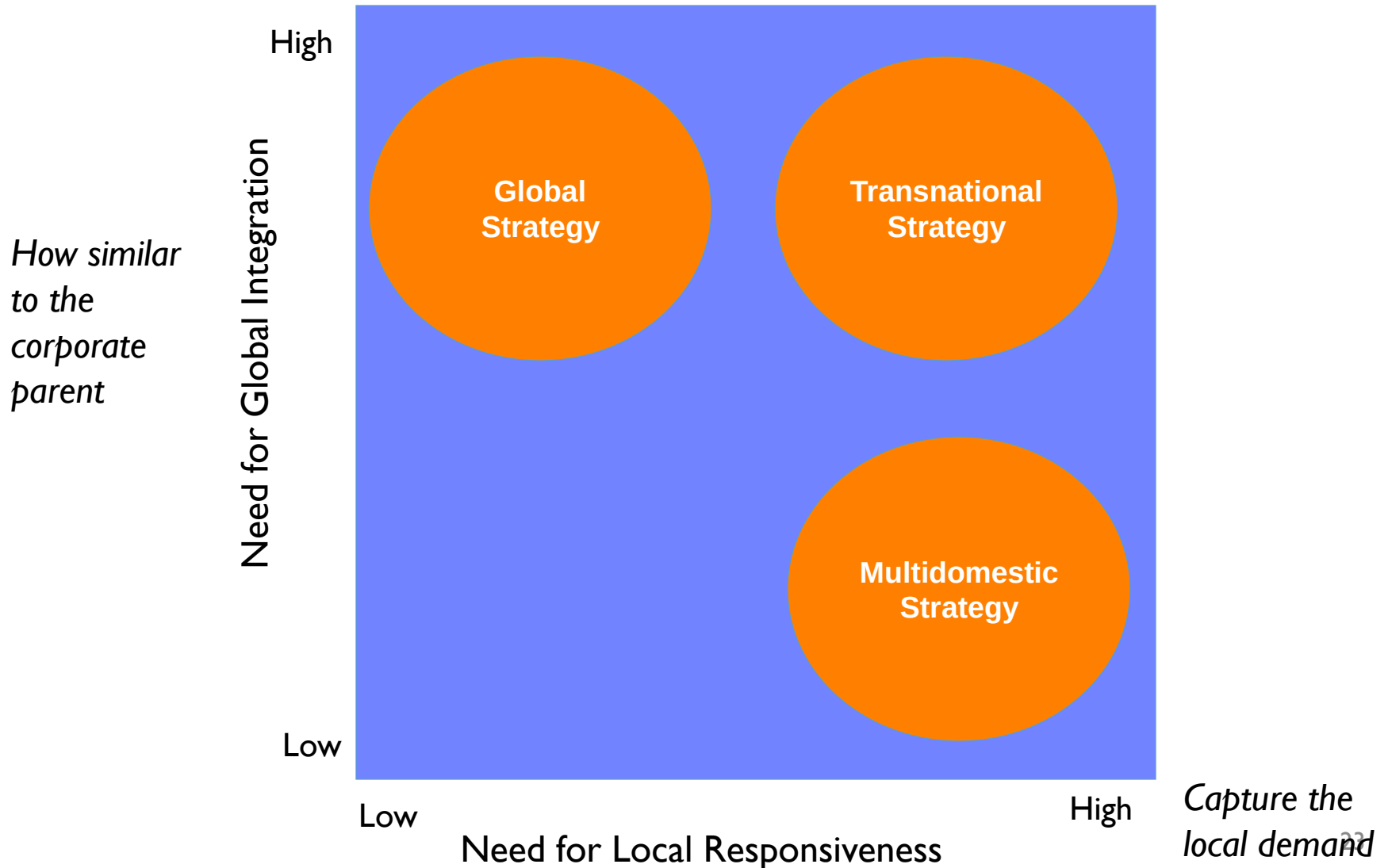
International strategy: strategy for competing in two or more countries simultaneously



Country-to-country
difference

- Customer preferences
- Distribution channels and marketing methods
- Regulations
- Trade restrictions

International Corporate-Level Strategies



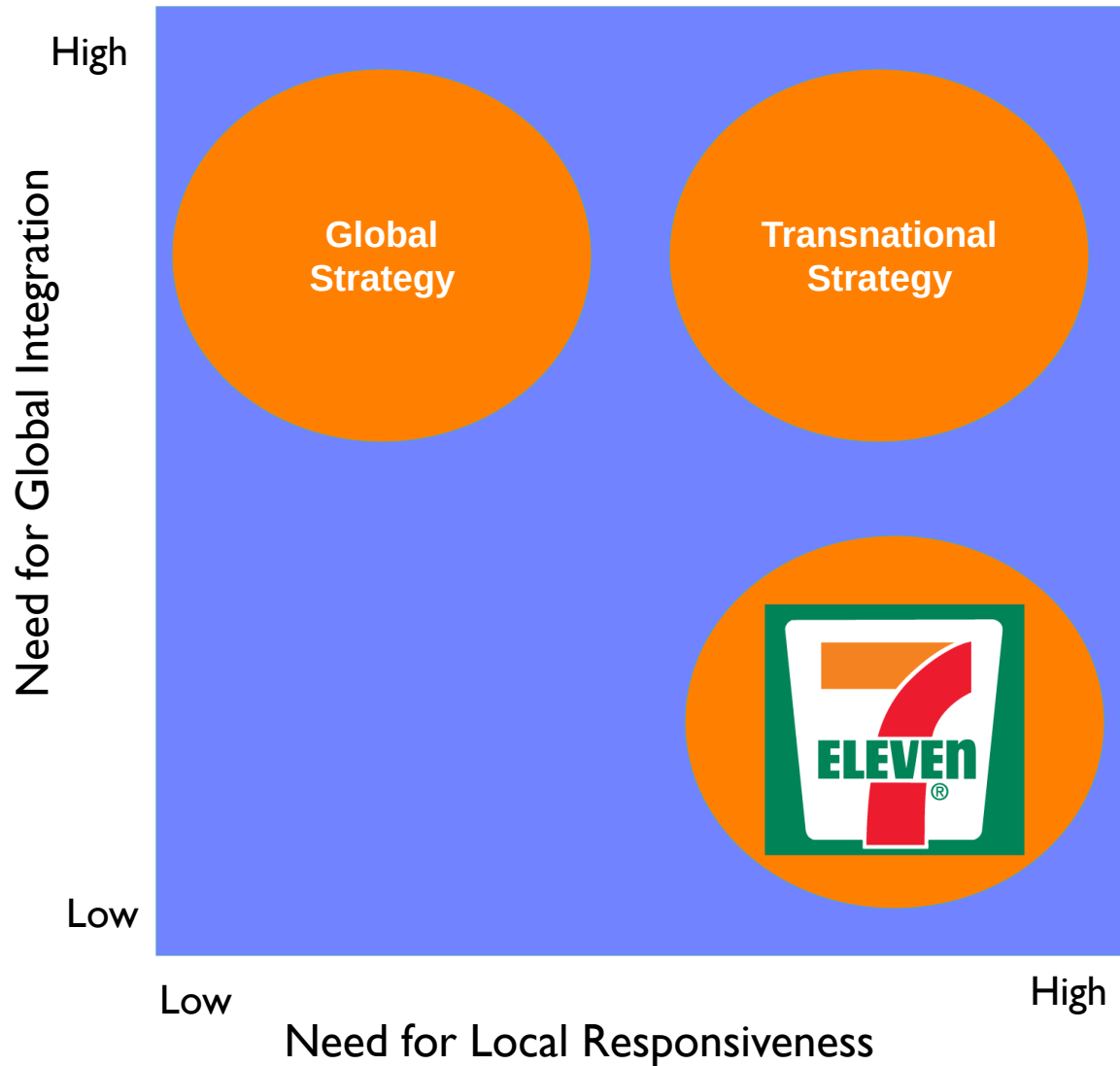
Multidomestic Strategies

- Decentralized strategic & operating decisions by strategic business-unit (SBU) in each country allow units to tailor products to local markets
- Focuses on variations of competition within each country
- Customized products to meet local customers' specific needs and preferences
- Decision-making power and authority is with local subsidiaries

Multidomestic

- Advantages
 - High local responsiveness due to customized product offerings
- Disadvantages
 - Failure to transfer distinctive competencies
 - Inability to realize location economies
 - Inability to exploit experience curve effects

International Corporate-Level Strategies



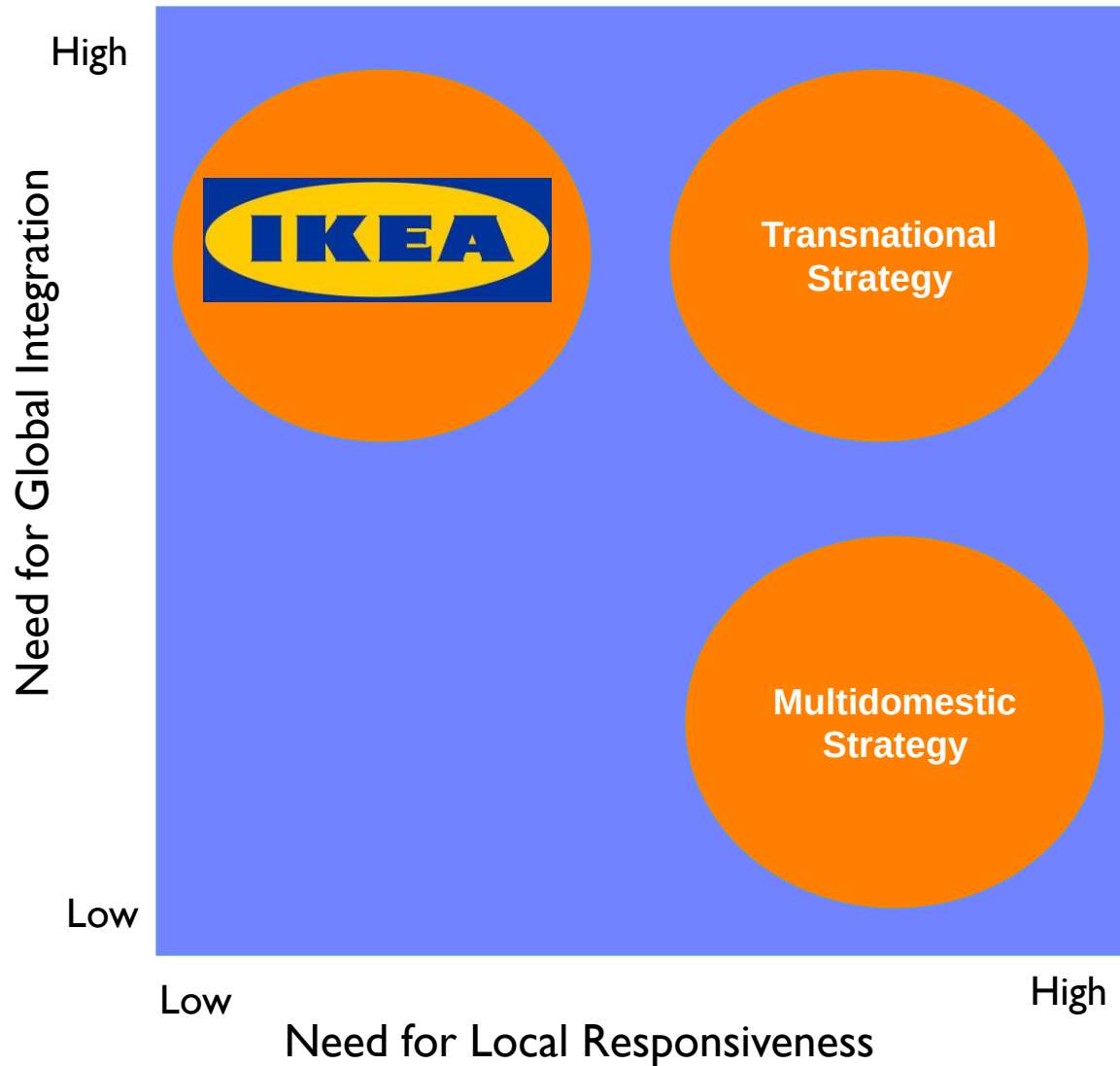
Global Strategies

- Firm offers standardized products across country markets, with the competitive strategy being dictated by the home office
- Emphasizes economies of scale
- Strategic & operating decisions centralized at home office
- Home office attempts to achieve integration across SBUs, adding management complexity

Global

- Advantages
 - Ability to exploit experience curve economies
 - Ability to exploit location economies
- Disadvantages
 - lack of local responsiveness

International Corporate-Level Strategies



Ikea's Global Strategy

KITCHEN ISLANDS AND CARTS

Hello, bigger kitchen

More countertop space, more storage space – who couldn't use a little more of both? Our selection of kitchen islands and carts can give you the extra space you need without the expense of a remodel. Choose one with wheels for a mobile solution you can roll anywhere you need it.



RASKOG
Utility cart

\$29.99



BYGEL Carrito

€ 24,99/ud



HEMOS
BAJADO
EL PRECIO

RASKOG Carrito
€ 39,99/ud
~~€ 49,99/ud~~



RASKOG Utility cart
\$29.99



RASKOG Utility cart
\$29.99



RASKOG Utility cart
\$29.99



BYGEL Utility cart
\$29.99



HEMOS
BAJADO
EL PRECIO

RASKOG Carrito
€ 39,99/ud
~~€ 49,99/ud~~



HEMOS
BAJADO
EL PRECIO

RASKOG Carrito
€ 39,99/ud
~~€ 49,99/ud~~



BEKVÅM Carrito
€ 39,99/ud



RISATORP Carrito
€ 59,99/ud

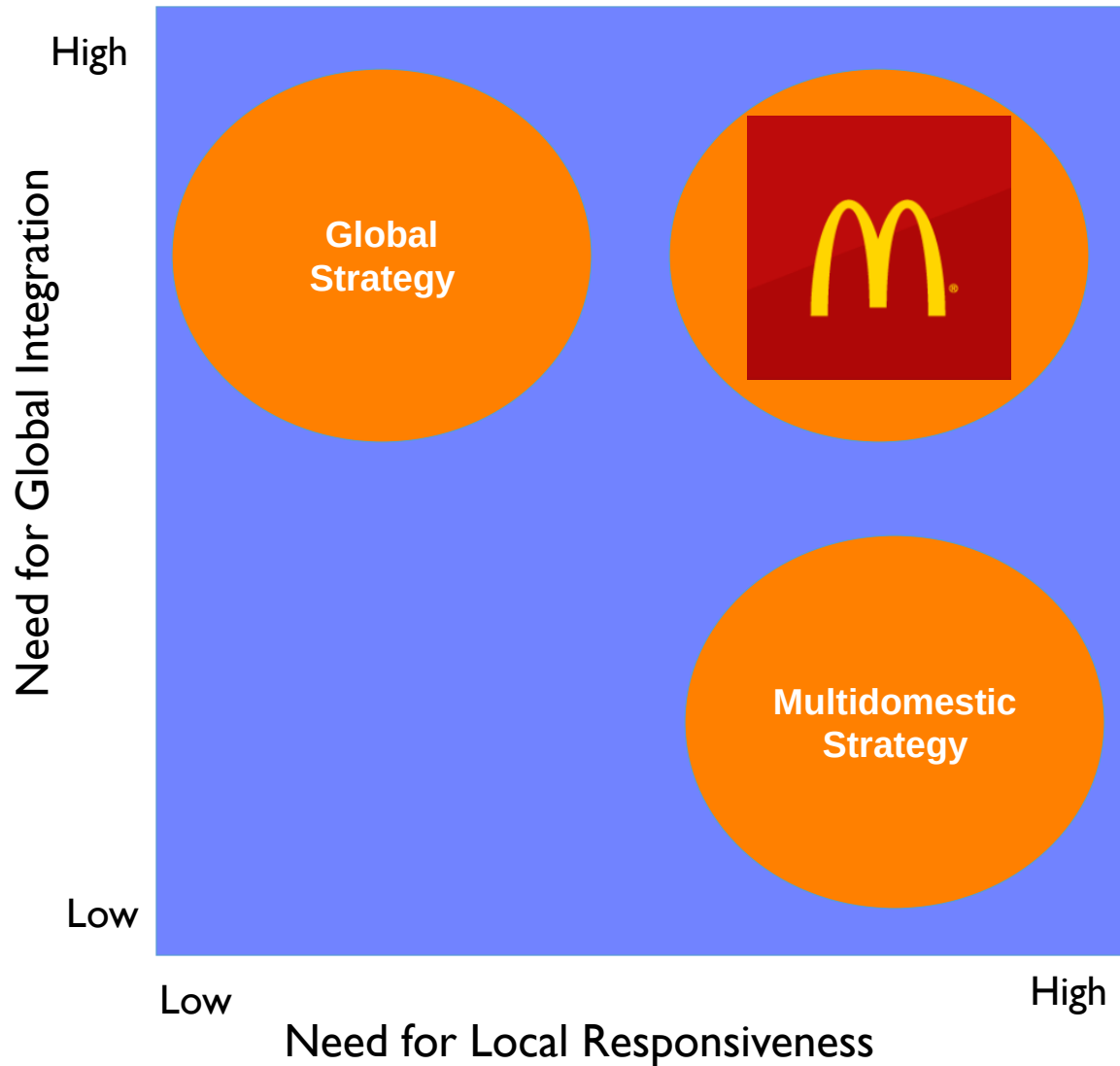
Transnational Strategies

- Firm seeks to achieve both global efficiency and local responsiveness – these are competing goals!
- Requires both global coordination and local flexibility with this strategy/structure combination
- Challenging, but becoming increasingly necessary to compete in international markets
- Growing number of global competitors heightens need to keep costs down while greater information flow and desire for specialized products pressures firms to differentiate and even customize products

Transnational

- Advantages
 - Ability to exploit location economies
 - Ability to customize local offerings
- Disadvantages
 - Difficulty in implementation because of organizational problems

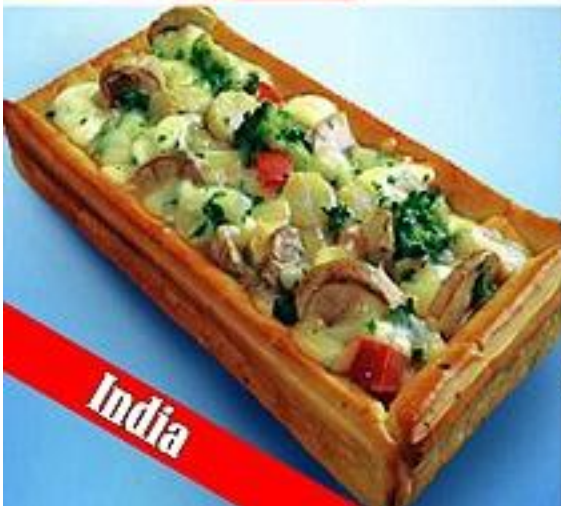
International Corporate-Level Strategies



McDonald's Transnational Strategy



McDonald's Transnational Strategy



What is the strategy of Starbucks?

- Transnational

Logo Evolution



Starbucks: The Logo in Saudi Arabia



Starbucks: Chinese new year



Which entry mode should the company use?

International Entry Modes

- Exporting
- Licensing
- Strategic Alliances
- Acquisitions
- New Wholly-Owned Subsidiary

I. Exporting

- Involves low expense to establish operations in host country
- Often involves contractual agreements
- Involves high transportation costs
- May have some tariffs imposed

2. Licensing

- Involves low cost to expand internationally
- Allows licensee to absorb risks
- Has low control over manufacturing and marketing
- Offers lower potential returns (shared with licensee)
- Involves risk of licensee imitating technology and product for own use
- May have inflexible ownership arrangement

3. Strategic Alliances

- Involve shared risks and resources
- Facilitate development of core competencies
- Involve fewer resources and costs required for entry
- May involve possible incompatibility, conflict, or lack of trust with partner
- Can be difficult to manage

4.Acquisitions

- Allow for quick access to market
- Involve possible integration difficulties
- Are costly
- Have complex negotiations and transaction requirements

5. New Wholly-Owned Subsidiary

- Greenfield venture: Establish entirely new subsidiary
- Is costly
- Involves complex processes
- Allows for maximum control
- Has the highest potential returns
- Carries high risk

International Entry Modes

- Export, licensing: good tactics for early market development
- Strategic alliance: used in more uncertain situations
- Wholly-owned subsidiary may be preferred if
 - IP rights in emerging economy not well protected
 - Need for global integration is high
- Acquisitions: secure a stronger presence in international markets

International Entry Modes

Exporting

High cost, low control

Licensing

Low cost, low risk, little control, low returns

Strategic alliances

Shared costs, shared resources, shared risks, problems of integration

Acquisition

Quick access to new market, high cost, complex negotiations, problems of merging with domestic operations

New wholly owned subsidiary

Complex, often costly, time consuming, high risk, maximum control, potential above-average returns

Entry Modes

Country/Region	Licensing	Joint Venture	MA
UK			Acquired Seattle Coffee Co. (2003)
Japan		With Sazaby League (1995)	
Middle East	M.H. Alshaya Co. (1999)		

What are the risks associated with internationalization?

Environmental Risks

- Government instability
- Government regulations
- Government corruption
- Changes in government policies
- Local competitors
- Conflict or war

Management Risks

- Geographic dispersion
- Relationship between organization and host country
- Costs of coordination
- Cultural diversity

Hofstede's dimensions of national culture

1. Power Distance
2. Individualism vs. Collectivism
3. Masculinity vs. Femininity
4. Uncertainty Avoidance
5. Long Term Orientation vs. Short Term Orientation
6. Indulgence vs. Restraint

Indulgence is defined as "a society that allows relatively free gratification of basic and natural human desires related to enjoying life and having fun"

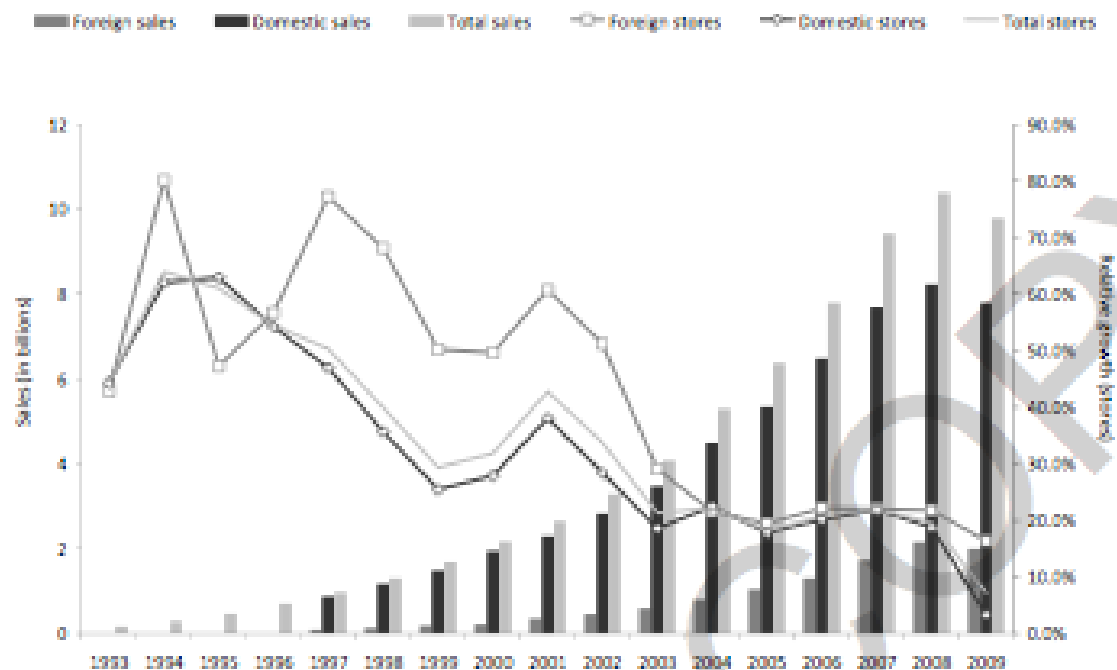


Sources: <http://geert-hofstede.com>; <https://www.hofstede-insights.com/country-comparison/the-usa/>

Pace of Internationalization: relative growth of # foreign stores

Exhibit 9

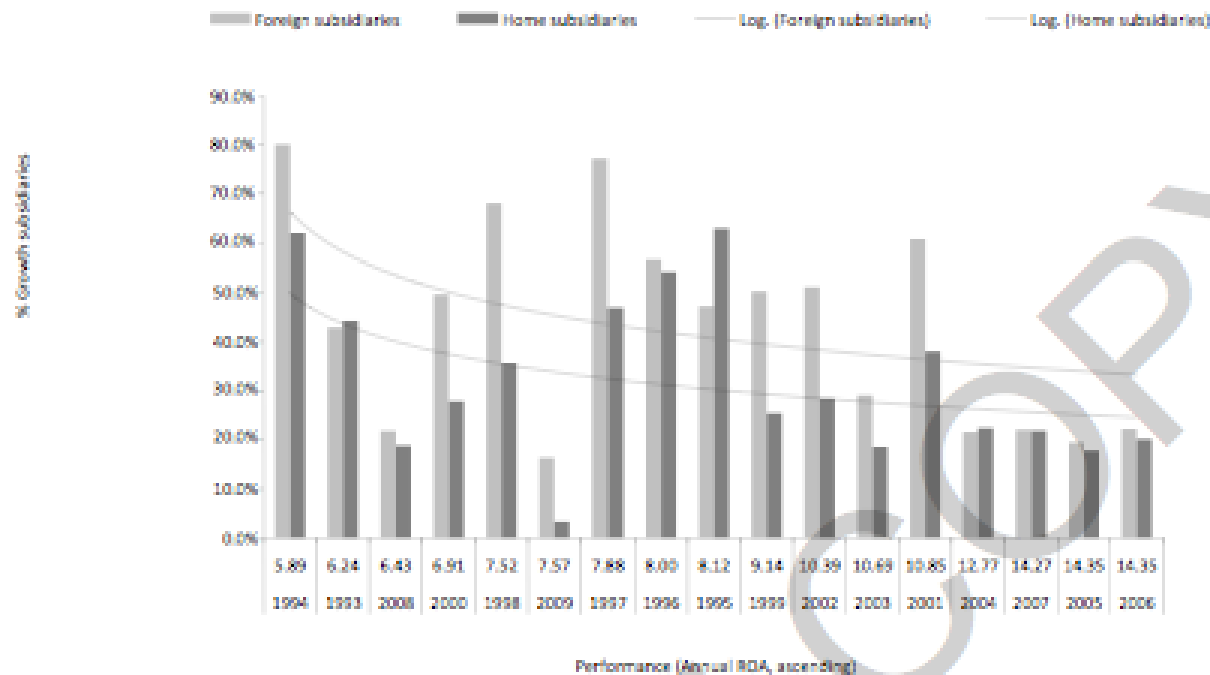
STARBUCKS' REVENUE VERSUS RELATIVE STORE GROWTH



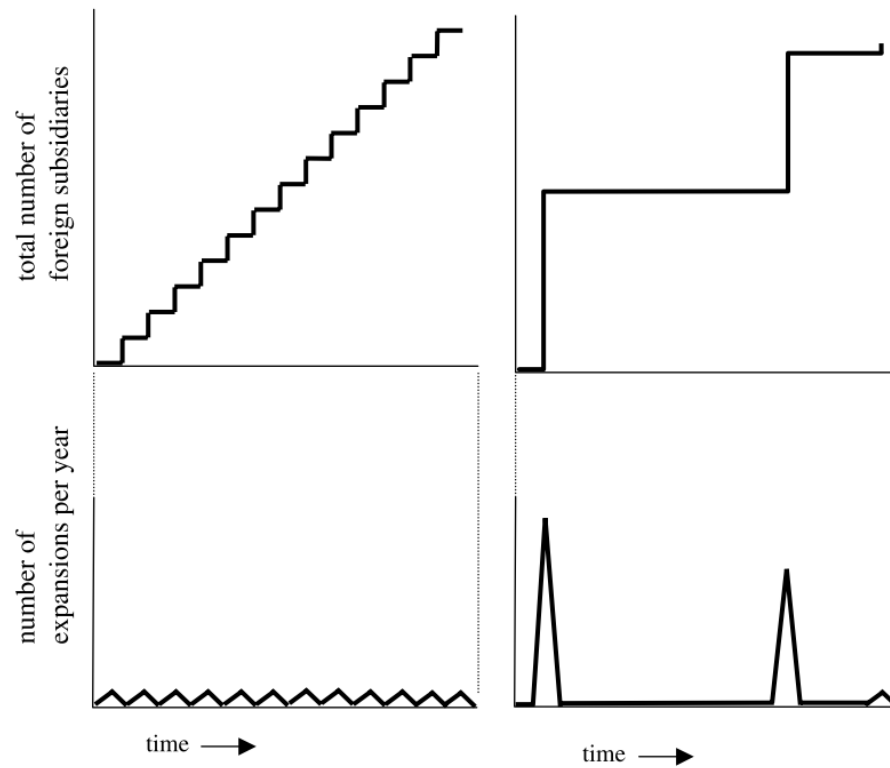
Pace of Internationalization

Exhibit 11

PACE OF STARBUCKS' INTERNATIONALIZATION



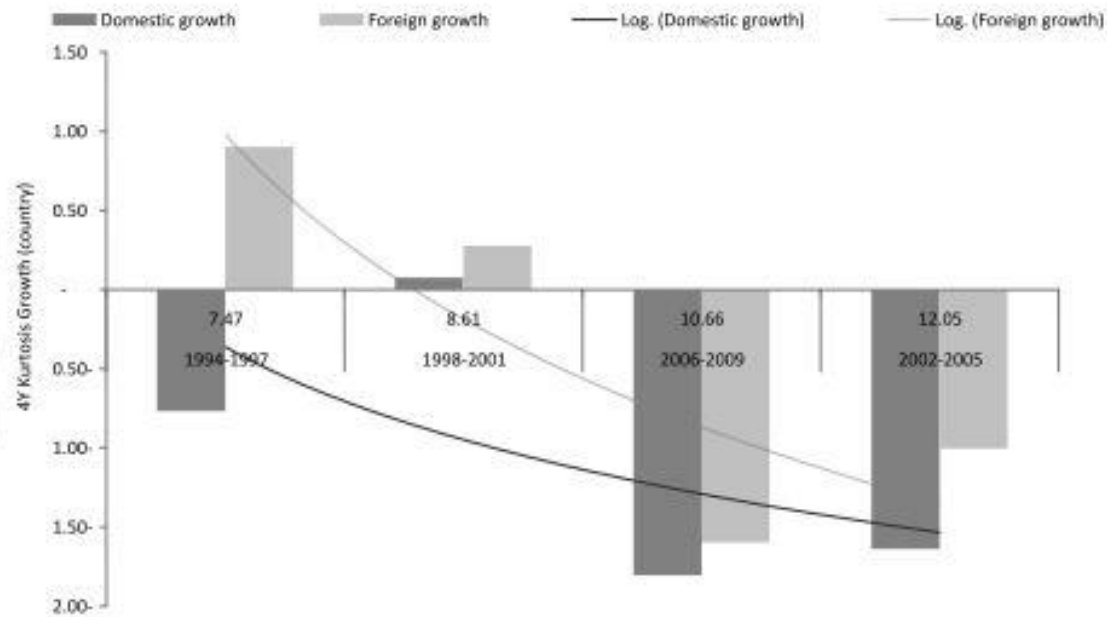
Rhythm of Internationalization: regular pace across years



Rhythm of Internationalization

Exhibit 12

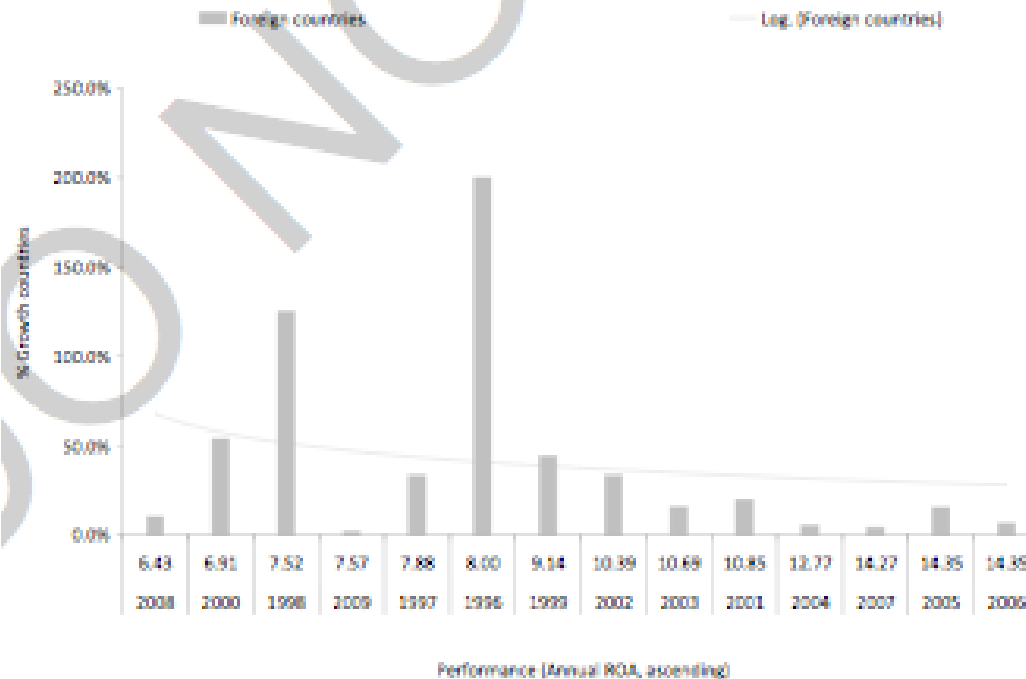
RHYTHM OF STARBUCKS' INTERNATIONALIZATION



Scope of Internationalization: relative growth of # foreign countries

Exhibit 14

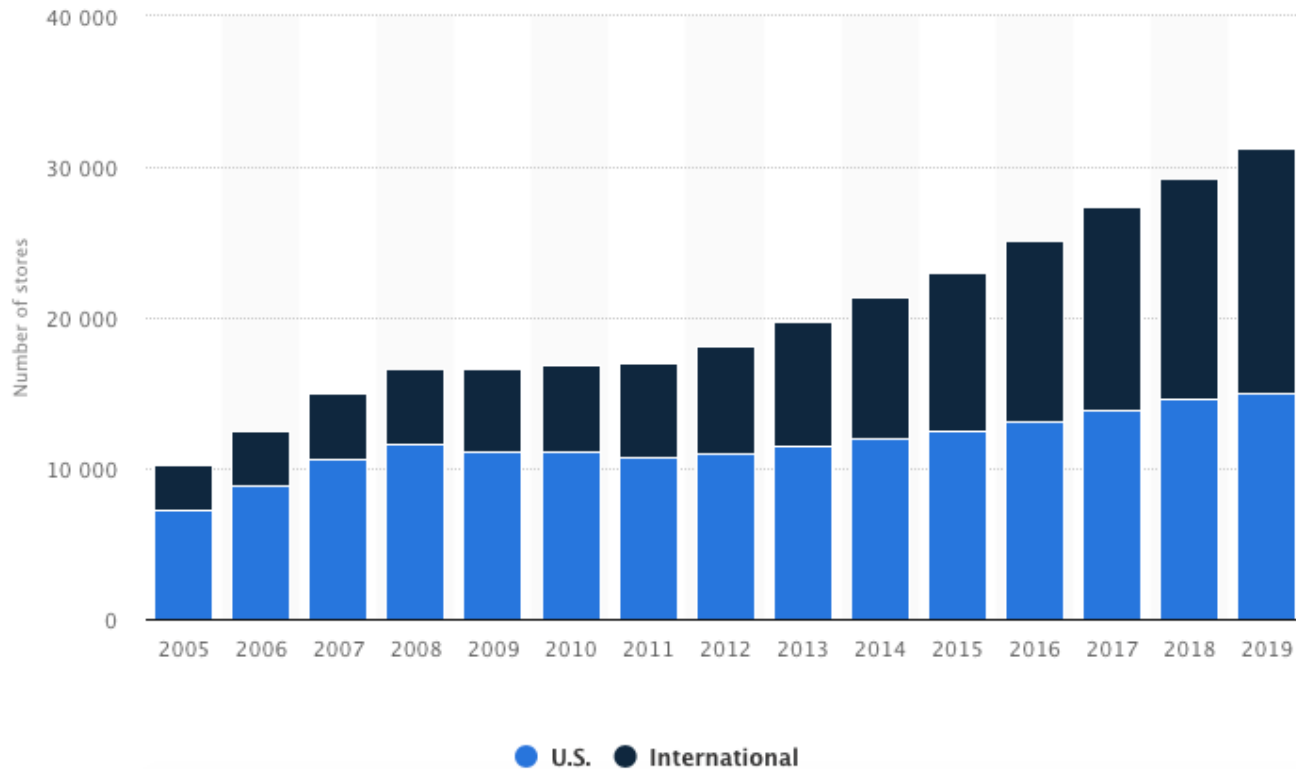
SCOPE OF STARBUCKS' INTERNATIONALIZATION (1996–2009)



Starbucks CEO

- 1986-2000: Howard Schultz (founder)
- 2001-2005: Orin Smith
- 2006-2008: Jim Donald
- 2008-2017: Howard Schultz

Number of Starbucks stores worldwide from 2005 to 2019,



Next class

- I will check the current event write-up on 5 pm 11/05 for an early look.
- We will have 4th (final) pop quiz.
- I will have a quick introduction of CSR.
- I will have a final review for the final exam.
- I will talk about the final presentation.