



International Management

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**Inter-national,
Multi-national
Trans-national,
Trans-cultural,
Global, ...**





OBJECTIVE

- What is international management?
 - What are the forms of business' internationalisation?
 - Is the globalization a good business?
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- Reading: Mike W. Peng (2001): HOW DO FUTURE BUSINESS LEADERS VIEW GLOBALIZATION? The Ohio State University. Available at: <http://www.utdallas.edu/~mvp059000/papers.htm>



Theories of internationalization - a process of increasing involvement of enterprises in international markets

1 Trade theories

- * 1.1 Absolute cost advantage (Adam Smith, 1776)
- * 1.2 Comparative cost advantage (David Ricardo, 1817)
- * 1.3 Gravity model of trade (Walter Isard, 1954)
- * 1.4 Heckscher-Ohlin model (Eli Heckscher, 1966 & Bertil Ohlin, 1952)
- * 1.5 Leontief paradox (Wassily Leontief, 1954)
- * 1.6 Linder hypothesis (Staffan Burenstam Linder, 1961)
- * 1.7 Location theory
- * 1.8 Market imperfection theory (Stephen Hymer, 1976 & Charles P. Kindleberger, 1969 & Richard E. Caves, 1971)
- * 1.9 New Trade Theory
- * 1.10 Specific factors model

2 Traditional approaches

- * 2.1 Diamond model (Michael Porter)
- * 2.2 Diffusion of innovations (Rogers, 1962)
- * 2.3 Eclectic paradigm (John H. Dunning)
- * 2.4 Foreign direct investment theory (FDI)
- * 2.5 Monopolistic advantage theory (Stephen Hymer)
- * 2.6 Non-availability approach (Irving B. Kravis, 1956)
- * 2.7 Technology gap theory of trade (Posner)
- * 2.8 Uppsala model

3 Further theories

- * 3.1 Behavioral theory of the firm (Richard M. Cyert & James G. March, 1963; Yair Aharoni, 1966)
- * 3.2 Contingency theory
- * 3.3 Contract theory
- * 3.4 Economy of scale
- * 3.5 Internalisation theory (Peter J. Buckley & Mark Casson)
- * 3.6 Product life cycle theory (Raymond Vernon, 1966)
- * 3.7 Transaction cost theory
- * 3.8 Theory of the growth of the firm (Edith Penrose, 1959)



FACTORS INFLUENCING INTERNATIONALIZATION IN XX CENTURY

- Economic and political integration of countries
 - 1945, UN
 - 1948, GATT
 - 1957, EU
- Technical progress in transportation
- Technological progress in telecommunication
- Development of media
- Others



Internationalization perspectives

- COUNTRIES
- COMPANIES
- PRODUCTS
- BEHAVIOURS



REASONS FOR GOING INTERNATIONAL

There are two primary reasons for going international, and a third less common reason:

- 1. to expand sales by accessing new markets,**
- 2. to reduce costs, and/or**
- 3. to reduce risk.**

When going international to access new markets, a critical issue is the degree to which you adapt the product for the foreign market. The choice on how you adapt the product should be driven by the cost versus willingness-to-pay trade-off.

When going international to save costs, you normally want to pick a place that has a cost advantage. However, a firm should not necessarily carry out each activity precisely where it can be done cheapest. This is because each activity within the firm interacts with other activities, and there is a cost to interacting at a distance.

When a firm goes international to cut risks (e.g. exchange risk, political risk), all of the above issues still apply.



EFFECTS OF INTERNATIONALIZATION FOR COMPANIES

- Development of new business environment:
 - it creates new opportunities
 - it shows new threats and risks
- The competition is growing
- Today even SMCs need to manage many factors in dynamic environment that is already international.
- The international management skills (inside and outside company) are becoming important



INTERNATIONAL MANAGEMENT

the maintenance and development of an organization's **production or market** interests across national borders with either local or expatriate staff

the process of running a **multinational business** made up of formerly independent organizations

the body of skills, knowledge, and understanding required to manage **cross-cultural** operations



NEW TENDENCIES IN MANAGEMENT PRACTICES

- Increase of companies' specialisation – concentration on key competencies
- Fast increase of companies' size and value
- Mergers and acquisitions as a way for expansion and development
- Reduction of horizontal integration – drive to „slim” or virtual organisation
- Increase of importance of strategic alliances – cooperation instead of competition
- Introduction of quality management concepts
- Change of competitive advantage perception – investment in innovation
- Strategic role of top managers – skills in cross-cultural management
- Change and crisis as keys of success – organisation starts to learn
- Revolution of structures – from linear to project, matrix, net and virtual



When I think an international management

- good selection of right people to cooperat with /international knowledge/
- Aware of different cultures
- Skills in motivation and assessment
- High management skills
- Creative /problem solving, risk/
- Willing to work international,
- Creative in development of objectives /stable, fact oriented/
- Flexible, communicative, innovative
- Look for needs
- Look for sources, opportunities
- Sociable person
- Hungry of Information
- Aware of politica, econmical, social, ect. Issues abroad
- Intl. Experience
- languages



EXTENTS OF COMPANY'S INTERNATIONALISATION

I INTERNATIONALISATION OF EXCHANGE

-*Export*

-*Import*

II COOPERATION

-*Licences*

-*Franchising*

-*Management's contracts*

-*Joint venture activities*

III ACTIVITIES ABROAD

-*Foreign representatives*

-*Branch*

- *Subsidiary*

IV GLOBALISATION

-*Mergers and fusions*

-*Strategic alliances*



FORMS OF COMPANY'S INTERNATIONALISATION

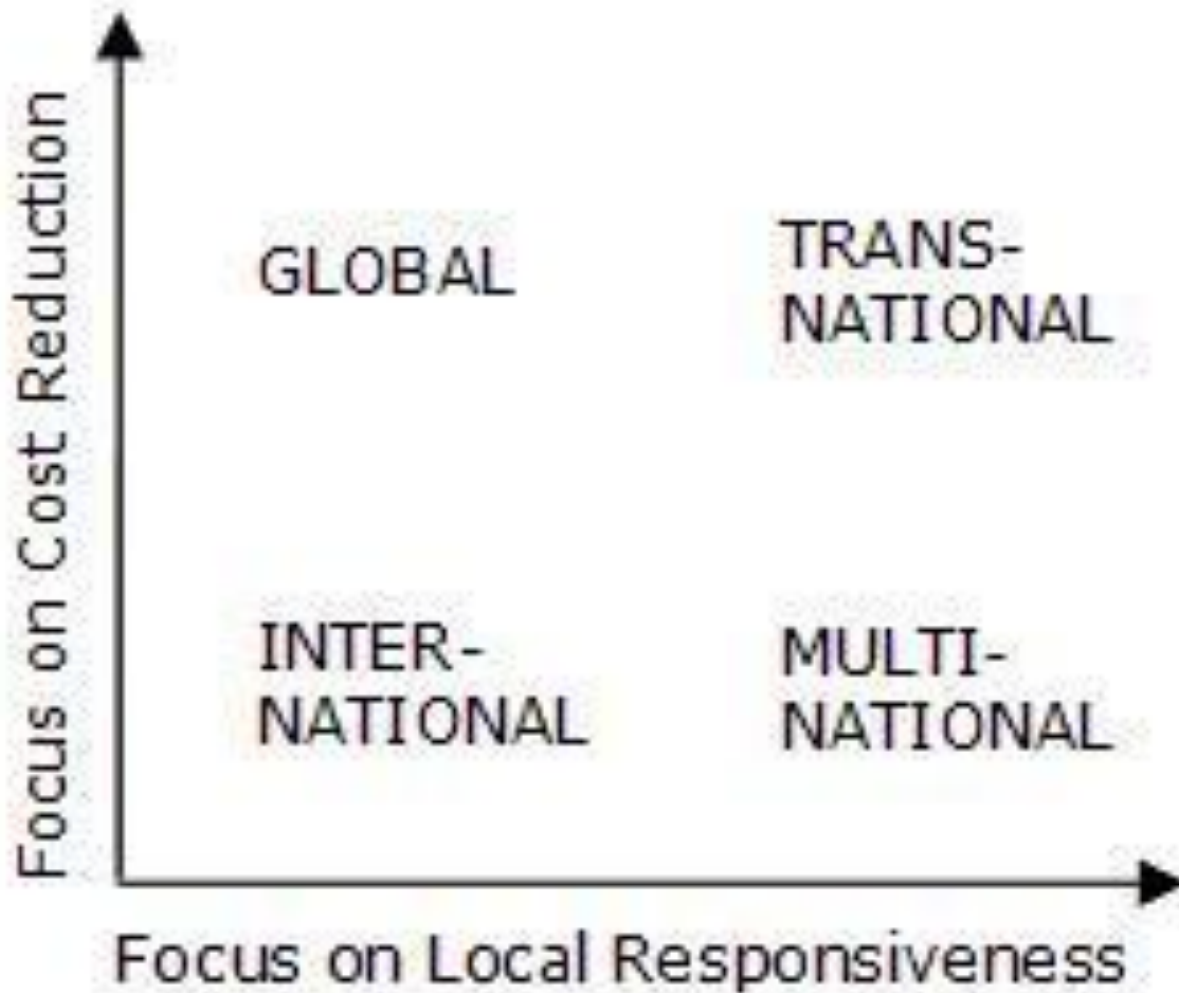
International

Multinational

Global

Transnational

Transcultural

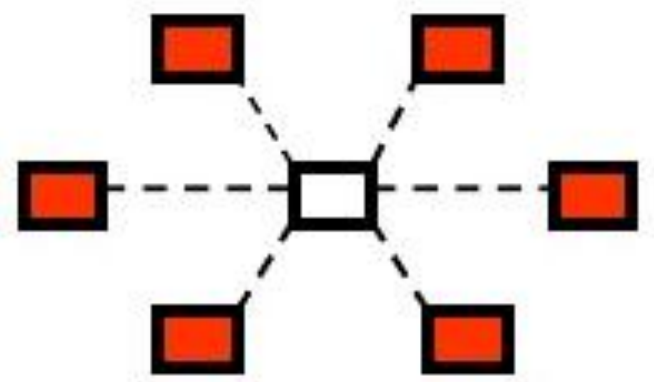




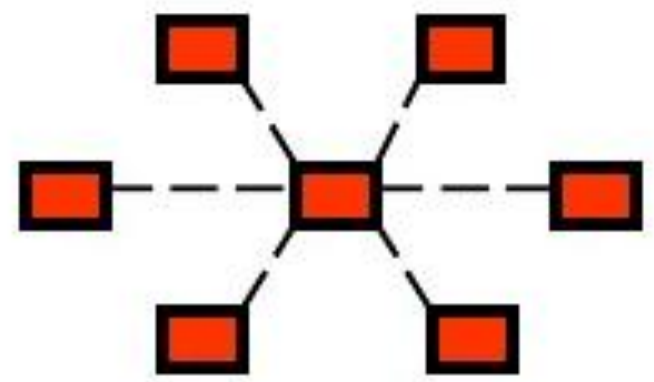


Organisation Configuration Models

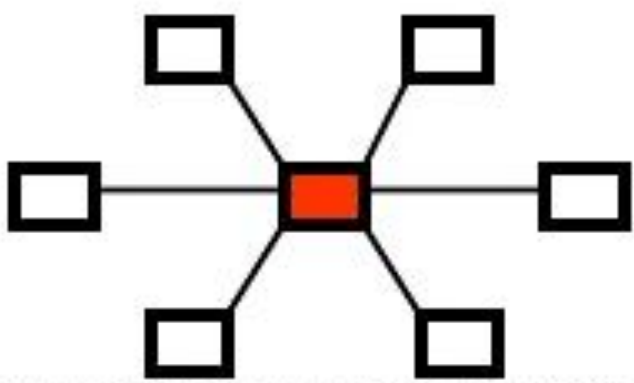
Decentralised Federation : MultiDomestic Strategy



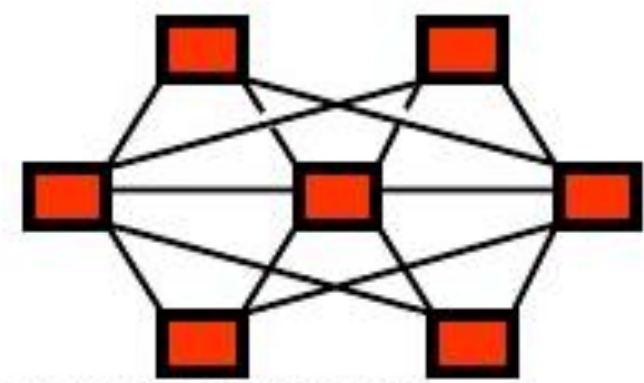
Coordinated Federation : International Strategy



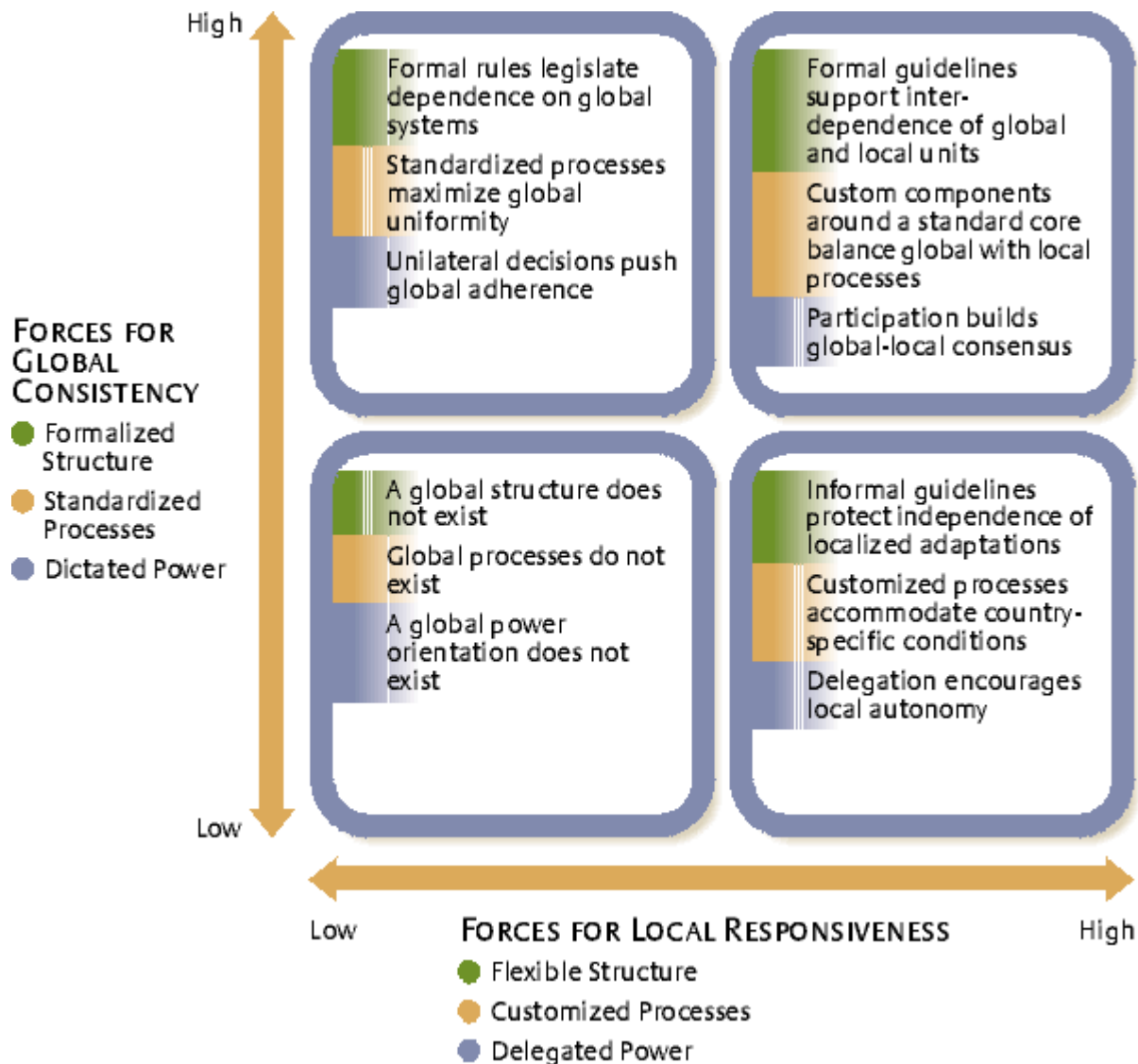
Centralised Federation : Global Strategy

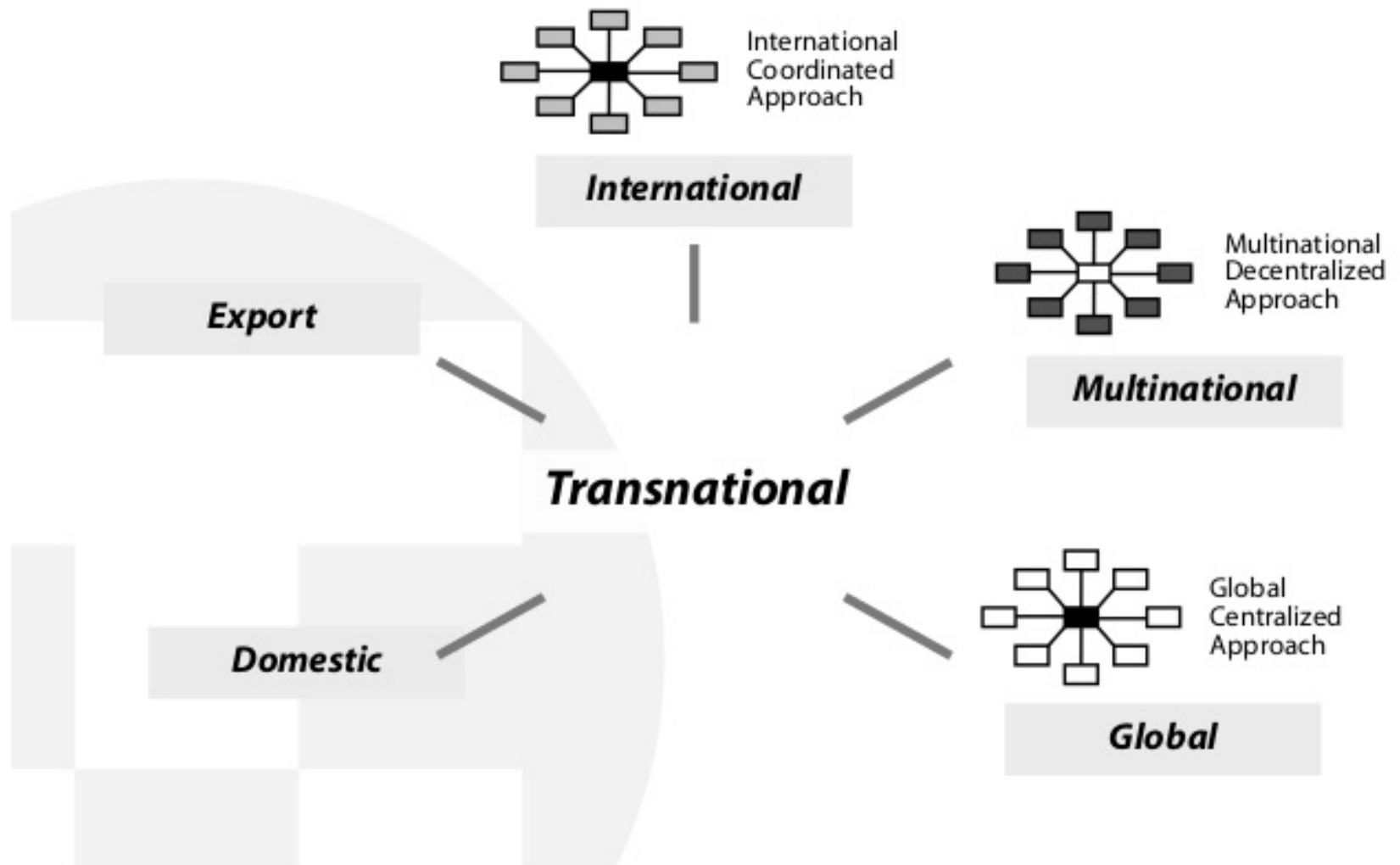


Integrated Network : Transnational Strategy



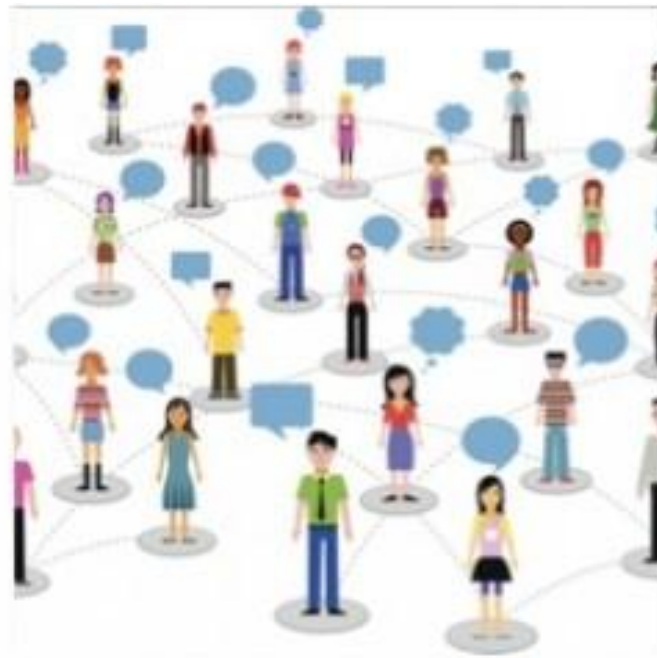
(Adapted from Transnational Management [5th edition]: Bartlett, Ghoshal & Beamish)







Transcultural





GOING GLOBAL

Peter F. Drucker explains that every business must become globally competitive, even if it manufactures and sells only within a local or regional market. The competition is not local anymore - in fact it knows no boundaries. Every company has to become transnational in the way it is run.

*Source:
Peter F. Drucker, "Beyond the Information Revolution",
The Atlantic Monthly, October 1999, page 51.*



WITHOUT BOUNDARIES

Most people think of giant companies when they hear the word "transnational." But increasingly middle-sized and even small businesses operate in the world economy rather than in one or two countries. It is actually easier for the middle-sized and even for the small company to operate without much regard for national boundaries. Unlike large companies they are politically barely visible.

*Source:
Peter F. Drucker, "Beyond the Information Revolution",
The Atlantic Monthly, October 1999, page 51.*



ASSIGNMENT 1

Analyze three selected theories of internationalization of an activity of a company in the context of changes that took or are taking place in your country.

Report of max. 10 000 characters.

Bring printable and electronic version of your report for next class.