PART 3 Managing International Business

CHAPTER 11

International Strategic Management

T.M.O. Travel/Alamy

AFTER STUDYING THIS CHAPTER, YOU SHOULD BE ABLE TO:

1. Characterize the challenges of international strategic management.
2. Assess the basic strategic alternatives available to firms.
3. Distinguish and analyze the components of international strategy.
4. Describe the international strategic management process.
5. Identify and characterize the levels of international strategies.

GLOBAL MICKEY

Mickey Mouse is every bit as popular around the globe as Coca-Cola's soft drinks and McDonald's burgers. But the Walt Disney Company has done a surprisingly poor job of capitalizing on the global potential for its various products. In 2012, for instance, 75 percent of Disney's $42.3 billion in revenues came from the United States and Canada, which account for only 5 percent of the world's population. This contrasts markedly with Coca-Cola and McDonald's, which each derive about two-thirds of their revenue from outside the United States.

Perhaps Disney's most public effort at internationalization has been its theme park operations. Its first theme park, Disneyland, opened in Anaheim, California, in 1955 and was soon generating huge profits. The 1971 debut of the firm's next major theme park development, Florida's Walt Disney World, was also a major success. Given the enormous popularity of Disney characters abroad, the firm saw opportunities to expand theme park operations to foreign markets. Its first international venture, Tokyo Disneyland, opened in 1983. The Japanese have long been Disney fans, and many Japanese tourists visit Disneyland and Disney World each year. To limit its risk, though, the firm did not invest directly in the park—a decision Disney managers would eventually come to regret. Instead, a Japanese investment group called the Oriental Land Company financed and entirely owns Tokyo Disneyland. Disney oversaw the park's construction and manages it but receives only royalty income from it. Tokyo Disneyland has been an enormous success from the day it opened its gates: It greeted its 100 millionth visitor after only eight years, a milestone that Disneyland took twice as long to reach. And Tokyo Disneyland remains one of Japan's top tourist attractions.

The success of Tokyo Disneyland inspired the firm to seek other foreign market opportunities. After evaluating potential sites throughout Europe, the firm narrowed its choice to one in France just outside Paris. This time, though, Disney decided to participate more fully in both the park's ownership and its profits. Although the French government decreed that Disney's ownership in the new venture would be limited to no more than 49 percent (with the remaining 51 percent made available for trade on European stock exchanges), Disney eagerly accepted this ownership structure. The French government's offer of numerous economic incentives also played a role in Disney's decision. The government sold the land for the park to Disney at bargain-basement prices and agreed to extend the Parisian rail system to the proposed park's front door. But as Euro Disney took shape, storm clouds loomed. Farmers protested the manner in which the French government condemned their land so that it could be sold to Disney. The cultural elite in Paris lambasted the project as an affront to French cultural traditions. Disney found itself defending its conservative employee dress codes, regimented training practices, and plans to ban alcohol from park facilities. Finally, a recession swept through Europe in 1992 just as the park was opening, forcing Disney to drop its plan to reduce its debt by selling land it owned near the park to local developers.

Disney did learn some things from its start-up problems in Europe. When the Disney Studios theme park adjacent to Disneyland Paris premiered in 2002, Disney made some small but significant changes in its operations. The voices of European actors such as Jeremy Irons, Nastassja Kinski, and Isabella Rossellini were featured on Disney Studios' tram rides, rather than those of U.S. actors like Bruce Willis. Disneyland Paris originally offered only French sausages, upsetting German, Italian, and British visitors who preferred those of their own country. Disney Studios Paris' food outlets, however, offer a broader array of sausages. The setting of the park's featured stunt show is modeled after St. Tropez, rather than a Hollywood back lot. Small matters, perhaps, but such details are designed to make visitors to the theme park feel more at home.

In 2005, Disney's next major international foray came to fruition when Disneyland Hong Kong made its debut. Opening-day festivities included a traditional parade comprising mainly Disney characters coupled with a few local touches—fireworks, Chinese lion dancers, and clanging cymbals. The company received a 43 percent equity stake in the $3.6 billion project in exchange for an investment of only $314 million. The local government, in turn, invested more than $2.9 billion in low-interest loans, land, and infrastructure improvements for the remaining 57-percent share. Disney was careful to incorporate feng shui concepts into the design of the Hong Kong park.

But as in Europe, Disney had to go back to the drawing boards and revise its approach to running Disneyland Hong Kong because attendance and spending fell below the company's projections. Disney had again failed to understand its market. The Chinese were less familiar with many Disney characters and classic attractions than the company expected, and many visitors felt the park was too "foreign" for their tastes. To compensate, Disney systematically reduced the presence of some of its traditional characters and replaced them with more Chinese figures such as Cai Shen Ye, the bearded Chinese god of wealth. It also changed the costuming of mainline favorites such as Mickey and Minnie Mouse, putting the venerable characters into red Chinese New Year garb. And the iconic daily Disney parade has been changed to include such traditional Chinese favorites as dragons and puppets of birds, fish, and flowers. These efforts have worked; in 2011, Disney began a multiyear expansion of the Hong Kong park. The first addition was Toy Story Land, featuring Buzz Lightyear, Woody, and friends.

Disney is nothing if not persistent. In addition to tinkering with Disneyland Hong Kong, the company established a branch office in Shanghai to coordinate its efforts in the 1.3-billion customer market. The Disney Channel and Disney cartoons are now broadcast throughout China, and "Disney Corners" featuring Disney-branded merchandise are available in more than 1,800 department stores in China. Disney operates 15 learning centers in Beijing and Shanghai, using a curriculum featuring Disney characters such as the Little Mermaid and Mickey Mouse to teach English to 7,000 Chinese youngsters ranging in age from 2 to 12. It plans to expand this program to 150 facilities serving 150,000 students by 2015. Of course, this approach to language education familiarizes the new generation of Chinese with Disney characters as well as improving their English skills. Disney's methodical approach to the Chinese market has paid off: After a decade of negotiations, Disney broke ground on a new $4.4 billion theme park in Shanghai in 2011. Disney will own 43 percent of the new venture, with three city-owned businesses controlling the remainder.

The company also is targeting India as a lucrative market for its products. In 2004 it launched Disney Channel and Toon Disney programming customized for the Indian families. Disney developed an Indian takeoff on *High School Musical,* although cricket replaced basketball in the movie's storyline. In 2012, it acquired UTV, India's largest TV and film studio, which also controls six leading Indian broadcast channels. Chinese and Russian versions of *High School Musical* are also under way, as are live and animated films targeted to the Japanese, Indian, Chinese, Arab, and Russian markets.

Nor is the company ignoring its opportunities elsewhere. Disney's Consumer Product Division has established dedicated sales teams to cater to the worldwide procurement needs of major international retailers such as Carrefour, ASDA (the British subsidiary of Walmart), and Metro. In 2012, the Disney Channel debuted in Russia and Turkey. It now is broadcast in 35 languages in 167 countries serving 323 million subscribers. ESPN International has equity interests in 27 international TV networks and has developed customized programming, such as ESPN Classic Sport Europe, ESPN Latin America, and ESPN Asia, to serve sports fans in those regions. Still, the company's international operations, which generate only 25 percent of the company's revenues, have much room for improvement and growth.[1] ■

To survive in today's global marketplace, firms must be able to quickly exploit opportunities presented to them anywhere in the world and respond to changes in domestic and foreign markets as they arise. This requires a cogent definition of the firm's corporate mission, a vision for achieving that mission, and an unambiguous understanding of how the company intends to compete with other firms. To obtain this understanding, firms must carefully compare their strengths and weaknesses to those of their worldwide competitors; assess likely political, economic, and social changes among their current and prospective customers; and analyze the impact of new technologies on their ways of doing business.

Disney's decisions to build Tokyo Disneyland, Disneyland Paris, Disney Studios Paris, and Hong Kong Disneyland are consistent with its strategy to be a global entertainment firm. So, too, are its efforts to increase worldwide licensing of its characters and expand its audience for the Disney Channel to other countries. But the firm stumbled badly in its initial efforts with Disneyland Paris and knows its competitors will continue to fight for market share. European vacationers can enjoy other amusement parks, such as Denmark's Legoland or France's Parc Asterix. Mickey Mouse lunchboxes compete for the attention of the world's schoolchildren with those featuring England's Paddington Bear, France's Babar the Elephant, Japan's Hello Kitty, and Belgium's Smurfs. And Time Warner's Cartoon Network has been outperforming the mouse for years. Thus, Disney's top managers know that they are in a continuous battle for the entertainment dollars (and euros, yen, and pounds) of the world's consumers and that it is up to them to deploy the firm's resources to achieve desired levels of profitability, growth, and market share.

The Challenges of International Strategic Management

Disney's managers, like those of other international businesses, use strategic management to address these challenges. More specifically, **international strategic management** is a comprehensive and ongoing management planning process aimed at formulating and implementing strategies that enable a firm to compete effectively internationally. The process of developing a particular international strategy is often referred to as **strategic planning**. Strategic planning is usually the responsibility of top-level executives at corporate headquarters and senior managers

EMERGING OPPORTUNITIES

HOW DOES A JAPANESE FIRM COMPETE IN CHINA? … ACT MORE AMERICAN

Although Toyota claims the title of being the world's largest car manufacturer, it initially struggled in the Chinese market, the fastest-growing auto market in the world. In 2005, it sold a mere 183,000 cars there, ranking ninth in the market, far behind Volkswagen, General Motors, Hyundai, and Honda. And its performance fell well short of its ambitions: Toyota's goal was to sell one million cars a year in China. Part of Toyota's problem is that it was a late entrant. It delayed producing cars in China until 2002, when it entered into a joint venture with a local company, the First Auto Works Group (FAW). The first car manufactured by Toyota-FAW, the Vios, failed to attract much of a market, for, despite its unremarkable design, it was three times as expensive as most cars sold in China.

Toyota's real difficulty was not its slow start or poor product positioning, however. Rather, Toyota assumed the Chinese market would be similar to the Japanese market. It soon learned, the hard way, that the Chinese market more closely resembled the U.S. market.

Sales personnel in Japan are paid a salary and succeed by slowly building a base of loyal clientele by providing first-class service to them. Similarly, most Japanese auto dealers sell but a single brand, thereby ensuring their loyalty to it. Japan is a relatively small country with an ethnically homogeneous population. Accordingly, Toyota used nationwide advertising to market its products in its home country.

Such is not the case in China. Salespersons live off their commissions, and most dealers sell numerous brands. Thus, loyalty plays little role in motivating either the sales staff or the dealers, who will ignore a slow-selling product should a more profitable one turn up. And China is a large, diverse country. For instance, an advertising campaign depicting the ruggedness of a Toyota SUV in conquering the harrowing terrain of inland China did little to spur sales in the populous, prosperous cities of the south.

To remedy its failures in the Chinese market, Toyota transferred Yoshi Inaba, a 38-year company veteran who had overseen the company's recent success in the United States. Inaba then recruited two senior U.S. marketing executives who had worked for him in California to do the same in China. Their first task was to establish 32 FAW-Toyota regional dealership associations. In the U.S. market, such associations develop cooperative advertising campaigns customized for their local markets. The new team also revamped its annual dealer meetings, shifting from the staid approach used in Japan to the more rah-rah, inspirational approach used in the United States to build enthusiasm for the Toyota brand. It also revamped Toyota's approach to allocating cars among its Chinese dealers, adopting the "turn and earn" system used in the United States: Dealers who sell (or turn) more cars earn favorable access to additional cars, particularly the hot-selling models. In this way, Toyota both rewards and motivates its dealers to focus their efforts on selling Toyotas rather than other vehicle brands.

Competition in the Chinese market is fierce, but transferring lessons learned in the U.S. market to its operations in China appears to have been successful. Toyota sold nearly 900,000 vehicles there in 2011—a bit short of its ambitious million car goal, but a significant improvement from its 2005 sales. However, while adopting U.S. approaches to doing business in China, Toyota is still a Japanese company in the eyes of Chinese consumers. Accordingly, the company's sales in China fell in 2012 as a result of boycotts of Japanese products by Chinese consumers, angry at the Japanese government's claim of sovereignty over the Senkaku/Diaoyu islands (see Chapter 3's closing case, "Tiny Islands, Big Trouble.")

Sources: "Toyota predicts China sales won't fully recover before fall," www.japantimes.co.jp, April 22, 2013; "Toyota plots China fightback with new, no-frills car," *The Economic Times*, April 20, 2013; "Japanese Car Sales Plunge Amid China Rage," *Wall Street Journal*, October 9, 2012; "After the quake," *The Economist*, May 19, 2011; "Toyota expands again in China," www.edmunds.com, March 11, 2008; "VW holds lead in China, Toyota comes in second," *Wall Street Journal*, January 11, 2008 (online); "In Chinese market, Toyota's strategy is made in U.S.A.," *Wall Street Journal*, May 26, 2006, p. A1; "The birth of the Prius," *Fortune*, March 6, 2006, p. 111; "China and Japan: So hard to be friends," *The Economist*, March 26, 2005, p. 23; "The Americanization of Toyota," *Fortune*, December 23, 2003, p. 165.

For example, in the late 1990s Procter and Gamble (P&G) executives grew increasingly concerned that their organizational structure, which was organized along geographic lines, was hindering the ability of the firm to transfer hard-won knowledge in one region to other areas of the world. P&G underwent a drastic organizational restructuring, creating a complex matrix structure that shifted more power to product line managers while retaining the local expertise of regional managers. The process was neither easy nor quick. In fact, the chief executive officer (CEO) who initiated the restructuring was fired after 18 months on the job. His successor was more successful in implementing the change, which has allowed P&G to transfer products, such as the Swiffer Sweeper or the upscale SK-II skin care cleansing system developed by its Japanese subsidiaries, throughout the globe more quickly and profitably.[9]

General Electric (GE) adopted a different approach to facilitate learning transfer among its units. It established 12 management councils, composed of senior executives from different subsidiaries. At the quarterly meetings of these councils, each member must present a new idea that other subsidiaries can use in their businesses as well. In this way, hard-earned knowledge of new techniques or market opportunities can be quickly spread throughout GE's operations.

SK-II was developed by P&G's Japanese subsidiary after a local scientist noticed the soft and youthful skin of women working in a sake brewery. Its expansion into other markets, including Asia, the United States, and the United Kingdom, was accelerated by an organizational restructuring designed to facilitate the transfer of new products and new technologies from one region to another.

EyePress/Newscom

In Practice

- International businesses can benefit from global efficiencies, multinational flexibility, and worldwide learning. These opportunities are not available to purely domestic firms.
- It is difficult to create an organizational structure that allows a firm to capture all three of these advantages, however.

For further consideration: Which of these three advantages is most important? Is the answer the same for every firm?

Strategic Alternatives

MNCs typically adopt one of four strategic alternatives in their attempt to balance the three goals of global efficiencies, multinational flexibility, and worldwide learning.

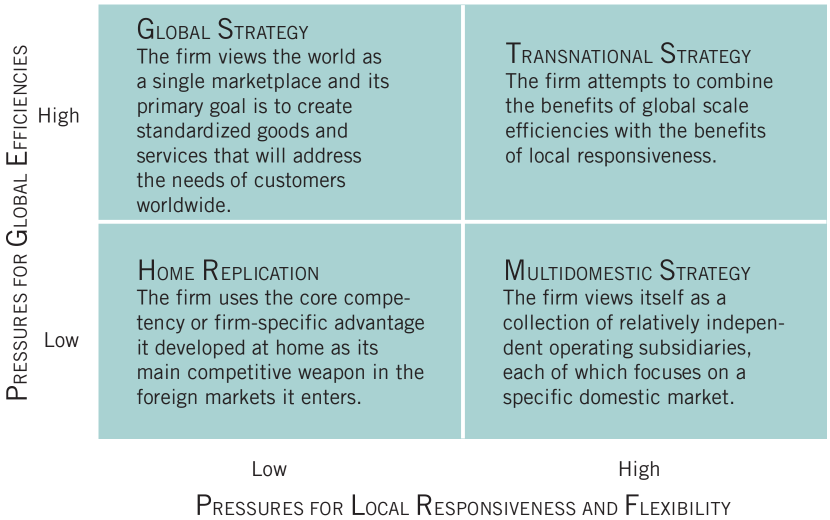
The first of these strategic alternatives is the *home replication strategy*. In this approach, a firm uses the core competency or firm-specific advantage it developed at home as its main competitive weapon in the foreign markets that it enters. That is, it takes what it does exceptionally well in its home market and attempts to duplicate it in foreign markets. Mercedes-Benz's home replication strategy, for example, relies on its well-known brand name and its reputation for building well-engineered, luxurious cars capable of traveling safely at high speeds. It is this market segment that Mercedes-Benz has chosen to exploit internationally, despite the fact that only a few countries have both the high income levels and the high speed limits appropriate for its products. Yet consumers in Asia, the rest of Europe, and the Americas, attracted by the car's mystique, eagerly buy it, knowing that they too could drive their new car 150 miles per hour, if only the local police would let them.

The *multidomestic strategy* is a second alternative available to international firms.[10] A multidomestic corporation views itself as a collection of relatively independent operating subsidiaries, each of which focuses on a specific domestic market. In addition, each of these subsidiaries is free to customize its products, its marketing campaigns, and its operational techniques to best meet the needs of its local customers. The multidomestic approach is particularly effective when there are clear differences among national markets; when economies of scale for production, distribution, and marketing are low; and when the cost

FIGURE 11.1

Strategic Alternatives for Balancing Pressures for Global Integration and Local Responsiveness

Source: Based on Sumantra Ghoshal and Nitin Nohria, "Horses for courses: Organizational forms for multinational corporations," *Sloan Management Review* (Winter 1993), pp. 27 and 31.



The home replication strategy is often adopted by firms when both the pressures for global integration and the need for local responsiveness are low, as the lower left-hand cell in Figure 11.1 shows. Toys "R" Us, for example, has adopted this approach to internationalizing its operations. It continues to use the marketing, procurement, and distribution techniques developed in its U.S. retail outlets in its foreign stores as well. The company's managers believe that the firm's path to success internationally is the same as it was domestically: build large, warehouse-like stores; buy in volume; cut prices; and take market share from smaller, high-cost toy retailers. Accordingly, they see little reason to adjust the firm's basic domestic strategy as they enter new international markets.

VENTURING ABROAD

MASTER OF THE FURNITURE UNIVERSE

In 1943, when he was 17, Ingvar Kamprad established a mail-order company selling assorted merchandise. A few years later, he added furniture to his product line but soon chose to design his own furniture products. IKEA developed the idea of shipping disassembled furniture to allow the use of less-expensive flat packaging. The firm opened Europe's first warehouse store in the small Swedish village of Älmhult in 1958. From these innovations, the pioneering retail firm has grown to encompass 298 stores in 26 countries.

The firm's products are known for their combination of Swedish-modern style, practicality, and affordability. Sofas, for example, cost as little as $200 and are covered with washable, durable canvas. IKEA deliberately engages in social engineering, believing that better and lower-cost design can transform the lives of the average person. Peter Fiell, author of *Industrial Design A–Z*, claims that the retailer's philosophy is about "how to get the most quality to the greatest number of people for the least money." He adds, "That's the nucleus of modernism. It's inherently optimistic."

IKEA has developed a peculiarly Scandinavian culture, with emphasis on restraint and fairness, which it calls "democratic design." This slogan applies to products and also to organizational and task design. Bill Agee, a U.S. employee who transferred to IKEA's Swedish headquarters, says, "It's a little religious or missionary in a sense, but it's who we are." Within the firm, private offices are rare and everyone is on a first-name basis. The no-frills facilities keep the emphasis on the downscale customers, who are referred to as "people with thin wallets." Josephine Rydberg-Dumont, the firm's managing director, speaks with evangelical fervor. "We're ready for modernism now," she says. "When it first came, it was for the few. Now it's for the many."

To cope with the needs of diverse customers around the world, IKEA relies on standardization, with global production and distribution. Customers in Russia, Malaysia, and the United States buy the same linens and cupboards. Customers walk through the identical warehouses along the same predetermined pathway. IKEA encourages ongoing consumption of "throw-away" furniture, long considered a durable good. Christian Mathieu, the firm's North American marketing manager, says of the traditional attitude, "Americans change their *spouse* as often as their dining-room table, about 1.5 times in a lifetime." To change that mind-set, IKEA launched an ad campaign called *Unböring*, featuring a discarded lamp sitting out in the rain. The spokesman says, "Many of you feel bad for this lamp. That is because you are crazy." Rydberg-Dumont concurs, saying, "You value things that don't bog you down, that are easy to take care of." The message is, you can and should update your home as often as you update your wardrobe.

IKEA made some mistakes in its early globalization efforts, not surprising for a firm whose 212 million catalogs are printed in 17 languages. In the United States, for example, beds didn't match standard sheet sizes. Another flop was the six-ounce drinking glass that

The transnational strategy would appear to be better able to promote global learning with its mix of centralization of certain functions and decentralization of others—a primary reason for adopting the transnational strategy in the first place. Transnational corporations use such techniques as matrix organizational designs, project teams, informal management networks, and corporate cultures to help promote transfer of knowledge among their subsidiaries. Such approaches to promoting worldwide learning are also available to firms adopting the home replication, multidomestic, and global approaches as well. However, such firms need to exert a systematic effort to successfully make use of these techniques.

In Practice

- Firms can choose from four basic approaches to competing internationally: home replication, multidomestic, global, and transnational.
- In each of these approaches, firms must weigh how important capturing global efficiencies and responding to local differences is in their ability to compete successfully in the international market under consideration.

For further consideration: Pick three or four international companies with which you are familiar. Which cell of Figure 11.1 would you put them in? Why do you think that they have adopted this approach?

Components of an International Strategy

After determining the overall international strategic philosophy of their firm, managers who engage in international strategic planning then need to address the four basic components of strategy development. These components are distinctive competence, scope of operations, resource deployment, and synergy.[11]

Distinctive Competence

Distinctive competence, the first component of international strategy, answers the question: "What do we do exceptionally well, especially as compared to our competitors?" A firm's distinctive competence may be cutting-edge technology, efficient distribution networks, superior organizational practices, or well-respected brand names. As our discussion of Dunning's eclectic theory in Chapter 6 suggested, a firm's possession of a distinctive competence (what Dunning called an ownership advantage) is thought by many experts to be a necessary condition for a firm to compete successfully outside its home market. Without a distinctive competence, a foreign firm will have difficulty competing with local firms that are presumed to know the local market better. The Disney name, image, and portfolio of characters, for example, is a distinctive competence that allows the firm to succeed in foreign markets. Similarly, the ready availability of software programs compatible with Windows operating systems gives Microsoft an advantage in competing with local firms outside the United States.

Whatever its form, this distinctive competence represents an important resource to the firm.[12] A firm often wishes to exploit this advantage by expanding its operations into as many markets as its resources allow. To a large degree, the internationalization strategy adopted by a company reflects the interplay between its distinctive competence and the business opportunities available in different countries.[13]

For instance, Frankfurt's Glasbau Hahn constructs glass showcases with self-contained climate controls and fiber-optic lighting. Because the showcases are perceived to be the world's best, museums pay Glasbau Hahn as much as $100,000 for a case in which to display priceless art, sculpture, or artifacts. Exploiting its distinctive competence in this specialized market, Glasbau Hahn has built a multimillion-dollar international business. Similarly, Wiesbaden's F. Ad. Müller Söhne has for 16 generations specialized in the production of glass eyeballs. The firm's long-term success rests on highly-skilled craftsmen and a proprietary technology invented in the 1860s.[14]

Scope of Operations

The second component, the **scope of operations**, answers the question: "Where are we going to conduct business?" Scope may be defined in terms of geographical regions, such as countries, regions within a country, or clusters of countries. Or it may focus on market or product niches within one or more regions, such as the premium-quality market niche, the low-cost market niche, or other specialized market niches. Because all firms have finite resources and because markets differ in their relative attractiveness for various products, managers must decide which markets are most attractive to their firm. Scope is, of course, tied to the firm's distinctive competence: If the firm possesses a distinctive competence only in certain regions or in specific product lines, then its scope of operations will focus on those areas where the firm enjoys the distinctive competence.

For instance, the geographical scope of Disney's current theme park operations consists of the United States, Japan, France, and Hong Kong, whereas the geographical scope of its movie distribution and merchandise sales operations reaches almost 200 countries. Other companies have chosen to participate in many lines of business but narrow their geographic focus, such as Grupo Luksic, a family-owned conglomerate with interests in beer, copper, banking, hotels, railroads, telecommunications, and ranching in Chile and neighboring countries. Conversely, Ballantyne Strong, a small ($169 million in annual revenues) Nebraska-based company, is sharply focused, just like its primary product: feature-film projectors, a market it has mastered in the United States and abroad.[15] Similarly, in the semiconductor industry, many firms have chosen to limit their operations to specific product niches. Asian semiconductor manufacturers such as Samsung and Hynix dominate the global memory chip market. California-based Intel focuses on producing the microprocessors that power most personal computers. Texas Instruments specializes in digital signal processors, which convert analog signals into digital signals. Such chips have many uses, from computer modems to stereo systems to cellular phones. Infineon Technologies AG concentrates on chips that have automotive, industrial, and communications applications. Thus, strategic planning results in some international businesses choosing to compete in only a few markets, some to compete in many, and others (such as Disney) to vary their operations across the different types of business operations in which they are involved.

Resource Deployment

Resource deployment answers the question: "Given that we are going to compete in these markets, how should we allocate our resources to them?" For example, even though Disney has theme park operations in four countries, the firm does not have an equal resource commitment to each market. Disney invested nothing in Tokyo Disneyland and limited its original investment in Disneyland Paris to 49 percent of its equity and in Hong Kong to 43 percent. But it continues to invest heavily in its U.S. theme park operations and in filmed entertainment.

Resource deployment might be specified along product lines, geographical lines, or both.[16] This part of strategic planning determines relative priorities for a firm's limited resources. Some large MNCs choose to deploy their resources worldwide. For example, Osaka-based Sharp Corporation manufactures its electronic goods in factories spread around the world. Other firms have opted to focus their production more narrowly. Boeing, the leading U.S. exporter, concentrates final assembly of most of its commercial aircraft in the Seattle, Washington, region. And although Daimler AG has production facilities in a dozen countries (including Austria, Brazil, China, and the United States), most Mercedes vehicles are German-built.[17] Although these firms buy materials and sell products globally, they have limited much of their production resource deployment to their home countries.

Synergy

The fourth component of international strategy, **synergy**, answers the question: "How can different elements of our business benefit each other?" The goal of synergy is to create a situation in which the whole is greater than the sum of the parts. Disney has excelled at generating synergy in the United States. People know the Disney characters from television, so they plan vacations to Disney theme parks. At the parks they are bombarded with information about the newest Disney movies, and they buy merchandise featuring Disney characters, which encourage them to watch Disney characters on TV, starting the cycle all over again. However, as noted previously, the firm has been more effective in capturing these synergies domestically than internationally.

In Practice

- The four components of international strategy are distinctive competence, scope of operations, research deployment, and synergy.
- As we will discuss in Chapter 12, possession of a distinctive competence is a necessary condition for firms to compete internationally.

For further consideration: Choose three or four international firms with which you are familiar. What distinctive competence has allowed them to compete successfully in international markets?

Developing International Strategies

Developing international strategies is not a one-dimensional process. Firms generally carry out international strategic management in two broad stages, strategy formulation and strategy implementation. Simply put, strategy formulation is deciding what to do and strategy implementation is actually doing it.

In *strategy formulation*, the firm establishes its goals and the strategic plan that will lead to the achievement of those goals. In international strategy formulation, managers develop, refine, and agree on which markets to enter (or exit) and how best to compete in each. Much of what we discuss in the rest of this chapter and in the next two chapters primarily concerns international strategy formulation.

In *strategy implementation*, the firm develops the tactics for achieving the formulated international strategies. Disney's decision to build Hong Kong Disneyland was part of strategy formulation. But deciding which attractions to include, when to open, what to charge for admission, and how to leverage its investment in the park to penetrate the TV, movie, and character licensing markets in China is part of strategy implementation. Strategy implementation is usually achieved via the organization's design, the work of its employees, and its control systems and processes. Chapters 14 and 15 deal primarily with implementation issues.

Although every strategic planning process is in many ways unique, there is nevertheless a set of general steps that managers usually follow as they set about developing their strategies. These steps, shown in Figure 11.2, are discussed next.

Mission Statement

Most organizations begin the international strategic planning process by creating a **mission statement**, which clarifies the organization's purpose, values, and directions. The mission statement is often used as a way of communicating with internal and external constituents and stakeholders about the firm's strategic direction. It may specify such factors as the firm's target customers and markets, principal products or services, geographical domain, core technologies, concerns for survival, plans for growth and profitability, basic philosophy, and desired public image.[18] For example, IKEA's mission is "to create a better everyday life for the many people," and Disney's is to be "one of the world's leading producers and providers of entertainment and information." MNCs may have multiple mission statements—one for the overall firm and one for each of its various foreign subsidiaries. Of course, a firm that has multiple mission statements must ensure that they are compatible.

Environmental Scanning and the SWOT Analysis

The second step in developing a strategy is conducting a **SWOT analysis**. SWOT is an acronym for strengths, weaknesses, opportunities, and threats. A firm typically initiates its SWOT analysis by performing an **environmental scan**, a systematic collection of data about all elements of the firm's external and internal environments, including markets, regulatory issues, competitors' actions, production costs, and labor productivity.[19]

Steve Raymer/CORBIS

Nike has focused its corporate energies on one component of the value chain–marketing–and deemphasized another–manufacturing. Nike has outsourced production of its footwear and apparel to contract manufacturers throughout the world. An estimated 50,000 Vietnamese workers are employed in factories under contract with Nike.

weaknesses. For example, BMW's decision to build automobiles in South Carolina took advantage of its strong brand image in the United States. This decision also neutralized the firm's internal weakness of high German labor costs and its vulnerability to loss of U.S. customers if the euro were to rise in value relative to the U.S. dollar.

Strategic Goals

With the mission statement and SWOT analysis as context, international strategic planning is largely framed by the setting of strategic goals. **Strategic goals** are the major objectives the firm wants to accomplish through pursuing a particular course of action. By definition, they should be measurable, feasible, and time-limited (answering the questions: "how much, how, and by when?"). For example, Disney set strategic goals for Disneyland Paris for projected attendance, revenues, and so on. But, as the Scottish poet Robert Burns noted, "the best laid plans of mice and men" often go awry. Part of the park's resultant financial problems arose from the firm's goals not being met. Disney's strategic managers had to revise the firm's strategic plan and goals, taking into account the new information painfully learned from the first years of the park's unprofitable operation. And as "E-World" discusses, Nokia's strategy, which served them well for a decade, quickly became obsolete when new competitors like the iPhone entered their market.

Tactics

As shown in Figure 11.2, after a SWOT analysis has been performed and strategic goals set, the next step in strategic planning is to develop specific tactical goals and plans, or **tactics**. Tactics usually involve middle managers and focus on the details of implementing the firm's strategic goals. For example, Grand Metropolitan, a huge British food company, and Guinness, a major British spirits maker, merged to create Diageo PLC, one of the world's largest consumer products companies. The merger agreement reflected strategic decisions by the two companies. But after plans for the merger were announced, middle managers in both companies were faced with the challenges of integrating various components of the two original companies into a single new one. Tactical issues such as the integration of the firms' accounting and information systems; human resource procedures involving hiring, compensation, and career paths; and distribution and logistics questions ranging from shipping and transportation to warehousing all had to be addressed and synthesized into one new way of doing business.

E-WORLD

NOKIA: NO LONGER KING OF THE HILL

Nokia Corporation provides a useful case study of the opportunities and challenges facing firms competing in the global economy. It also offers an object lesson for firms who fail to react quickly and appropriately to changes in the global marketplace.

Nokia was formed by Fredrik Idestam, a Finnish engineer. Its early success is consistent with the theory of comparative advantage. Idestam's young company set up shop in the town of Nokia on the Nokianvirta River in Finland (hence the firm's name) to manufacture pulp and paper using the area's lush forests as raw material. Nokia flourished in international anonymity for 100 years, focusing almost exclusively on its domestic market.

During the 1960s the firm's management decided to start expanding regionally. In 1967, with the government's encouragement, Nokia took over two state-owned firms, Finnish Rubber Works and Finnish Cable Works. In 1981, Nokia's destiny was altered dramatically by one seminal event: Because it had done so well with the rubber and cable operations, the Finnish government offered to sell Nokia 51 percent of the state-owned Finnish Telecommunications Company.

Because Nokia had already been developing competencies in digital technologies, it quickly seized this opportunity and pushed aggressively into a variety of telecommunications businesses. For example, Nokia created Europe's first digital telephone network in 1982. A series of other acquisitions and partnerships propelled the company to the number-one position in the global market for mobile telephones.

At face value it might seem that larger industrial countries like the United States, Germany, and Japan should have led the way in this market. Conditions in Finland, however, provide a unique catalyst for Nokia's initial successes. Many parts of the Finnish landscape are heavily forested, and vast regions of the country are sparsely populated. Creating, maintaining, and updating land-based wired communication networks can be slow and extremely expensive, making wireless digital systems a relative bargain. Thus, conditions were near perfect for an astute, forward-looking company like Nokia to strike gold.

During much of the past decade, Nokia hit a rich vein of pay dirt. It sold more than 40 million of its premium-priced N-series handsets, which allow dedicated gamers to download and play video games that were more graphics-rich than those available on its competitors' products. Nokia aggressively targeted emerging markets as well, developing attractively priced mobile phones to meet the needs of those customers. By the end of 2007, Nokia was the world's largest seller of mobile phones, with a global market share of 40 percent. Moreover, it enjoyed the highest operating profit margins in the industry.

Unfortunately, Nokia's market dominance disappeared quickly, seemingly in the blink of an eye. In June 2007, Apple began selling the iPhone in the United States; five months later, the iPhone was available for sale in Europe. The iPhone redefined the rules of competition in the mobile phone industry. Software, not hardware, became the critical selling feature. Unfortunately, Nokia's strength lay in hardware, not software. Nokia's clumsy Symbian operating system was no match for the iPhone's easy to use iOS operating system. Apple's clever "There's an App for that" commercials reinforced the superiority of the iPhone over Nokia's offerings. To make matters worse, Nokia's share of emerging markets eroded in the face of increased competition from low-cost Android-based phones produced by Chinese rivals. By the first quarter of 2013, Nokia's global market share had fallen to 16.6 percent. Of particular concern was Nokia's weakness in the more profitable smartphone market segment, where Samsung's Galaxy line of smartphones and Apple's iPhones are now the dominant players, with a combined market share of 52 percent.

Sources: "Nokia Yet to Get Up to Speed," *Wall Street Journal*, April 19, 2013, p. B5; "Global Mobile Phone Sales Fell in 2012," *Wall Street Journal*, February 13, 2013; "Gartner: Worldwide mobile phone sales fall, Apple and Samsung stay on top," www.zdnet.com, February 13, 2013; "Investors hang up on Nokia," *Wall Street Journal*, June 1, 2011, p. B1; "Nokia shares slump," *Wall Street Journal*, June 1, 2011; "Nokia to cut 7,000 globally," *Wall Street Journal*, April 28, 2011, p. B3; "The hands-on manager trying to revive a struggling giant," *Financial Times*, April 12, 2011, p. 10; "Downwardly mobile," *Financial Times*, February 25, 2011, p. 9; "Nokia rivals prepare to pounce on market share," *Financial Times*, February 17, 2011, p.14; "Doomsday memo from Nokia," *Financial Times*, February 10, 2011, p. 15; "Nokia plays own game on phones," *Wall Street Journal*, April 4, 2008, p. B6; "Nokia moves subtly to regain U.S. share," *Wall Street Journal*, March 27, 2008, p. B1; *Hoover's Handbook of World Business 2006* (Austin, TX: Hoover's Business Press, 2006), pp. 236–237.

Control Framework

The final aspect of strategy formulation is the development of a **control framework**, the set of managerial and organizational processes that keep the firm moving toward its strategic goals. For example, Disneyland Paris had a first-year attendance goal of 12 million visitors. When it became apparent that this goal would not be met, the firm increased its advertising to help boost attendance and temporarily closed one of its hotels to cut costs. Had attendance been running ahead of the goal, the firm might have decreased advertising and extended its operating hours. Each set of responses stems from the control framework established to keep the firm on course. As shown by Figure 11.2's feedback loops, the control framework can prompt revisions in any of the preceding steps in the strategy formulation process.[20] We discuss control frameworks more fully in Chapter 14.

In Practice

- The strategic planning process begins by firms formulating their mission statement, which specifies their purposes, values, and directions.
- Environmental scanning helps the firm identify its internal strengths and weaknesses and recognize market opportunities and threats.

For further consideration: Conduct a SWOT analysis for a local firm. In a one-page memo, list the three or four most important strengths and weaknesses of the firm and the three or four most important opportunities and threats facing the firm.

Levels of International Strategy

Given the complexities of international strategic management, many international businesses—especially MNCs—find it useful to develop strategies for three distinct levels within the organization. These levels of international strategy, illustrated in Figure 11.4, are corporate, business, and functional.[21]

Corporate Strategy

Corporate strategy attempts to define the domain of businesses in which the firm intends to operate. Consider three Japanese electronics firms: Sony competes in the global market for consumer electronics and entertainment but has not broadened its scope into home and kitchen appliances. Archrival Panasonic spans all these industries, while Pioneer Corporation focuses only on electronic audio and video products. Each firm has answered quite differently the question of what constitutes its business domain. Their divergent answers reflect their differing corporate strengths and weaknesses, as well as their differing assessments of the opportunities and threats produced by the global economic and political environments. A firm might adopt any of three forms of corporate strategy. These are called a single-business strategy, a related diversification strategy, and an unrelated diversification strategy.

THE SINGLE-BUSINESS STRATEGY The **single-business strategy** calls for a firm to rely on a single business, product, or service for all its revenue. The most significant advantage of this strategy is that the firm can concentrate all its resources and expertise on that one product or service. However, this strategy also increases the firm's vulnerability to its competition and to changes in the external environment. For example, for a firm producing only floppy disk drives,

FIGURE 11.4
Three Levels of Strategy for MNCs

UNRELATED DIVERSIFICATION A third corporate strategy international businesses may use is **unrelated diversification**, whereby a firm operates in several unrelated industries and markets. For example, GE owns such diverse business units as a lighting manufacturer, a medical technology firm, an aircraft engine producer, a home appliance manufacturer, and an investment bank. These operations are unrelated to each other, and there is little reason to anticipate synergy among such diverse operations and businesses.

During the 1960s, unrelated diversification was a popular investment strategy. Many large firms, such as ITT, Gulf and Western, LTV, and Textron became **conglomerates**, the term used for firms comprising unrelated businesses. The unrelated diversification strategy yields several benefits. First, the corporate parent may be able to raise capital more easily than any of its independent units can separately. The parent can then allocate this capital to the most profitable opportunities available among its subsidiaries. Second, overall riskiness may be reduced because a firm is less subject to business cycle fluctuations. For example, temporary difficulties facing one business might be offset by success in another. Third, a firm is less vulnerable to competitive threats because any given threat is likely to affect only a portion of the firm's total operations. Fourth, a firm can more easily shed unprofitable operations because they are independent. It also can buy new operations without worrying about how to integrate them into existing businesses.

Nonetheless, the creation of conglomerates through the unrelated diversification strategy is out of favor on Wall Street today primarily because of the lack of potential synergy across unrelated businesses. Because the businesses are unrelated, no one operation can regularly sustain or enhance the others. For example, GE managers cannot use any of the competitive advantages they may have developed in the lighting business to help offset poor aircraft engine sales. Further, it is difficult for staff at corporate headquarters to effectively manage diverse businesses, because staff members must understand a much wider array of businesses and markets than if operations are related. This complicates the performance monitoring of individual operations. As a result, although some conglomerates, such as GE and Textron, have thrived, many others have changed their strategy or disappeared altogether. Daimler AG, for example, reoriented its business away from unrelated diversification and more toward related diversification. The firm had operations in passenger cars and trucks, commercial vehicles, financial services and information technology, aerospace, rail, diesel engines, and auto electronics. But Daimler consolidated some of its nonautomotive activities, selling others, and putting more and more emphasis on its automobile operations.[25] However, conglomerates are often an important component of the economies of emerging markets, as Chapter 12's closing case, "The House of Tata" discusses.

Business Strategy

Whereas corporate strategy deals with the overall organization, business strategy focuses on specific businesses, subsidiaries, or operating units within the firm. Business strategy seeks to answer the question: "How should we compete in each market we have chosen to enter?"

Firms that pursue corporate strategies of related diversification or unrelated diversification tend to bundle sets of businesses together into **strategic business units (SBUs)**. In firms that follow the related diversification strategy, the products and services of each SBU are somewhat similar to each other. For example, Disney defines its SBUs as Parks and Resorts, Studio Entertainment (Touchstone, Buena Vista, and Pixar studios), Consumer Products (Disney publishing, character licensing, Disney Stores), and Media Networks (ABC, the Disney Channel, ESPN). In firms that follow unrelated diversification strategies, products and services of each SBU are dissimilar. Textron, for example, has created four SBUs: aircraft, automotive products, financial services, and industrial products.

By focusing on the competitive environment of each business or SBU, business strategy helps the firm improve its distinctive competence for that business or unit. Once a firm selects a business strategy for an SBU, it typically uses that strategy in all geographical markets the SBU serves. The firm may develop a unique business strategy for each of its SBUs, or it may pursue the same business strategy for all of them. The three basic forms of business strategy are differentiation, overall cost leadership, and focus.[26]

DIFFERENTIATION **Differentiation strategy** is a commonly used business strategy. It attempts to establish and maintain the image (either real or perceived) that the SBU's products has dominated the global ballpoint pen market since its founding in 1945. By concentrating on making those pens as cheaply as possible, the firm is able to sell them for a low price. Taken together, volume production and a worldwide distribution network have allowed Bic to flourish. Other firms that use this strategy are Timex (watches), Vizio (high-definition TVs), Hyundai (automobiles), Aldi (grocery stores), and Hynix (DRAM memory chips).

FOCUS A **focus strategy** calls for a firm to target specific types of products for certain customer groups or regions, such as a retailer specializing in maternity clothes or "big and tall" clients. Doing this allows the firm to match the features of specific products to the needs of specific consumer groups. These groups might be characterized by geographical region, ethnicity, purchasing power, tastes in fashion, or any other factor that influences their purchasing patterns. For example, Hollister Co., a division of Abercrombie & Fitch, has targeted a narrow but lucrative slice of the apparel market. The company concentrates its energies on selling the "hottest southern Cali lifestyle clothing geared for outgoing guys and girls."[27] Denmark's Bang and Olufsen focuses on producing elegantly designed high end audio products, thereby meeting the needs of customers with demanding standards in both form and function.

Functional Strategies

Functional strategies attempt to answer the question: "How will we manage the functions of finance, marketing, operations, human resources, and R&D in ways consistent with our international corporate and business strategies?" We briefly introduce each common functional strategy here but leave more detailed discussion to later chapters.

International *financial* strategy deals with such issues as the firm's desired capital structure, investment policies, foreign-exchange holdings, risk-reduction techniques, debt policies, and working-capital management. Typically, an international business develops a financial strategy for the overall firm as well as for each SBU. We cover international financial strategy more fully in Chapter 18. International *marketing* strategy concerns the distribution and selling of the firm's products or services. It addresses questions of product mix, advertising, promotion, pricing, and distribution. International marketing strategy is the subject of Chapter 16.

International *operations* strategy deals with the creation of the firm's products or services. It guides decisions on such issues as sourcing, plant location, plant layout and design, technology, and inventory management. We return to international operations management in Chapter 17. International *human resource* strategy focuses on the people who work for an organization. It guides decisions regarding how the firm will recruit, train, and evaluate employees and what it will pay them, as well as how it will deal with labor relations. International human resource strategy is the subject of Chapter 19. Finally, a firm's international R&D strategy is concerned with the magnitude and direction of the firm's investment in creating new products and developing new technologies.

The next steps in formulating international strategy determine which foreign markets to enter and which to avoid. The firm's managers must then decide how to enter the chosen markets. These two issues are the subject of Chapters 12 and 13.

In Practice

- Firms strive to develop successful strategies at three organizational levels: corporate, business, and functional.
- The three basic forms of business strategy are differentiation, cost leadership, and focus.

For further consideration: Are there successful business operating in your community that have adopted a differentiation strategy? A cost leadership strategy? A focus strategy?

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CHAPTER REVIEW

Summary

International strategic management is a comprehensive and ongoing management planning process aimed at formulating and implementing strategies that enable a firm to compete effectively in different markets. Although there are many similarities in developing domestic and international strategies, international firms have three additional sources of competitive advantages unavailable to domestic firms. These are global efficiencies, multinational flexibility, and worldwide learning.

Firms participating in international business usually adopt one of four strategic alternatives: the home replication strategy, the multidomestic strategy, the global strategy, or the transnational strategy. Each of these strategies has advantages and disadvantages in terms of its ability to help firms be responsive to local circumstances and to achieve the benefits of global efficiencies.

A well-conceived strategy has four essential components. Distinctive competence is what the firm does exceptionally well. Scope of operations is the array of markets in which the firm plans to operate. Resource deployment specifies how the firm will distribute its resources across different areas. And synergy is the degree to which different operations within the firm can benefit one another.

International strategy formulation is the process of creating a firm's international strategies. The process of carrying out these strategies via specific tactics is called *international strategy implementation*. In international strategy formulation, a firm follows three general steps. First, a firm develops a mission statement that specifies its values, purpose, and directions. Next it thoroughly analyzes its strengths and weaknesses, as well as the opportunities and threats that exist in its environment. Finally, it sets strategic goals, outlines tactical goals and plans, and develops a control framework.

Most firms develop strategy at three levels. Corporate strategy answers the question: "What businesses will we operate?" Basic corporate strategies are single-business, related diversification, and unrelated diversification. Business strategy answers the question: "How should we compete in each market we have chosen to enter?" Fundamental business strategies are differentiation, overall cost leadership, and focus. Functional strategy deals with how the firm intends to manage the functions of finance, marketing, operations, human resources, and R&D.

Review Questions

11-1. What is international strategic management?

11-2. What are the four basic philosophies that guide strategic management in most MNCs?

11-3. How do international strategy formulation and international strategy implementation differ?

11-4. What are the steps in international strategy formulation? Are these likely to vary among firms?

11-5. Identify the four components of an international strategy.

11-6. Describe the role and importance of distinctive competence in international strategy formulation.

11-7. What are the three levels of international strategy? Why is it important to distinguish among the levels?

11-8. Identify and distinguish among three common approaches to corporate strategy.

11-9. Identify and distinguish among three common approaches to business strategy.

11-10. What are the basic types of functional strategies most firms use? Is it likely that some firms have different functional strategies?

Questions for Discussion

11-11. What are the basic differences between a domestic strategy and an international strategy?

11-12. Should the same managers be involved in both formulating and implementing international strategy, or should each part of the process be handled by different managers? Why?

11-13. Successful implementation of the global and the transnational approaches requires high levels of coordination and rapid information flows between corporate headquarters and subsidiaries. Accordingly, would you expect to find many companies adopting either of these approaches in the nineteenth century? Prior to World War II? Prior to the advent of personal computers?

11-14. Study mission statements from several international businesses in the same industry. How do they differ, and how are they similar?

11-15. How can a poor SWOT analysis affect strategic planning?

11-16. Why do relatively few international firms pursue a single-product strategy?

11-17. How are the components of international strategy (scope of operations, resource deployment, distinctive competence, and synergy) likely to vary across different types of corporate strategy (single-business, related diversification, and unrelated diversification)?

11-18. The new Disney theme park in Shanghai will open later this decade. Develop a list of at least five ways other units of Disney can help promote and publicize the park's grand opening.

11-19. Is a firm with a corporate strategy of related diversification more or less likely than a firm with a corporate strategy of unrelated diversification to use the same business strategy for all its SBUs? Why or why not?

11-20. Identify products you use regularly that are made by international firms that use the three different business strategies.

11-21. Related and unrelated diversification represent extremes of a continuum. Discuss why a firm might want to take a mid-range approach to diversification, as opposed to being purely one or the other.

Building Global Skills

Form a group with three or four of your classmates. Your group represents the planning department of a large, domestically oriented manufacturer that has been pursuing a corporate strategy of unrelated diversification. Currently, the firm makes four basic products, as follows:

- All-terrain recreational vehicles. This product line consists of small two- and three-wheeled recreational vehicles, the most popular of which is a gasoline-powered mountain bike.
- Color televisions. The firm concentrates on high-quality, wide-screen, LED televisions.
- Luggage. This line is aimed at the low end of the market and comprises pieces made from inexpensive aluminum frames covered with ballistics material (high-strength, tear-resistant fabric). Backpacks are especially popular.
- Writing instruments. The firm makes a full line of mechanical pens and pencils pitched to the middle-market segment, between low-end products such as Bic and high-end ones such as Montblanc.

The CEO of the business has approached your group to act as business consultants. His intention is to either develop a distribution network in your country or, if the circumstances and opportunities are right, consider sub-contracting manufacture and distribution. The CEO is looking for likely partners in your country. He feels that with the right partnerships, the corporation can expand into new markets without taking all of the risk of the venture. With this in mind, answer the following:

11-22. Identify and evaluate examples of existing businesses in your country that would appear to match the four main product areas as likely partners.

11-23. Assess the likely demand for the four product areas in your country.

11-24. Suggest whether all four product ranges should be offered in your country and give reasons for your decisions.

11-25. Compare and contrast existing competitors for the product ranges in your country and assess their market share.

11-26. Assess whether your country would be an ideal regional hub for manufacturing and/or distribution.

11-27. What would you recommend the CEO of the business to do—a joint venture, acquire an existing business or set up one from scratch—in your country?

CLOSING CASE The New Conquistador

The South American continent emerged as one of the hottest markets in the past two decades as a result of economic policy changes and the region's growth prospects. Privatization, deregulation, and regional economic integration unshackled the imaginations and energies of the continent's entrepreneurs and attracted the attention of foreign investors, while surging commodities exports boosted the economies of such countries as Brazil (iron ore), Chile (copper), Bolivia (tin), and Venezuela (oil).

One industry directly impacted by these policy changes is telecommunications. Once the sleepy preserve of inefficient and overstaffed state-owned enterprises, the industry has become a magnet for new firms and new technologies. The most aggressive entrant is Telefónica SA. Telefónica's managers knew all too well the problems of state-owned telecommunications monopolists because Telefónica was just such a firm in its former guise as government-run Telefónica de España. Telefónica de España first obtained its monopoly concession on telephone services in Spain in 1924. Originally privately owned, the company was nationalized in 1945, with the government owning outright 41 percent of the company's shares.

For four decades the company enjoyed the easy life of a monopolist. The seeds of change were planted in 1986, however, when Spain joined the European Union (EU). Telefónica de España was ill-equipped to handle

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11-33. Describe and discuss the three sources of competitive advantage available to international businesses that are not available to purely domestic firms. Why is it difficult for firms to exploit these three competitive advantages simultaneously?

11-34. What are some of the issues that a firm might need to address if it decides to change its corporate or business strategy? For example, how would an MNC go about changing from a strategy of related diversification to a strategy of unrelated diversification?

11-35. Mymanagementlab Only—comprehensive writing assignment for this chapter.

Endnotes

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