

MNGT-E2009

International Strategy

Session 1 – Introduction to the course



Aalto University
School of Business

Perttu Kähäri

Linyu Liu

Dominic Savolainen

September 6, 2022

Agenda

- **Introduction and course practicalities**
 - Learning outcomes and structure of the course
 - Course practicalities
 - Assignments, assessment and grading
- **Introduction to international business and trade**
 - What is international business? Why internationalize?
- **Internationalization process and strategies**

Who are we?



Perttu Kähäri

- Professor of Practice in International Business
- Executive, Academic and Start-up Entrepreneur



Linyu Liu

- Doctoral candidate of International Business at Aalto University
- Study experience in both Asian and European countries (i.e., China, Germany, Norway, and Sweden)



Dominic Savolainen

- MSc Economics graduate from the University of Helsinki
- Research experience from the Finnish National Defence University
- Work and study experience from the UK

The IB Unit

Department of Management Studies

We focus on developing strategic and managerial capabilities needed to succeed in an increasingly complex and culturally diverse global environment. We educate strategic leaders with a strong ethical mindset for contemporary global business environments.

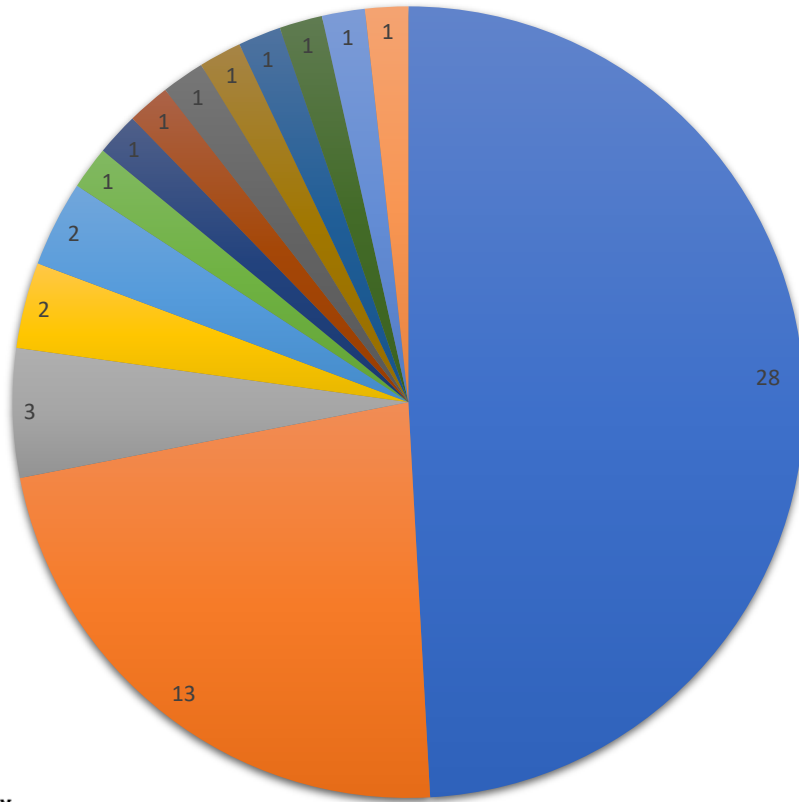
**Advancing
knowledge**

**Critical
scholarship**

**Societal
impact**



Who are you?



- Exchange Studies
- Master's Programme in Management and International Business
- Master's Programme in Strategic Management in a Changing World
- Master's Programme in International Design Business Management
- Master's Programme in Information and Service Management
- Master's Programme in Accounting
- Master's Programme in Entrepreneurship and Innovation Management
- Master's Programme in Creative Sustainability
- Master's Programme in Collaborative and Industrial Design
- Master's Programme in Global Management
- Open University
- Master's Programme in Economics

**Let's test your international
knowledge!**

Question 1

Which 3 companies are on the top of Fortune Global 500 of 2022?

Question 2

International logistics rely on container ports. Out of the Top 10 container ports seven are in China. Where are the other three?

Question 3

Where are the 3 oldest universities (in continuous operation) in the world? And where is the oldest continuously operating institution of higher learning in the world?

Question 1

Which 3 companies are on the top of Fortune Global 500 of 2022?

- Walmart , USA
- Amazon, USA
- State Grid, China

Question 2

International logistics rely on container ports. Out of the Top 10 container ports seven are in China. Where are the other three?

- Singapore #2
- Busan, South Korea #6
- Rotterdam, the Netherlands #10

Question 3

Where are the 3 oldest universities (in continuous operation) in the world? And where is the oldest continuously operating institution of higher learning in the world?

- University of Al Quaraouiyine – Morocco (as madrasa since 859)
- University of Bologna - Italy (1088)
- University of Oxford - England (1096-1167)
- University of Salamanca - Spain (1134)

Learning outcomes and structure of the course

Learning outcomes

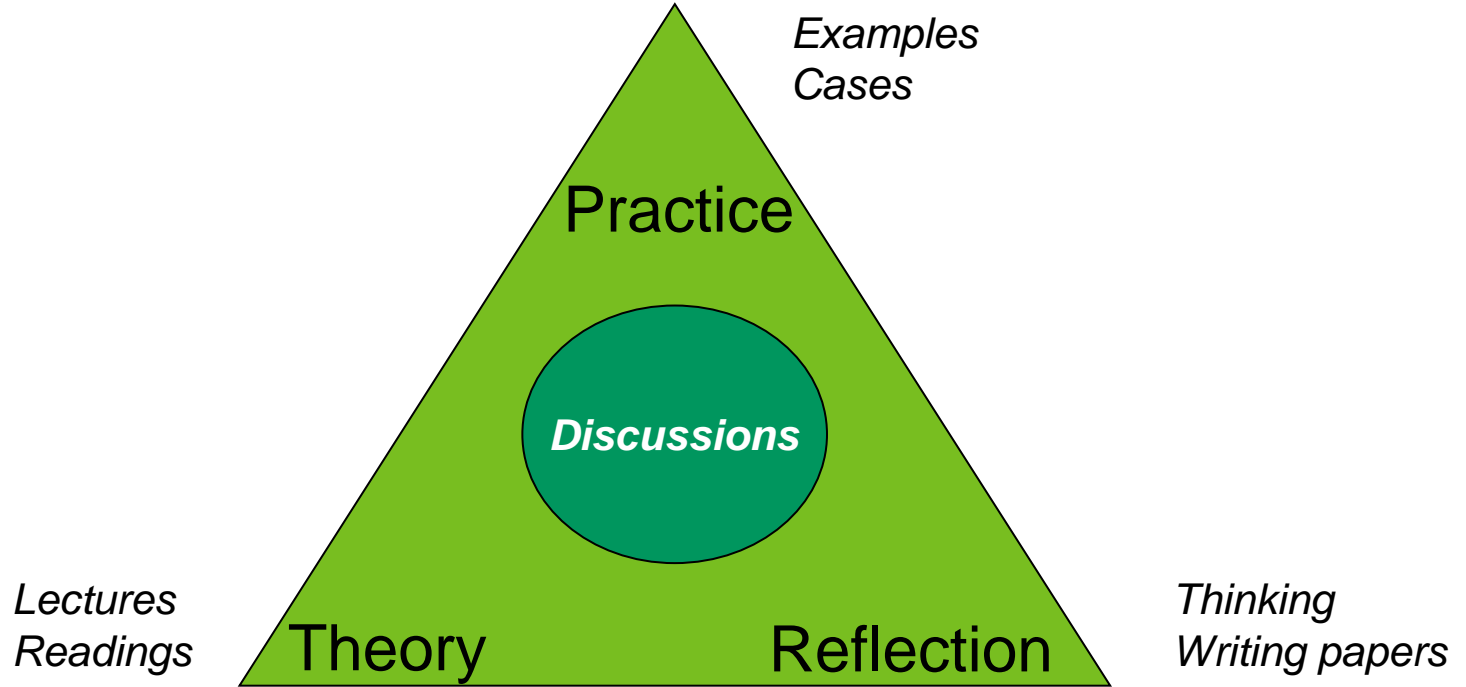
Knowledge

- This course explores how firms can best start, develop, and manage their international activities.
- You will learn about the internationalization process, entry strategy, entry mode choice, mergers and acquisitions, global supply chains, the management of international operations, and international negotiations.
- We will study both small firms and large multinationals.

Skills

- Understanding the dynamics of various ways to conduct international business and the related ethical and social responsibility issues,
- Ability to analyze and plan global business activities,
- Problem-solving skills based on real-life cases

This is how we will work



Exporting and other foreign entry modes

Friday 9 September, Perttu Kähäri

- Entry mode choice and foreign entry strategy
- Focus particularly on exporting, at both the national and firm level and compare product exporting with service exporting
- Akintayo Maeda, Sales Manager at Patria Japan, will join via Zoom from Tokyo to discuss how to export to Japan



Picture source: <https://www.tradeready.ca/2017/topics/market-entry-strategies/direct-indirect-exporting-best-fit-business/>

Location Choice

Tuesday 13 September, Perttu Kähäri

- Location choice in MNEs and startups based on the literature and case examples
- Research project on Headquarters locations with some recent results from this research.



Picture source: <https://www.upflip.com/learn/business-location>

Global Supply Chains

Thursday 15 September, Perttu Kähäri

- Global sourcing, offshoring and the logistics related to managing supply chains.
- Hands-on class exercise carried out in groups



Picture source: <https://blog.seeburger.com/the-fragility-of-global-supply-chains/>

NB! No session on Tuesday September 20



Picture source: <https://bitescience.com/articles/because-im-happy-how-happy-children-and-teens-perform-better-at-school/>



Aalto University
School of Business

Sustainability paradox in international business

Thursday 22 September, Linyu Liu and Dominic Savolainen

- Exploring the complex nature of CSR in international business
- How should we consider the sustainability aspects in our decision making?
- A highly interactive session, with a sustainability-focused case study on Chile's lithium



Picture source: www.allthingsupplychain.com/

Born globals and platform business internationalization

Tuesday 27 September, Perttu Kähäri

- Focus on the rapid internationalization of start-ups and small firms,
- Effects of digitalization on international operations
- Platform businesses and their international operations.
- Aku Siukosaari, Program Manager for Global Support Operations and a former Launcher at Wolt will talk about Wolt internationalization



Picture source: <https://expoeducate.wordpress.com/2015/06/24/companias-born-global-o-nacidas-globales/>

Internationalization of individuals

Thursday 29 September, Linyu Liu

- What does internationalization mean for an individual
- How can one foster a multicultural mindset?
- Individual internationalization in the corporate context
- Margit Suurnäkki, DBA and a leadership and HR professional in MNCs, will speak about her expatriation and repatriation experience



Picture source: <https://www.klipartz.com/en/sticker-png-rnwgg>

International Mergers and Acquisitions

Tuesday 4 October, Perttu Kähäri

- How to design and manage international mergers and acquisitions?
- Various aspects of M&A in the international context
- A guest who will share their experience on an international acquisition.



Case presentations to LeanLab

Tuesday 11 October



Readings

- Selected articles for each session, usually one academic article and one managerial article
- See syllabus for details (NB. Session 5-9 readings will be announced later)
- Please come prepared!

Course practicalities

Practicalities

- Classes start at 9:15 – please be on time.
- Classes finish by 12:00
- Usually one 10-minute break during lectures
- Please sign the attendance list and use your name tag every time to collect participation points
- For comments and questions, just raise your hand
- **Best results when everybody is actively engaged**

Assessment and grading

Course assessment will be based on the following components:

- **Class participation:** Attendance (10%), Active participation (10%), Feedback (2%), Forum posts (8%)
- **Individual assignments:** Final course report (25%), video assignment (15%)
- **Case study in groups:** 30%

Final grade (0 to 5) is based on the points below:

0-49 points	= 0
50-59 points	= 1
60-69 points	= 2
70-79 points	= 3
80-89 points	= 4
90-100 points	= 5

NB: All assignments must be returned to pass the course.

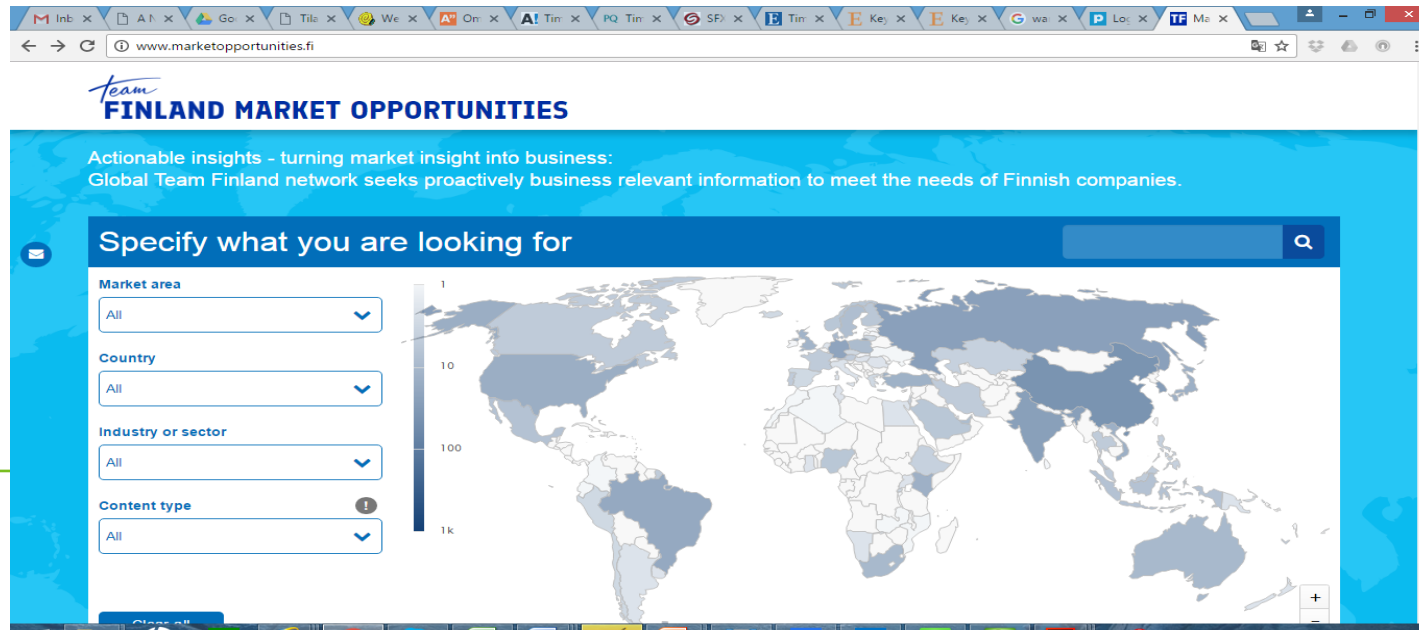
Individual assignments

Forum post comments

- After each lecture, we will start a thread with a post in the MyCourses forum page.
- Make one comment about each lecture, or its pre-readings. You may present an opinion about the lecture, ask about something that was left unclear, or comment on anything related to the topic.
- Short comments, which should not exceed 5 sentences.

Final report: Internationalization case analysis

- Check the Team Finland webpage www.marketopportunities.fi
- Browse through the various Sales leads and Business opportunities and pick one of them
- Select a company (Finnish or foreign) that you think could take benefit of this opportunity



The screenshot shows the website www.marketopportunities.fi. The header features the logo "Team FINLAND MARKET OPPORTUNITIES". Below the header, a blue banner contains the text: "Actionable insights - turning market insight into business: Global Team Finland network seeks proactively business relevant information to meet the needs of Finnish companies." The main content area is titled "Specify what you are looking for" and includes a search bar and four filter dropdown menus: "Market area", "Country", "Industry or sector", and "Content type", all currently set to "All". To the right of these filters is a world map with a color scale legend ranging from 1 to 1k, indicating the number of opportunities in different regions.

Final report: Internationalization case analysis

In your report

- describe the business opportunity
- explain its potential
- make a proposal on how the company should respond to this opportunity
- propose a suitable internationalization mode, explain what other options there would be and argue why the company should choose this mode
- sketch an action plan using your selected entry mode
- explain also what else the company should take into account to grasp the opportunity

Note! If you have an own business or business idea, you can use that instead of the Team Finland opportunity. Clear this with Perttu first.

Video on a key learning

Select one interesting learning point from the course

- from the readings, cases, guest speakers or any other course component

In the video

- explain the selected item, what it is about and why it is interesting and useful
- use different ways to argue for your point
- consider this as a sales pitch for your learning point
- your audience: masters students who have not taken this course

Making the video

- choose freely your format (talking head, interview, other visuals...)
- focus on the content and the clarity of your message
- technical quality or special effects are not important
- video is individual work, but other people can assist you in shooting it
- your video should be 3-5 minutes long
- video link must be uploaded to the assignment submission box - do not send us video files!

Case assignment

Case assignment

- Assignment will be done in teams of 4-5 students
- You will **analyze** the LeanLab international market challenge and provide **potential solutions** to it in a PowerPoint deck
- Use **knowledge** from the lectures and course readings in the analysis and solution
- Each team will **pitch** their solution to the case company

Case assignment deliverables

Format:

- 1) Report to case company in the form of PowerPoint slide deck, containing the analysis and potential solutions. The number of slides is not limited.
- 2) Pitch presentation (max. 10 minutes), where you may use a subset of your slide deck.

Deadline:

- Upload both slides decks (report and presentation) to MyCourses by midnight on 10 October.
- Online team presentation on 11 October.

Evaluation:

Maximum number of points for the assignment is 30. Both the report and the pitch will be taken into account in the evaluation.

Elements in grading the case

- Executive summary: What is this case study about?
- Use of concepts, frameworks; rigor in analysis and quality of insight: How well do you use models/concepts as “glasses” to make sense of and explain the case? How well do you present your analysis and answer the question(s)?
- Suggested action: feasibility, conditions, risks, etc.
- Quality of the presentation: structure, logic, flow, clarity.

Effective teamwork

- Good communication and social skills
- Positive interdependence: 'we' instead of 'me'; yet individual accountability and personal responsibility
- Attending and participating in meetings, fulfilling promised work
- Group processing
- Shared goals
- Processes for conflict resolution



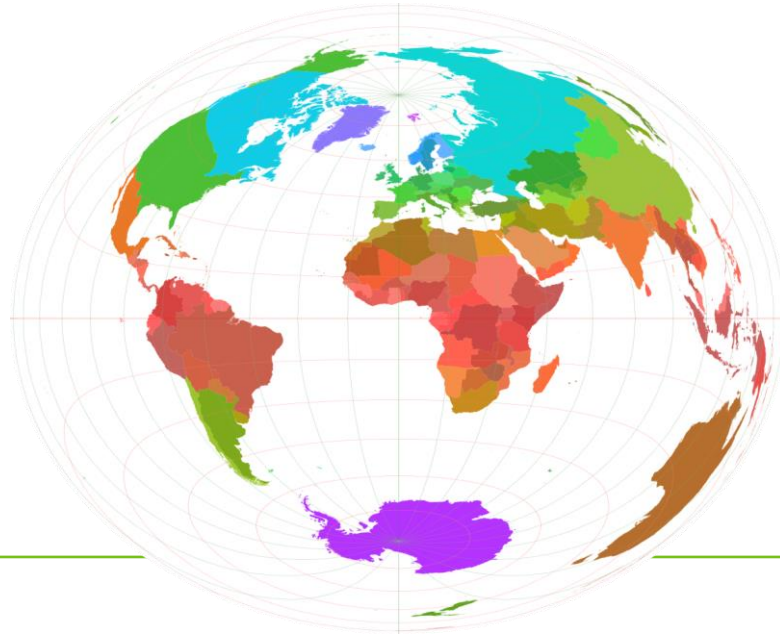
What is international business?

What is international business?

Focus on *inter/national* and *business*:

- International context:
 - How to work in different geographical, cultural, institutional contexts
- Country perspective:
 - Economic engagement between nations
- Firm perspective:
 - Why and how firms go abroad
 - How to manage international businesses
- People perspective

Group discussion: Pick a company in your group. In which way do you see they are international?



Why do firms internationalize?

Motivations for internationalization

- **Growth opportunities**
- **Higher margins & profit**
- **Gain new product ideas**
- **Follow current customers**
- **Be closer to supply sources**
- **Gain access to lower-cost or better-value factors**
- **Learn e.g. technologies**
- **Reach scale economies**
- **Respond to competition**
- **Tax benefits**

Internationalization: Uppsala Model (Johanson & Vahlne)

- A process based model assuming an incremental internationalization
- Firms start internationalization by entering countries with a low psychic distance
- Firms increase their commitment in foreign markets gradually due to experimental knowledge and will move through stages of learning (“stages model”)
- Johanson, J. & Vahlne, J.E. (1977). The Internationalization Process of the Firm – a Model of Knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies*, 8(1), pp. 23-32.

Internationalization: Eclectic Paradigm or OLI Model (Dunning)

- Internationalization and entry mode depend on three factors
 - Ownership advantages of the firm
 - Location advantages of the host market
 - Internalization advantages of having own activities rather than contracting them outside
- Dunning, J.H. (1988). Trade, Location of Economic Activity and the Multinational Enterprise: A Search for an Eclectic Approach. *Explaining International Production*, pp. 13-40. Abingdon, Oxon: Routledge.

How are born globals different? (Cavusgil & Knight, 2004/2015)

- Born global firms tend to market value-added offerings – innovative, cutting edge, differentiated, and unique. Often, these offerings spring from advances in science, technology, or design.
- The leadership of born global firms is often driven by change agents (founders or employees) who champion the export initiative, and rally others behind the internationalization effort.
- These change agents possess an entrepreneurial orientation and mental models that seem to “discount” the risk of going international.
- The leadership of born global firms is motivated by a worldwide clientele for their offerings; they discover that reaching a transnational profile of customers around the globe is now feasible.
- Born global firms tend to be very effective in building global networks of collaborators – distributors, agents, representatives, and suppliers.
- Nations with small domestic markets tend to nurture a disproportionately higher incidence of born global firms.
- Importantly, the typical early internationalizing firm possesses deeper capacity for innovation, and often the ability to serve customers in innovative ways.

Drivers of upsurge of born globals

(Kuemmerle)

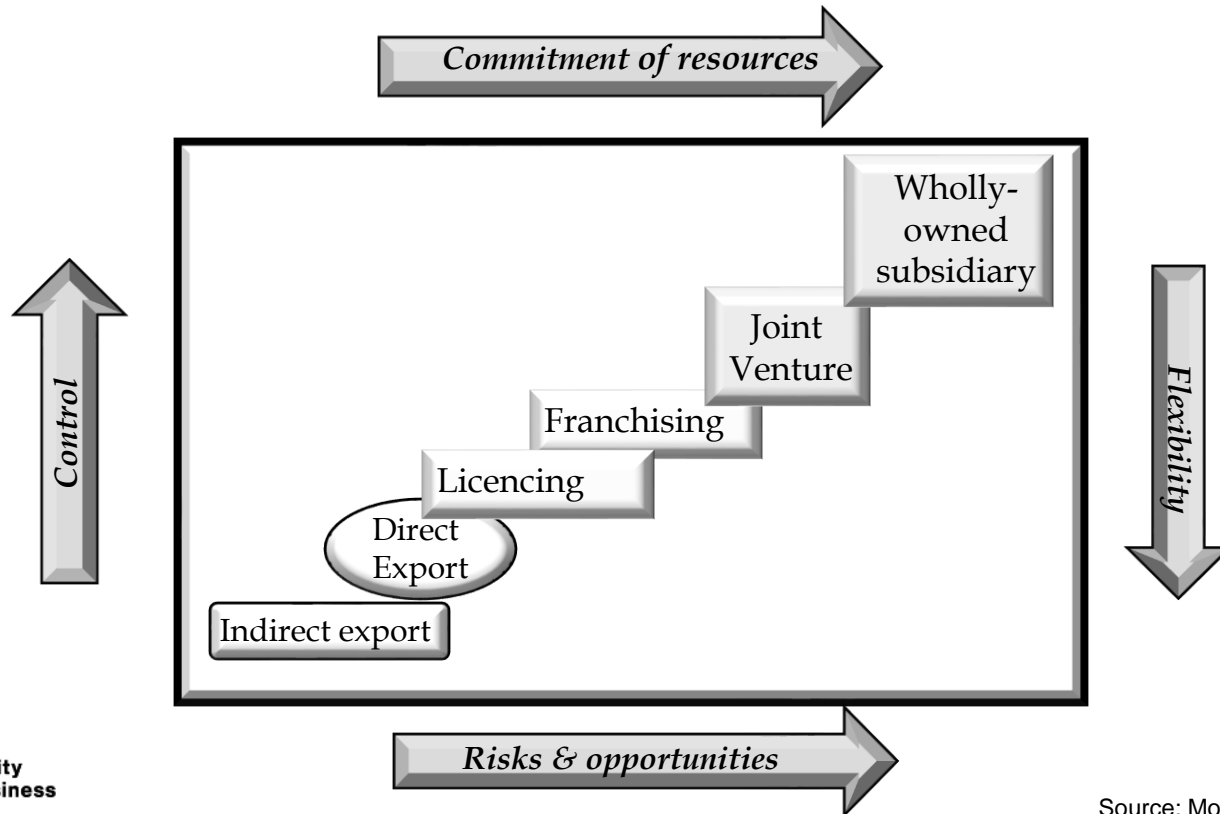
Technological progress

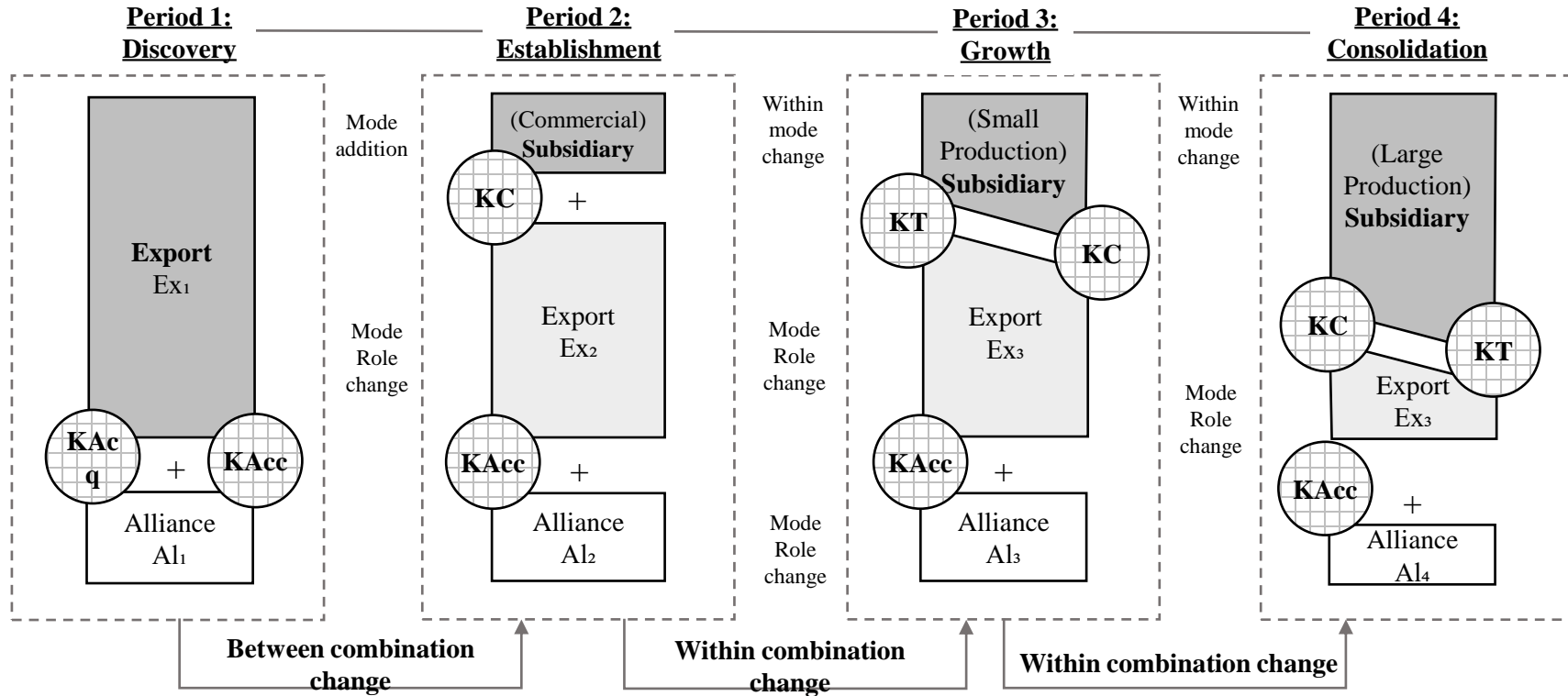
- Fast, low-cost telecommunications connections
- Evolution of Internet
- Digital distribution, e.g. App Store, Google Play

Transportation progress

- International airline competition
- Lower cross-border shipping costs for goods

Market entry modes



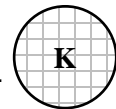


LEGEND

- Primary operation mode
- Supporting mode (internal)
- Supporting mode (external)

Mode combination

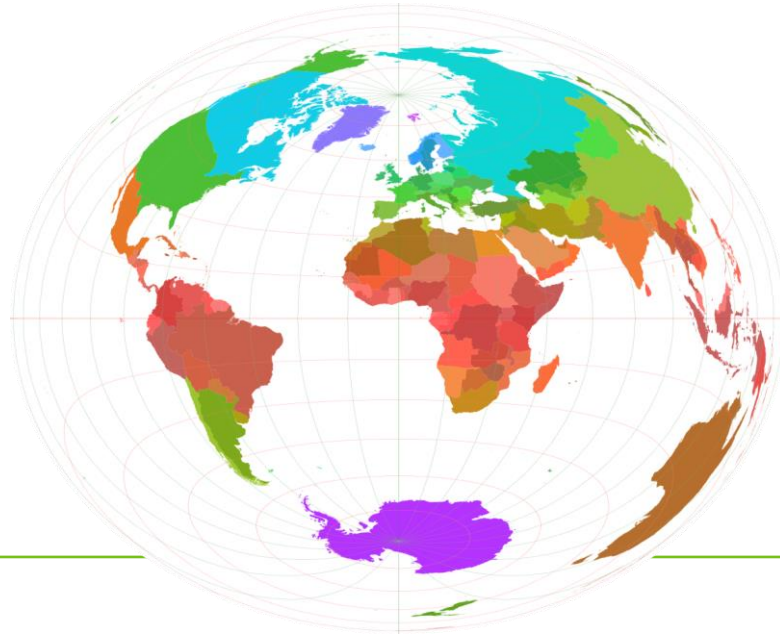
O'Higgins, C., Andreeva, T., & Goya, N. A. (2022). The hows and whys of foreign operation mode combinations: The role of knowledge processes. *Journal of World Business*, 57(2), 101303.



Knowledge processes

- Knowledge acquisition (KAcq)
- Knowledge accession (KAcc)
- Knowledge combination (KC)
- Knowledge transfer (KT)

Group discussion: Thinking about the company you discussed earlier, how did they internationalize?



How do you manage a multinational corporation?

Multinational management issues

Where to sell?

Where to produce?

- centralisation / location / specialisation
- onshore / nearshore / offshore

Where to develop?

- central / local / globally linked R&D

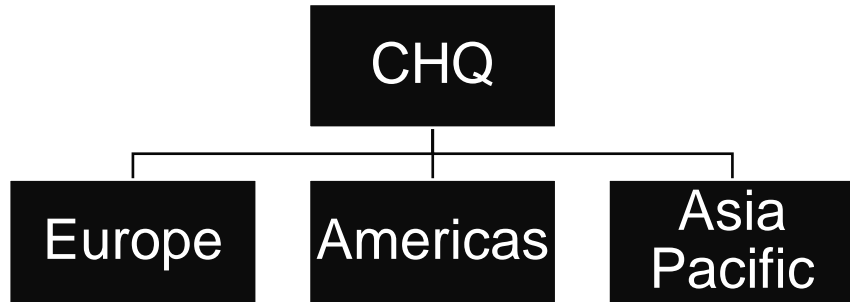
What to do ourselves, what to outsource?

How to organise?

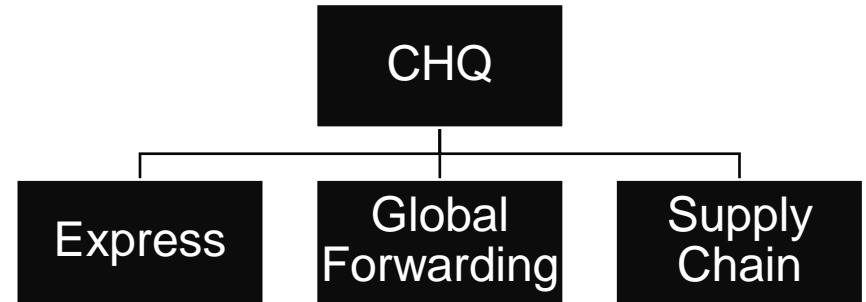
- degree of integration
- alliances and co-operation

How to organize a multinational?

Regional structure

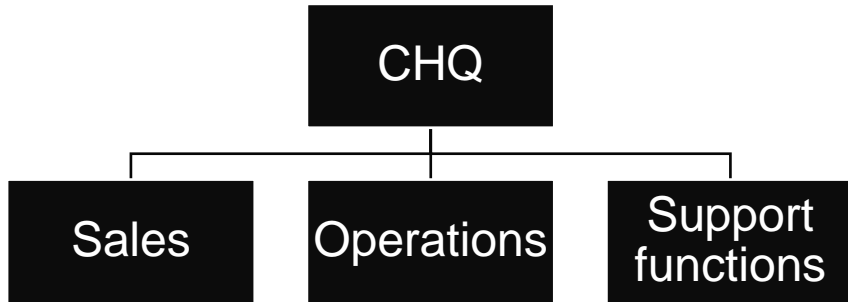


Divisional structure (e.g. DHL)

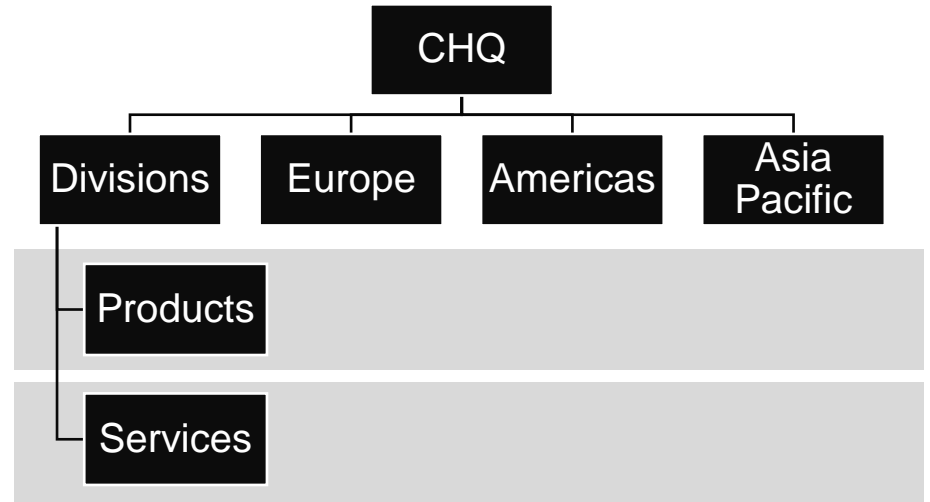


How to organize a multinational?

Functional structure



Matrix structure



Global integration vs. local responsiveness

IR Grid by Prahalad & Doz

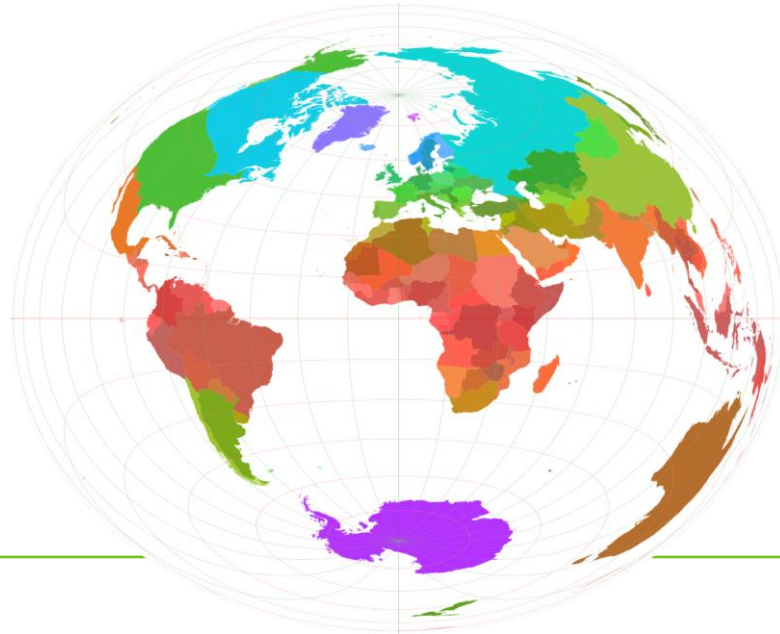
**BENEFITS OF
GLOBAL
INTEGRATION**

- Lower costs
 - volumes
 - concentrated sourcing
 - specialization
 - bargaining power
- Marketing: global/regional
 - branding
 - customers
 - distribution networks
- Innovation
 - transfer of local innovation
 - integration of resources & competencies

**BENEFITS OF
LOCAL
RESPONSIVENESS**

- Responsiveness
 - speed
 - adaptation
 - flexibility
- Local/regional citizenship
- Motivation

Group discussion:
Thinking about your company once again,
how are they managed? Are they global or
local?



Questions?

- Ask now
- Ask any time during or after the lectures
- Ask in the MyCourses discussion forum
- Ask via e-mail: perttu.kahari@aalto.fi (for course content) or linyu.liu@aalto.fi or dominic.savolainen@aalto.fi (for practicalities)

Next time:

Exporting and other foreign entry modes

Friday 9 September, Perttu Kähäri

Readings

- Peng, M. W., & Meyer, K. E. (2011). Building global strategies (Chapter 14). In *International Business*. Cengage Learning EMEA. Pages 421-430.
- Cuervo-Cazurra, A., Doz, A., and Gaur, A. (2020) Skepticism of globalization and global strategy: Increasing regulations and countervailing strategies. *Global Strategy Journal*, 10(1).
- Hill, Charles W. L. and Hult, G. Tomas M. (2018/2020). Entering Developed and Emerging Markets (Chapter 13) in *Global Business Today*, 11th or 10th edition, McGraw-Hill, international student edition. Pages 356-380.

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- **Akintayo Maeda, Sales Manager at Patria Japan, will join via Zoom from Tokyo to discuss how to export to Japan**