

A Gentle Reminder



■ Self-Introduction Form

**Please submit your self-introduction form
by 19:00 pm on 23.02.2024 (Friday) via moodle.**

Warm-Up Session

What is 'International Management'?

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What is 'International Management'?



■ Learning Objectives

- ❖ The broad concept of **international management**;
- ❖ **G7 vs E7** future projection;
- ❖ The rising power of **large MNEs** against local governments;
- ❖ Acceleration of MNE **internationalization** speed/intensity/scale;
- ❖ **Ghemawat's CAGE framework**; &
- ❖ **Ghoshal's framework** - strategic goals & sources of competitive advantage.

What is 'International Management'?



■ Introduction

- ❖ Why is it important to **learn international business**?
- ❖ What is '**true**' **internationalization** at the individual-, firm-, & country-specific level?
- ❖ How to **measure** this concept?
- ❖ Do you think that **Italian or your home-country companies** are **international enough**? (If yes, why? If not, why not?)
- ❖ What are the **key elements** of **international business**?
- ❖ What are the **benefits & risks** to companies by **going abroad**?
- ❖ How do companies **tap into foreign markets**?

What is 'International Management'?



What is 'International Management'?

What is 'International Management'?



■ Significance of 'International Management'

- ❖ '*International*', '*global*', '*multinational*' ... in mass medias.
- ❖ Universities put an emphasis on nurturing '*global human capital*' - language education, study & internship abroad programs etc.
- ❖ Number of foreign subsidiaries (↑), foreign sales-to-total sales ratio (↑), foreign assets-to-total assets ratio (↑)
- ❖ Number of foreign businesses (↑) = The number of home-country nationals living abroad (↑)
- ❖ The size of the **Italian market**: 60 millions people (**only 0.78%**)
 - The growth potential is limited; the growth of the domestic consumer market has peaked; the relocation of production bases to foreign markets speeds up etc. → Italian companies have no choice but to seek overseas markets if they achieve further business growth & development.

What is 'International Management'?



■ Significance of 'International Management'

❖ What resources are necessary for companies doing business with foreign partners?

❖ International management?

- To manage a variety of business activities across borders.
- To organize & govern the complex process to coordinate, & configurate 'people', 'things', 'money', & 'information' beyond geography.
- Strategic analysis, strategic formulation, strategic execution (See next slide!).

❖ Who is the central actor in international business?

- **MNCs:** Multinational corporations.

❖ MNCs?

- ❖ Those engaging in business activities & managing entities which yield profits in 2 countries or more (including the home country) (Jones, 2005).

What is 'International Management'?



■ The Strategic Management Process in the Global Context

- > Analyzing organizational goals & objectives.
- > Analyzing the external environment of the firm.
- > Analyzing the internal environment of the firm.
- > Analyzing a firm's intellectual assets.

Strategic Analysis

- > Strategic control & corporate governance.
- > Creating effective organizational designs.
- > Creating a learning organization & an ethical organization.
- > Fostering an entrepreneurial culture.

- > Formulating business strategy.
- > Formulating corporate strategy.
- > Entrepreneurial strategy & competitive dynamics.

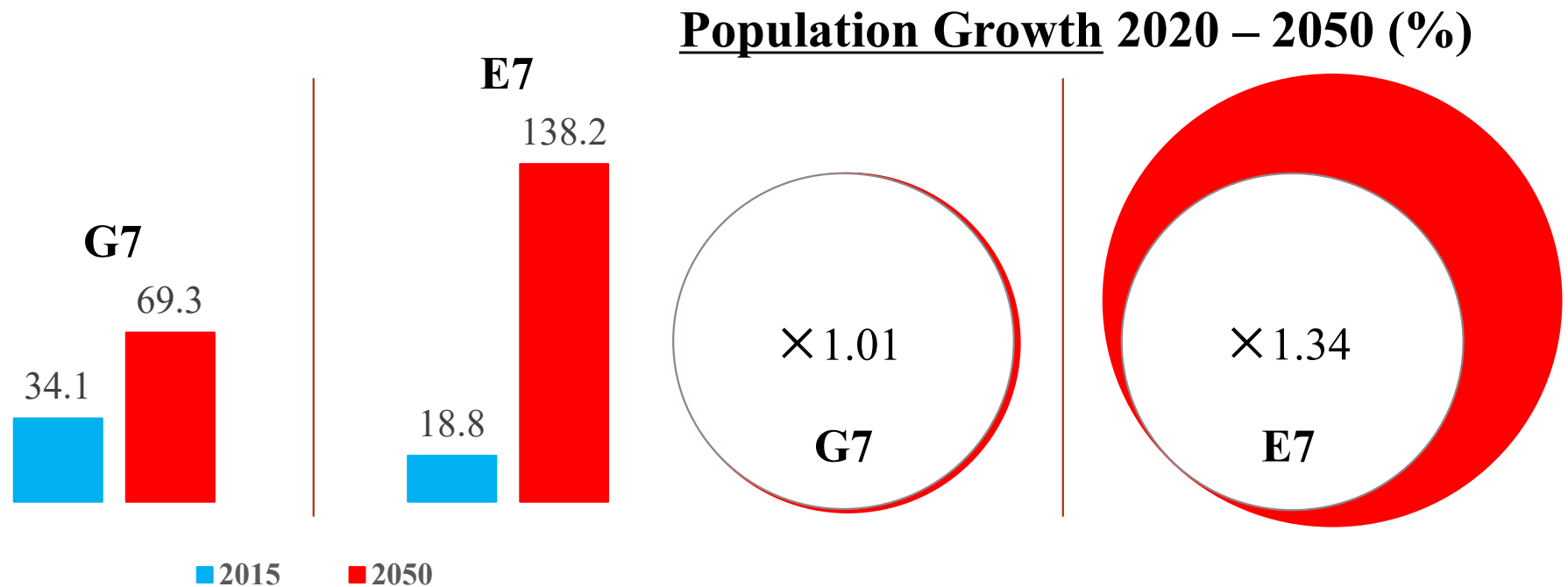
Strategic Formulation Implementation



What is 'International Management'?



■ G7 vs E7 Future Projection



Aggregate GDP Totals (US\$ Trillion)



Source: <https://databank.worldbank.org/>

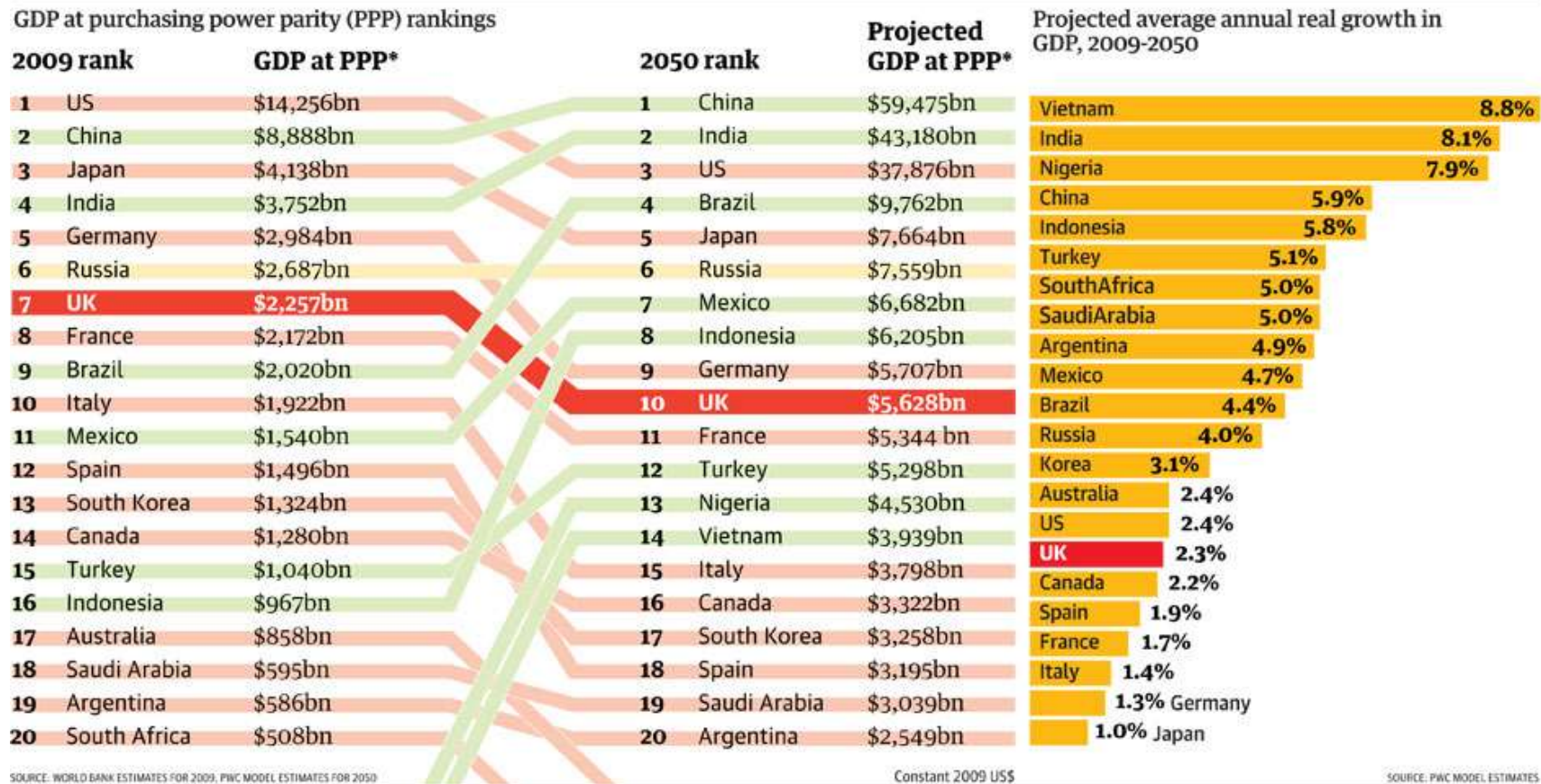
What is 'International Management'?



■ The World is Changing so Fast & Dynamically

Rise and fall

Economic growth



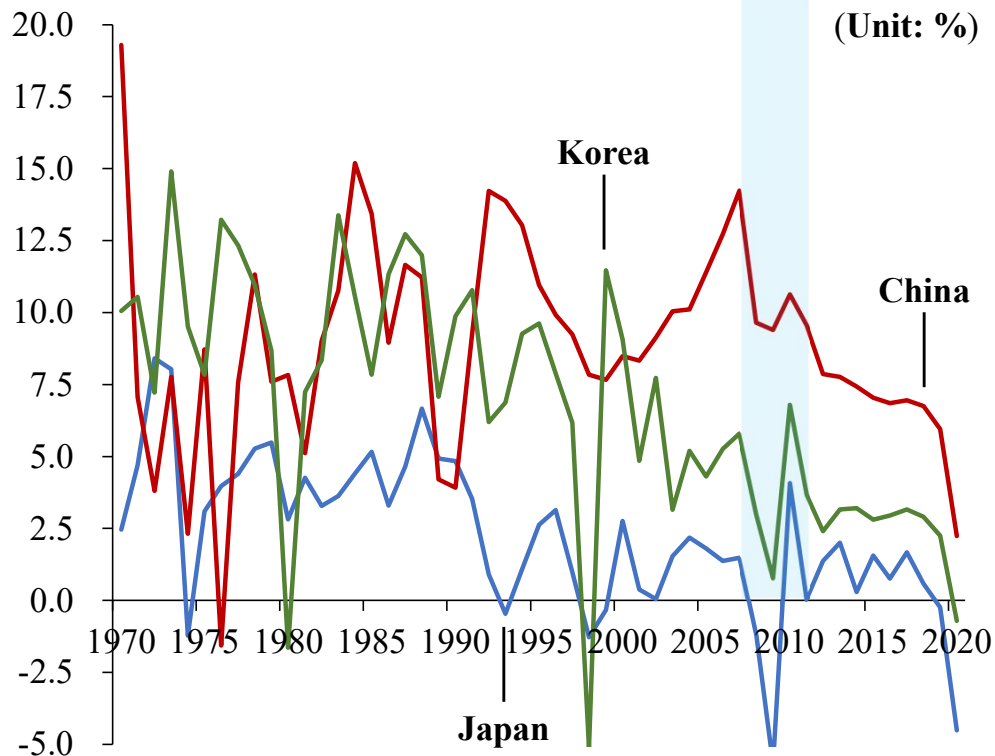
Source: www.gurdian.co.uk based on World Bank for 2009, PwC main scenario model projections for 2010-50.

What is 'International Management'?

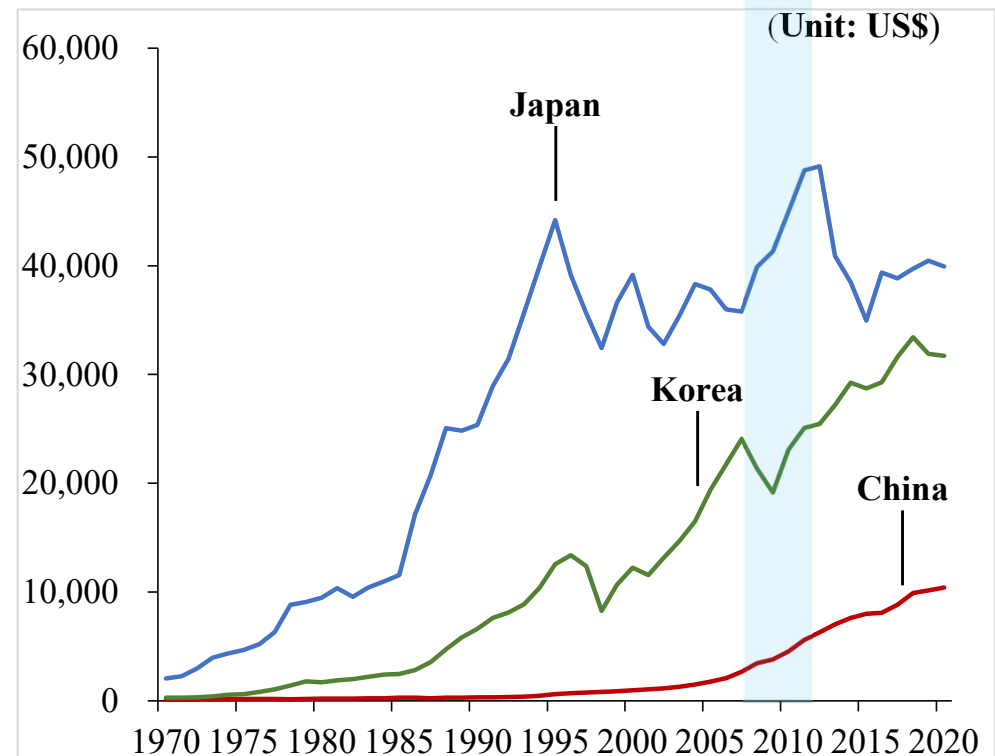


Asian Market Potential

GDP Growth



GDP per Capita



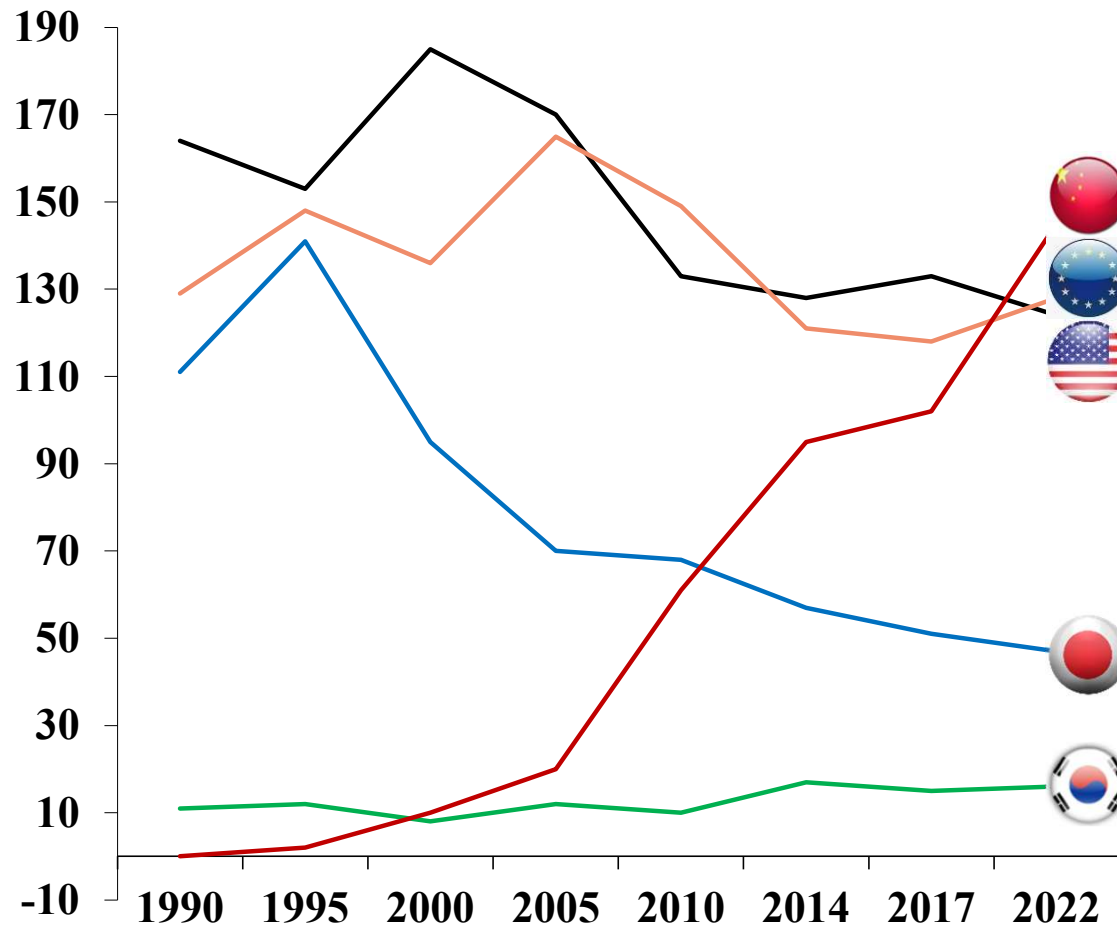
❖ Japan has been struggling through sluggish growth with a shrinking workforce.

Source: Own illustration based on data.worldbank.org.

What is 'International Management'?



■ Global Fortune 500 , 1990-2022



Source: Fortune Global 500.

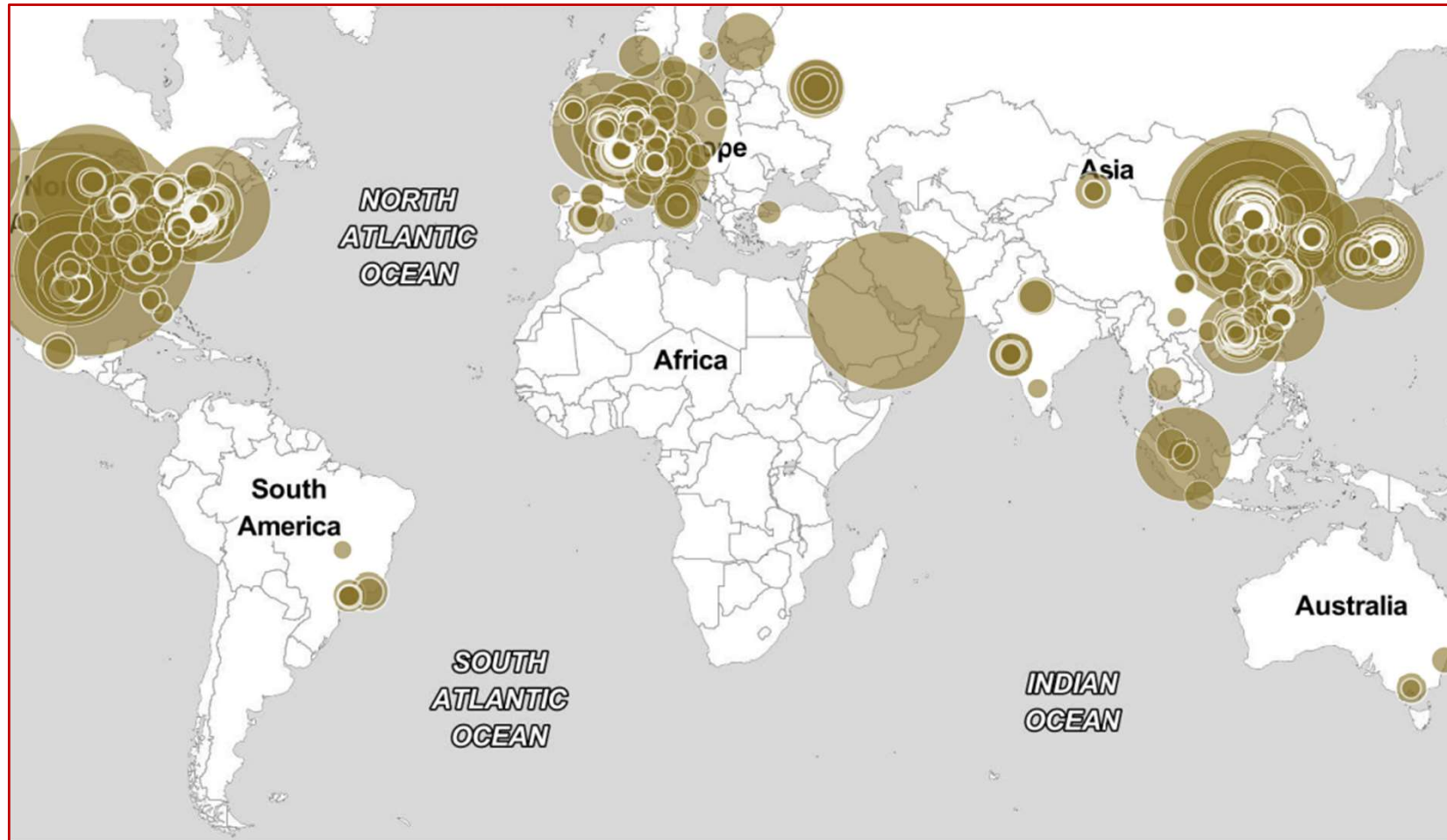
KEY POINTS

- > MNCs from **Triad countries** account for **60%** of Fortune Global 500.
- > The number of **Japanese MNCs** has declined (**111 in 1990 to 47 in 2022**).
- > **Chinese MNCs** have rapidly grown in significance (**0 in 1990 to 145 in 2022**)
- > **16 Korean MNCs** are ranked in Fortune Global 500 as of **2022**.
- > **Japanese firms** maintain strong competitiveness in **capital goods & intermediate goods**.
- > Korean & Chinese companies still rely heavily on **highly added-value components made by Japanese companies**.

What is 'International Management'?



■ Mapping Global Fortune 500 (As of 2022)

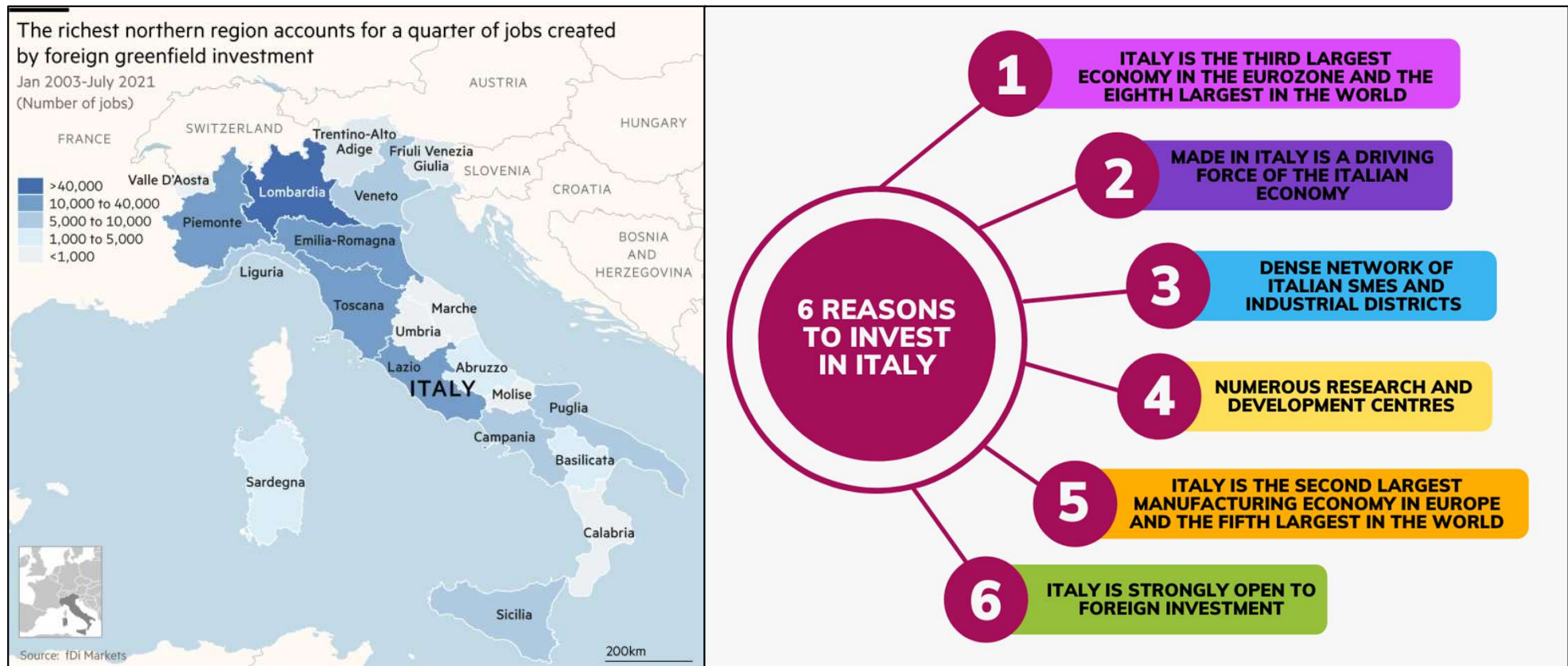


Source: Fortune Global 500.

What is 'International Management'?



■ Why Does FDI Matter to Italy?



Source: Financial Times; <https://italy.altios.com/>.

What is 'International Management'?



■ Comparison of Top MNCs & Selected Countries in 2016

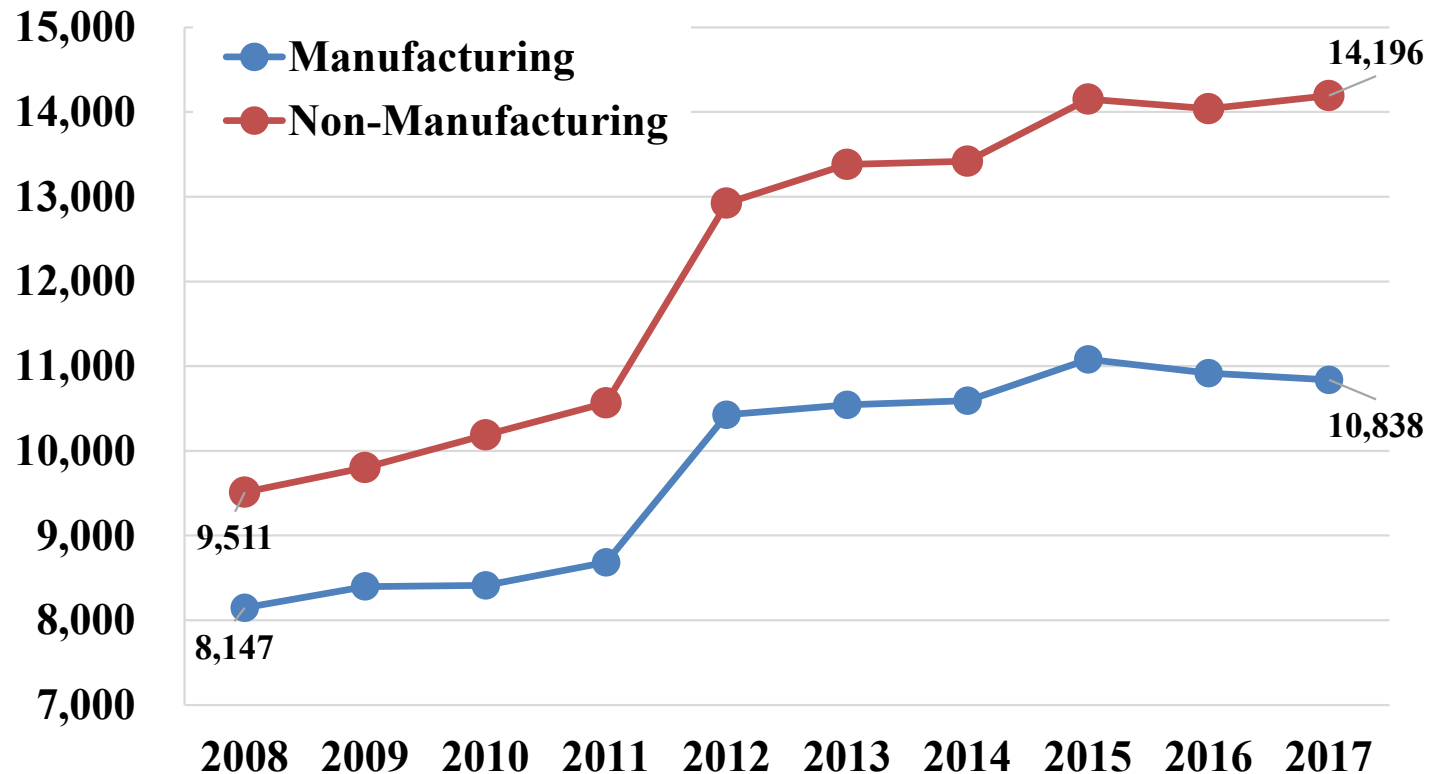
Company	Revenues (US\$ Millions)	Company Rank	Country	GDP (Current US\$ Millions)	Country GDP Rank
Walmart	482,130	1	United States	18,036,648	1
State Grid	329,601	2	China	11,007,721	2
China National Petroleum	299,271	3	Japan	4,123,258	3
Sinopec Group	294,344	4	German	3,363,447	4
Royal Dutch Shell	272,156	5	Nigeria	481,066	23
ExxonMobil	246,204	6	South Africa	314,572	31
Volkswagen	236,600	7	Denmark	295,091	35
Toyota Motor	236,592	8	Finland	231,950	42
Apple BP	233,715	9	Hungary	121,715	55
BP	225,982	10	Jamaica	14,262	112
Samsung Electronics	177,440	13	Moldova	6,568	142

Source: Bartlett & Beamish (2018: 16).

What is 'International Management'?



■ The Number of MNCs' Foreign Subsidiaries



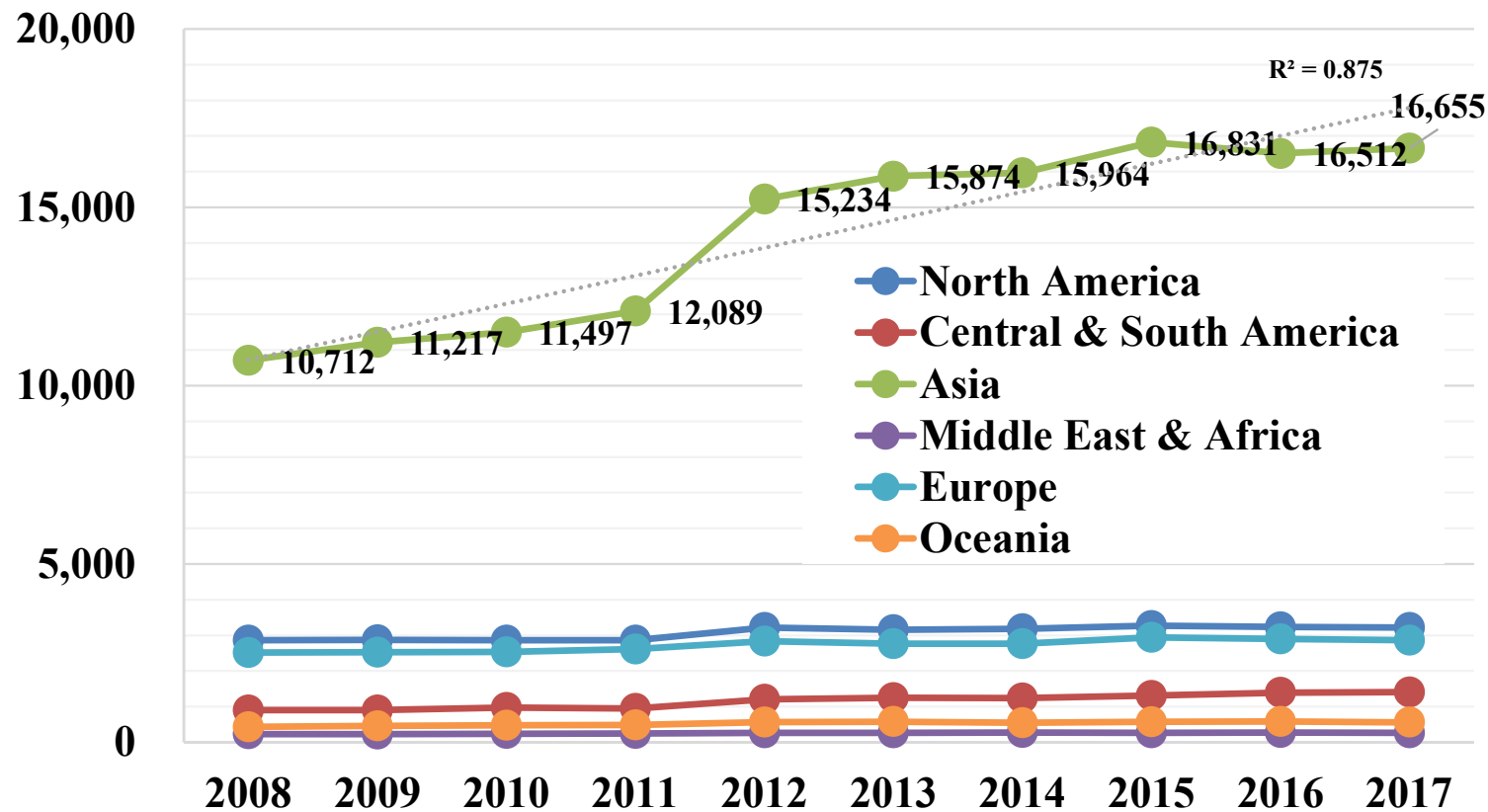
❖ The number of foreign subsidiaries of Japanese MNCs was 25,034 in the fiscal year 2017 (Manufacturing: 10,838; Non-manufacturing: 14,196.)

Source: Ministry of Economy & Industry 'A Survey of Japanese Manufacturing Affiliates Abroad'.

What is 'International Management'?



■ The Number of Japanese MNCs' Subsidiaries by Region



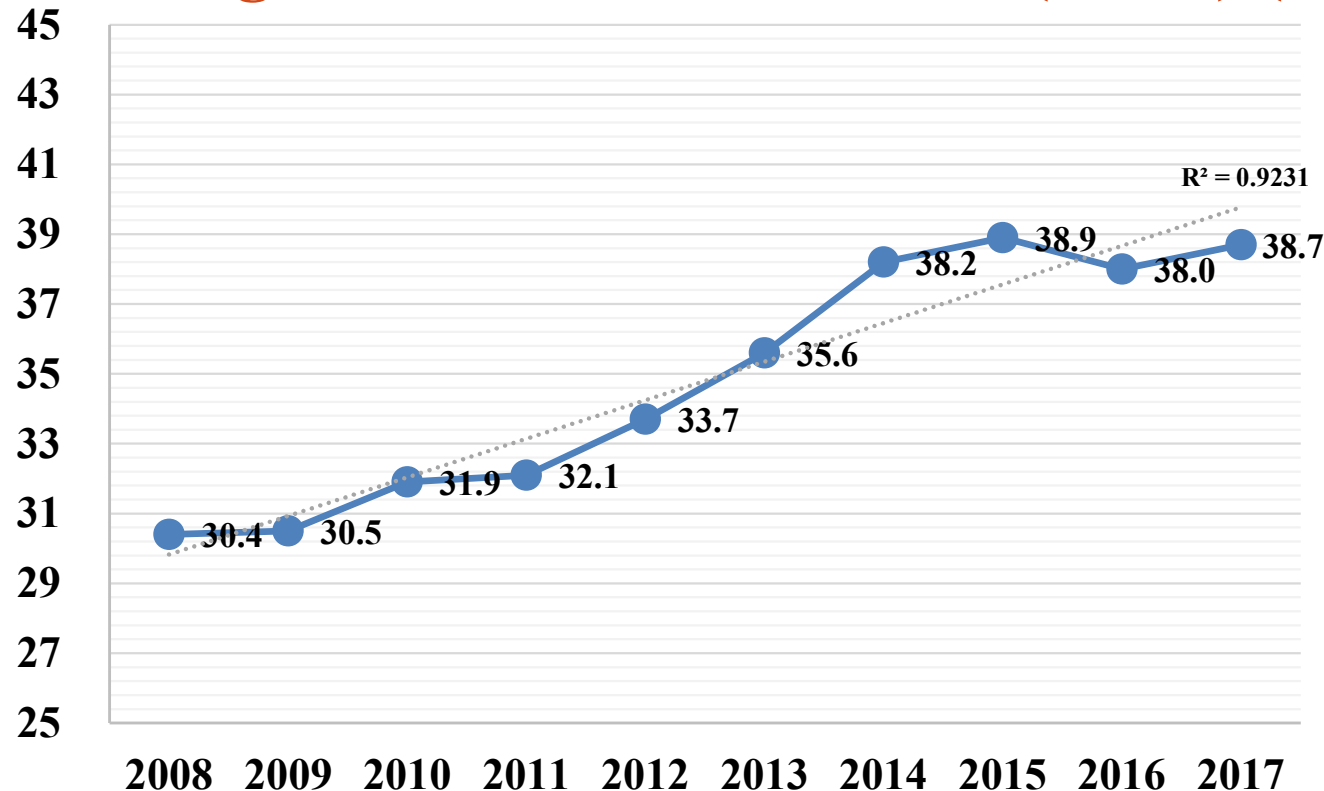
❖ JMNCs tend to tap into the Asian market. BRICS accounts for 29% in 2017.

Source: Ministry of Economy & Industry 'A Survey of Japanese Manufacturing Affiliates Abroad'.

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■ JMNCs' Foreign Sales/Total Sales Ratio (FSTS) (Unit: %)



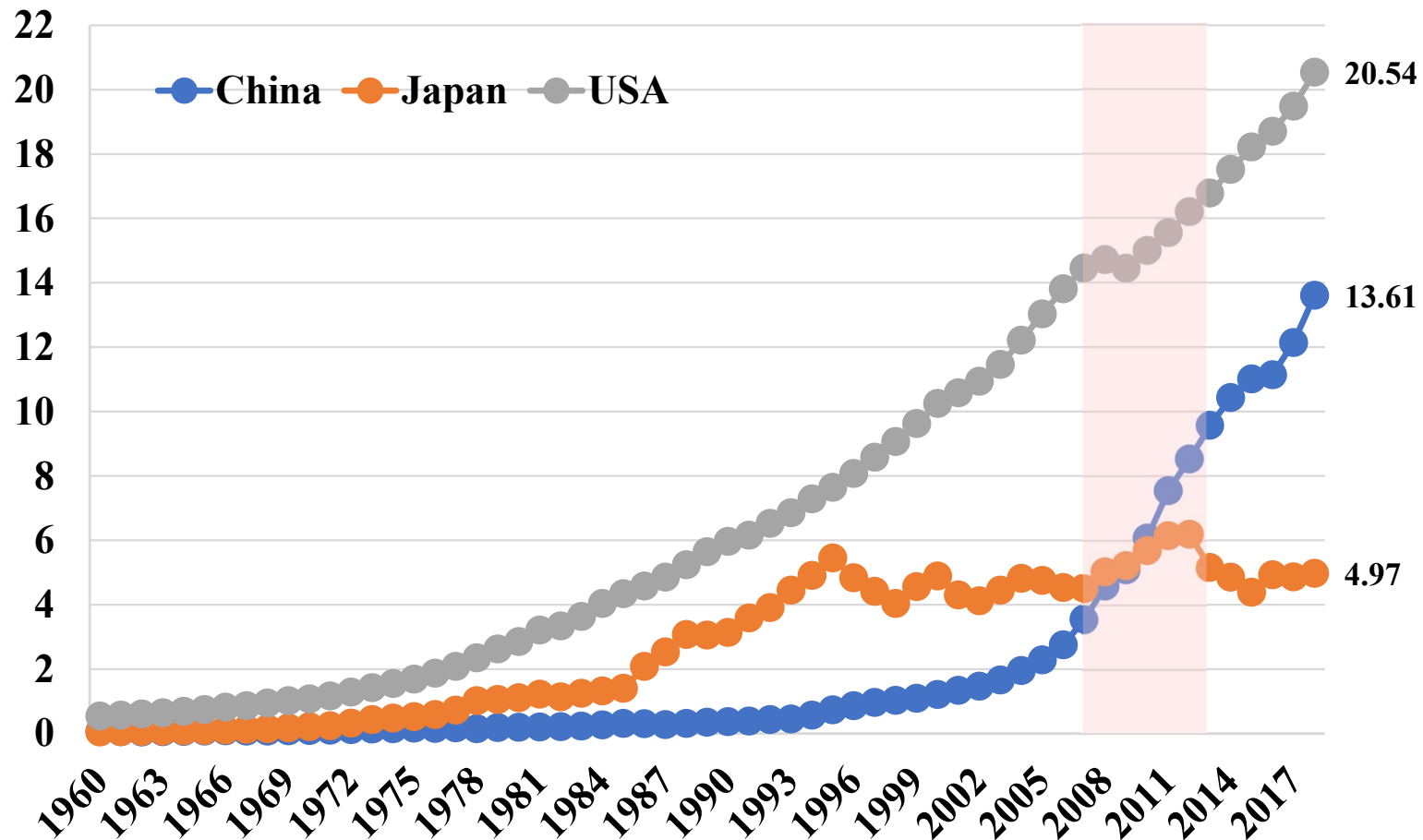
❖ Japanese manufacturing MNCs are intensifying their efforts to expand international operations over time. The FSTS ratio reached 38.7% in 2017.

Source: Ministry of Economy & Industry 'A Survey of Japanese Manufacturing Affiliates Abroad'.

What is 'International Management'?



■ Changes in GDP (Unit: US\$ Trillion)



Source: World Bank.

What is 'International Management'?



■ What Does it Mean by Crossing Borders?

❖ Ghemawat's CAGE Framework

– Cultural Distance

- ◆ Differences in languages, tribes, ethnic groups, religious practices etc.

❖ It is inevitable to consider various differences between the host & home countries very carefully when running foreign operations !

they may also encounter unanticipated policy changes & corruptions.

❖ We should not forget that distance (*i.e.*, regulatory quality, cultural elements) also exists even within the same country !

– Economic Distance

- ◆ Differences in GDP/GDP per capita, the quality of infrastructure, education, IT standards, access to different resources (*e.g.*, human, financial social capital etc.)

What is 'International Management'?



■ Key Questions

What is 'culture'?

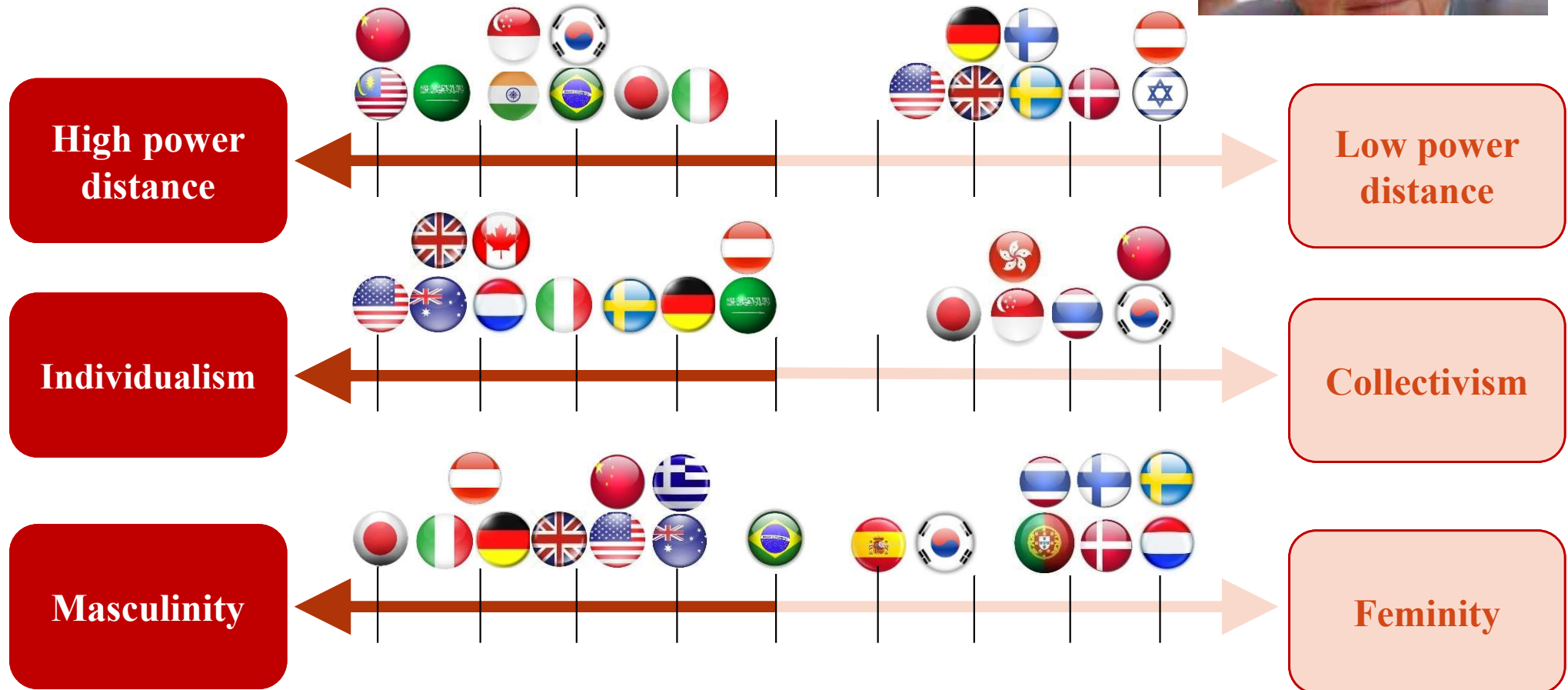
Why do you think that 'culture' is important?

What is the major cost of ignoring 'culture' in practice?

What is 'International Management'?



■ Culture - The Dimension Approach

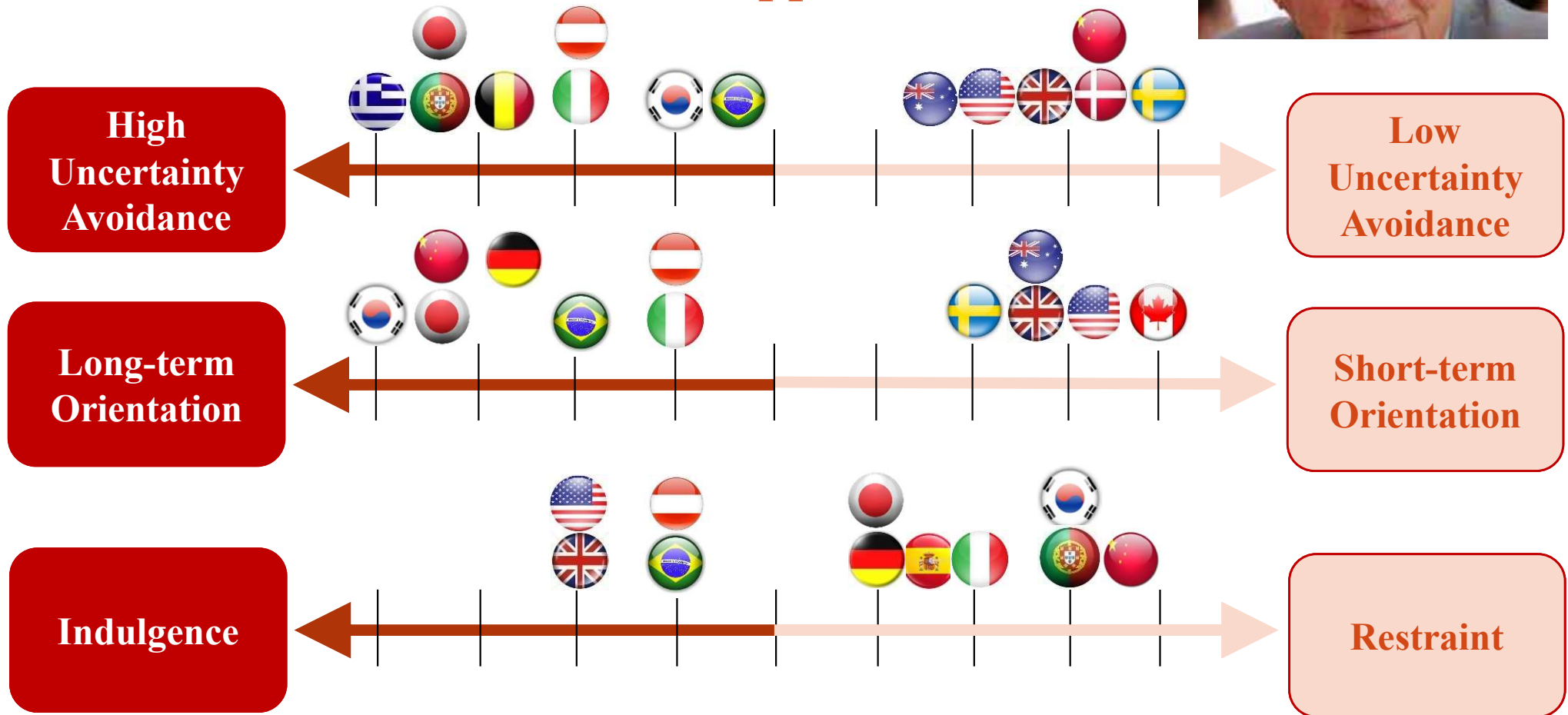


Source: Own illustration based on <https://geert-hofstede.com/countries.html>

What is 'International Management'?



■ Culture - The Dimension Approach



Source: Own illustration based on <https://geert-hofstede.com/countries.html>

What is ‘International Management’?



■ How to Calculate “Cultural Distance”?

❖ Example: Distance between Japan & European Countries?

$$CD (GLOBE)_m = \frac{\sum_{i=1}^9 (L_{im} - L_{ij})^2 / V_i}{9}$$

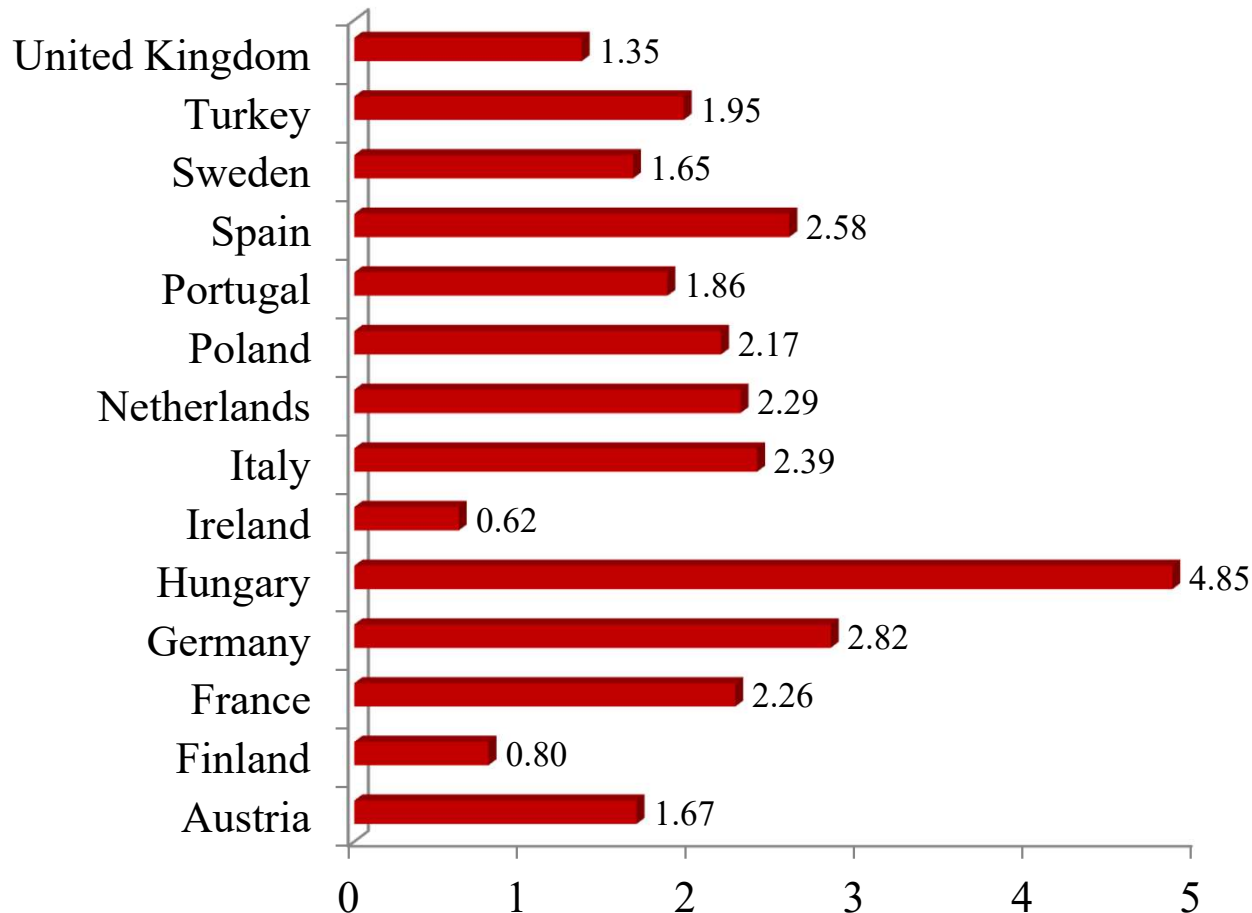
GLOBE’s (2004) national cultural distance index integrates Hofstede’s (1980) national cultural scores in 9 cultural dimensions: (1) assertiveness, (2) institutional collectivism, (3) in-group collectivism, (4) future orientation, (5) gender egalitarianism, (6) human orientation, (7) performance orientation, (8) power distance, & (9) uncertainty avoidance.

Source: Kogut & Singh (1988). The Effect of National Culture on the Choice of Entry Mode, *Journal of International Business Studies*, 19(3): 411-432.

What is 'International Management'?



■ How to Calculate "Cultural Distance"?



KEY POINTS

- > Which European countries are culturally distanced from Japan?
- > **Ireland** is the culturally closest country to Japan, followed by **Finland** & the **United Kingdom**.
- > **The largest cultural distance between Japan & Hungary** is observed.
- > How can we use this information in the contexts of international business & global strategy?

Source: Own calculation based on Kogut & Singh's (1988) cultural distance index using GLOBE data.

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■ Cultural Differences Between Korean & Japanese?

❖ *Monozukuri* (=Philosophy of Manufacturing)

- *Japanese* are inclined to pay attention to the *quality of goods* & its underlying *technology* while *Korean* consider *formal rules/learning* embedded in *Confucian culture* as superior than *monozukuri*.
- **KOREA: Theory** > Skills & Experience.
- **JAPAN: Skills & Experience** > Theory.

❖ Feeling of Public & Private

- **KOREA: Individual-Individual Relationships**.
- **JAPAN: Organization-Organization Relationships**.

❖ Credibility

- **KOREA:** The idea of *keeping a promise* is *very flexible* in society.
- **JAPAN:** The idea of *keeping a promise* is *well-established* in society.

現地現物
GENCHI GENBUTSU

改善
Kai = Change Zen = Good

What is 'International Management'?



■ Ghoshal's Framework

❖ How to fulfill the goal of 'winning your rivals'?

- **Strategic Goal:** What do you aim for by internationalization to beat your competitors?
- **Source of Competitive Advantage:** A means of achieving strategic goals gained by internationalization.
- **3-by-3 Matrix (See next slide!)**
- **Vertical axis: Strategic goals**
 - ◆ (1) Efficiency, (2) Risk management, (3) Innovation / learning / adaptation.
- **Horizontal axis: Source of competitive advantage**
 - ◆ (1) Country differences, (2) Economies of scale, (3) Economies of scope.

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■ Strategic Goals & Sources of Competitive Advantage

Sources of Competitive Advantage				
	Country Differences	Scale Economy	Scope Economy	
Strategic Goals	Efficiency	Factor costs (costs for activities including labor costs, land costs, & material costs).	Expansion of scale by expanding overseas.	Share investment & costs among products, markets & businesses.
	Risk Control	Hedging country-specific risks in multiple countries.	Balance of scale & flexibility.	Diversification of risk portfolio.
	Innovation Learning	Learning from cross-societies.	Learning from cost savings & innovation experience.	Learning from different organizational components.

Source: Ghoshal (1987: 428)

About Your Career

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Bergamo, ITALY

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Windows taskbar: 7:29, 2022/03/07, 0°C

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Your perspective is deep and committed. You analyze structures, trends, relationships, cause and effect. You have a complex vision of the world.

It's this maturity of thinking that gives you your empathy. You're compelling. You apply your thinking. You're entrepreneurial. You enjoy forging ahead with new ideas.

Windows taskbar: Win, P, F, G, E, W, G, S, A, M, X, 22, アドレス, 0°C, 7:31, 2022/03/07, 29

Class Participation



■ How to Evaluate Your Class Participation

- ❖ **Sharing** your ideas & thoughts in response to class discussions during the lecture;
- ❖ **Presenting** a 1-2 minute presentation on the topic you find interesting via reliable newspapers (*e.g.*, Financial Times etc.) & business magazines (*e.g.*, Economist, HBR etc.); &
- ❖ **Submitting** your short report on what you learn via moodle on the same day as each lecture takes place.

❖ Please be officially informed that these activities are on a voluntary basis !

About Your Career

