

MNGT-C2001

International Business in the Era of Disruptions

Session 3 – Geopolitical Risks: China in Focus



**Aalto University
School of Business**

Eric Hundman

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Alexi Niittymies

January 18, 2023

1. **Introduction**
2. Previous session
3. Review: geopolitical risks
4. China in focus
5. The new national security economy
6. Group debate



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China Office
of Finnish Industries



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Our companies

 <p>ATRIA Good food – better mood.</p>	 <p>BORENIUS</p>	 <p>CARGOTEC</p>	 <p>FINNAIR</p>	 <p>FISKARS EST. GROUP 1649</p>
 <p>Huhtamaki</p>	 <p>kemira</p>	 <p>K</p>	 <p>KONE</p>	 <p>KONECRANES®</p>
 <p>marimekko</p>	 <p>Metsä</p>	 <p>Metso:Outotec</p>	 <p>NOKIA</p>	 <p>NOKIAN TYRES</p>
 <p>OP</p>	 <p>storaenso</p>	 <p>UPM</p>	 <p>VAISALA</p>	 <p>Valio</p>
 <p>WÄRTSILÄ</p>				

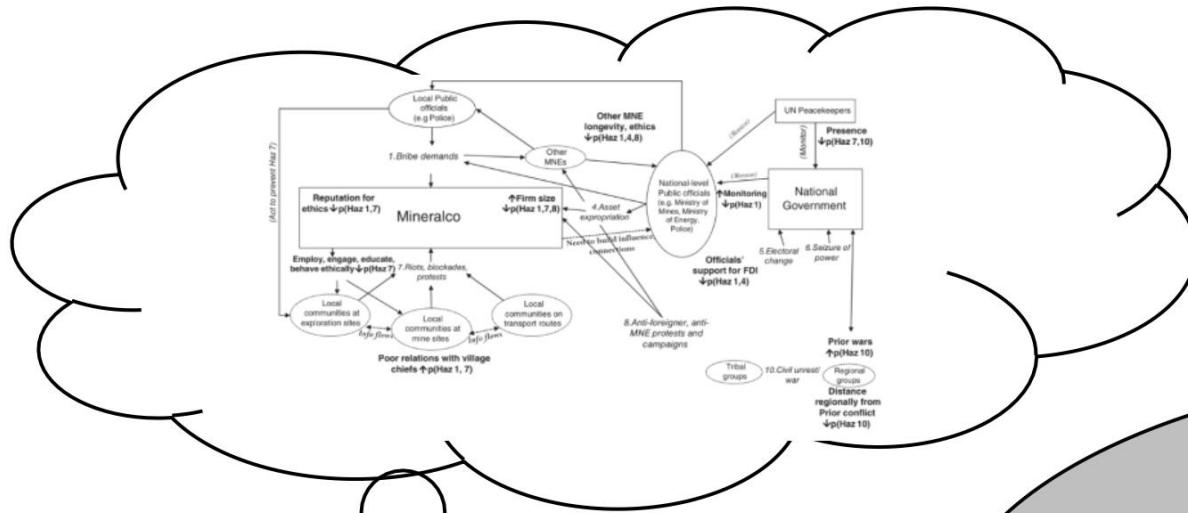
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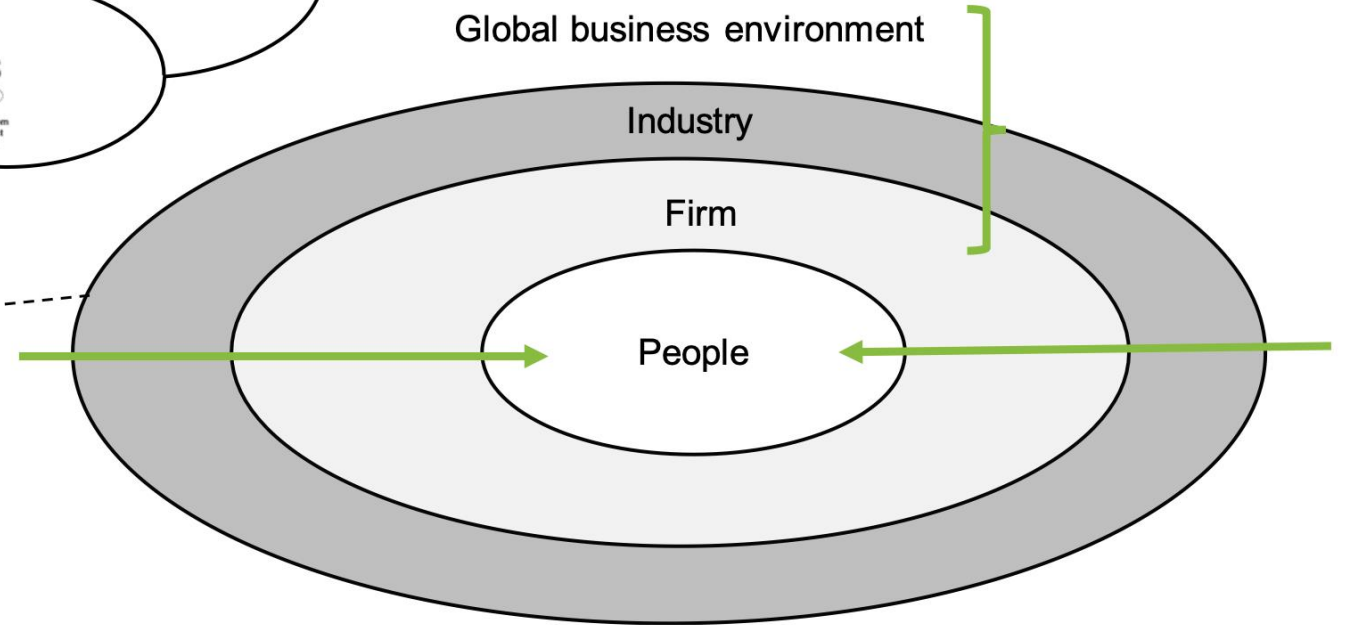
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Today's theme: Focus on analyzing the international environment



Global business environment



SWOT

Five forces

PESTEL

Uppsala model



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Geopolitical risk assessment grid (De Villa 2022)

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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Geopolitical risks: China in focus

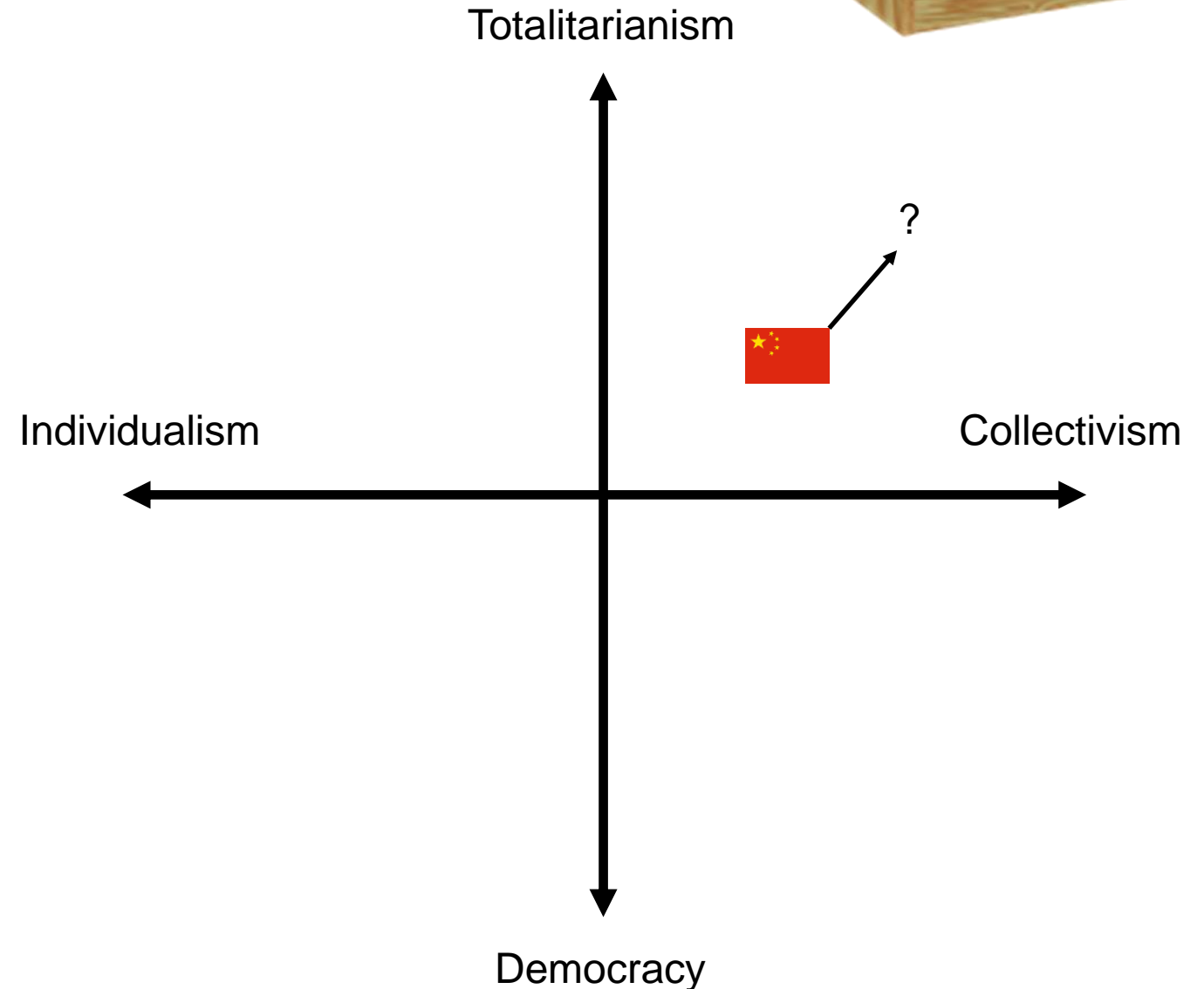


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Toolbox: Understanding national differences



Where does today's China fall on the two key Hill and Hult dimensions for understanding national differences in economic and political systems?



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Geopolitical risks: China in focus

We'll be talking today about national- and international-level geopolitical risks.



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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>
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Geopolitical risks: China in focus

First up: the national level.



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National-level geopolitical risks of doing business in China

- 1) Domestic political dynamics
- 2) The role of government
- 3) Regulation



National-level geopolitical risks of doing business in China

1) Domestic political dynamics

- Cultural preferences
- Zero-Covid policies
- Nationalistic consumer preferences



National-level geopolitical risks of doing business in China

1) Domestic political dynamics

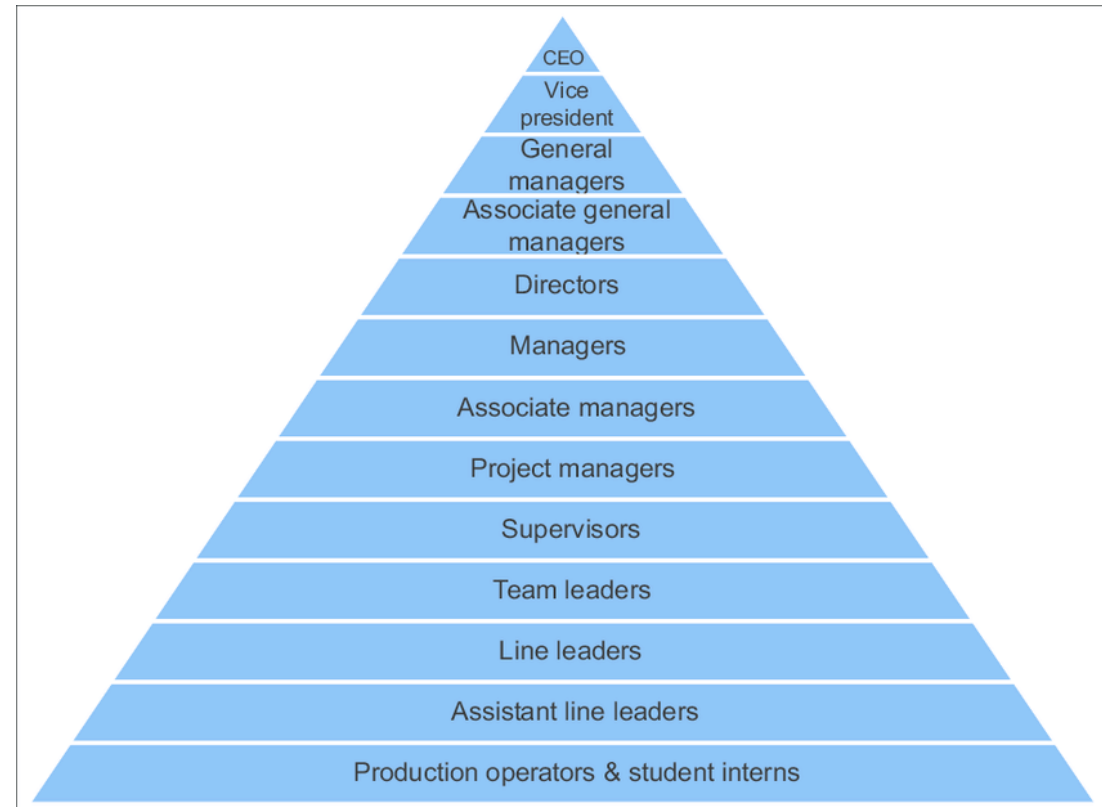
- **Cultural preferences: *guanxi***
- Zero-Covid policies
- Nationalistic consumer preferences



National-level geopolitical risks of doing business in China

1) Domestic political dynamics

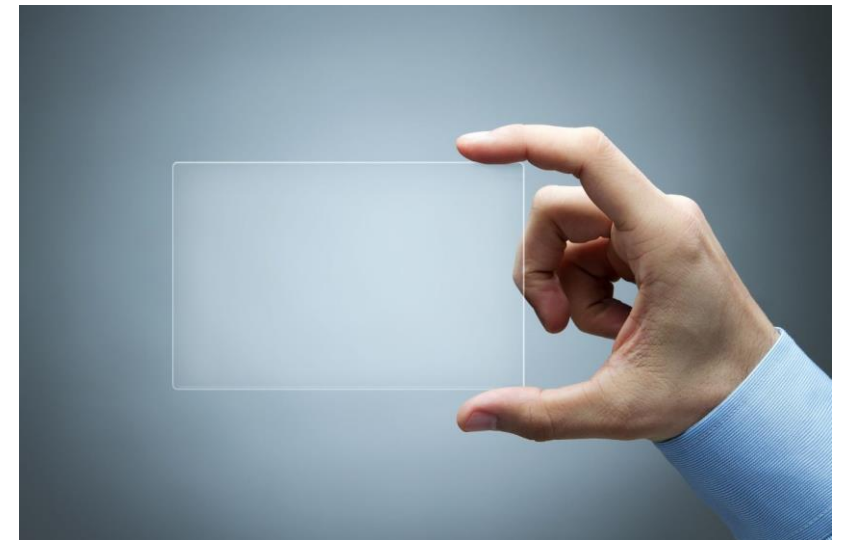
- **Cultural preferences: hierarchy**
- Zero-Covid policies
- Nationalistic consumer preferences



National-level geopolitical risks of doing business in China

1) Domestic political dynamics

- **Cultural preferences: less transparency**
- Zero-Covid policies
- Nationalistic consumer preferences



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National-level geopolitical risks of doing business in China

1) Domestic political dynamics

- **Cultural preferences: Indirectness**
- Zero-Covid policies
- Nationalistic consumer preferences



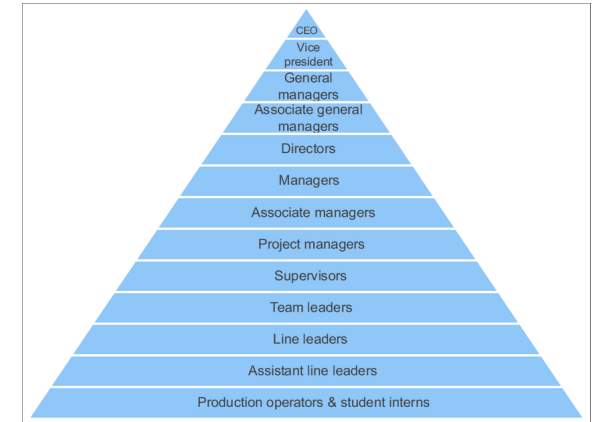
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Geopolitical risks: China in focus

How might these characteristics affect the risk of doing business in China?



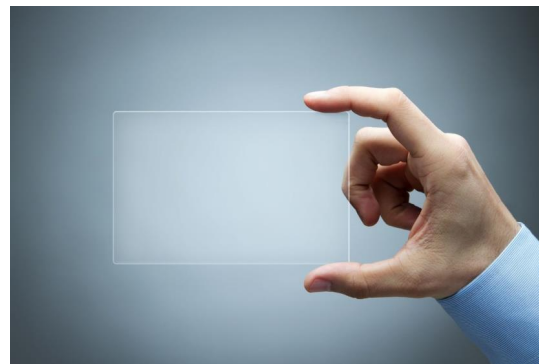
Guanxi



Hierarchy



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Less transparency



Indirect communication

National-level geopolitical risks of doing business in China

1) Domestic political dynamics

- Cultural preferences
- **Zero-Covid policies**
- Nationalistic consumer preferences



A?

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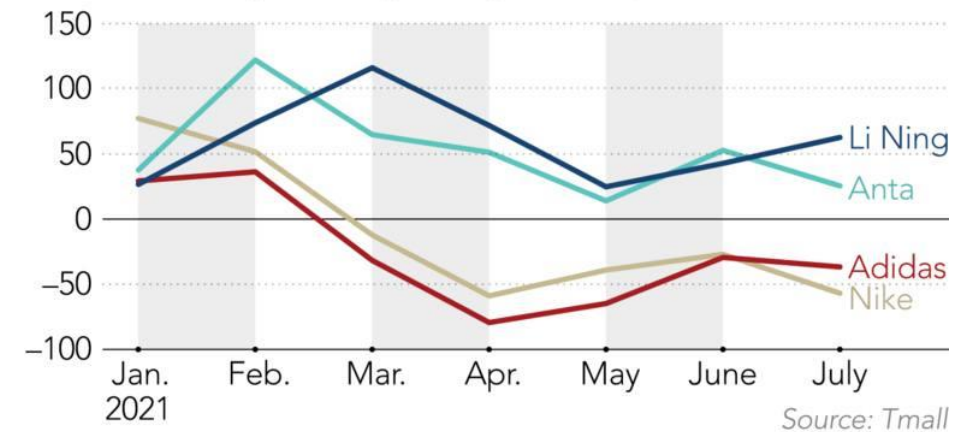
National-level geopolitical risks of doing business in China

1) Domestic political dynamics

- Cultural preferences
- Zero-Covid policies
- **Nationalistic consumer preferences**

Chinese consumers switch away from international brands

(Sales on Tmall, percentage change from a year earlier)



Source: Nikkei Asia



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National-level geopolitical risks of doing business in China

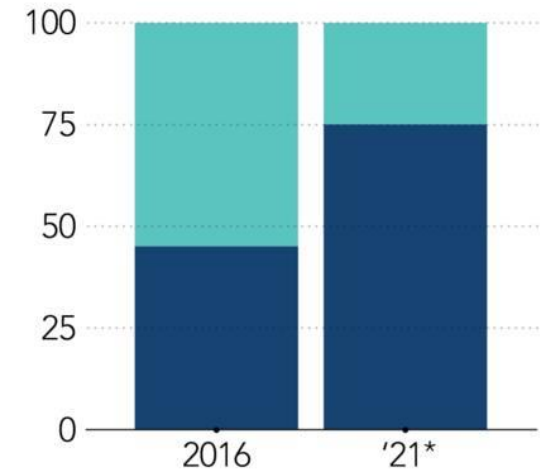
1) Domestic political dynamics

- Cultural preferences
- Zero-Covid policies
- **Nationalistic consumer preferences**

Domestic brands rise in popularity

(Percentage of searches on Baidu)

■ International brands
■ Domestic brands



*As of April
Source: Baidu

Source: Nikkei Asia



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National-level geopolitical risks of doing business in China

- 1) Domestic political dynamics
- 2) The role of government**
- 3) Regulation



National-level geopolitical risks of doing business in China

2) The role of government

- State-owned enterprises



A!

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National-level geopolitical risks of doing business in China

2) The role of government

- State-owned enterprises
- Industrial policy



National-level geopolitical risks of doing business in China

2) The role of government

- State-owned enterprises
- Industrial policy
- Ideology



National-level geopolitical risks of doing business in China

- 1) Domestic political dynamics
- 2) The role of government
- 3) Regulation**



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National-level geopolitical risks of doing business in China

3) Regulation

- Intellectual property



National-level geopolitical risks of doing business in China

3) Regulation

- Intellectual property
- Market access



National-level geopolitical risks of doing business in China

3) Regulation

- Intellectual property
- Market access
- Bureaucratic hurdles



A!

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Summary: National-level geopolitical risks in China

1) Domestic political dynamics

- Cultural preferences
 - Guanxi
 - Hierarchy
 - Less transparency
 - Indirectness
- Zero-Covid policies
- Nationalistic consumer preferences

2) The role of government

- State-owned enterprises
- Industrial policy
- Ideology

3) Regulation

- Intellectual property
- Market access
- Bureaucratic hurdles

Geopolitical risks: China in focus



1. Ability of supranational organizations to mediate and resolve political tensions or conflicts between countries	<i>Supranational level</i>
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International-level geopolitical risks of doing business in China

- 1) International politics
 - **US-China tensions**



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International-level geopolitical risks of doing business in China

1) International politics

- US-China tensions
- **Rising anti-China sentiment**



International-level geopolitical risks of doing business in China

1) International politics

- US-China tensions
- Rising anti-China sentiment
- **EU-China tensions**



International-level geopolitical risks of doing business in China

1) International politics

- US-China tensions
- Rising anti-China sentiment
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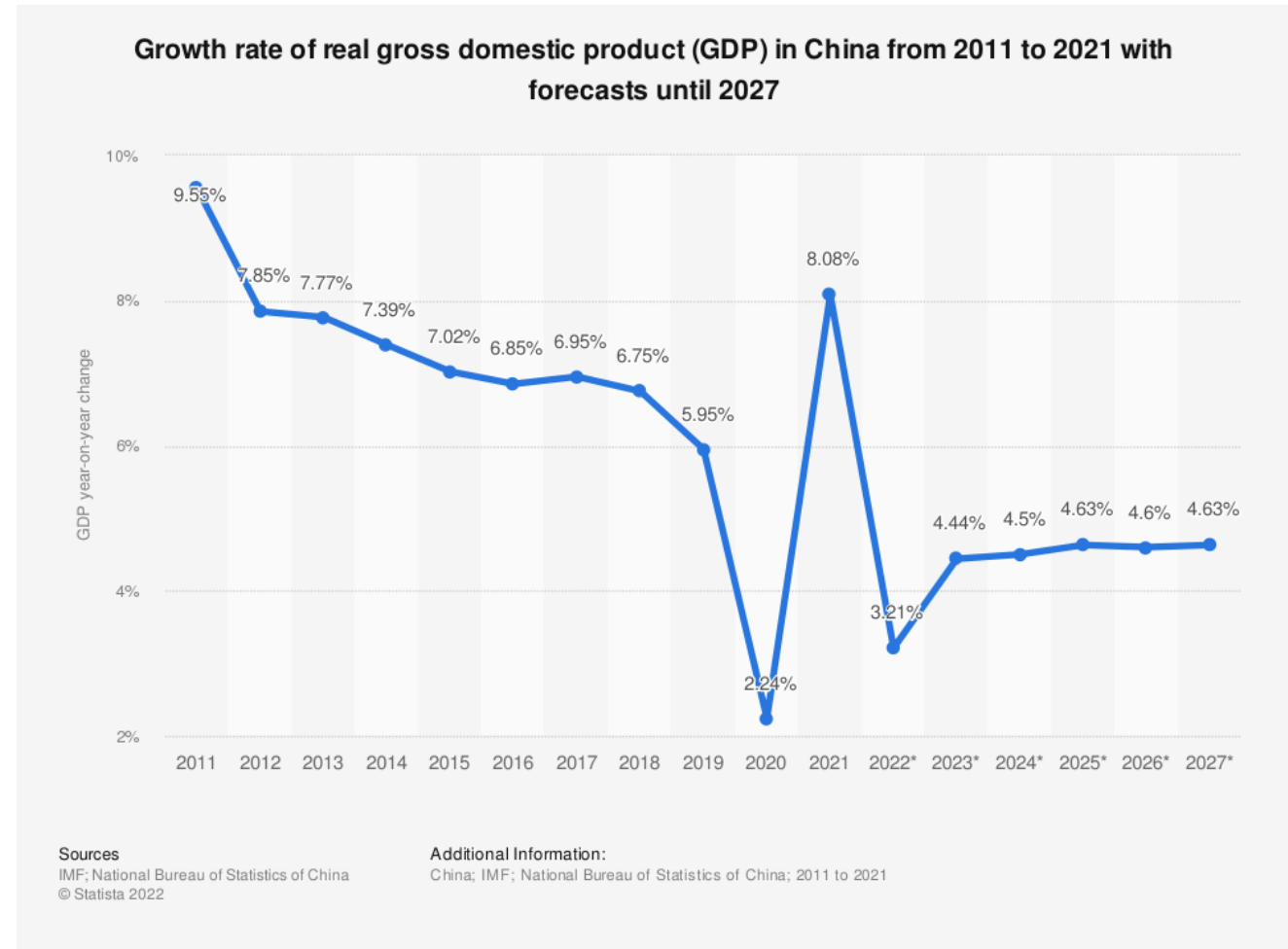
2) **Macroeconomic headwinds**



International-level geopolitical risks of doing business in China

2) Macroeconomic headwinds

- **Slowing growth**



Source: Statista



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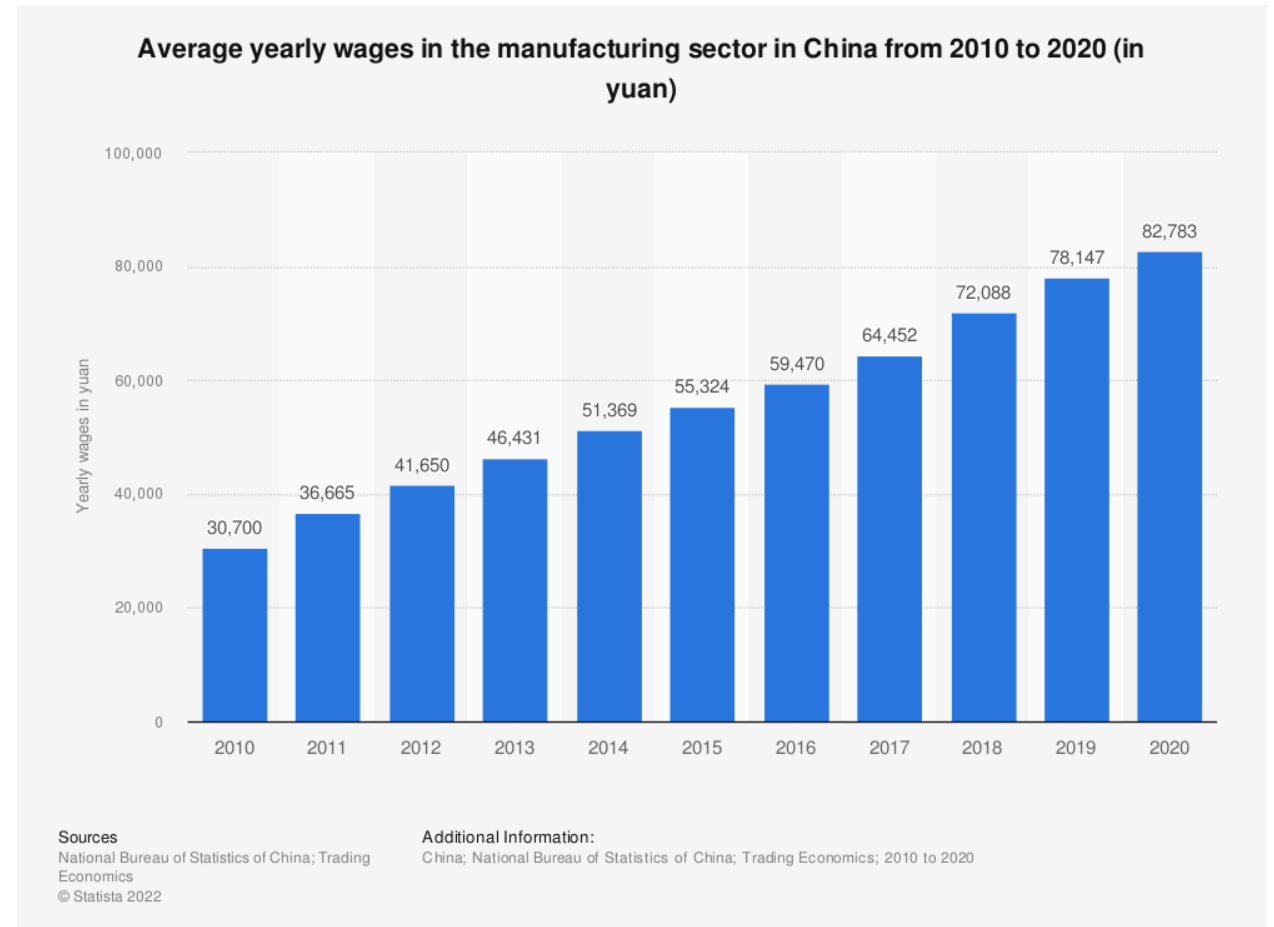
International-level geopolitical risks of doing business in China

2) Macroeconomic headwinds

- Slowing growth
- **Increasing labor costs**



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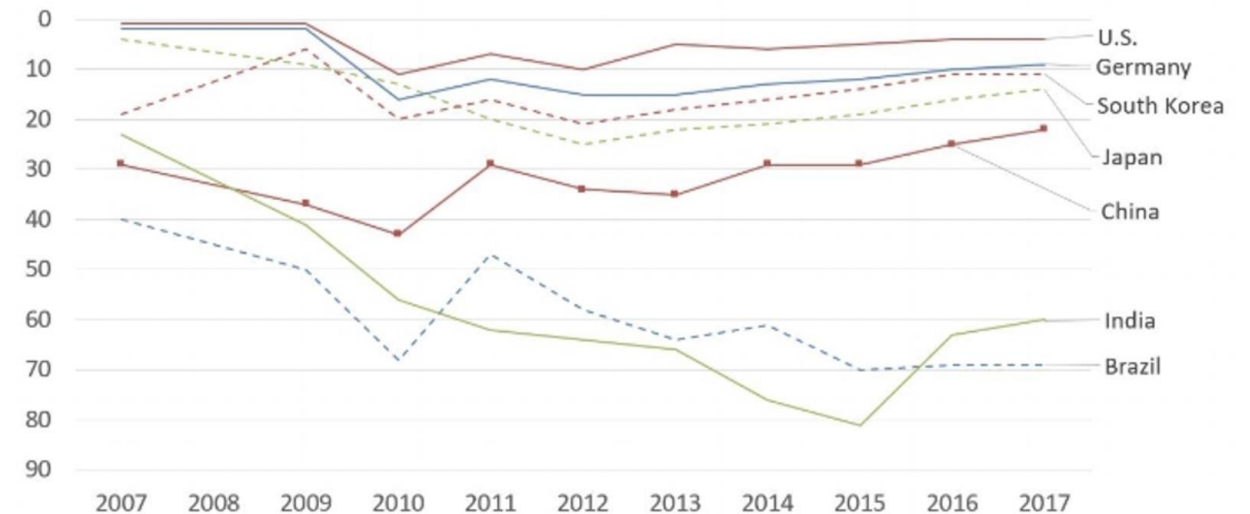
Source: Statista

International-level geopolitical risks of doing business in China

2) Macroeconomic headwinds

- Slowing growth
- Increasing labor costs
- **Innovation challenges**

Figure 3: Ranks of Selected Countries (2007-2017)



Source: Global Innovation Index

Source: Statista



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International-level geopolitical risks of doing business in China

1) International politics

- US-China tensions
- Rising anti-China sentiment
- EU-China tensions

2) Macroeconomic headwinds

- Slowing growth
- Increasing labor costs
- Innovation challenges



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6. Group debate



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The new national-security economy: four defining factors

- 1) Deep connectivity between societies
 - Some benefits, some risks
- 2) China-West competition
- 3) Advanced tech as competitive arena
 - AI, semiconductors, biotech
- 4) Private sector is the primary actor
 - (Not governments)

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6. **Group debate**



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Four teams, each arguing one of the following positions (you will have 15 minutes to prepare your arguments):

- 1) Despite the geopolitical risks, China is still the best place in the world to invest.
 - From the perspective of Chinese government leaders
- 2) The geopolitical risks of doing business in China are too great to justify further investments in the country.
 - From the perspective of American business leaders
- 3) (2 groups) The geopolitical risks of doing business in China are temporary and manageable.
 - From the perspective of Finnish business leaders
 - Online students, please prepare a slide summarizing your arguments



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7. **Thank you!**



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1. Introductions

- Who are we
- What are disruptions?
- What is international business?

2. Course practicalities

- Purpose, learning outcomes, and structure of the course
- Assessment and grading

3. **Global teamwork**



AGENDA

Global teams

What is a global team?

- A small group of people with a common task
- Often virtual as members dispersed across locations

Global teams increasingly common in multinational firms

Depth and diversity of knowledge, and flexibility are potential advantages of global teams...

...but geographic and cultural distance create obstacles to team performance

Photo by [Naassom Azevedo](#) on [Unsplash](#)

“On average, homogeneous teams perform better than diverse teams; but the best diverse teams outperform the best homogeneous teams.”



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)

How to improve the odds of success?

- **Importance of staffing**

- Required competencies? In firms often a challenge: the best people are rarely available...

- **Clarity and shared commitment to team goals**

- Clear goals and deliverable distinguish a team from a committee
- Joint commitment (“we”!) and accountability

- And clear **roles** within the team, linked with timelines and milestones

- **Agreement on processes**

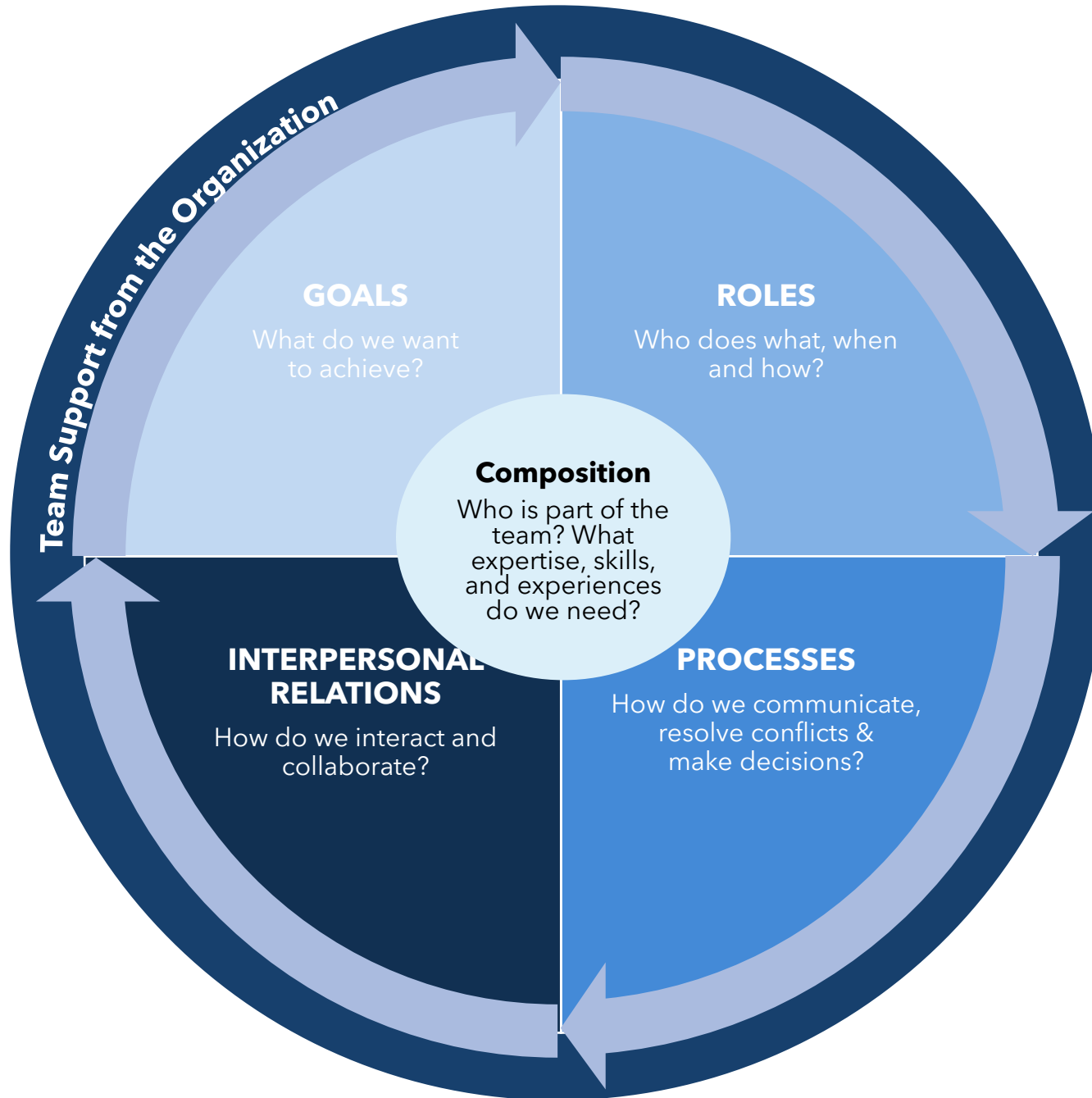
- Behavioral norms: Work practices, progress (reporting), quality standards?
- Temporal norms: Email response times, deadlines, etc.?
- Communication norms: How and how often do you communicate to discuss tasks and build relationships?

- **Building on relationships**

- Personal relationships facilitate the working of international teams
- In the start-up phase it is important to commit time to build **trust** – face-to-face meetings often indispensable

Source: Parts adapted from Niina Nurmi



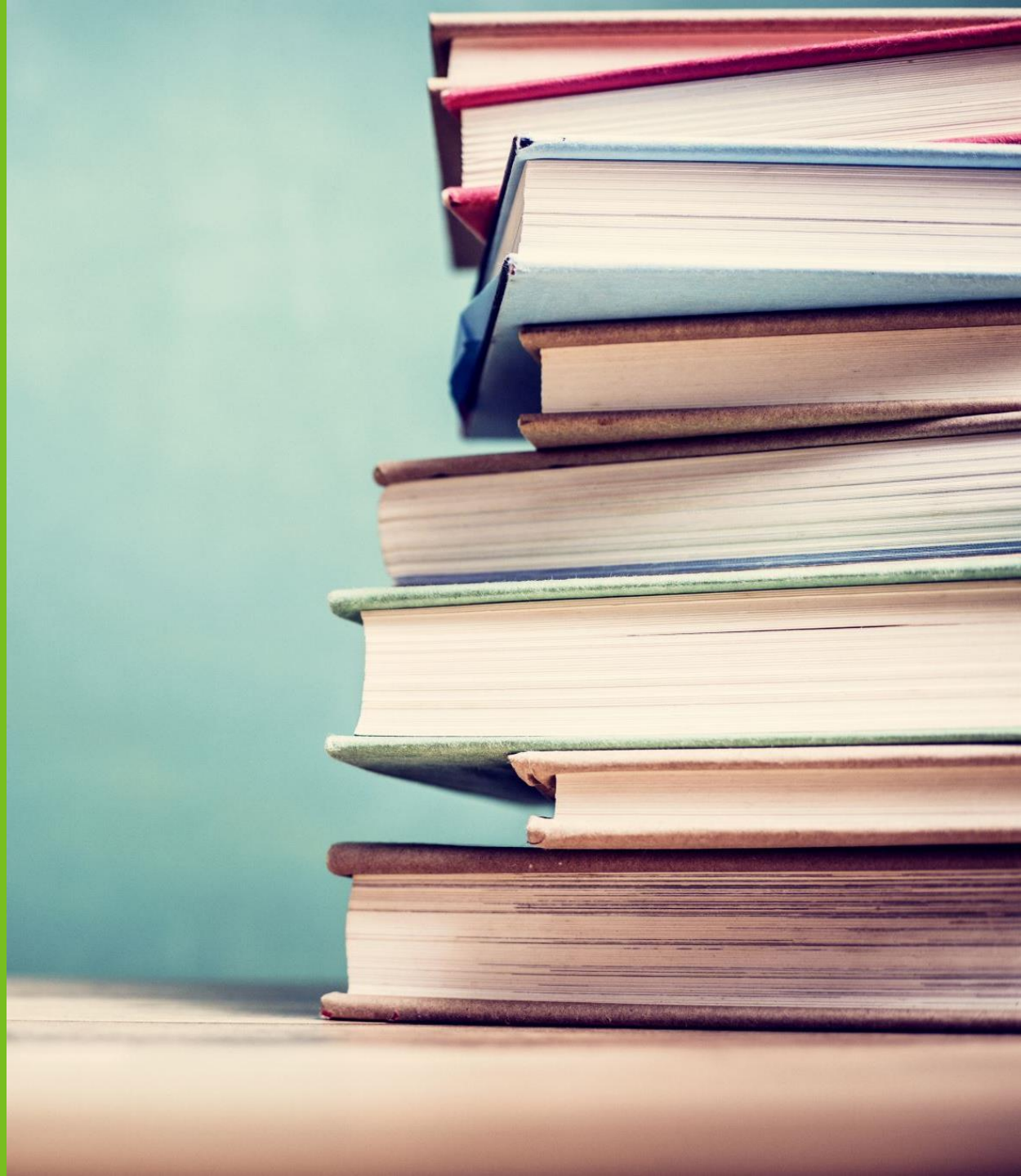


Team task: Create your team rules based on the **GRPI Model of Team Effectiveness**

(Pucik et al., 2022)

Feedback on reflection papers

Why do we teach
you to reflect on the
acquired
knowledge?



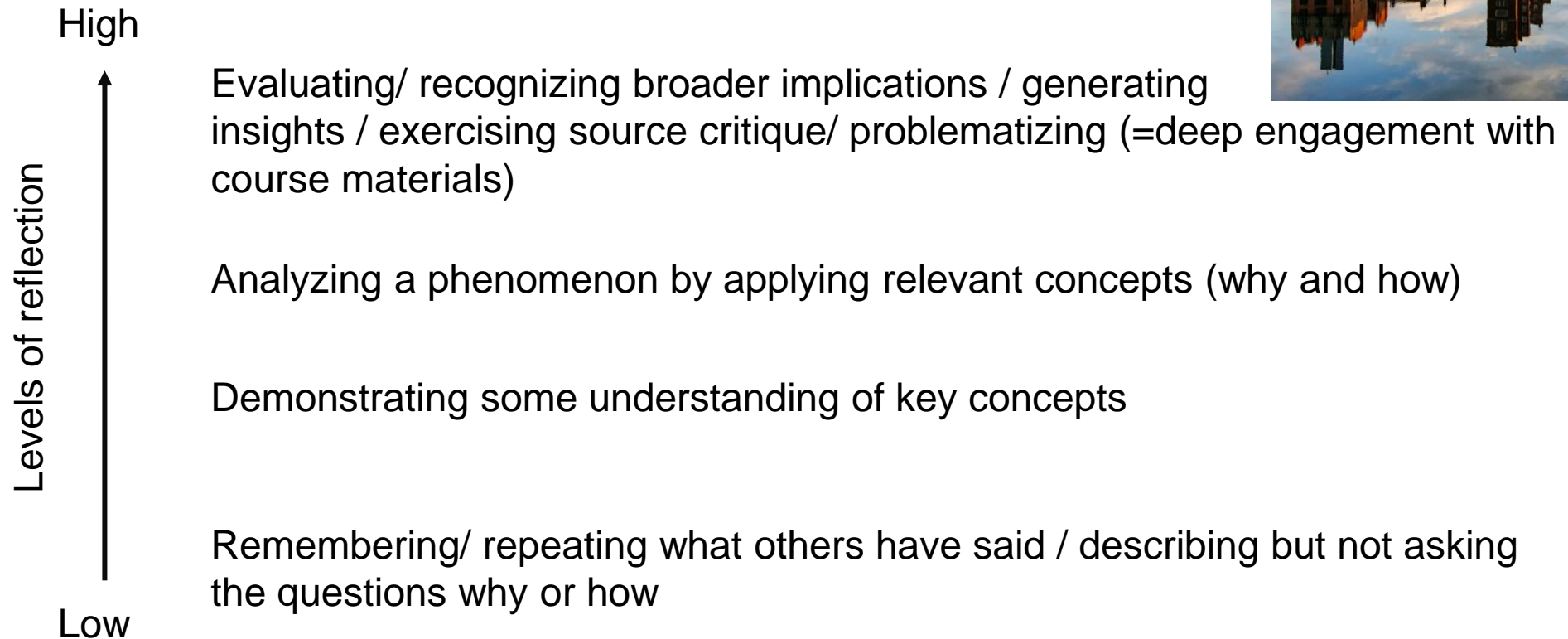
Guidelines from the syllabus (p. 3)

- The reflection papers help you to reflect on the knowledge accumulated from the course book, articles, other reading materials, and lectures
- You should summarize YOUR key lessons of the material covered since the start of the course or the deadline of the previous reflection paper
- You may reflect on what you found surprising, particularly interesting, or things that you do not agree with
- Excellent papers describe your own learning as well as demonstrate critical and analytical thinking
- Please use academic referencing (text references as well as reference list) in all written assignments

Feedback on reflection paper #1

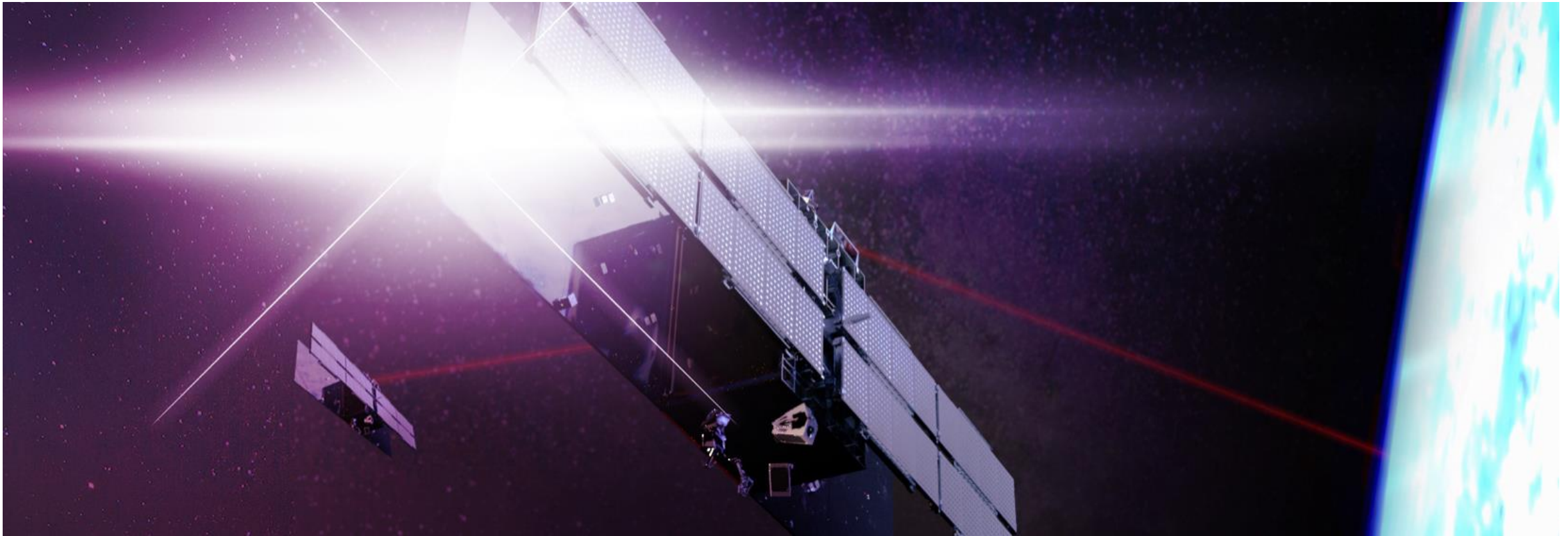
- Draw on your own earlier knowledge - including educational, professional and personal experience - and link it to what you cover in the paper
 - E.g. professional pilot – airline industry; work experience from logistics – disruption of global value chains; economics major, accounting major, management major
- Show us how you are making sense of the class discussions and course materials
- Demonstrate critical and independent thinking by teasing out relevant and timely insights
 - Criticism of the PESTEL model: political and legal factors get easily intertwined; new factors such as demographic (e.g. population size) and physical environment (urbanization) not discussed; a seemingly objective tool involves a considerable amount of interpretation (e.g. the symbolic and signalling effect of a company exiting Russia (Carlsberg, McDonalds))
 - What does free media mean mean? Providing an own definition: "when the media aren't dependent on the government or any other moral, religious or restricted community control"

Evaluation of reflection papers



**Next session: Company visit to
Iceye on January 20 2023**

**Company visit January 20 2023
at 1.15-3.15 pm**



Programme of our visit at Iceye

- **Silja Lehti, People & Culture**
- **Jouni Kytömaa, Senior Vice President, Satellite Missions Line of Business**
- **Annie Virtanen, Talent Acquisition Coordinator**
- **Meeting at 1.15 pm in Maarintie 6 B**
- **Please, be punctual!**
- **Prepare questions about Iceye by January 19 at 10 am on MyCourses**



Case study in groups

Group 1-4

Last Name	First Name	Email	Group	Group role
Lehtilä	Antti Olavi	antti.lehtila@aalto.fi	1	
Wenczel	Kata	kata.wenczel@aalto.fi	1	Liaison
Beije	Kevin Jeroen	kevin.beije@aalto.fi	1	
de Geus	Tivonna Francina Maria	tivonna.degeus@aalto.fi	1	
Gallo	Alice	alice.gallo@aalto.fi	1	
Collina	Linda	linda.collina@aalto.fi	1	

Last Name	First Name	Email	Group	Group role
Bennani	Mariam	mariam.bennani@aalto.fi	3	Liaison
Tong	Amanda Mun Yee	amanda.tong@aalto.fi	3	
Covaliov	Elizaveta	elizaveta.covaliov@aalto.fi	3	
Salah	Aisha Adam	aisha.salah@aalto.fi	3	
Rantanen	Anton Emil	anton.rantanen@aalto.fi	3	

Last Name	First Name	Email	Group	Group role
Laine	Iida Maria Alexandra	iida.laine@aalto.fi	2	Liaison
Niemi	Juho Ville Johannes	juho.niemi@aalto.fi	2	
Tan	Wen Rong	wenrong.tan@aalto.fi	2	
Rasouliau	Homayoun	homayoun.rasouliau@aalto.fi	2	
Lahtinen	Rami Artturi	rami.lahtinen@aalto.fi	2	

Last Name	First Name	Email	Group	Group role
Lee	Xin Jun Tom Ryan	ryan.lee@aalto.fi	4	Liaison
Chng	Damien Lai Soon	damien.chng@aalto.fi	4	
Rapala	Rasmus Carl-Walter	rasmus.rapala@aalto.fi	4	
Kito	Shun	shun.kito@aalto.fi	4	

Group 5-8

Last Name	First Name	Email	Group	Group role
Štípek	Petr	petr.stipek@aalto.fi	5	Liaison
Crochet	Céleste Marie Estelle	celeste.crochet@aalto.fi	5	
Leivo	Joona Mikael	joona.leivo@aalto.fi	5	
Himanka	Katariina Maria Klaudia	katariina.himanka@aalto.fi	5	
Numminen	Kristo Antti Sakari	kristo.numminen@aalto.fi	5	

Last Name	First Name	Email	Group	Group role
Dos Santos	Ana Catarina	catarina.dossantostacio@aalto.fi	7	Liaison
Wongtangton	Kan	kan.wongtangton@aalto.fi	7	
Terttunen	Inka Pauliina	inka.terttunen@aalto.fi	7	
Viljasaari	Marikki Susanna	marikki.viljasaari@aalto.fi	7	
Antona García	Pablo	pablo.antonagarcia@aalto.fi	7	

Last Name	First Name	Email	Group	Group role
Wong	Samantha Jing Ting	samantha.wong@aalto.fi	6	Liaison
Mayne	Tobias Paul Weber	tobias.mayne@aalto.fi	6	
Reiniluoto	Aaro Oskari	aaro.reiniluoto@aalto.fi	6	
Laitala	Markus Esko Valtteri	markus.laitala@aalto.fi	6	
Pitkänen	Riikka Maria	riikka.m.pitkanen@aalto.fi	6	

Last Name	First Name	Email	Group	Group role
Jutimitta	Korntaratana	korntaratana.jutimitta@aalto.fi	8	Liaison
Tan	Mandy Yu len	mandy.tan@aalto.fi	8	
Broman	Nicolas Aleksanteri	nicolas.broman@aalto.fi	8	
Raninen	Eemeli Joonas	eemeli.raninen@aalto.fi	8	
Lim	Tsu Oon Joshua	joshua.lim@aalto.fi	8	

Group 9- 10

Last Name	First Name	Email	Group	Group role
Lim	Rachel Sheryin	rachel.lim@aalto.fi	9	Liaison
Wang	Luke En Guang	luke.wang@aalto.fi	9	
Wallace	Roy Joseph	roy.wallace@aalto.fi	9	
Bacha	Darman	darman.bacha@aalto.fi	9	
Bourdon	Lucie Marie Martine	lucie.bourdon@aalto.fi	9	

Last Name	First Name	Email	Group	Group role
Sinivuori	Maari Pauliina	maari.sinivuori@aalto.fi	10	Liaison
Martínez Herrera	Carlos Alberto	carlos.martinezherrera@aalto.fi	10	
Caré	Manon Claude Marie	manon.care@aalto.fi	10	
Pitkänen	Heikki Vilhelm	ville.pitkanen@iki.fi	10	
Kotamäki	Sampsa Petteri	sampsa.kotamaki@aalto.fi	10	

Group consultation for the case study

Schedule for the group consultation sessions		
	Rebecca	Aleksi
Friday 20 January		
15.30	Group 6	Group 2
15.45	Group 3	Group 4
Wednesday 25 January		
15.15	Group 5	Group 1
15.30	Group 7	Group 8
15.45	Group 9	Group 10

Note! Exceptional class room arrangements

- On Friday January 27 we are in room Y-405
- On Friday February 3 we are in room U6 Konecranes



iHeartCraftyThings.com



After Iceye next Session 5, Wed Jan 25

International human resource management and managerial decision-making

- Read Ch. 17 on IHRM from Hill & Hult textbook
- Read the article on managerial decision-making by Maitland & Sammartino, 2015
- Quiz 3 is due for this class

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