

## Expanding Internationally



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## Expanding Internationally

- ✓ Program of the Module:
  - EKLYA - 1 - 22042020 - Expanding Internationally
  - EKLYA - 2 - 20052020 - Intercultural Management
  - EKLYA - 3 - 15062020 - Strategic Changes

## Expanding Internationally

- ✓ Program:
- Globalization Drivers
- Foreign Market Entry Strategies
- Management Styles
- International Company Employees



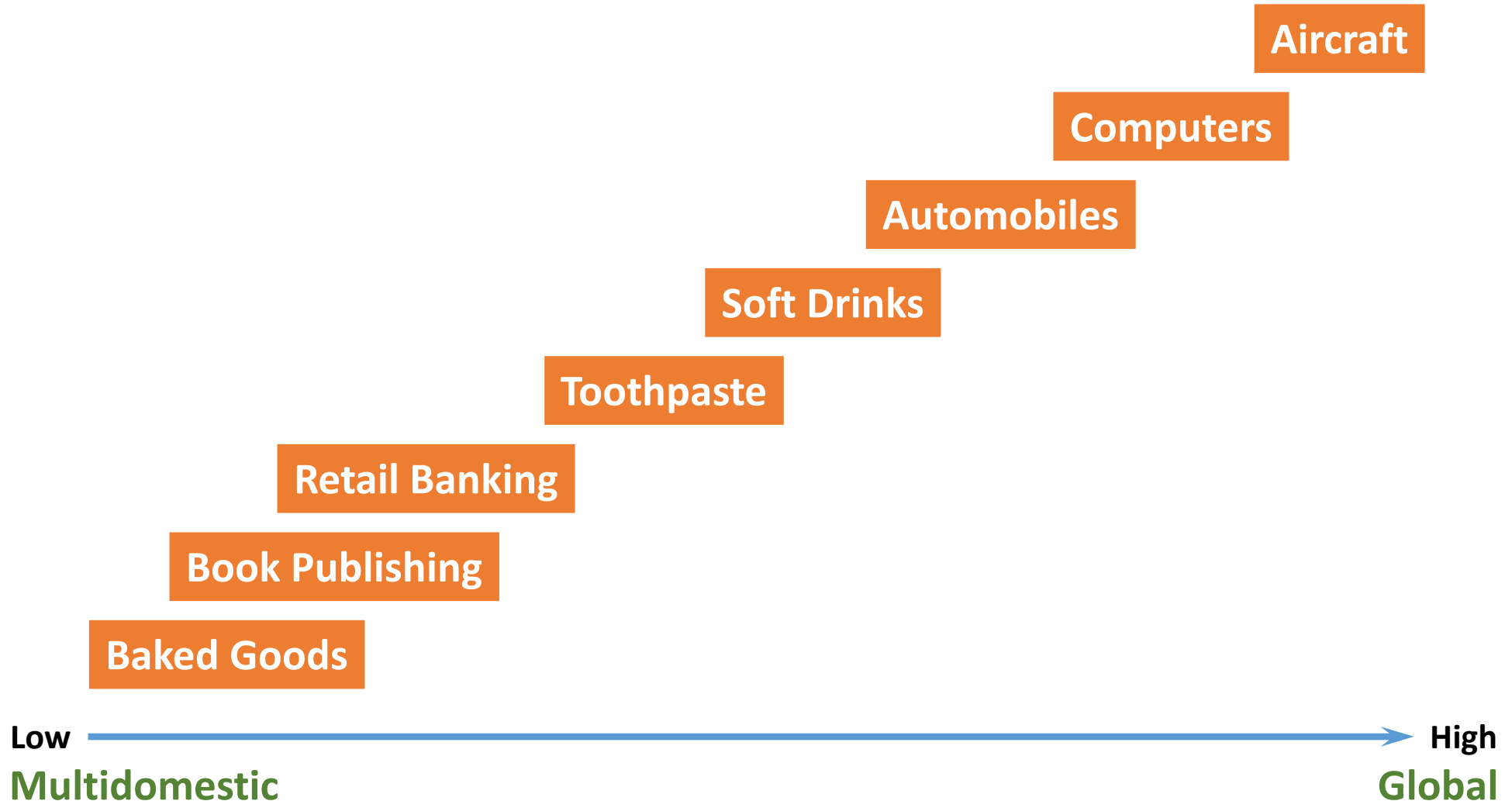
EKLYA-M1





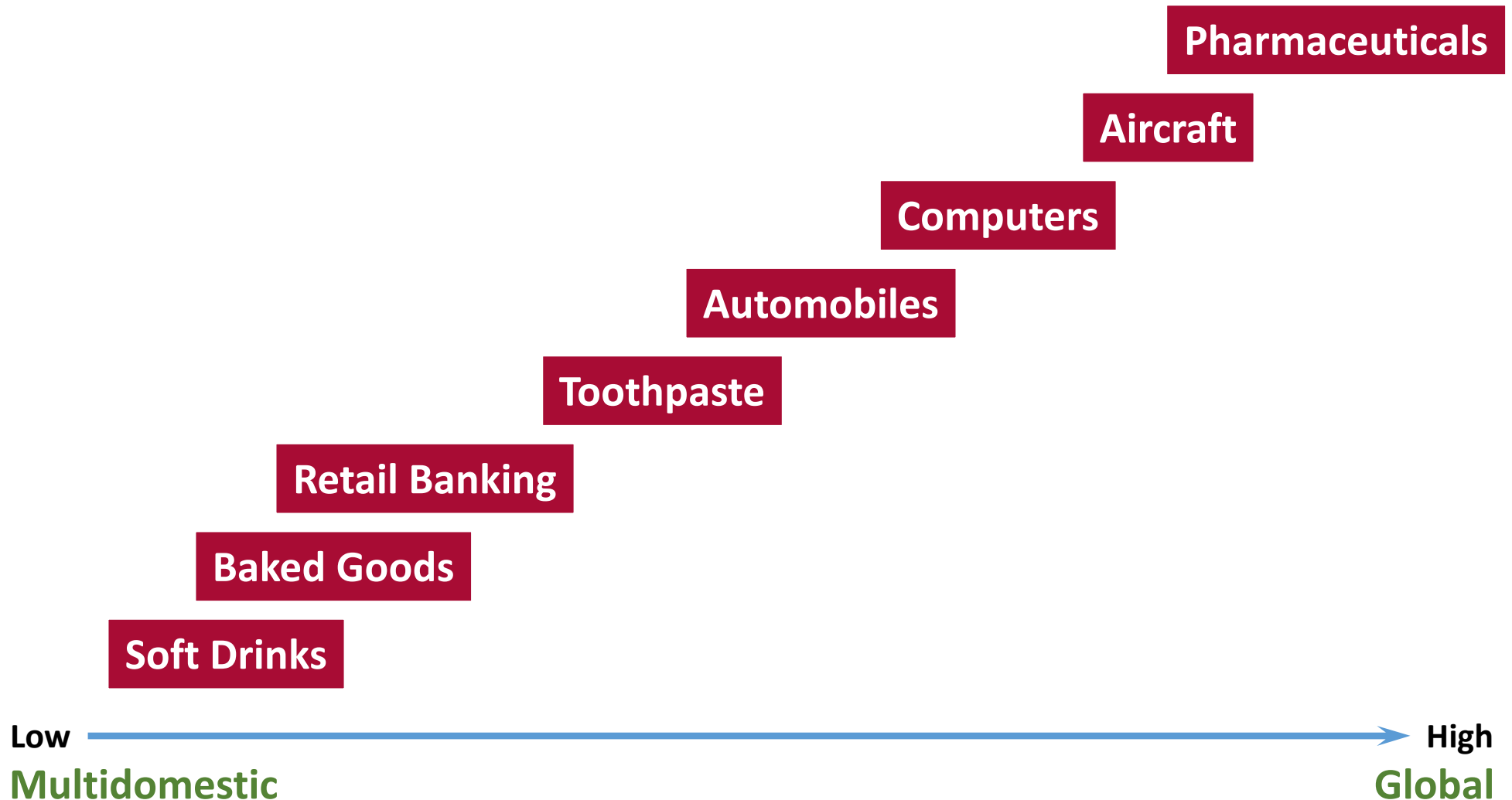
## Globalization Drivers

✓ Strength of Market Drivers:



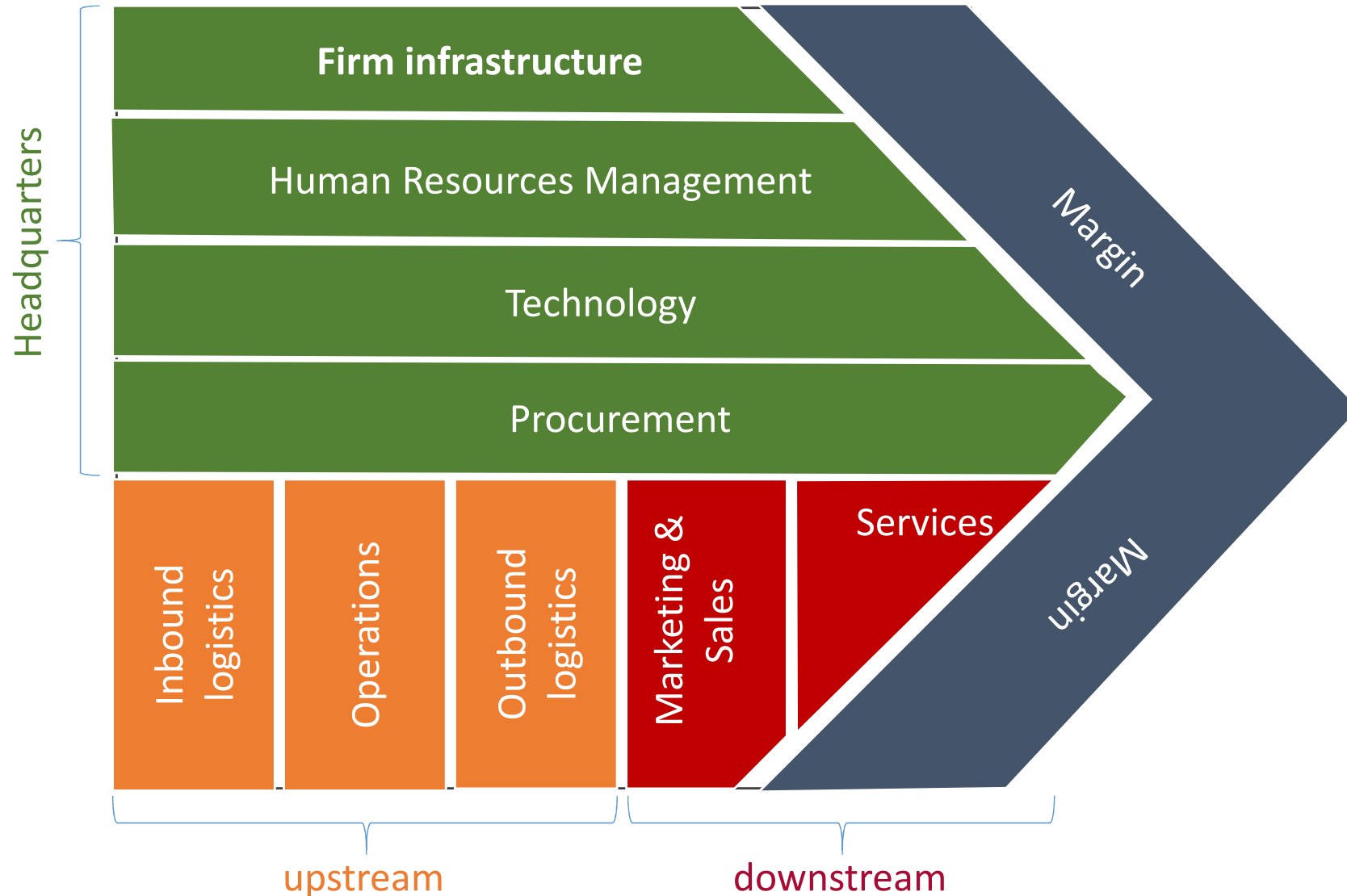
## Globalization Drivers

✓ Strength of Cost Drivers:



## Globalization Drivers

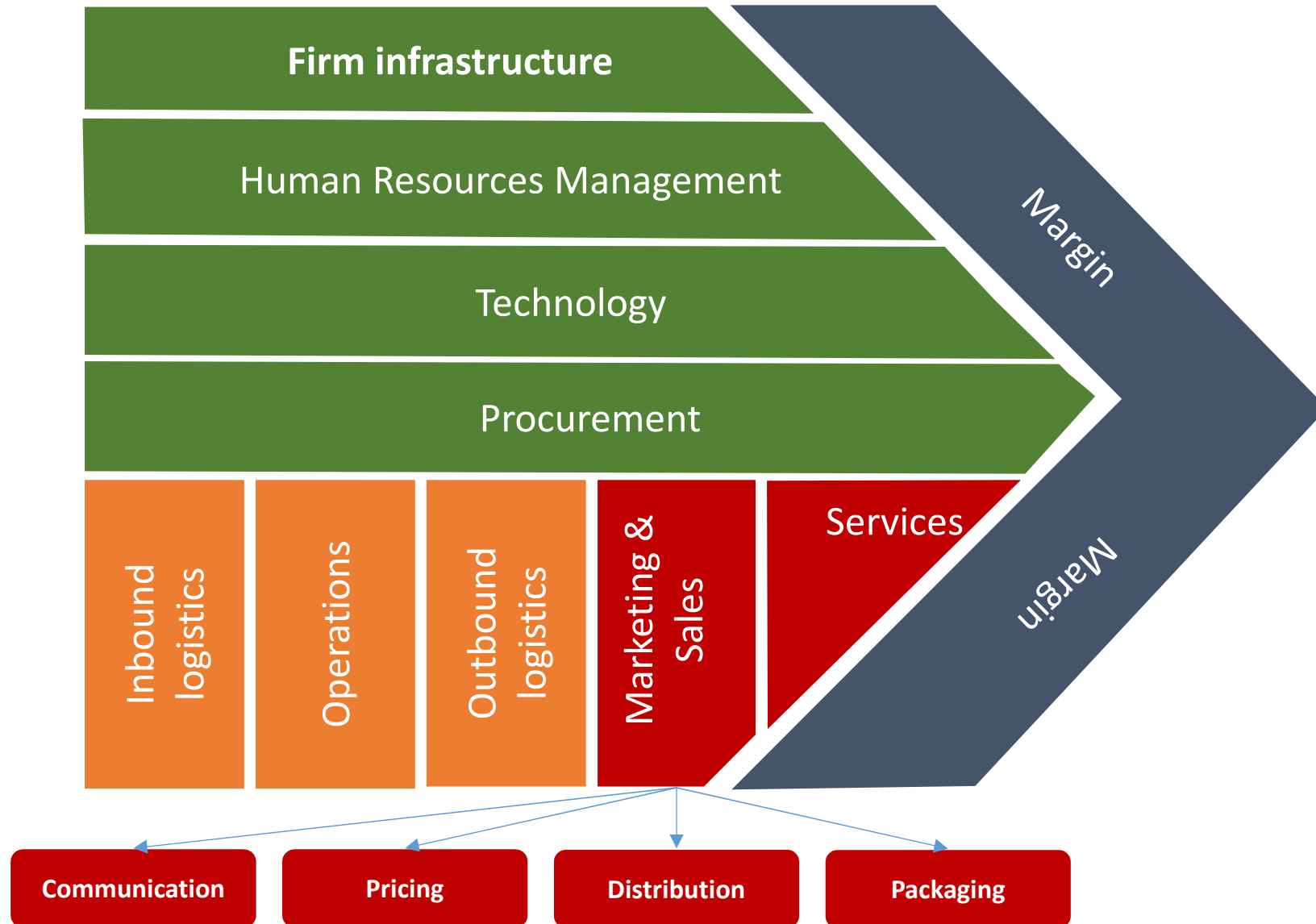
✓ Value Chain Configuration:





## Globalization Drivers

### ✓ Value Chain Configuration:



## Globalization Drivers

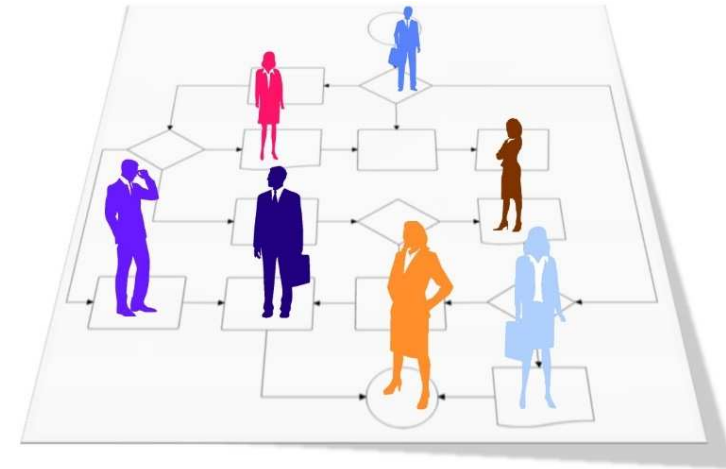
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- ✓ Value Chain Configuration:
  - **Geographic location** of value chain activities
    - **Concentrated/centralized** vs. dispersed/**decentralized**
    - Which **entry mode**?



## Globalization Drivers

- ✓ Value Chain Coordination:
  - Cross-border **linkages** between dispersed **value-creating units**
  - Coordination = **Flows** of:
    - **\$**
    - **Product** (finished and intermediate)
    - **Technology**
    - **People**
    - **Information** (market data, strategic direction, etc.)
  - Highly **coordinated** vs. only **money flows**



## Globalization Drivers

✓ Bartlett and Ghoshal's Options for MNCs:

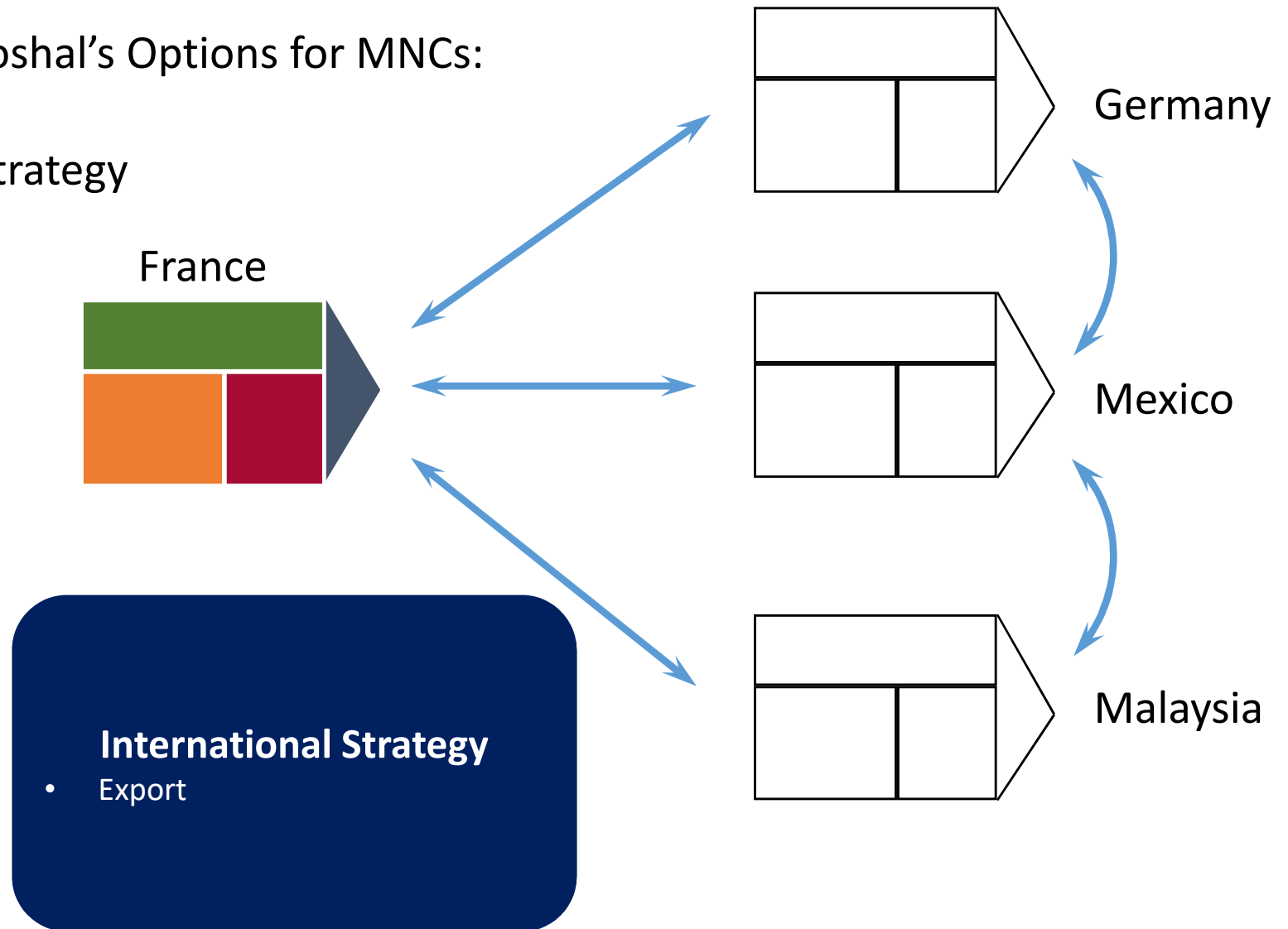
■ International **Strategy Options**



## Globalization Drivers

✓ Bartlett and Ghoshal's Options for MNCs:

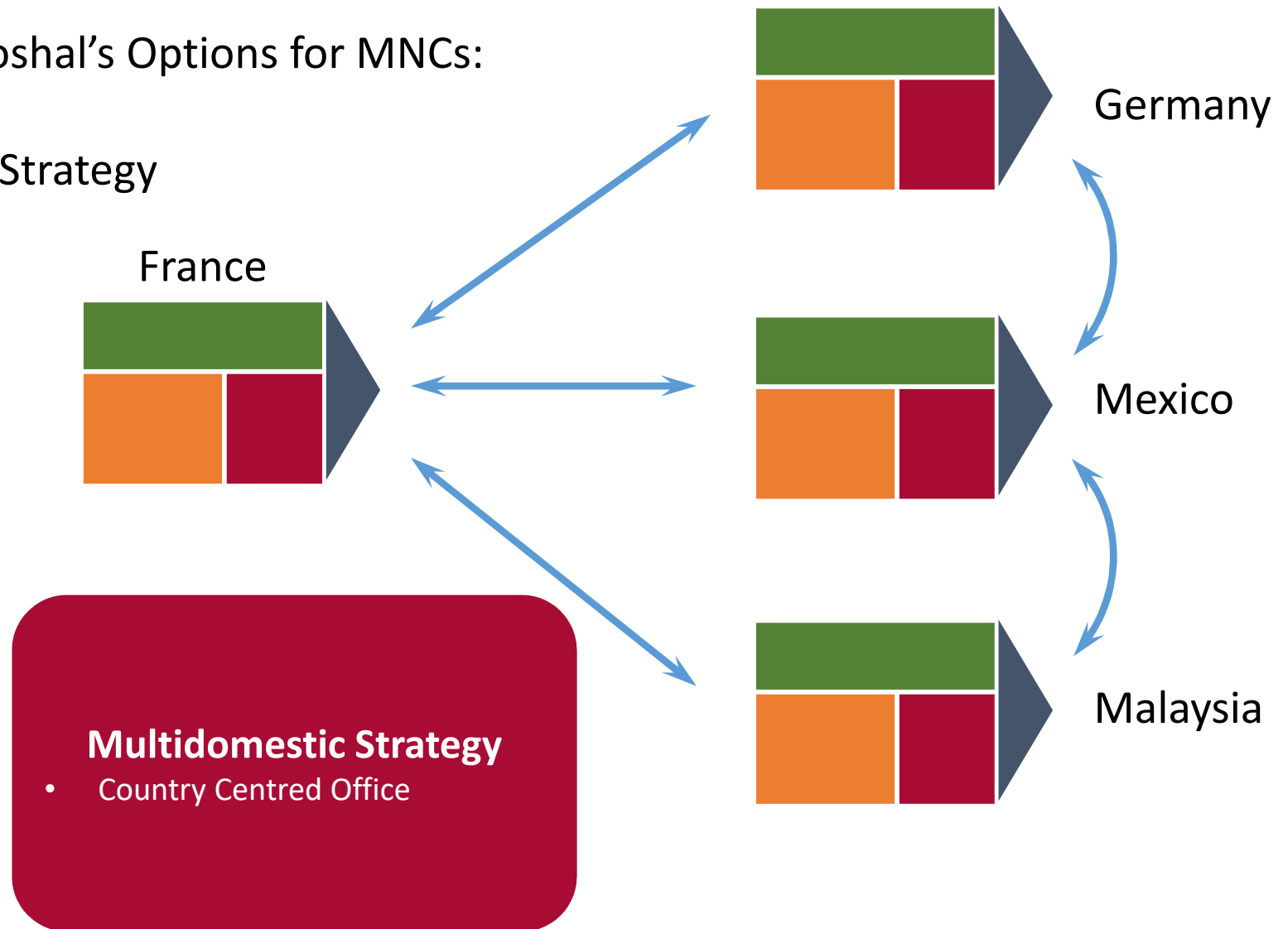
■ **International** Strategy



## Globalization Drivers

✓ Bartlett and Ghoshal's Options for MNCs:

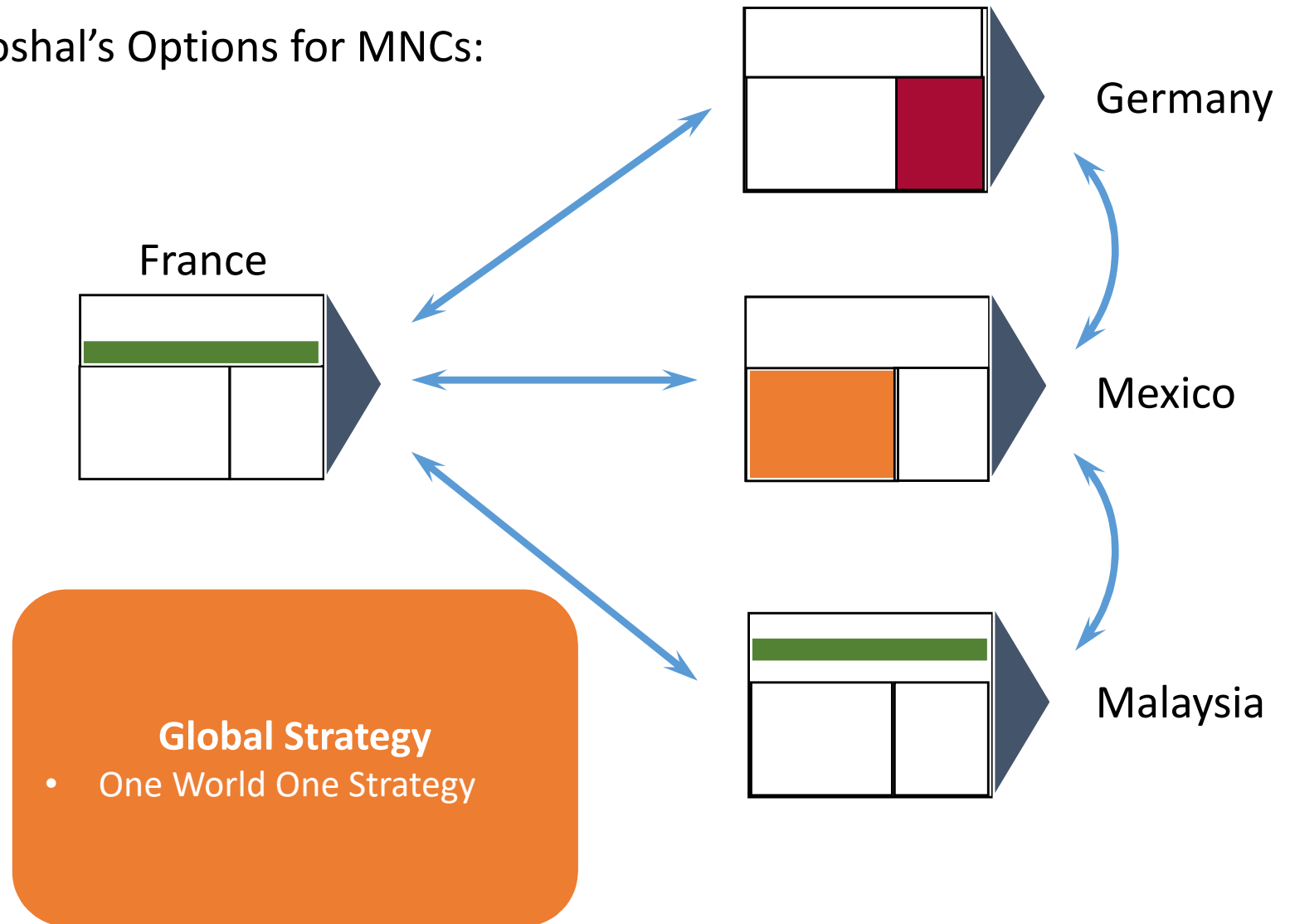
■ **Multidomestic** Strategy



## Globalization Drivers

✓ Bartlett and Ghoshal's Options for MNCs:

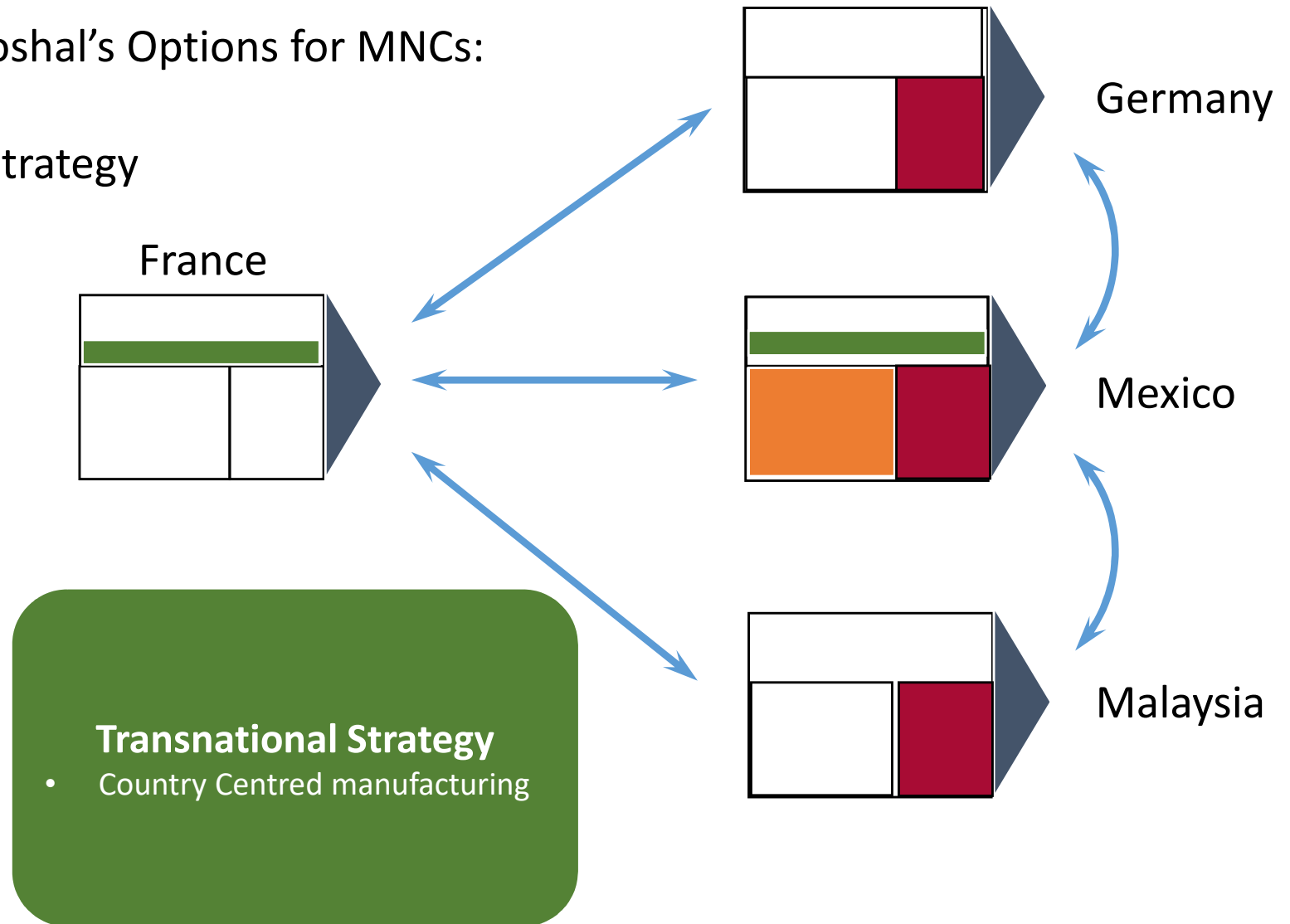
■ **Global Strategy**



## Globalization Drivers

✓ Bartlett and Ghoshal's Options for MNCs:

■ **Transnational** Strategy







## Foreign Market Entry Strategies

### ✓ Preamble:

- The need for a **solid market** entry **decision** is an **integral part** of a global market entry strategy

- **Global marketers** have to make a **multitude** of **decisions** regarding the **entry mode**

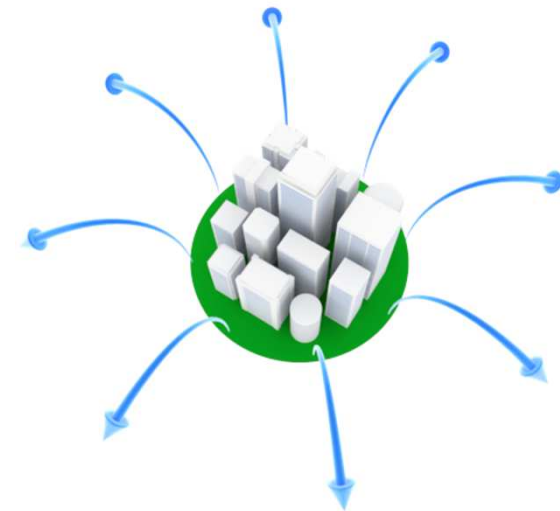
which may include:

1. The **target** product/market
2. The **goals** of the target markets
3. The **mode** of entry
4. The **time** of entry
5. A marketing-mix **plan**
6. A **control system** to check **performance** in entered markets



## Foreign Market Entry Strategies

- ✓ Selecting the Target Market:
  - A **crucial step** in developing a global expansion strategy is the **selection of potential target markets**
  - A **4-step procedure** for the initial screening process:
    1. Select **indicators** and collect data
    2. Determine **importance** of country indicators
    3. **Rate** the countries in the pool on each indicator
    4. **Compute** overall score for each country



## Foreign Market Entry Strategies

- ✓ Market Expansion:
  
- **Decision Criteria** for Mode of Entry:
  - Market **Size** and **Growth**
  - **Risk**
  - Government **Regulations**
  - Competitive **Environment**/Cultural **Distance**
  - Local **Infrastructure**



## Foreign Market Entry Strategies

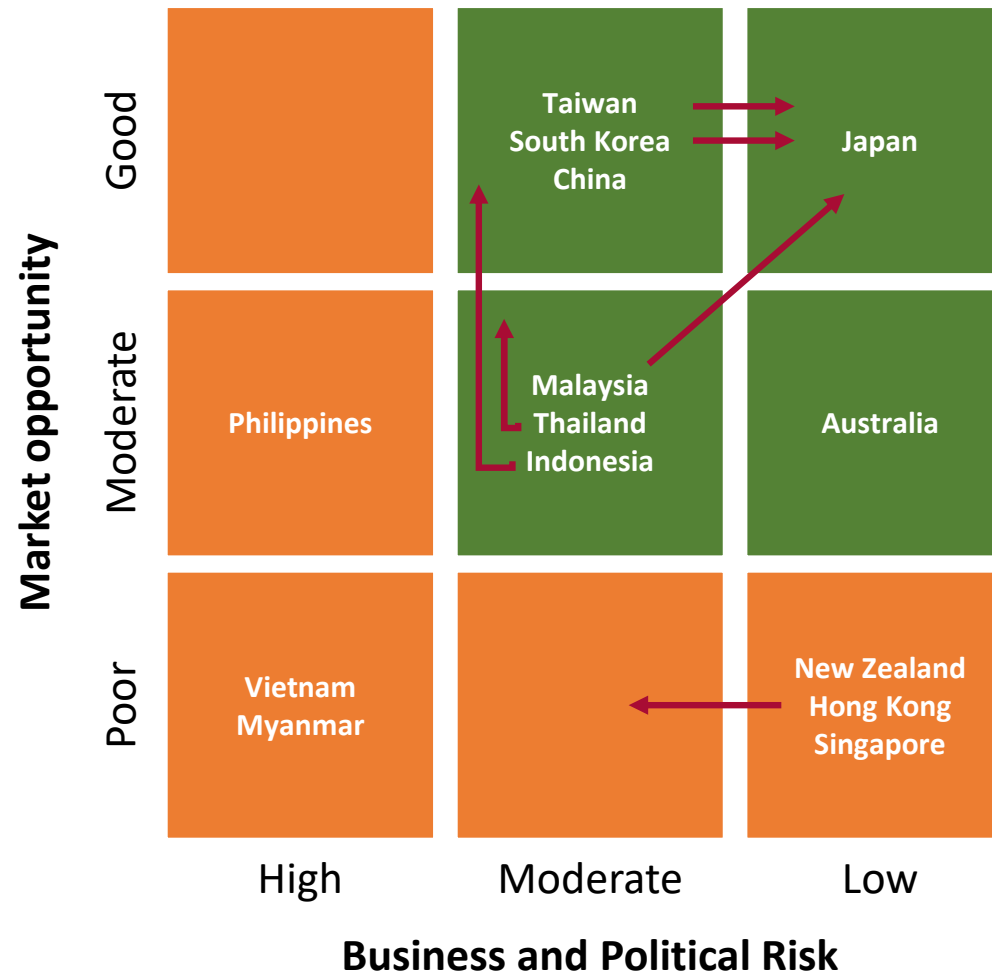
- ✓ Market Expansion:
- **Classification** of Markets:
  - **Platform** Countries (e.g. Singapore & Hong Kong)
  - **Emerging** Countries (e.g. Vietnam & the Philippines)
  - **Growth** Countries (e.g. China & India)
  - **Maturing** and **established** countries (e.g. South Korea, Taiwan & Japan)
- Company **Objectives**
- Need for **Control**
- Internal **Resources, Assets** and **Capabilities**
- **Flexibility**



## Foreign Market Entry Strategies

✓ Market Expansion:

- e.g. Asia-Pacific

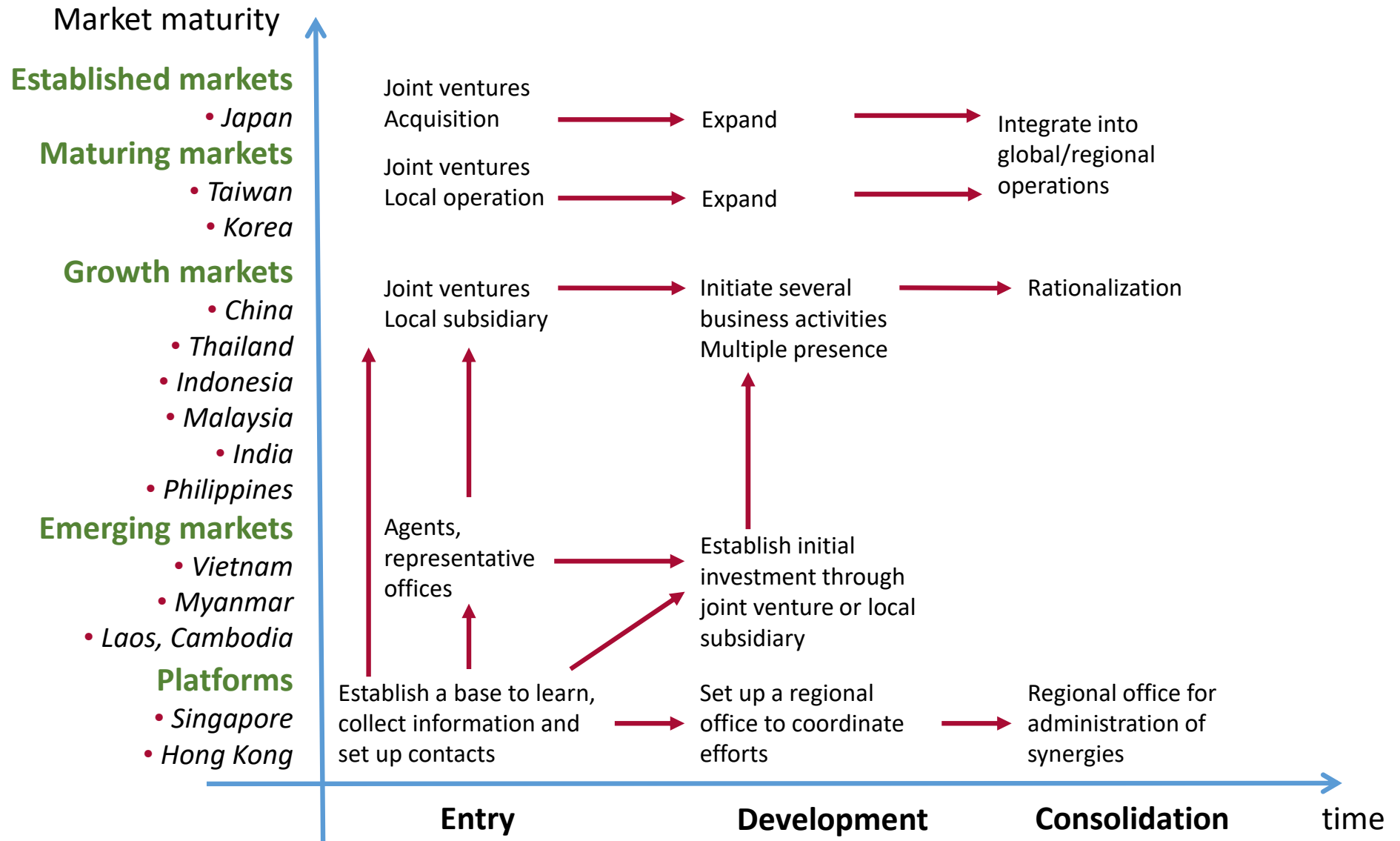


Low to Medium market potential
  Good market potential

Expected change over next 10 years

## Foreign Market Entry Strategies

### ✓ Market Expansion:



## Foreign Market Entry Strategies

- ✓ Market Expansion:
- A **Transaction Cost** Explanation
  - Regarding entry modes, companies normally face a **trade-off** between the **benefits** of **increased control** and the **costs** of **resource commitment** and **risk**
  - Transaction costs can be divided into **3 broad categories**:
    1. Search and **information costs**
    2. **Bargaining costs** which are the costs required to come to an acceptable agreement with the other party to the transaction, drawing up an appropriate contract
    3. **Policing and enforcement costs** which are the costs of making sure the other party sticks to the terms of the contract, and taking appropriate action if this turns out not to be the case





## Foreign Market Entry Strategies

- ✓ Export:
  - Indirect **Exportation**
    - Export **Dealers**
    - **Agents**
    - **Import/Export** companies
  - Export **cooperative**
    - **Grouped** Export
    - **Joint** Ventures



## Foreign Market Entry Strategies

✓ Export:

■ **Direct** Exportation

- Companies create their own **exporting departments**
- **Licences**
- **Franchise**
- Contract Manufacturing (**outsourcing**)
- Wholly-owned subsidiaries (**WFOE**)
- **Fusions**/Acquisitions
- **Greenfield**
- Strategic **Alliances**



## Foreign Market Entry Strategies

### ✓ Timing of Entry:

- International market entry decisions should also cover the following **timing-of-entry issues**:

- **When** should the firm enter a foreign market?
- What is the company's level of **international experience**, its size?
- What is the **scope** of products and services?
- Which may be the mode of **entry issues**, market knowledge, various economic attractiveness variables, etc... to consider



## Foreign Market Entry Strategies

### ✓ Exit Strategies:

#### ■ Reasons for **exit**:

- Sustained **losses**
- **Volatility**
- **Premature** entry
- **Ethical** reasons
- Intense **competition**
- **Resource** reallocation



## Foreign Market Entry Strategies

### ✓ Summary : the Stages of Internationalization

#### Stage 2: Export Operations

The firm expands its market to include other countries, but retains production facilities within domestic borders

#### Stage 4: Multinational Operations

The firm becomes a full-fledged multinational corporation (MNC) with assembly and production facilities in several countries and regions  
Decentralization of decision making is common, but many personnel decisions are still made at HQ

#### Stage 1: Domestic Operations

The firm's market is exclusively domestic

#### Stage 3: Subsidiaries or Joint Ventures

The firm physically moves some of its operations out of the home country

#### Stage 5: Transnational Operations

Firms that reach this stage are often called transnational because they owe little allegiance to their country of origin. Operations are highly decentralized, with each business unit free to make personnel decisions with very loose control from HQ



## Management Styles

- ✓ Regional Management Styles:
  - If the organizations remain **strongly marked** by their **national culture** of origin, the **globalization** of the **economy** leads them to **adapt** their **management styles** according to the needs of their "**customers**" or "**users**" or **markets**, or their **multinational teams**



## Management Styles

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- ✓ Styles ... the North American Model:
  - Inspiration: **laissez-faire**, **liberal** doctrine based on the **importance** of the **individual** and the **role** of the **contract** as a means of **regulating social relations**
  - Greater **freedom** of action for **governments** but also for **unions**
  - Sense of **competition** and search for economic **efficiency**
  - **Initiative** and individual **risk-taking** are strongly **encouraged**
  - **Everyone** must run the **risk** of **creating** their **own business**
  - **Failure** is a **constituent** part of any **career**: one must **learn**
  - **Profit** research and **shareholder** satisfaction





## Management Styles

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- ✓ Styles ... the North American Model:
  - Job **insecurity** and **lack** of social **responsibility**
  - **People** are led to **manage several** professional **activities**
  - This flexibility leads to a **greater turnover** of **executives** and **varying** levels of **re-muneration**



## Management Styles

- ✓ The Entrepreneurial Model:
  - Organizational **model** resolutely **oriented** to the reality of the **market**, the **constraints** and **economic opportunities** it offers
    - The **management** associated with this type of model is **pragmatic**
  - Works through **factual analysis** of **short-term goals** and **objectives**
    - This model places an **emphasis** on **risk-taking**, **initiative** and **innovation**
  - **Limited** hierarchical **reporting**, based on **horizontal relationships**, high **mobility** and **hyper-flexibility**
  - **Strong confidence** in the men of the **organization**



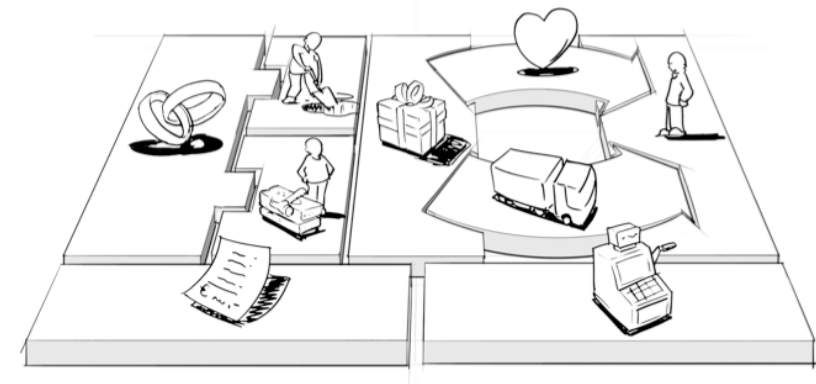
## Management Styles

- ✓ The Network Model:
  - **Markets, declining** influence or recourse to the **State**, demands for **innovation** and **local adaptation** have led to the **abandonment** of **rigid systems** in favor of more **flexible modes** in the search for **solutions** to economic problems
  - Communication **minimizes hierarchical** relationships and implements **unstructured information**: hierarchical **distance** and **low uncertainty** control
  - In this type of organization, **tasks** remain **unclear** and rely on **informal groupings** of **complementary qualifications**, after **negotiation** and **adjustment**



## Management Styles

- ✓ The Network Model:
  - Internal **coordination** is based on **complementary relationships** (interdependence), a **sharing** of **goals** and **actions**, the search for **new logics** of learning, from the **respective experience** and **organizational skills**
  - Actors' **strategies** prove to be **less relevant**, since **power** is essentially based on the **competence** and **performance** of individuals



## Management Styles

- ✓ The Asian Model:
  - First of all, it must **be remembered** that Asia is **far from uniform**, on the contrary, it is a world that is **extremely diversified** politically, economically and culturally
    - It is therefore **necessary** to be **wary** of the **concept** of **Asian culture**, although frequently mentioned
  - There are indeed **various criteria**:
    - **Malaysian** culture (Malaysia, Indonesia): **Islam**
    - **Buddhism** (Burma, Japan, Thailand, China)
    - Differences between **rich people** (Japan) and **extreme poverty** (Cambodia)



## Management Styles

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- ✓ The Asian Model:
  - However, in the **business world** there are a number of **common traits** related to the presence of **Confucianism**, i.e. a **morality** or **ethic** based on **respect**, **virtue** and **moderation** in all things, as well as the notion of **public good**
  - The organization, the enterprise, has an **important social dimension** which fosters the links of **strong interdependence** between **individuals** with mutual **rights** and **duties**
    - The **manager** guarantees their **well-being**
    - **Employees** owe him **respect**, **loyalty**, **discipline**



## Management Styles

- ✓ The French Model:
  - It is based on the **important development** of **State Administration** in companies and the **symbolic power** of its action
  - Strong **State presence** in companies, in the **capital** structure, the importance of **public contracts**, **large contracts** negotiated with the government, frequent use of subsidies to finance development projects
  - But the **State began** to **loosen** its **embrace** on business and society



## Management Styles

- ✓ The French Model:
  - Labor **flexibility** has **increased** and **project management** is needed
  - The **State** remains a **stimulus** and **financial support** for many companies marked by a **strong hierarchical** structure based on **rules** and **procedures, centralization** of decisions
- **Directional** management **style**, leader status
- **Discipline** is **essential** to its proper functioning: submission to authority, assiduity, respect, uniqueness of command





## Management Styles

- ✓ The Rhine Model:
  - Concerns **Germany, Switzerland, Benelux**:
    - Intense **participation**
    - **Social** rules, protection of **persons**
    - Distribution **growth's benefits** between all to eliminate more **serious inequalities**
    - **Co-management** system (Mitbestimmung) which seeks **consensus, general** interest
  - This cultural model gives companies managed as a **community of interests** between the holders of **capital, management** and **employees**
    - **3 bodies**: the **Management, Supervisory** and **Governing Board**
    - **Social dialogue** sometimes **cumbersome**, but a **real factor of competitiveness**



## Management Styles

- ✓ The Rhine Model:
  - The organization **favors qualification** and **seniority** in the **promotion** system
  - The **dominant model** is the **in-house** professional **trajectory** with a predominance for **home careers**
  - The **diploma** is **not** the criterion of **systematic reproduction** of the **elites**
    - **Training** is therefore important
    - **Family Capitalism**, importance of savings
    - **SMEs protected** against competition from large-scale industry
    - **Bank-to-Business** cross-business
    - High **Skills** and **Salaries**
    - **Collective** Bargaining
    - Contracts **controlled** by the State



## Management Styles

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- ✓ European Model?
  - Is there a **European organizational** culture?
  - It is a decomposable **multicultural block**:
    - **United Kingdom** with a system **similar** to that of the **United State of America**
    - **Northern** interventionist, **liberal**
    - **South**, influence of the State, **protectionism**
  - European **management challenge** is to **promote growth, employment**, social effects
  - Also marked by the **role** of **politics** in the **economy**, the importance of **social dialogue**
    - It is open to **debate, confrontation** of ideas, **respect** for diversity/riches
    - We are therefore **working** on the **specific**



## Management Styles

- ✓ The African Model:
  - Based on a **family conception** of the organization and resulting from **patriarchal social relations**
    - **Community orientation** with a strong **hierarchical distance** and **close control**
  - **Family** and **tradition** pass **before** economic **performance**
  - The use of **beliefs**, **myths** and **histories** of organization, **symbols** and **collective rituals** are at the **center**
  - Imaginary **idealized** in which the **members** have a **feeling** of all **power** and **pride exacerbated**





## International Company Employees

### ✓ 3 Main Categories:

#### ■ Expats

- **Expatriated employees** from parent company

#### ■ Locals

- **Nationals** recruited in the **host country**

#### ■ Experts

- Employee sent from **another country**



## International Company Employees

- ✓ Philosophies of Recruitment for International Operations:
  1. Companies with an “**ethnocentric**” approach to **staffing key** management **positions** with a **strong culture** of expatriation
  2. In a “**polycentric**” approach to staffing, **local managers** - locals - are **hired** to take on **key positions** in their **own countries**



## International Company Employees

### ✓ Advantages & Disadvantages :

1. **"Ethnocentric"** approach: tight **control**, high capacity/technical **experience required**, strong **Corporate bonds**
  - **Reduction** in the number of **opportunities** for **local managers**, **costs**, risk of **mal-adjustment** and **inefficiency** once expatriated
2. **"Polycentric"** approach: **favorable** to a **multinational strategy**, to its **"localization"**
  - Familiarity with **local culture**, **language** and **social norms**
  - **Coordination** of objectives with the **subsidiary** may be **tricky**, with local managers potentially having **conflicts of loyalty**





## International Company Employees

- ✓ Other Recruitment Philosophies for International Operations:
  - In a "**global**" approach to staffing, the **best managers** are **recruited** within or outside the company, **irrespective** of their **nationality**
  - In a "**regiocentric**" staffing approach, **recruitment** is on a **regional basis** - e.g. in North America for a position in Canada



## International Company Employees

- ✓ Global Selection:
  - Consider the **most appropriate** overall **staffing approach** in line with the **company's strategy**
  - Studying **regulations** (legal, tax) in the **host country**, then the stage of **impatriation**
  - Continuously **review**, the most **suitable** and **available** frameworks for jobs
    1. Can it be **properly completed** by a **national** of the host country?
    2. What are the **key qualifications criteria** for expatriate **candidates**: expertise, relational dimensions (empathy and cultural flexibility), motivation, family situation, language skills ...



## International Company Employees

- ✓ Global Selection:
  - Most **multinationals** start **operations** in a given region, drawing mainly from their **own managerial pools**
    - **Over time**, with the **experience** of internationalization, they are **moving towards** an essentially **polycentric** or **regiocentric policy** because:
      - **Growing pressure** (explicit/implicit) of **local governments** to hire the **locals** (legal restrictions to expatriate use may exist)
      - **Higher costs**, especially when the company has to **pay taxes** for the employee of the parent company in **both countries**
  - In recent years, multinationals have noted an **improvement** in the **level** of **technical** and **managerial competence** in many countries, **mitigating** the need for essentially **ethnocentric policy** as in the past





## International Company Employees

- ✓ Difficulty with Expatriations:
  - Selection based on **central government** criteria (i.e. HQ) rather than **assignment requirements**
  - **Insufficient** preparation, training and orientation **before placement**
  - **Alienation** or lack of support from **Headquarters**
  - **Inability** to **adapt** to local culture and the **new working environment**



## International Company Employees

- ✓ Difficulty with Expatriations:
  - **Problems** with the **spouse** and **children** - poor adaptation, impact on family life
  - **Inadequate** compensation and financial **support**
  - **Insufficient** Career **Development** and **Impatriation** Programs



## International Company Employees

### ✓ Working with Different Cultures:

#### ■ Rely on **local intermediaries**

- Translators
- Knowledge
- Service providers
- Cultural advisors and guides

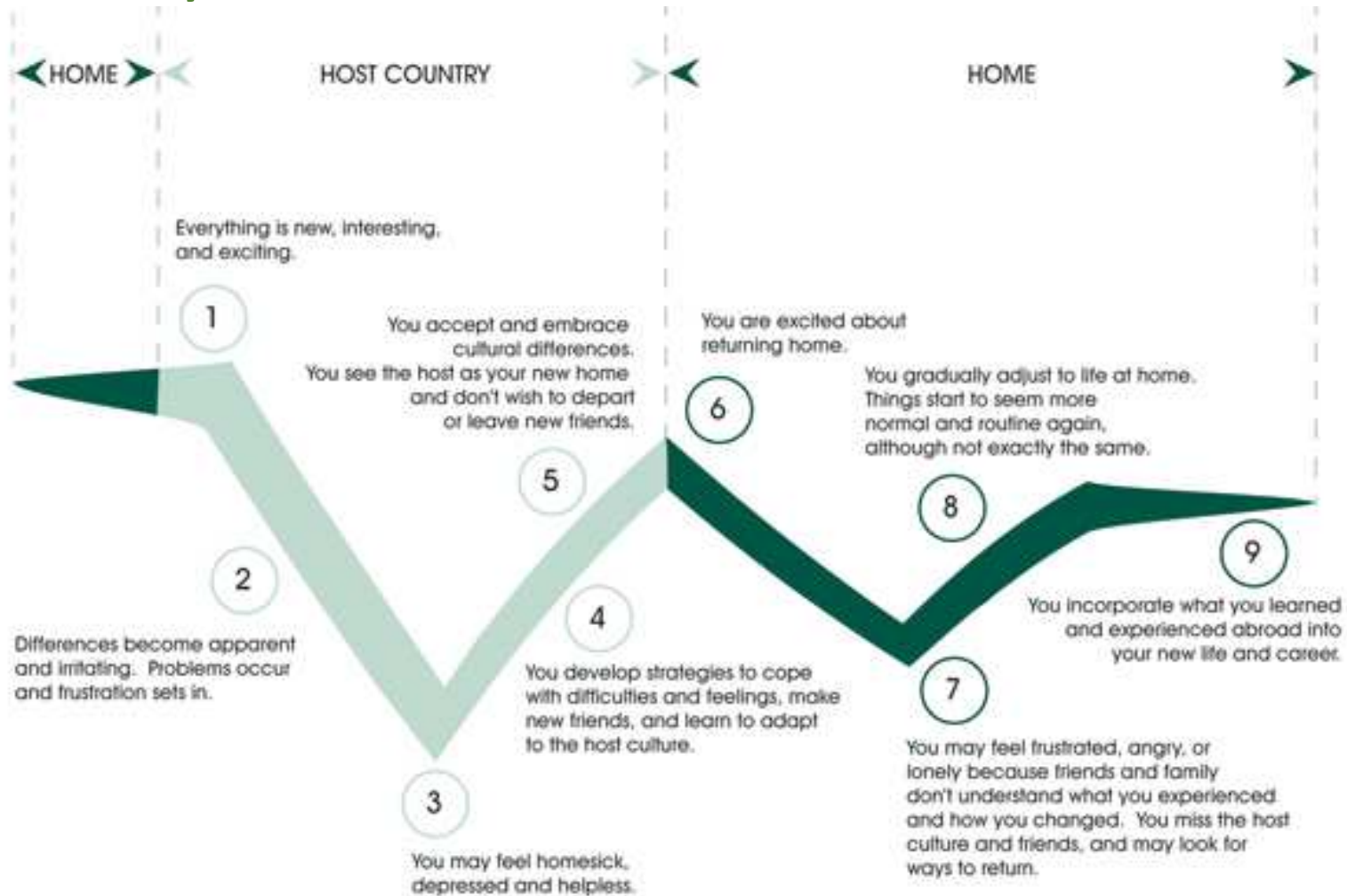
#### ■ Culture **shock**

- Natural **psychological disorientation** that people suffer when they **establish** themselves in a **different culture**
- **Recomposition** of the system of **interpretation** and **selective perception**, induced by **foreign stimuli** mitigated the **inability to function effectively** in a foreign country

## International Company Employees

### ✓ Working with Different Cultures:

#### ■ Cultural Shock Cycle





## International Company Employees

### ✓ Working with Different Cultures:

#### ■ **Overcoming** cultural shock

- "Creating" **zones of stability** "that recreate a cocoon"
- Changing **expectations** and **behaviors**
- Redefining **priorities** and realistic **expectations**
- Focus on **important tasks** and appreciate **minor accomplishments**
- Use ones **work** as an **anchor**, until ones feels **adapted** to his **new environment**
- Participate in **regular physical exercises**, practice meditation and relaxation, keep a **diary** ...



## International Company Employees

- ✓ Training and Development:
  - **Preparation** and **training** for intercultural interactions are **essential**
    - **Studies** indicate that up to **40%** of **expatriate executives return** from their missions abroad **earlier** due to **under-performance** or **inability** to adapt to the **local environment**
    - About **50%** of those who remain operate at a **non-optimal level**
  - The **direct cost** of an expatriation **failure** is estimated at **\$ 50,000** to **\$ 150,000**
  - **Indirect costs** can be much **greater**
    - **Degradation relations** with the **government** of the **host country**, **customers** left behind, causing a loss of **market share** and a more **difficult reception** for future expatriates



## International Company Employees

### ✓ Training and Development:

- Regional studies, i.e. **documentary programs** on the **geography** of the country, the **economy, socio-political** history...
- **Trainer** who introduces the **trainees** to the **types of situations** they are **likely** to encounter and which will be **essential to assimilate**
- **Language** training
- Training in **intercultural sensitivity**
- **Field experiences - meetings** of people of other cultures in the country of the trainee



## International Company Employees

- ✓ Training and Development:
  - **Continuous training and development** of Expats and Experts for **management positions**, for the **long-term success** of the multinational company (**MNC**)
  - Development facilitating the transition to a **policy of indigenization**
  - The company will benefit from **well-trained management staff** with extensive **international experience**



## International Company Employees

- ✓ Training and Development:
  - Training facilitating the adoption of **collaborative working platform**, which is becoming **increasingly important**
  - Training in **information** and **communication technologies**, which is **particularly critical** for new economy firms in emerging markets



## International Company Employees

- ✓ Remuneration of Expatriates:
  - Remuneration is a **crucial link** between the **strategy** and its **successful implementation**
  - It must be **adjusted** between **remuneration** and the **objectives** of the enterprise
  - Maintaining an **appropriate compensation regime** is more **complex** than it appears (e.g., variable portion, local currency, localizations of payments, taxation)



## International Company Employees

### ✓ Remuneration of Expatriates:

#### ■ Salary

- Translation in **local currency** of wages and **purchasing power**, compared to **initial salary**, bonuses and incentives for expatriation

#### ■ Taxes

- **Equalize** the **differential effects** due to taxes following expatriation

#### ■ Allowances

- **Moving costs**, cost of **living adjustments**, **accommodation** allowance on expatriation and **home maintenance** allowance, **home country travel** for the family, private education for children ...

#### ■ Avantages

- Health **Insurance**, **Equities**

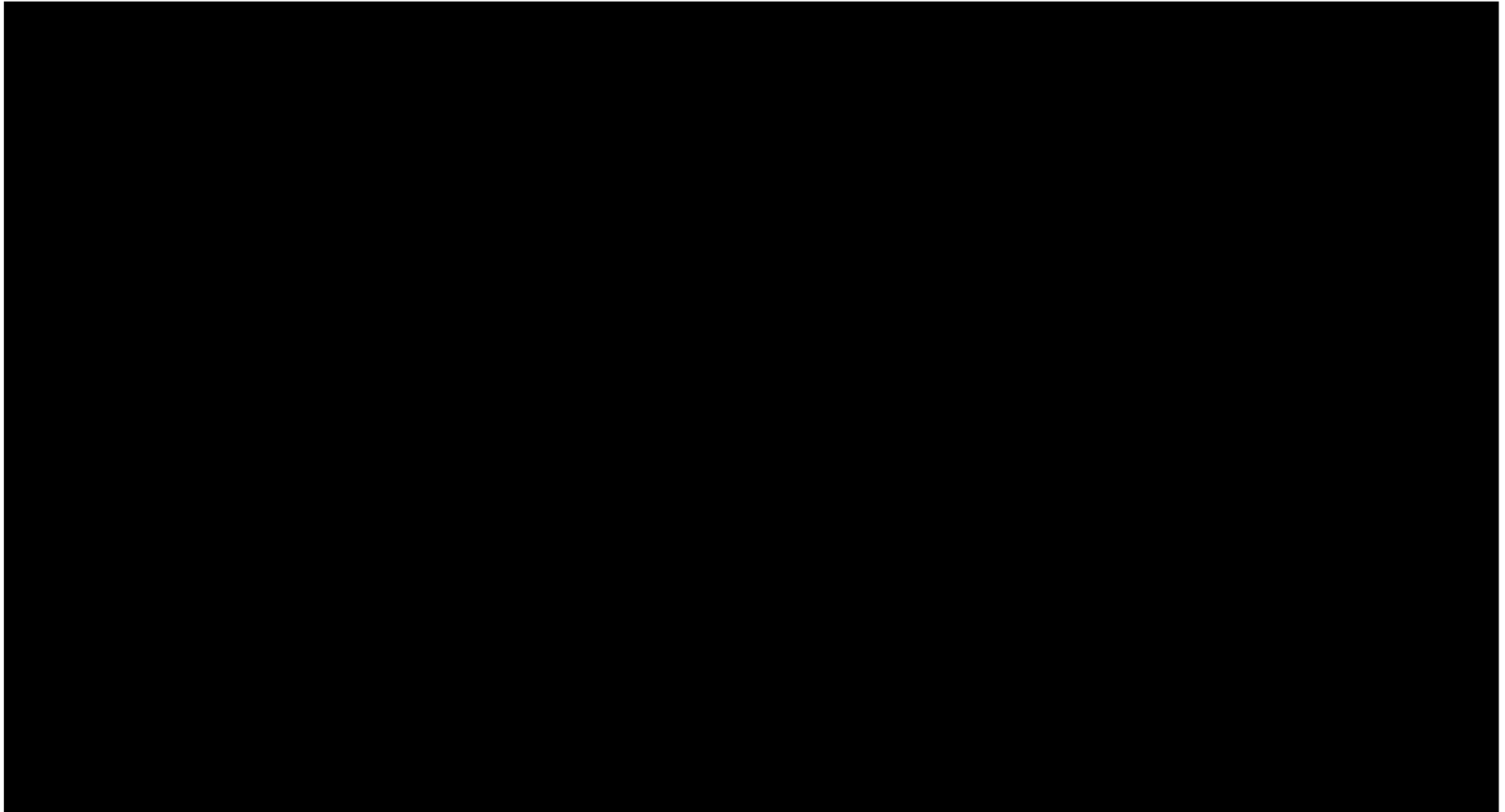






## International Company Employees

✓ Outsourced Full Movie :





**KEEP  
CALM  
AND STUDY  
INTERNATIONAL  
RELATIONS**

*The end*