

MNGT-C2001

International Business in the Era of Disruptions

Session 10 – Closing of the course



**Aalto University
School of Business**

Iiris Saittakari

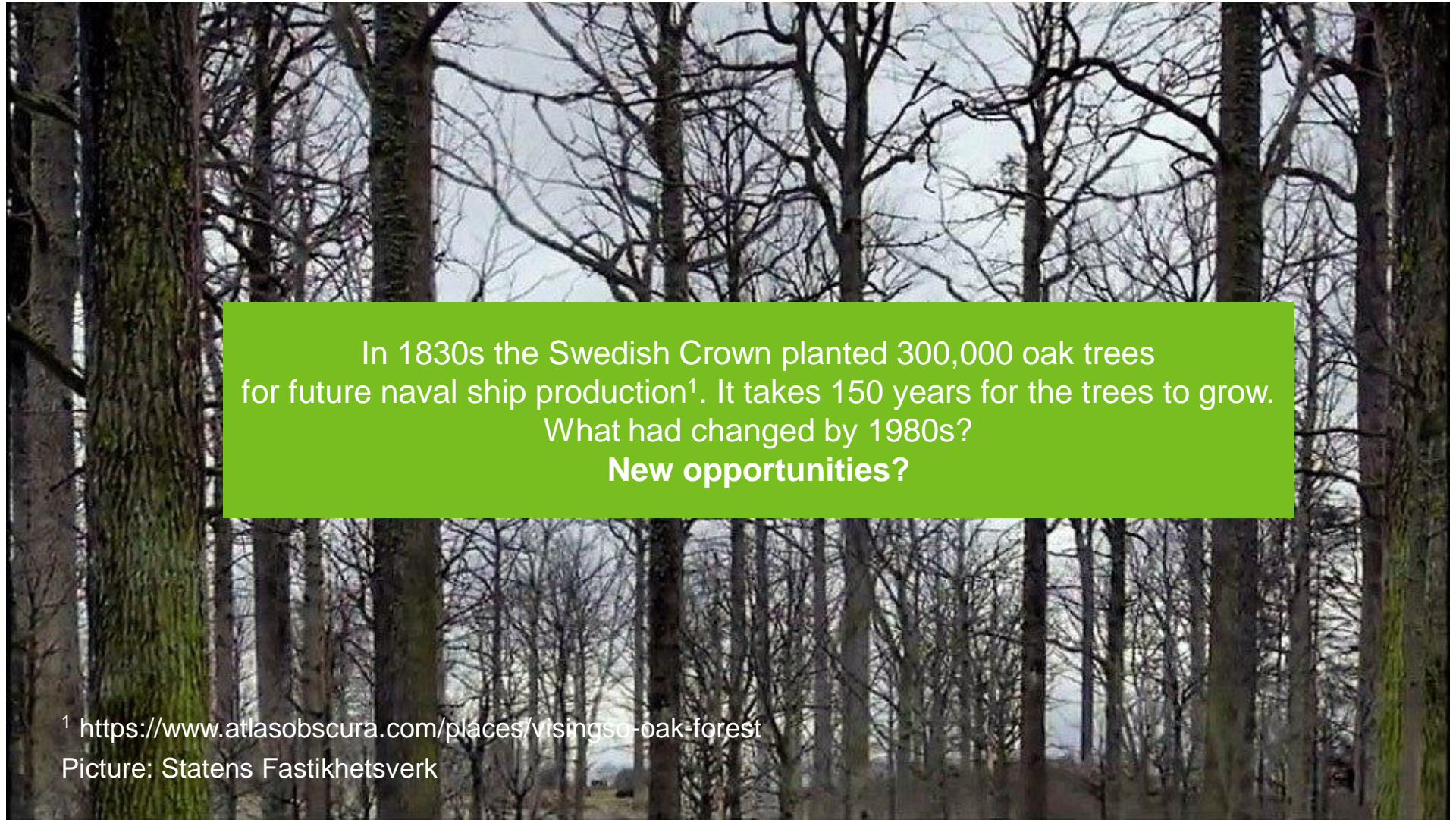
Martta Nieminen

October 13, 2022

1. Summary of the sessions
2. Learning outcomes
3. Final paper
4. IB MSc course offering



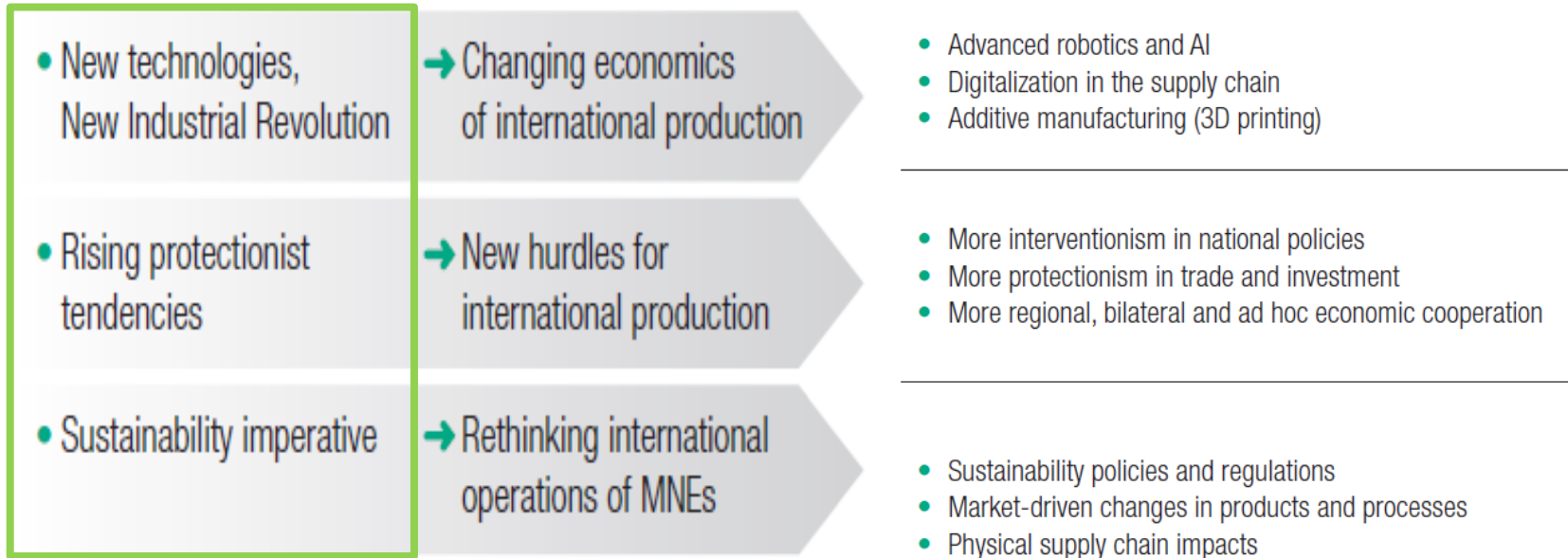
Session 1: Introduction



In 1830s the Swedish Crown planted 300,000 oak trees for future naval ship production¹. It takes 150 years for the trees to grow.
What had changed by 1980s?
New opportunities?

¹ <https://www.atlasobscura.com/places/visingso-oak-forest>

Megatrends behind the current disruptions



Ukraine war started while the world was still reeling from the pandemic



Trends arriving at “boiling point”

- New technologies, New Industrial Revolution → Changing economics of international production
- Rising protectionist tendencies → New hurdles for international production
- Sustainability imperative → Rethinking international operations of MNEs

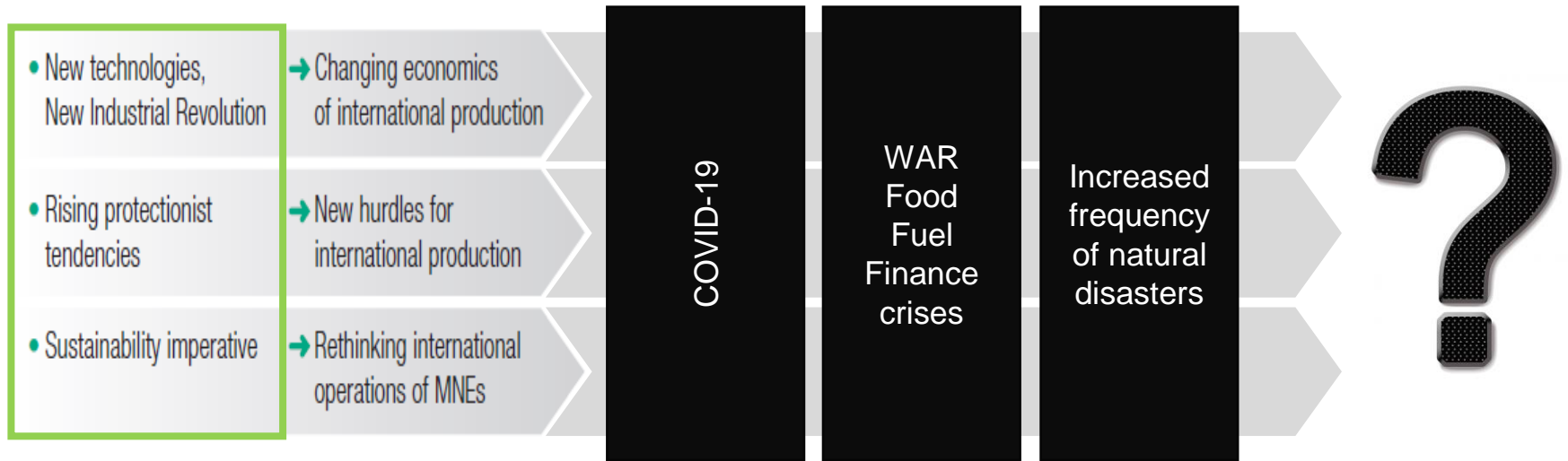


COVID-19

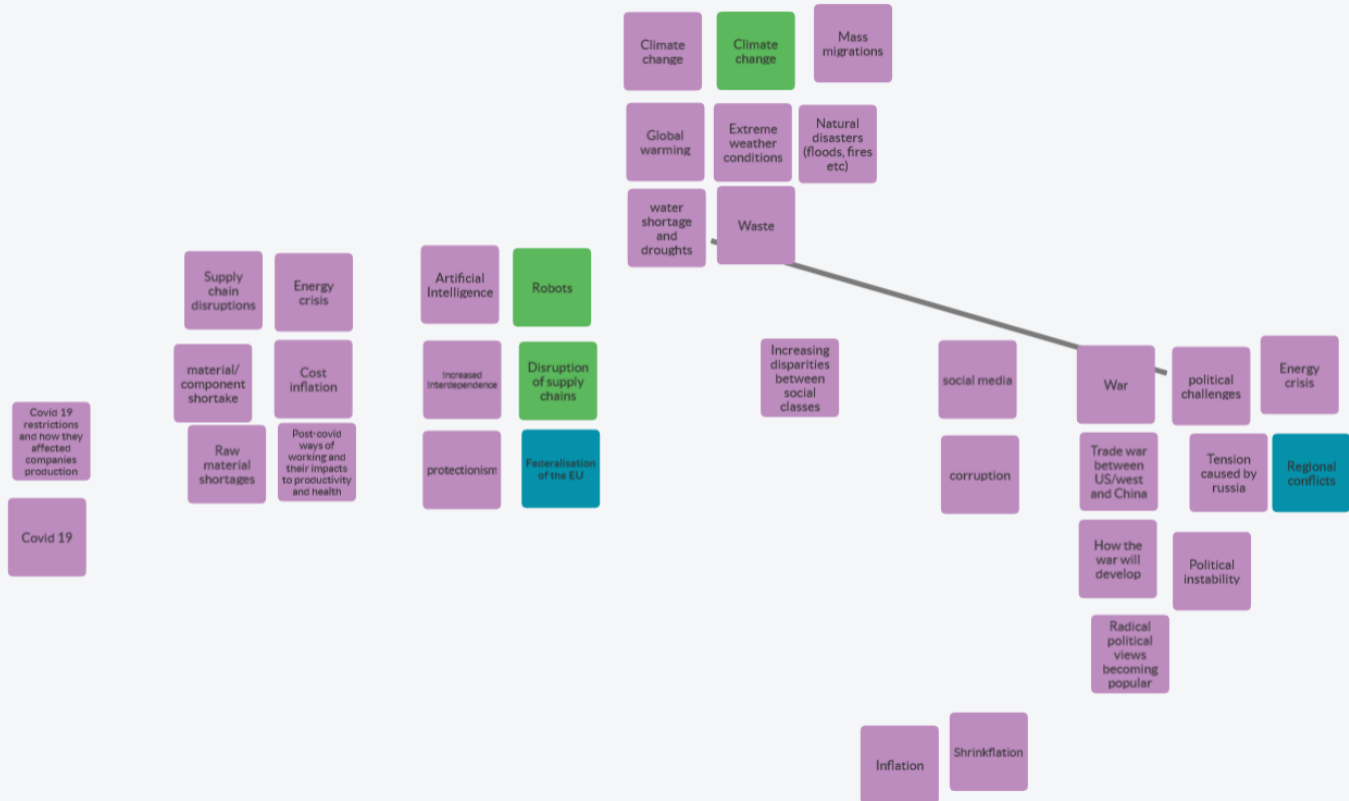
- Immediate impact**
 - Production and supply chain disruptions
 - Global recession
 - Supply and demand shock
- Longer-term impact**
 - Imperative to increase supply chain resilience
 - Pressure to increase national/regional autonomous productive capacity



Era of disruptions: Operating environment is increasingly dynamic and unpredictable



- + Diversity, equity and inclusion (DEI) imperative
- + Aging population
- + Urbanization: 2/3 world's population will live in cities by 2050¹



Course design: Moving from the global business environment towards firms and people

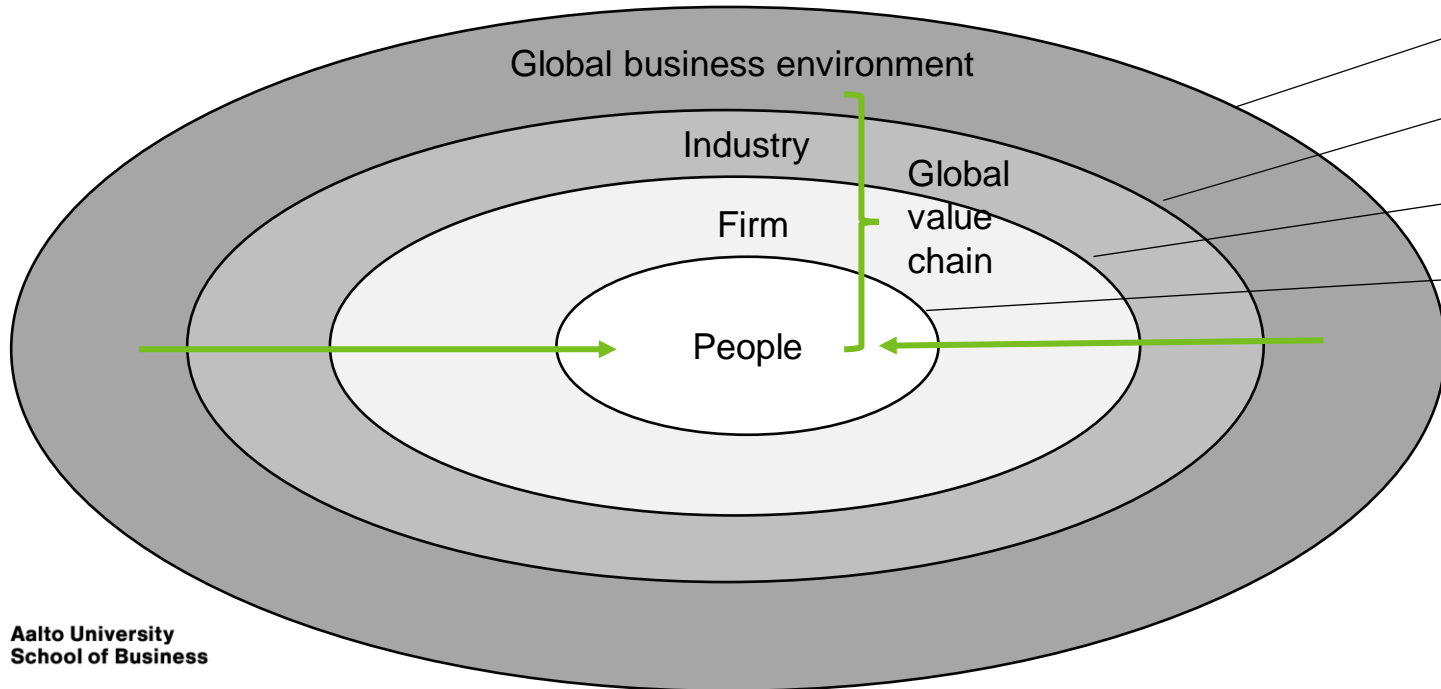
Levels of analysis:

Macro

Meso

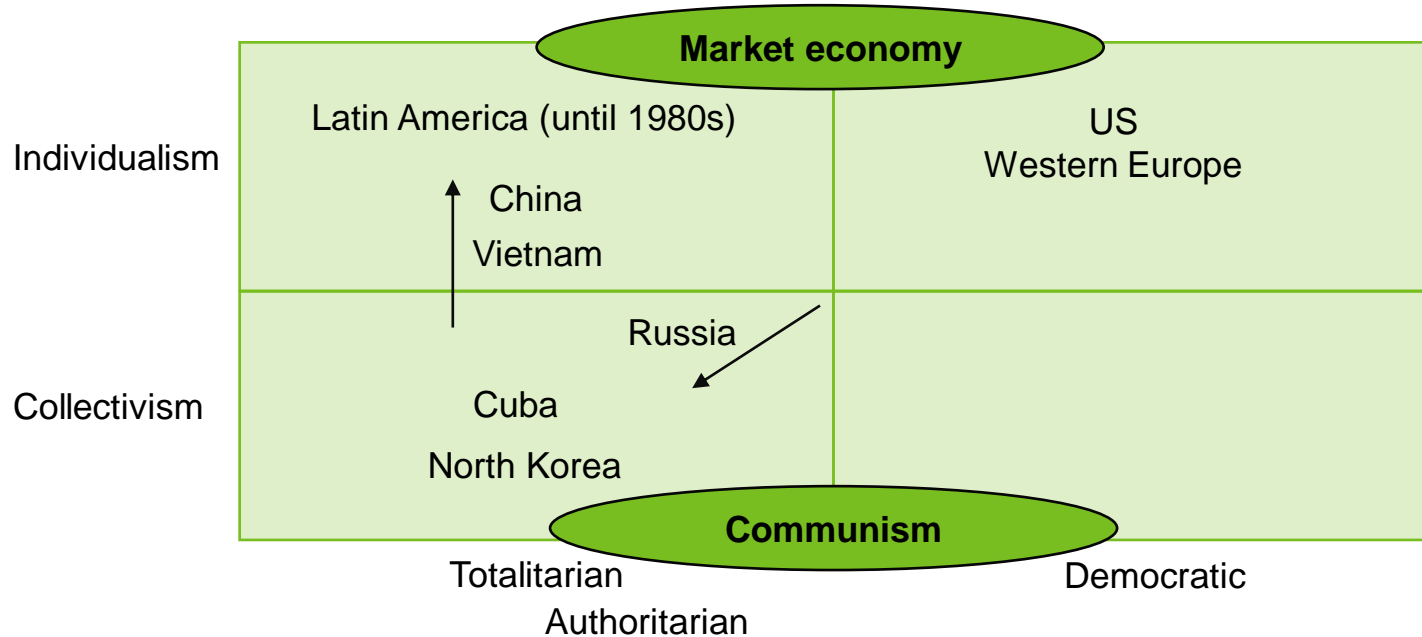
Micro

Nano



Session 2: The global business environment

Two main dimensions of political system are interrelated and not always clear cut



Helsingin Sanomat
9.9.2022:

Fortum's risk management failed - There is one big misconception behind everything
"Mistake #1: Fortum believed that Russia is a market economy"

Alex af Heurlin
<https://www.hs.fi/visio/art-2000009058833.html>

Political economy has significant impact on international business operations



Property rights and corruption

- Private action: theft, piracy, blackmail by private individuals or groups
- Public action
 - Legal: Nationalization/ expropriation of assets, excessive taxation
 - Illegal: Corruption



Intellectual property protection

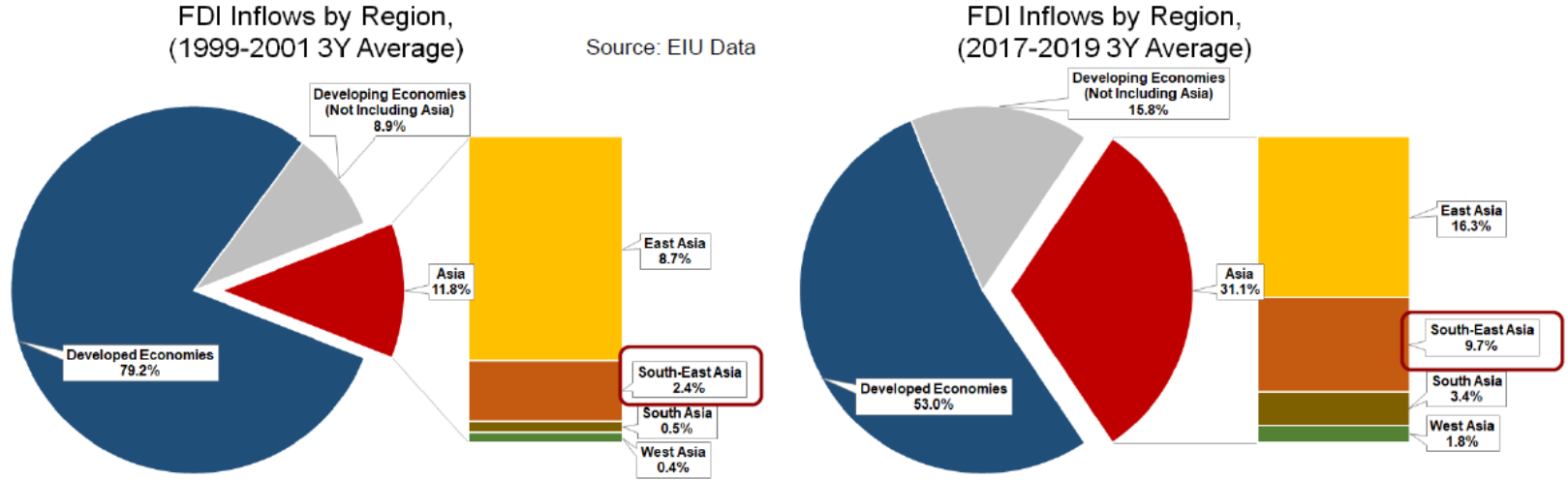
- Ownership rights
 - Patents
 - Copyrights
 - Trademarks



Product safety and liability

- Safety standards
- Civil and criminal liability laws
- Ethical issue if host country standards are lower: whether to follow stricter home country standards or take advantage of the lax local standards?

Importance of South-East Asia has risen over 20 years



Note on Asia country groupings:

East Asia: China, Hong Kong, Macao, South Korea, North Korea, Mongolia, Taiwan

South-East Asia: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Vietnam

South Asia: Afghanistan, Bangladesh, Bhutan, India, Iran, Maldives, Nepal, Pakistan, Sri Lanka

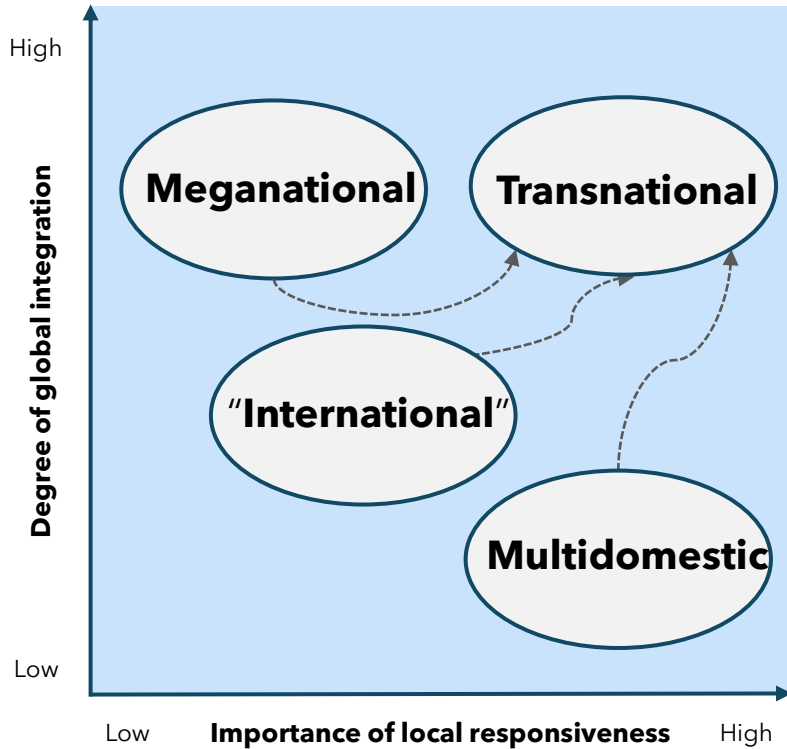
West Asia: Bahrain, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Palestine, Syrah, Turkey, UAE, Yemen

Source: [UNCATD](#)

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Session 3: International strategy, Stakeholder pressure



**Towards a more
Transnational
Approach?**

**Or backlash towards
more simplified
structures, more
globally integrated
approach?**

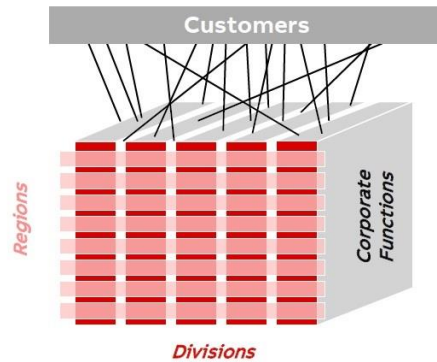
---▶ Evolution

Source: Adapted from Bartlett and Ghoshal (1989), p. 438

Matrix structure combines divisional and regional structures

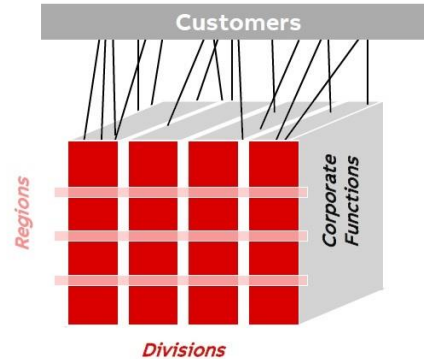


Before 2014



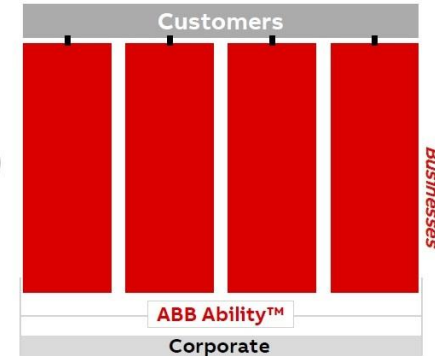
We moved to a single P&L on division level

Today



Discontinuation of the matrix

Future



Matrix structures

- + Transnational strategy
- Highly complex
- Slow decision making

Divisional structures

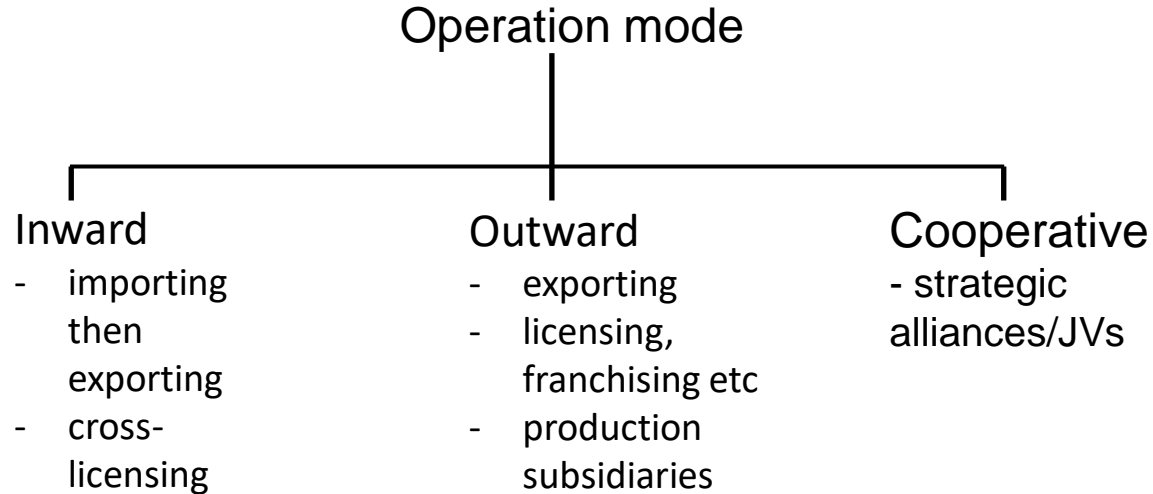
- + Relatively easy to manage
- Trade off between divisions vs. regions

Towards flatter organization

- + More agile
- Challenging to manage

Session 4: Internationalization process; Market entry modes

Foreign operation mode types: examples



There are many possible types...

Alternative internationalisation strategies

Go alone (greenfield)...

Pros

- Working with familiar people and resources
- Fast decision making
 - Full control
- Can exploit existing competitive advantages

Cons

- May be risky
- May be too slow
- May need help

Form an alliance...

Pros

- Risk sharing
- Economies of scale
- Quick access to resources and skills
- Political necessity
- Learning opportunity

Cons

- May be difficult to manage well
- Long-term instability

Implement M&A...

Pros

- Achieve major change quickly
- Full control, also over people issues
- Synergies (mutual)
- Reduced competition

Cons

- Expensive
- Integration challenges
- Mostly irreversible

Session 5: Global supply chains; Global value chains

How can global supply chains be made more resilient?



- (1) increasing in the number of suppliers for the same component or item,
- (2) geographical diversification of supply sources to more than one country,
- (3) close relationships with of supply sources, in terms of both geographical and political “distance”
- (4) Increase in inventory levels at the point of use (no just-in-time business models)

Increase
in cost
per unit



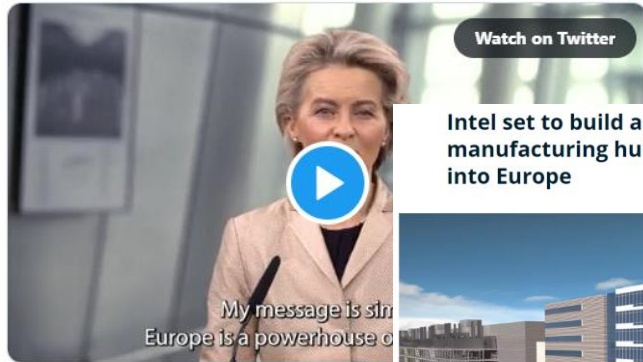
Ursula von der Leyen ✓
@vonderleyen · Follow



Intel's €80 billion European investment plan is a first major achievement under the #EUChipsAct.

This is just the beginning. The #EUChipsAct will make Europe a leader in the global semiconductor production.

Europe is a powerhouse of innovation. And we are open for business.



Watch on Twitter

Intel set to build a new €17 billion chip manufacturing hub in Germany as it pours money into Europe

3:24 PM · Mar 15, 2022

[Watch video](#)



A rendering shows early plans for two new Intel processor factories in Magdeburg, Germany. Copyright: Credit: Intel Corporation

Source: [Intel set to build a new €17 billion chip manufacturing hub in Germany as it pours money into Europe | Euronews](#)



NEW SLIDE

AUGUST 25, 2022

FACT SHEET: President Biden Signs Executive Order to Implement the CHIPS and Science Act of 2022



BRIEFING ROOM

STATEMENTS AND RELEASES

*EO Establishes CHIPS Implementation Steering Council and Implementation Priorities;
Commerce Department Launches CHIPS.gov*

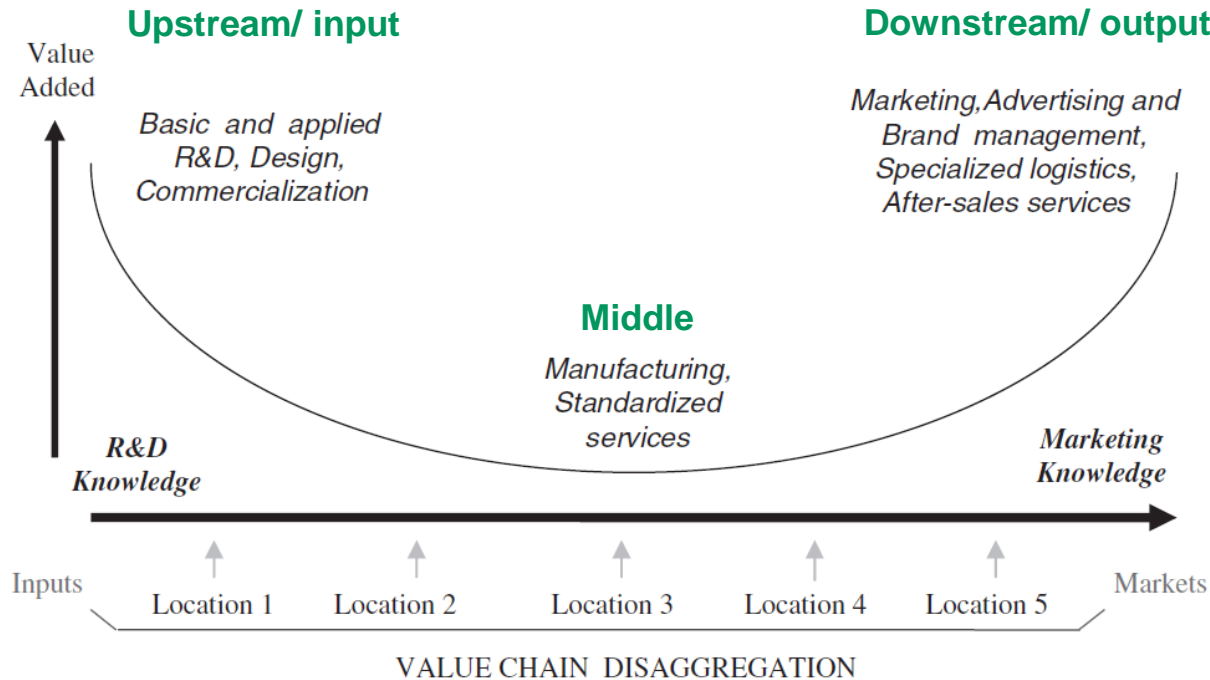
Today, President Biden signed an Executive Order to implement the semiconductor funding in the bipartisan CHIPS and Science Act of 2022. This legislation will lower the costs of goods, create high paying manufacturing jobs around the country, and ensure we make more critical technologies at home. This law builds on more than a year of work from the Biden-Harris Administration to respond to acute semiconductor shortages and build more resilient semiconductor supply chains. The historic funding and incentives in the CHIPS Act will help rebuild our supply chains, manufacturing, and infrastructure here at home, along with crucial invests from the Bipartisan Infrastructure Law and Inflation Reduction Act.

Source: [FACT SHEET: President Biden Signs Executive Order to Implement the CHIPS and Science Act of 2022 | The White House](#)



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The 'smile curve of value creation'



Perspectives:

- People
- Firms
- Countries

GVCs are a mixed blessing for the environment

Pros

- Knowledge flows between firms spread environmentally friendly production techniques throughout GVC (Reduce scope 3 emissions)
- Lead firms can push for higher standards (e.g. recycling, energy source)
- Lower production cost for production of new environmentally friendly goods

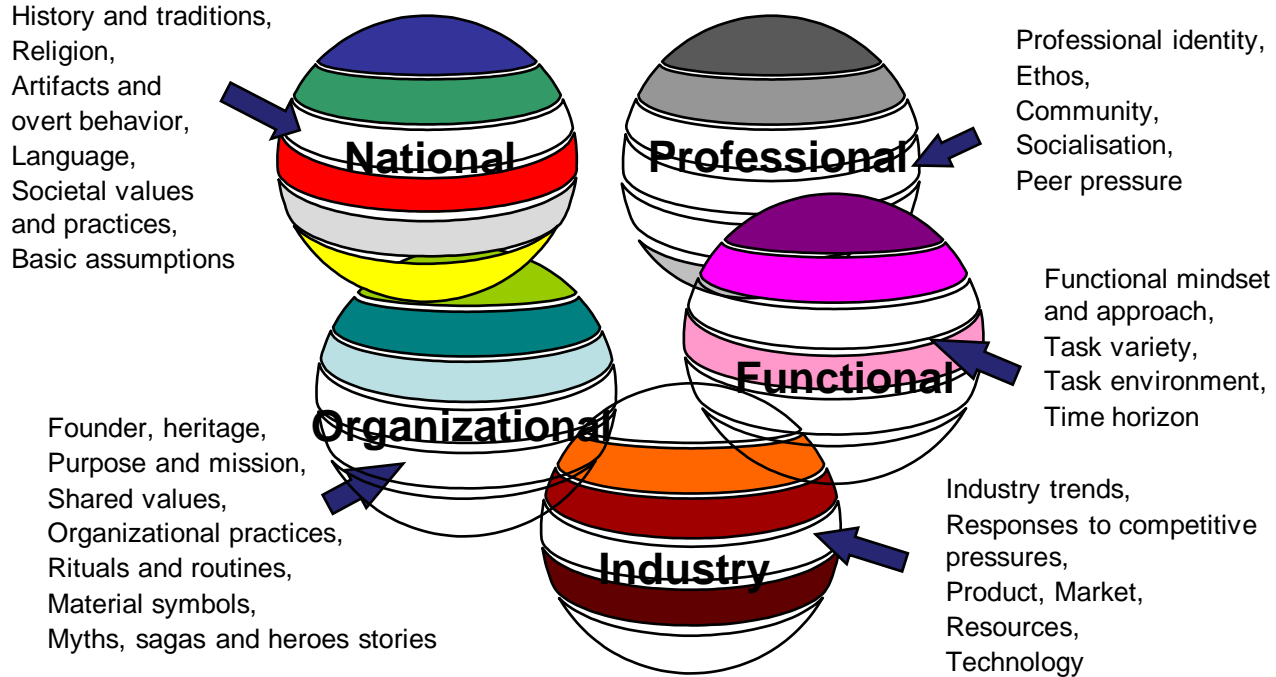


Cons

- GVCs are associated with more shipping and more waste than standard trade as parts are crisscrossing the globe (and packaged every time)
- Industries might migrate to jurisdictions where regulations are lax (however, not evident in World Bank data)

Session 6: International Human Resource Management, Cultural differences

Interacting Spheres of Culture



Hofstede's study of cultural differences

However, highly criticized for looking at averages, generalizing too much and creating stereotypes!

1. **Power Distance:**

- the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally

2. **Uncertainty Avoidance:**

- the extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these

3. **Individualism:**

- the extent to which people feel responsible only for themselves (and very close ones)

4. **Masculinity:**

- the extent to which assertiveness, work, and career (success) is important in life

5. **Long term vs. Short term orientation**

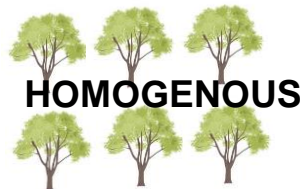
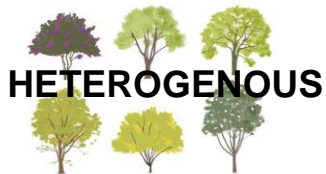
- the extent to which the society has to maintain some links with its own past while dealing with the challenges of the present and future

What is Diversity, equity, and inclusion (DEI)?

DIVERSITY

“the variability in the composition of a work group” (Roberson, 2006)

Age
Gender
Religion
Ethnicity
Disability
Sexual orientation



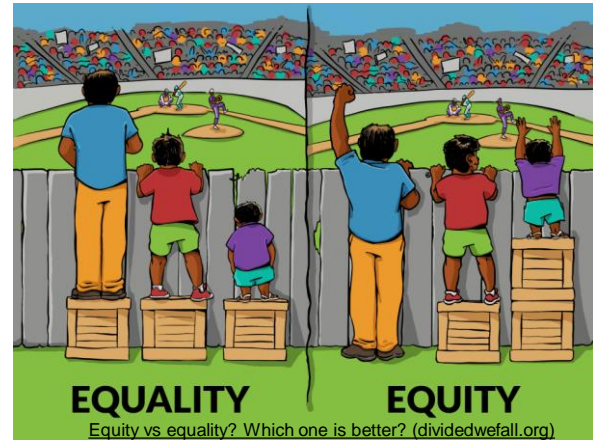
INCLUSION

“employee involvement and the integration of diversity into organizational systems and processes” (Roberson, 2006)

The opposite of exclusion!

**Psychologically
safe climate**

EQUITY



“being equitable means acknowledging and addressing the **structural** inequalities – historic and current – that advantage some and disadvantage others”

▶ **Equal access to opportunities for all**

Session 7: International entrepreneurship

Global scaling logic

“A logic of multinationalization that seeks rapid growth through the replication of a global business model, which is based solely on ***non-location-bound*** firm-specific advantages, across foreign markets”

(Reuber, Tippmann, & Monaghan (2021) Global scaling as a logic of multinationalization. Journal of International Business Studies, 52: 1031-1046)



Spotify®



The geography of start-up ecosystems



There will be no “Next Silicon Valley”. There will be 30.

(Sam Altman, Y Combinator)



Policies to support entrepreneurial migration

- Political debates
- Visas (Finland: Start-up residence permit, 2017; D-visa for specialists and high growth entrepreneurs in 2022)
- Start-up programs
- Legitimation of the phenomenon / COVID-19
- Placelessness (Digital nomadism) / Future of work => New policy initiatives



Hearings

Oh, Canada! How Outdated U.S. Immigration Policies Push Top Talent to Other Countries

Subcommittee on Immigration and Citizenship

Date: Tuesday, July 13, 2021 - 02:00pm

Location: Zoom Video Webinar

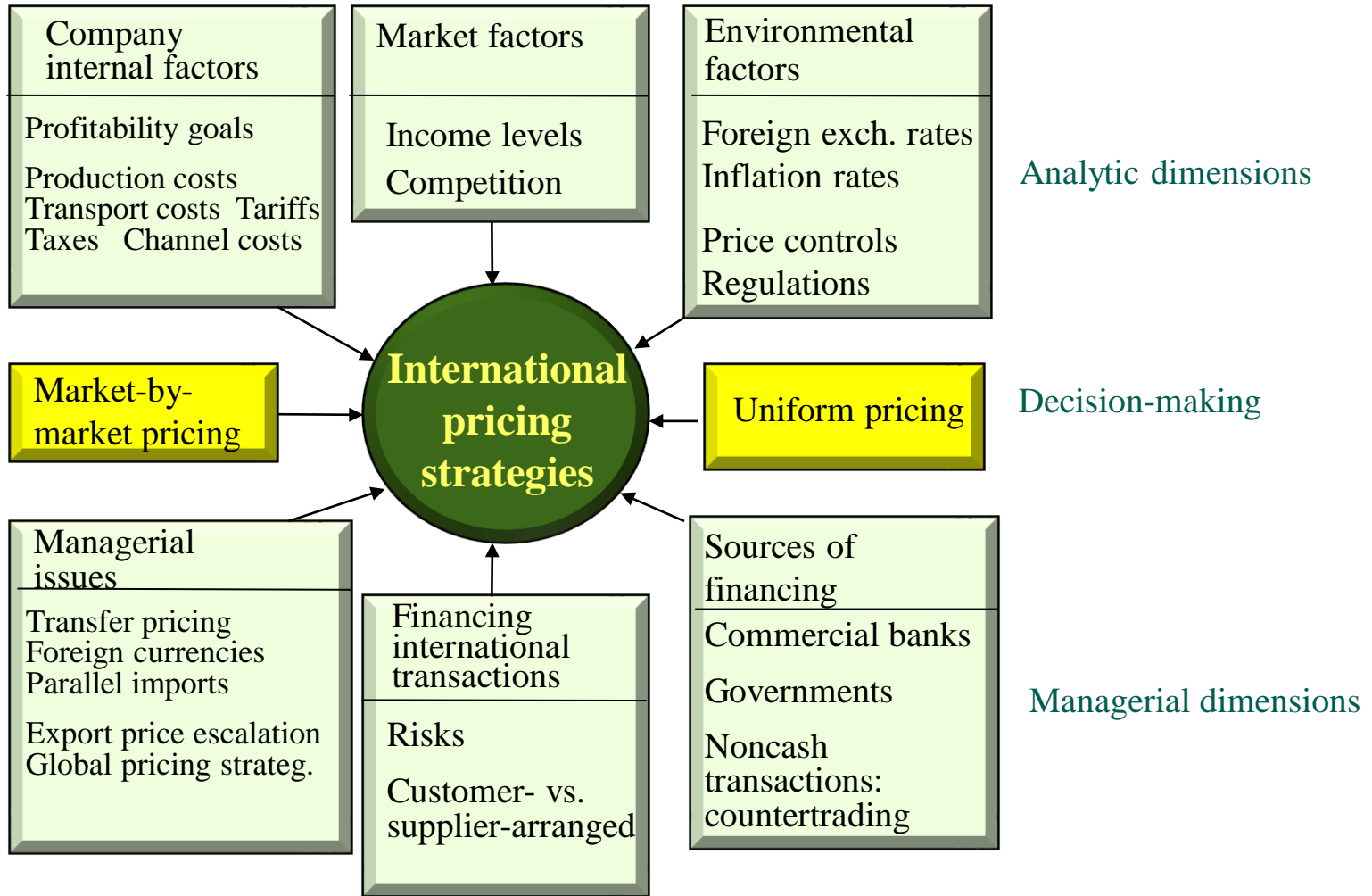
Tags: *Immigration and Citizenship, Immigration (Congress)*



STARTUP
ESTONIA

ST>RT-UPCHILE

Session 8.1: International marketing



Symbols

African vs. Indian elephant

Owl (wisdom vs. death)

Turbane (Indian vs. Pakistani)

Religious signs

Colors

Black – white

Flag colors

Taboo colors



Logic

Reading left-to-right, or nor

Humor, morale, sex, etc.



SUNSILK

Kurusi-temurun limau purut diakui mampu memberi rawatan kepada kepala dan rambut. Kini memerasi Nano-Tech, pati limau purut diisiri dalam SunSilk untuk menjadikan kulit kepala sihat walaupun anda pakai tudung, agar rambut benar-benar cantik dan segar selalu.

Silk Limau Purut dengan Perawatan Kulit Kepala. Kerana SunSilk sahaja keperluan rambut anda yang bertudung.

Session 8.2: International finance

Country risk

- Risk defined: *Actual outcomes can differ from expectations*
- **Country risk = possibility of an unexpected change in business environment in a country**
- **The issue: National government has the judicial power on its territory**
 - From the local perspective the incentives on foreign direct investments can change rapidly once the investments have been made
 - Management tools include ensuring that the firm generates value to the host country (and that local losses will occur upon undesirable events)

1. Summary of the sessions
2. Learning outcomes
3. Final paper
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Learning outcomes

- the enhanced awareness of **differences in global business environment**, including political, regulation and cultural aspects
- understanding of the **dynamics and suitability of various ways to conduct business** in different global business environments, including the adaptation issues
- understanding of the related **ethical and social responsibility issues**
- ability to **analyze and plan global business activities**
- **problem-solving** skills based on real-life cases

In addition: You will have developed your communication and presentation skills, teamwork skills in diverse and dispersed teams, and information literacy.



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Final paper (20 points)

1. How has your understanding of the global business environment and its impact for firms changed during the course? (2 points)
2. Assess Carlsberg's geopolitical risk in Russia by using the multilevel approach by De Villa (2022) covered in session 2. If you were the CEO of Carlsberg, what would you do with the Russian operations and why? If you argue for downsizing or divestment, explain how this should be done. (8 points)
3. You are at a job interview of company of your choice (choose a company of your choice, except for Carlsberg or case companies that have been covered in team presentations). How would you answer to the following questions (please identify the company before your answer):
 - List three possible disruptions that are most relevant for the company. Why are they relevant?
 - What possibilities and threats these disruptions present to the company? How should the company react to these disruptions, or should it react? (8 points)
4. Analyze your teamwork based on diversity and dispersion aspects. Were they barriers or opportunities? Why? (2 points)

Diversity and Dispersion in Teams: Barriers and Opportunities

	Barriers	Opportunities
Diversity	<p>Tendency towards:</p> <ul style="list-style-type: none">• Less effective communication• Increased conflict• Lower alignment on task	<p>Potential for:</p> <ul style="list-style-type: none">• Increased creativity and innovation• More complete and comprehensive perspectives, stakeholder coverage
Dispersion	<p>Difficult to achieve and maintain basic team conditions, due to:</p> <ul style="list-style-type: none">• Limited communication• Invisible relationships• Logistical challenges	<p>Potential for:</p> <ul style="list-style-type: none">• More complete and comprehensive perspectives, stakeholder coverage• Focused, objective, balanced communications



(Pucik et al., 2022)

De Villa, M. A. (2022) Assessing geopolitical risk: A multilevel approach for managers of multinationals

How can
multinational
companies
assess
geopolitical
risk?

1. Ability of supranational organizations to mediate and resolve political tensions or conflicts between countries	<i>Supranational level</i>
2. Political relations between countries 3. Dependence between countries on natural resources, food supplies, technologies, and others	<i>International level</i>
4. Development by countries of technologies, weapons, or others that can redefine their power and influence 5. Political orientations and agendas of governments 6. Business-government relations	<i>National level</i>
7. Effects throughout value chain 8. Stakeholders	<i>Industry level</i>
9. Types of operations 10. Political capabilities	<i>Firm level</i>

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Master's Programme in Global Management (including CEMS MIM)

The Master's programme in Global Management prepares students to operate responsibly and successfully in influential decision-maker positions in a globalized environment. The programme develops students' knowledge and skills in strategy, business development, leadership, and cross-cultural understanding. The programme incorporates CEMS Master's in International Management.



Individual courses offered by the IB unit:

- International Strategy
- The Global Political Economy
- Doing Business in Emerging Markets
- Sustainability in Global Value Chains
- CEMS Global Strategy
- Data analytics for managers
- Strategic Marketing Management
- Strategic People Management
- CEMS Global Leadership
- Managing Mergers & Acquisitions

Changes to the course from last Spring



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- Less academic articles -> moved into optional readings
- Number of reflection papers decreased from 4 to 3 (and video option for one)
- Slightly shorter lectures -> pre-class videos and material added (and pre-class assignments 10%)
- Carlsberg case added

Let us know if these were good changes!

Thank you for your active participation!



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Please fill in the course feedback survey!

Your feedback is very important for
us when improving the course.
Plus you get **1 point!**



**Thank you
Martta and
Maria!**



Thank you!

Stay in touch 😊

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P.s. Some interesting podcasts: HBR IdeaCast, The McKinsey Podcast, The Economist Podcasts (daily updates on the World), Leadcast (in Finnish), Puttonen & Vilkkumaa (in Finnish)...