



International Management

L3PI

DATES	TIME	
05/02	2H	Part I <ul style="list-style-type: none">• Why/Where should I expand ?• Different Frameworks• Project
03/03	4H	Part II Project
12/03	2H	Part III Case study (20%)
26/03	2H	Case study Part III
03/04	4H	MCQ Presentation (40%)

Project

You choose a company and find the following **factors** :

- The potential for market growth. ...
- The competitive structure of the sector to which the company belongs in that new market. ...
- The quality of the infrastructures. ...
- The presence of entrance barriers. ...
- The social and cultural specificities of that market
- Is internationalization feasible for this business?
- What benefits does the internationalisation of a company bring?
- Steps to take to internationalise a company (Systematisation of market entry and development strategies)
- In what ways can the internationalisation of a company be done

What Is International Management?

International Management focuses on how firms manage strategy and organization across borders.

Strategy (What?)

- Create value
- Capture value
- Deliver value

Organization (How?)

- Develop and deploy organizational capabilities

International dimension (Where?)

- Adds the **dynamics of location**
- Decisions about *where* activities are performed globally

Why Do Firms Go International?

Firms' Motivations for Internationalization

Classic motivations

Exploit firm-specific competitive advantages (CA)

- Resources

- Markets

- Labor

Market-seeking, efficiency-seeking, resource-seeking

Emerging motivations

Build or expand competitive advantages

- Technology and innovation

- International experience and learning

- Competitive strategy development

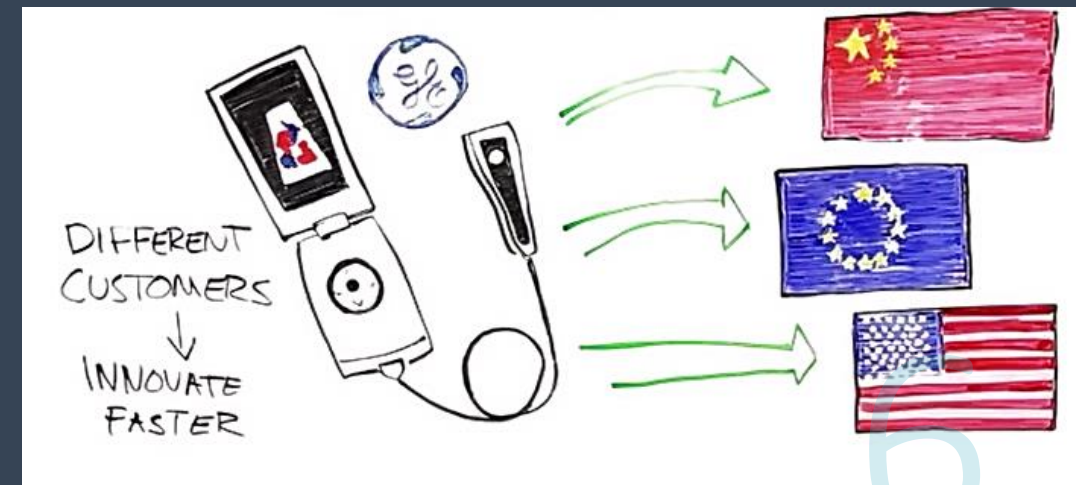
Geographic diversification and risk reduction



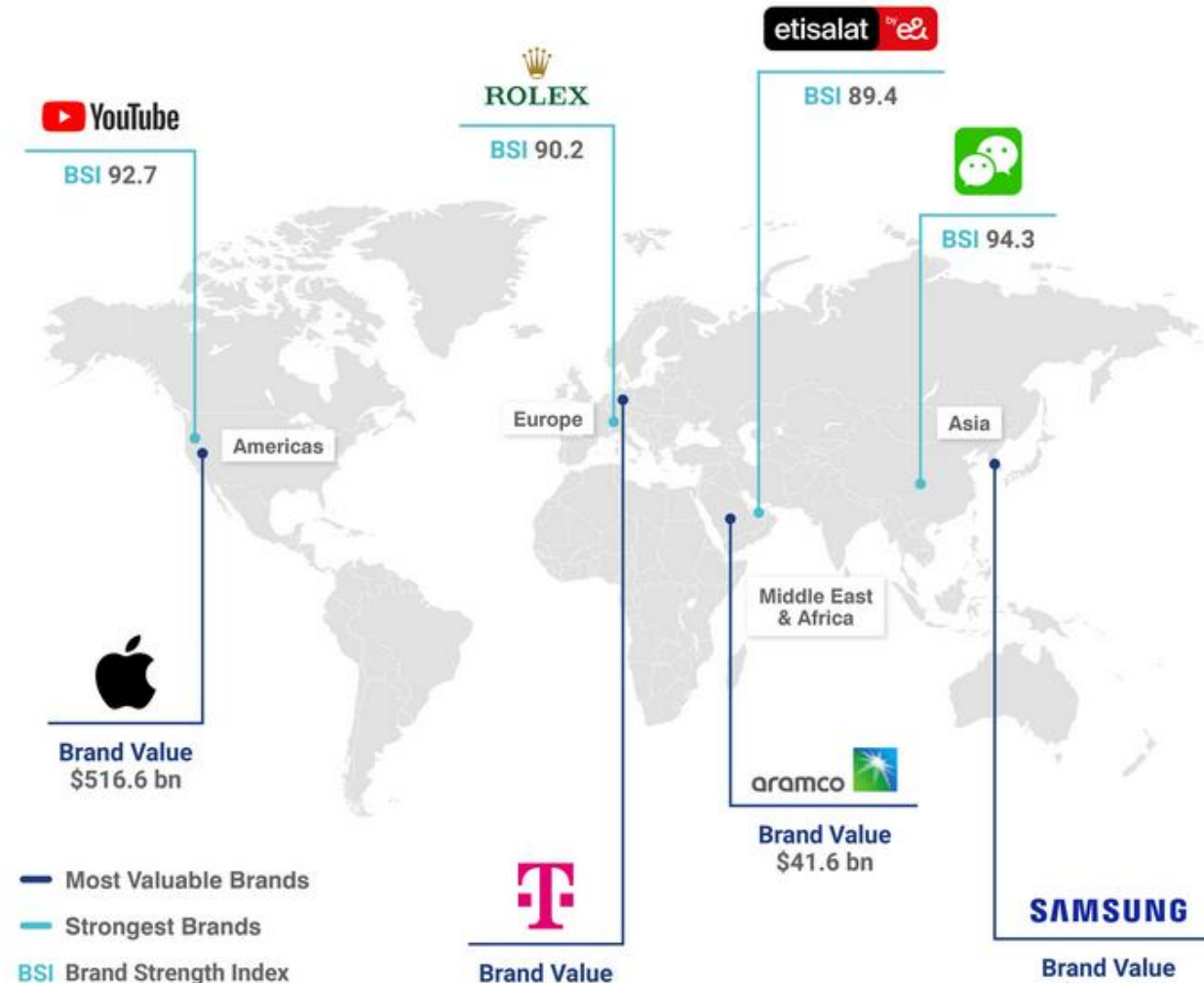
Why expand internationally ?

1. Increase sales
2. Cut costs
3. Manage risks
4. Learn things

Customers in different countries often want different things , which can lead to discover different product features



Most Valuable & Strongest World Brands Per Region 2024



Apple International Management?

Strategy	Organization	Location
<ul style="list-style-type: none"> Value creation: product design and innovation in California Value capture: premium pricing, strong brand Value delivery: global retail stores and online platforms 	<ul style="list-style-type: none"> Coordination between designers, suppliers, manufacturers, and retailers Strong control systems and global standards 	<ul style="list-style-type: none"> Design: USA Manufacturing: China Marketing & sales: worldwide

Levels of Analysis in International Management

Level of analysis	Key issues	Main frameworks
Industry	Global vs local competition, industry boundaries, globalization pressures	I-R Grid, Yip (1995), Porter's Five Forces
Location	Country advantages/disadvantages, where to locate activities	Porter's Diamond, location-specific advantages
Firm	Value chain configuration, entry modes, balance integration/responsiveness	MNC models, value chain, RBV, capabilities
Individual	Skills, networks, cross-border competence	Location-specific & border-crossing skills



Benefits of Internationalization

Key benefits for firms operating internationally:

Efficiency

- Global economies of scale

- Comparative advantages of locations

Knowledge leverage

- Use talent and ideas worldwide

- Create new knowledge through multinational scope

Responsiveness

- Adapt to local customers

- Respond to stakeholders and institutional environments

Industry Level Frameworks: The I- R Grid

The Integration–Responsiveness (IR) Framework Prahalad & Doz (1987)

The Integration–Responsiveness (I-R) grid analyzes how industries balance:

- Pressures for global integration

- Pressures for local responsiveness

These pressures shape:

- Firms' **international strategies**

- Their **organizational structures**

The framework highlights that:

- Strategic positioning is **relative**

- Industry conditions evolve over time

Industry Level Frameworks: The I-R Grid

The I-R Framework Basics

Pressures for global Integration (and coordination)	Pressures for local responsiveness
Opportunities to reduce costs through economies of scale and arbitrage benefits (e.g. wage differentials)	Differences in customer needs
Converging consumer trends and universal needs	Differences in distribution channels
Demand of uniform service by multinational customers	Cultural differences
Opportunities for global sourcing	Responding to local competition (product features, price levels etc.)
Access to raw material and energy	Meet local government regulations and legal requirements
Investment intensity (leverage)	Accommodate with powerful stakeholders (unions, NGOs, consumer groups, financial institutions)
Technology intensity (protection)	
Availability of media with a cross-national reach	
Need to monitor multinational competitors	
Need to monitor compliance	

Pressures for Global Integration vs. Local Responsiveness (1)

Pressures for Global Operational Integration

High technology intensity

Strong economies of scale

Cost reduction imperatives

Homogeneous customer needs and tastes

Pressures for Global Integration vs. Local Responsiveness (1)

Pressures for Global Strategic Integration

Importance of **multinational customers**

Presence of **multinational competitors**

High investment intensity

Pressures for Global Integration vs. Local Responsiveness (2)

Pressures for Global Integration

Encourage firms to **coordinate activities and strategies worldwide**

Pressures for Local Responsiveness

Push firms to **adapt activities to local country conditions**

Typical responses:

- Local production to benefit from tax incentives

- Adapting brand positioning to local market preferences

→ Together, these pressures form the **IR framework**.

Limits of Existing Applications of the IR Framework

Although widely applied, research has often focused on:

Consequences of IR pressures

Rather than the **pressures themselves**

IR pressures are frequently:

Inferred indirectly from firms' strategies and structures

Derived from managerial responses rather than measured directly

As a result:

The **nature, scope, and form** of IR pressures remain underdeveloped

Direct measures, when used, often adopt an **overly simplistic view** of the framework

Limits of Existing Applications of the IR Framework

Why Measuring IR Pressures Matters

Conceptual reasons

Firms may respond **differently to the same environmental pressures**

This heterogeneity weakens attempts to infer pressures from observed strategies

IR pressures should be treated as **separate constructs**, distinct from firm responses

Methodological reasons

Existing measures often:

- Fail to distinguish between pressures and responses

- Assume simple, one-dimensional constructs

They overlook:

- Multiple dimensions

- Higher-order structures

- Formative (rather than reflective) constructs

Poor measurement risks **misleading or contradictory results**

Degree of Global Competition in an Industry YIP (1992)

YIP (1992) identifies four clusters of industry globalization drivers:

- market
- cost
- government
- competition

These drivers can be regarded as explanatory variables for the ongoing globalization process.

Yip, George S.: Total Global Strategy. Managing for Worldwide Competitive Advantage, Paramus: Prentice Hall, 1992.

Yip's Four Dimensions (Part 1)

Market Conditions

Are markets **single or multiple segments** geographically?

Based on differences/similarities in **tastes, requirements, and channels**.

Returns to Scale (Cost)

Examines **sources of increasing returns** in production.

Industries with strong scale economies often **favor global operations**.

Yip's Four Dimensions (Part 2)

Location Advantages (Competition)

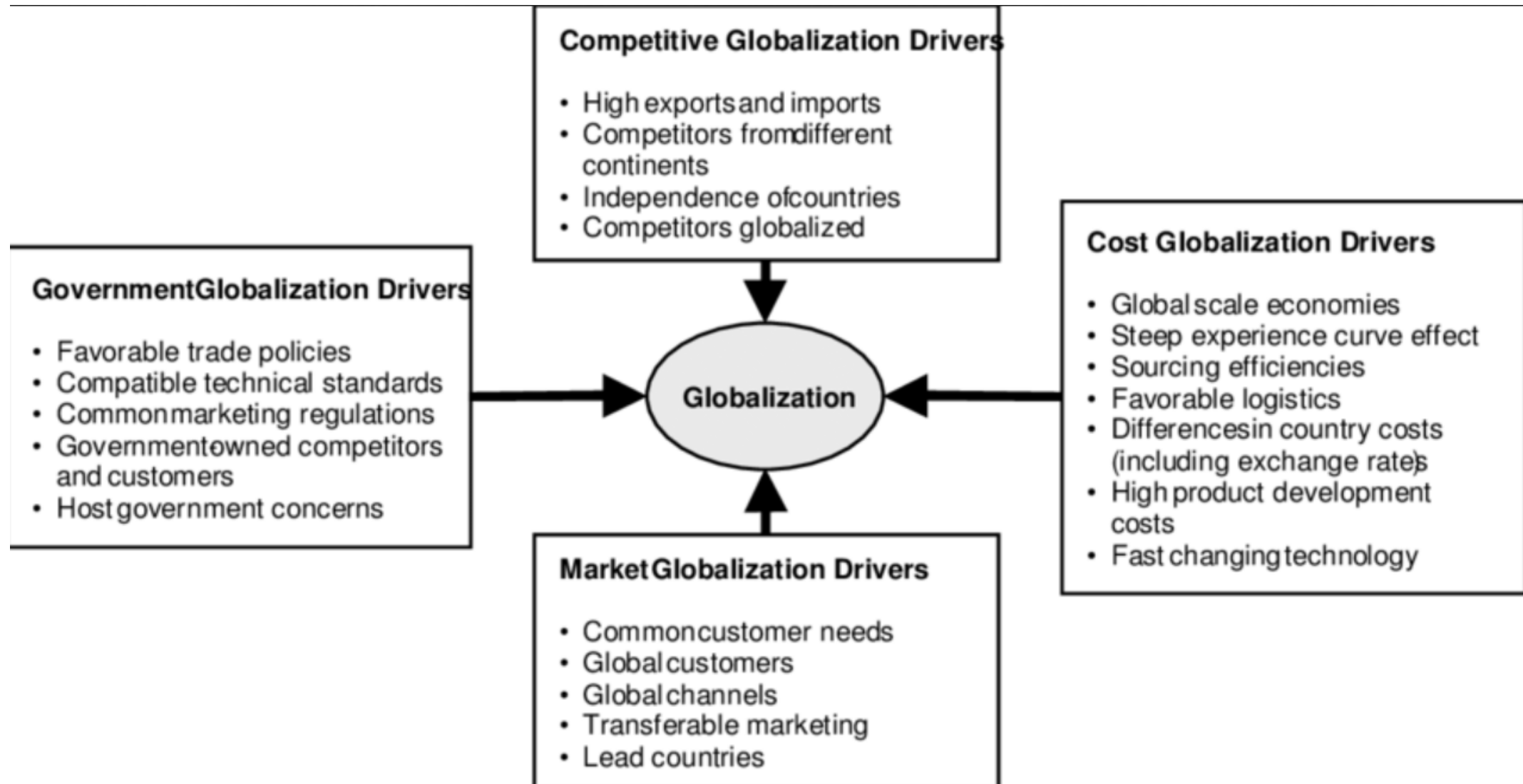
Comparative or competitive advantages of **specific locations**.

Regulatory Interventions (Government)

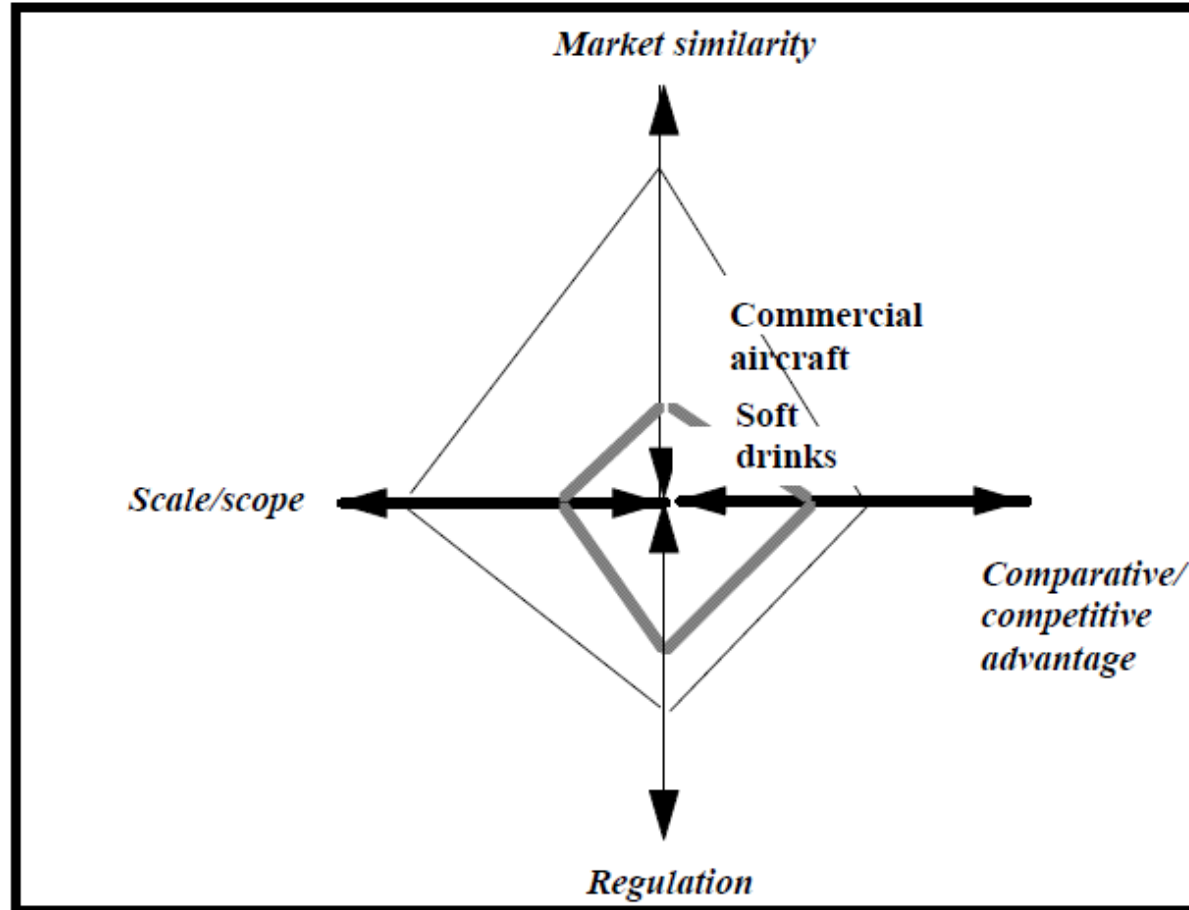
Barriers like **tariffs, non-tariff restrictions, and investment limits**.

Limit the **geographic scope** of industry competition.

Together, these four dimensions form Yip's "**radar**" of **global competition**.



Globalization drivers according to Y IP (1992)



Example. The figure below maps the globalization drivers for two industries -- commercial aircraft and soft. Commercial aircraft is global by virtue of market integration and very large-scale economies and knowledge advantages. Soft drinks are much lower on all these dimensions, but Coca-Cola dominates as a global player through its mastery of advertising, rapid transfer of knowledge among operating units, and financial strength. Local players also exist, although typically with very different strategies (e.g., me-too products, little advertising, lower price).

The Competitive Advantage (Porter, 1990)

Industry considered internationally successful if it has **competitive advantage** over top global competitors

Competitive advantage = substantial and sustained **exports** + significant **outbound foreign investment**

Requires **continuous upgrades**:

- Global approach to strategy

- Make existing advantage obsolete

Innovation is key: new technologies and new processes

Focus on **locally owned or autonomously managed firms**

Porter's Diamond: Key Attributes of National Competitiveness

Factor conditions: nations create specialized factors, e.g., skilled labor, scientific base

Innovation depends on **rate of creation and deployment**

Factors must be **industry-specific**

Demand conditions: home market sophistication drives innovation

Related and supporting industries: competitive clusters improve efficiency and knowledge

Firm strategy, structure, and rivalry: domestic competition stimulates continuous improvement

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Strategic Implications of the Diamond

Sustainable advantage requires **continuous innovation**

Firms must **upgrade home-based advantages** globally

Industries relying on natural resources are **less relevant**

Policy focus: strengthen **skills, technology, and infrastructure**

Home base remains **critical** for strategic decisions

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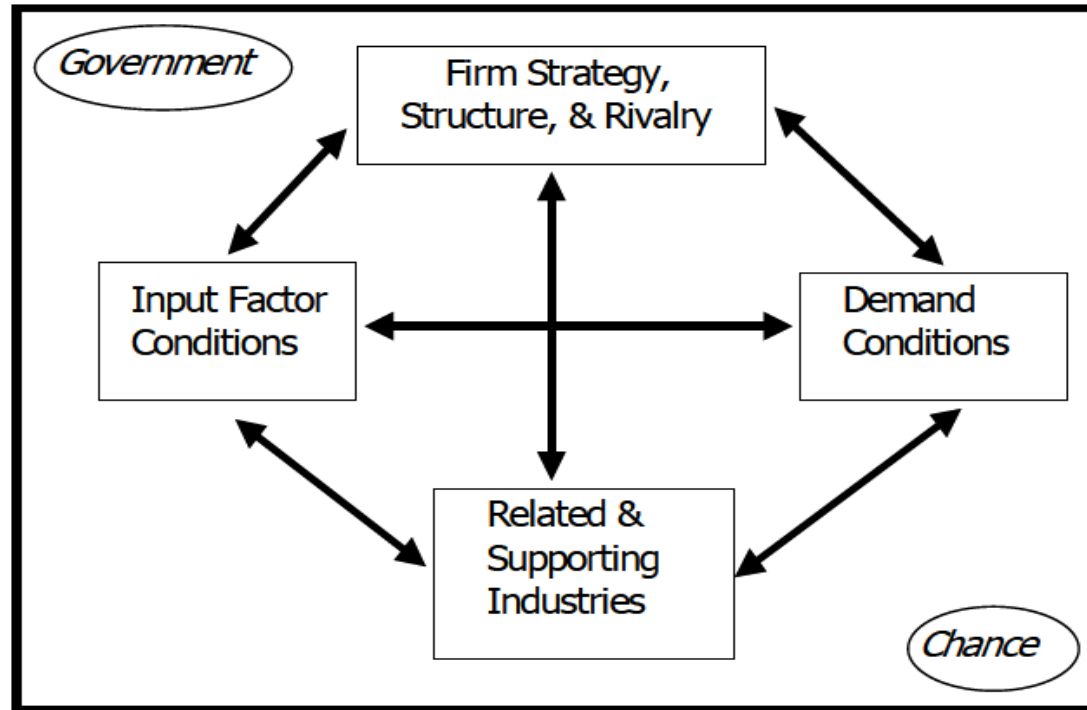
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Diamond as a system ...



Demand Conditions

Competitive advantage arises when **home demand is sophisticated and demanding**.

Companies better understand customer needs and innovate early.

Example (France):

French consumers expect high-quality luxury goods → brands like **LVMH** and **Chanel** constantly innovate.

Related and Supporting Industries

- Presence of **related and supportive industries** enhances innovation and efficiency.
- Short communication lines and collaboration help improve costs and product quality.

Example (France):

- Paris fashion industry clusters include textile manufacturers, designers, and logistics → supporting **LVMH, Chanel, Hermès**.

Firm Strategy, Structure, and Rivalry

- Local **management practices, organizational structures, and rivalry** stimulate innovation.
- Strong local competitors encourage continuous improvement.

Example (France):

- French aerospace firms **Airbus** and **Dassault Aviation** innovate due to competition and strategic organization.

Diamond as a System & Role of Government


Each element of the **diamond is interconnected**; strong clusters and rivalry boost competitiveness.
Government acts as catalyst: promotes competition, encourages change, invests in skills and infrastructure.

Example (France):

- French government supports R&D in aerospace, luxury, and high-speed trains (**TGV**) → strengthening global competitiveness.

Levels of analysis; issues and frameworks:

Location	<ul style="list-style-type: none">• Do firms based in a particular country have an advantage/disadvantage in my industry?• What competitive advantages can my firm gain by locating particular activities in particular countries	<ul style="list-style-type: none">• Dynamics of location-specific advantages (Porter's diamond)
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A product is not a product
unless it sells. Otherwise it
is merely a museum piece.

Theodore Levitt