

Starting International Business
(Mike Peng & Klaus Meyer, International Business)

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Special Topics in Internationalization

Università degli Studi di Bergamo

Dipartimento di Scienze Aziendali

Bergamo, ITALY

What Did We Learnt in WEEK 6-2?



■ Key Points

- ❖ Kaspersky lab;
- ❖ A letter of credit;
- ❖ Subcontracting / management contracts / turnkey operations / franchising / licensing / franchising;
- ❖ Internationalization process models (i. Uppsala learning model, ii. network internationalization model, & iii. stages models of internationalization);
- ❖ Born globals;
- ❖ Export credit insurance scheme (HERMES); &
- ❖ Cultural & institutional distance.



1. Introduction
2. Opening Case: Kaspersky lab
3. Going International
4. Resources Supporting Internationalization
5. Institutions & Internationalization
- ▶ 6. **Debates & Extensions**
7. Implications for Practice



■ Designing & Combining Entry Modes

- ❖ Combine **different types** of transaction in one business relationship !!!
 - *e.g.*, Licensing technologies & exporting components to the same customer
- ❖ Serve **different segments** of a market with different operation modes !!!
 - *e.g.*, Exporting to a small market, while licensing to a mature market where a strong local partner has emerged.

■ Cyberspace versus Conventional Entry

- ❖ The **internet** provides many avenues to support IB.
 - The internet as **an advertising board & a catalogue**.
 - **Communications** with suppliers (*e.g.*, Zoom, Google Meet, MS Teams etc.).
 - The entire value chain is created online, based on **digital products** such as software, or online services (*e.g.*, Google's search engine & Facebook).



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Implications for Practice



■ What Should Managers Care About?



- > **Analyze both your own resources & the host context !**
 - Competitive advantage is often gained by finding **INNOVATIVE WAYS** to combine resources to compete in a foreign market.



- > **Continuous learning !**
 - Plan ahead how you will be building your **EXPERIENCE** when you design your firm's international operation.
 - Create interactions with the local environment & customers.



- > **Design operations for flexibility !**
 - An initial entry mode may **NOT** last **FOREVER**, thus contracts need to be designed to allow for change.



- > **Think global from the beginning !**
 - Inherent advantages of being young when venturing abroad, if the **ENTREPRENEURIAL TEAMS** assembles the relevant skills.

Assignments for 22.04.2024 (Monday)

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Assignments for 22.04.2024 (Monday)



■ **Schuh, A. (2011). “ESET: From Living Room to Global Player in Antivirus Software” (pp. 550-554).**

❖ Lara Leprince

❖ Emilio Halbmayr

■ **Chang, S. J. (2008). “Wannabe Global”. In Sony vs Samsung: The Inside Story of the Electronics Giants’ Battle for Global Supremacy. John Wiley & Sons.**

❖ Rekha van Alst

❖ Alexander Lehr

Schuh, A. (2011). “ESET: From Living Room to Global Player in Antivirus Software”

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■ Key Questions

❖ You should be able to:

- Explain the **core argument** of this case study;
- Discuss **how** ESET achieved **a rapid growth**;
- Clarify **how** ESET overcame its **negative country-of-origin images**; &
- Discuss **major sources** of **ESET's competitive advantages** from the resource-based view of the firm (**RBV**).

Sea-Jin Chang (2008). *Wannabe Globals, In Sony vs Samsung: The Inside Story of the Electronics Giants' Battle for Global Supremacy*, US: Wiley.

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“Wannabe Globals”



■ ‘2’ Key Quotes

- I. *“I will set **global localization** as our future principle from now on. This is a new way for Sony; **Sony will suffice local demands through localization & develop globalization & technologies at the same time.**”* – The late Akio Morita, co-founder of Sony

- II. *“The problem Samsung Group is facing can be summarized in one line: **Samsung Group’s speed of globalization exceeds that of Samsung Group’s globalization capability.**”* – Yong-Wook Jeon, Jung-Hwa Han, Authors of Toward a First-class Enterprise

“Wannabe Globals”



■ General Information

Companies	Sony	Samsung
Global Strategy	<ul style="list-style-type: none"> ▶ Global Localization Strategy ▶ Americanization (Local managers) ▶ Individuals' ability regardless of their nationality. ▶ Influential people (<i>e.g.</i>, Henry Kissinger & Peter Peterson). 	<ul style="list-style-type: none"> ▶ New Management Movement in 1993 (Establishment of five complexes)
Where to Enter	<ul style="list-style-type: none"> ▶ TV factory in California (1972) ▶ Colour TV factory in Wales (1974) ▶ Factory to produce laser pick-ups for CD players in Singapore (1987) ▶ Acquisition of a semiconductor factory in San Antonio (1989) ▶ A CRT & colour TV factory in Pittsburgh (1993) 	<ul style="list-style-type: none"> ▶ Relocation of subsidiaries to Tijuana ▶ Why? (1. Sharing local knowledge; 2. saving labor costs; 3. jointly purchase some components; 4. quickly diagnosing management problems) ▶ Other complexes in Selamban (Malaysia), Winyard (UK), Tianjin (China), & Manaus (Brazil)
Operation Headquarters (OHOs)	<ul style="list-style-type: none"> ▶ 4 regions (Japan, the US, Europe & SA) ▶ Sony HQ as the world headquarters. ▶ Delegated most decisions to the OHQs regarding production, sales, logistics, technology & financing. 	<ul style="list-style-type: none"> ▶ 5 regional headquarters (1996) ▶ Japan, China, Europe, America, & Southeast Asia ▶ 3 smaller regional HQs in Central/Southern America, Russia & CIS

“Wannabe Globals”



■ Discussion Questions

- ❖ Compare **Sony’s global strategy** with **Samsung’s global strategy** in terms of **nature, rationality & motive**.
- ❖ Identify **what problems Sony faced** in **internationalizing their business**.
- ❖ Clarify **why losing control over overseas subsidiary is NOT so good** in general. What happened to the cases of Sony & Samsung in terms of **tradeoff between centralization & decentralization** in the multinational business network.
- ❖ Draw **‘3’ managerial implications** based on this paper.



■ Centralization vs Decentralization

❖ Increasing Internationalization

- Escalating pressures to expand global reach
- Aspirations to become global players
- Raising the profile of overseas subsidiaries
- Transfer of decision making power
- Decentralization of authority
- Increase in complexity of MNE management

Subsidiary Autonomy (Decentralization):

the degree of strategic & operational decision-making authority delegated to foreign affiliate management (McDonald et al., 2008; Newburry & Zeira, 1999)

“Wannabe Globals”

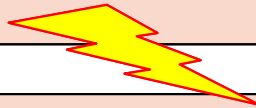


■ Centralization vs Decentralization

Centralization
(parental control)

Subsidiary strategies aligned with MNE Headquarters

- Enhance communication
- Minimize coordination cost
- Allows leverage of accumulated resources & expertise
- Prevents opportunistic behaviour
- Prevents loss of core technologies



Decentralization
(Subsidiary autonomy)

Subsidiary strategies aligned with host market conditions

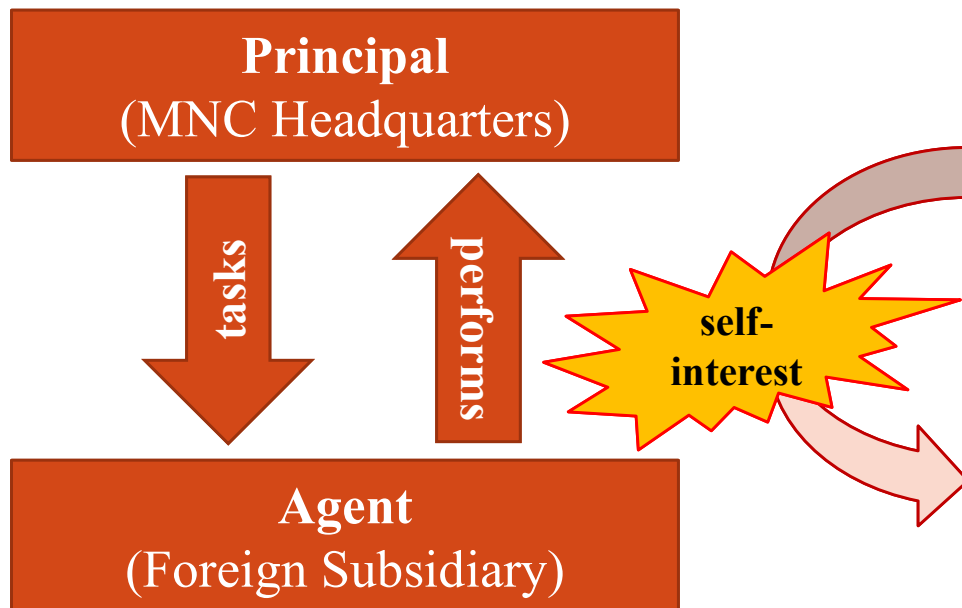
- Facilitates production differentiation & adaption
- Rapid, flexible response to customers & competitors
- Enhances access to local resources & human capital
- Learning opportunities from local innovation systems
- Advantages of embeddedness (network as valuable asset)

How to strike the optimal balance ?



■ Centralization vs Decentralization

❖ Agency Theory Framework



Problem

- Limited ability for knowledge collection & processing
- Unable to run business operations in overseas markets
- Relies on subsidiary for information & performance
- Limited ability to accurately assess subsidiary performance

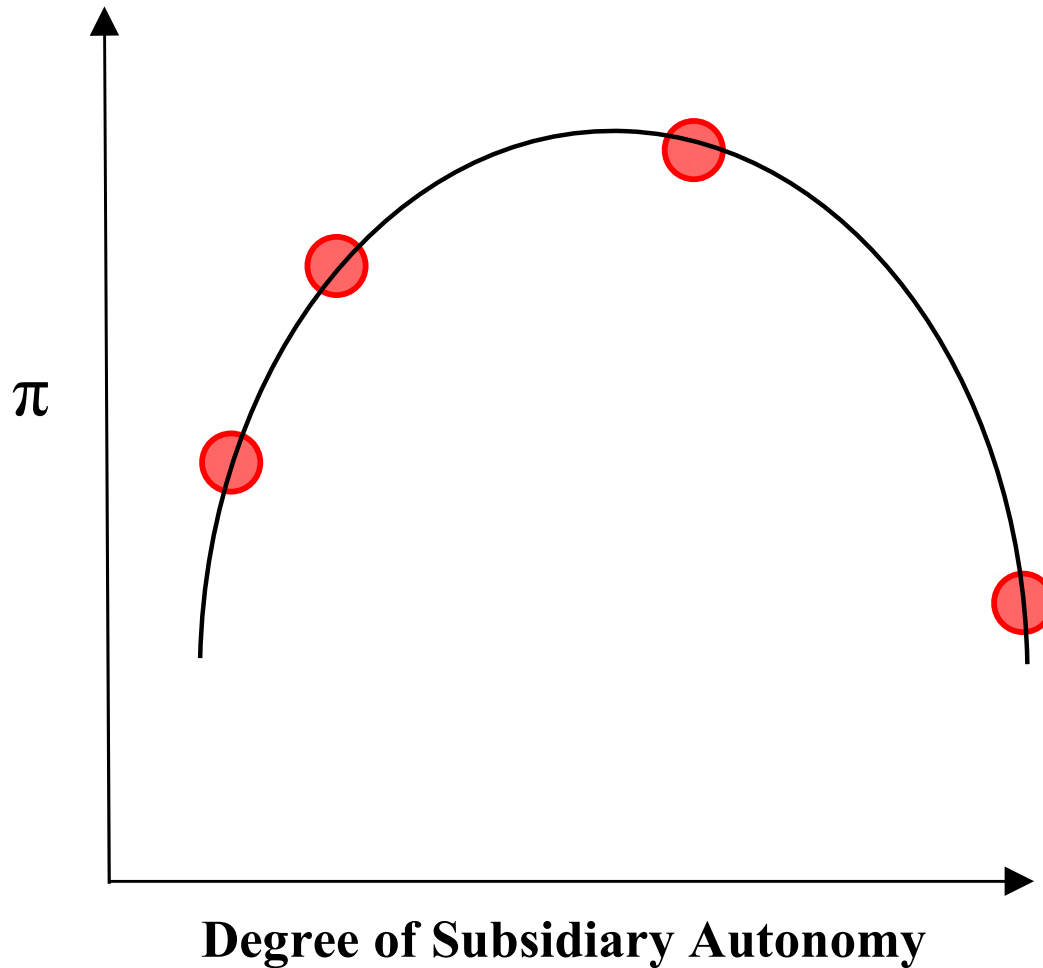
Solution

- Supervision over foreign subsidiary to prevent opportunistic behaviour
- Placing headquarter staff in senior management positions at the subsidiary to:
 - ✓ Improve communications
 - ✓ Ensure compliance

“Wannabe Globals”



■ Reverse U-Shaped Curve?



- ❖ Subsidiary isolation
- ❖ Opportunistic behaviours
- ❖ Increase in transaction cost
- ❖ Barriers to strengthening global value chain systems in the MNC network

“Wannabe Globals”

■ MNE Autonomy & Subsidiary Performance

❖ Kawai & Strange (2014)

International Business Review 23 (2014) 504–515

Contents lists available at [ScienceDirect](#)

 **ELSEVIER**

International Business Review

journal homepage: www.elsevier.com/locate/ibusrev



 CrossMark

Subsidiary autonomy and performance in Japanese multinationals in Europe

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ARTICLE INFO

Article history:
Received 18 October 2012
Received in revised form 30 July 2013
Accepted 15 August 2013
Available online 17 September 2013

JEL classification:
M16
M21

Keywords:
Environmental uncertainty
Europe
Expatriate involvement
Firm performance
Japanese multinationals
Subsidiary autonomy

ABSTRACT

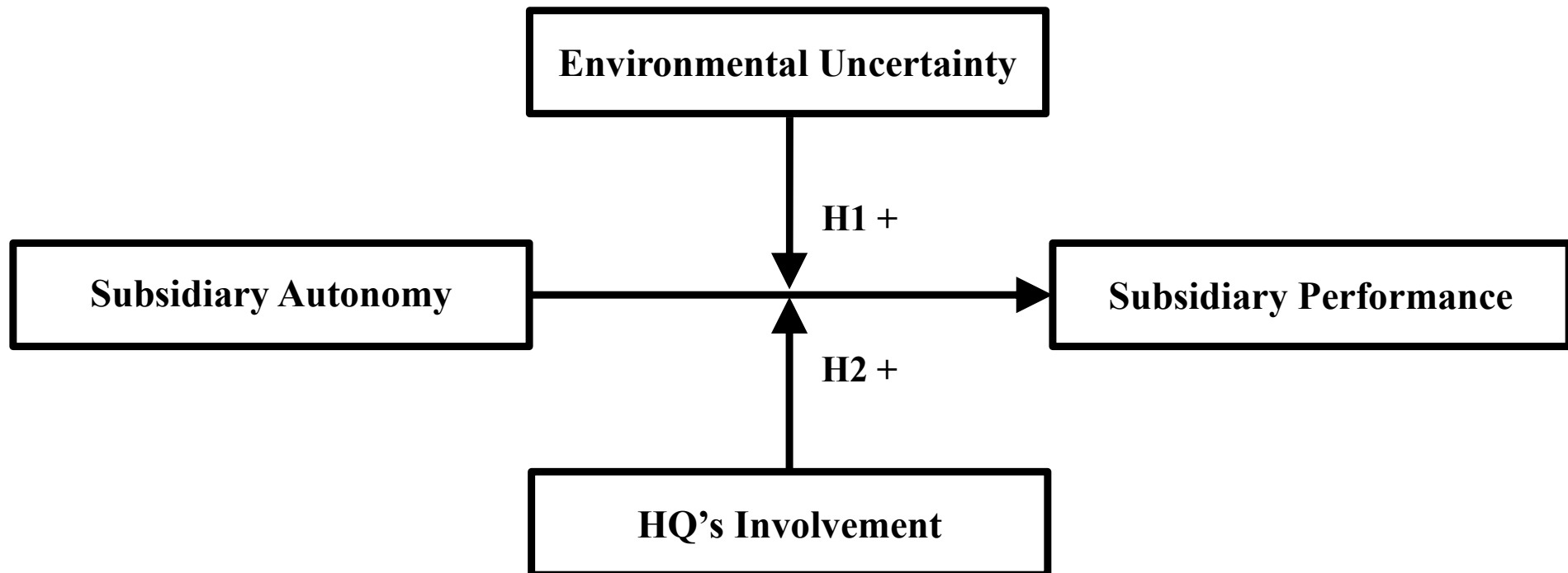
Notwithstanding the growing body of research on headquarters–subsidiary relationships, the conditions under which subsidiary autonomy leads to enhanced subsidiary performance is still a subject of debate. This study adopts a contingency approach and investigates the effects of external uncertainties and intra-MNE coordination on the performance benefits of subsidiary autonomy. The empirical analysis is based upon cross-sectional data collected from 88 European subsidiaries of Japanese MNEs. Our findings show that subsidiary autonomy has a greater impact upon performance (a) under conditions of technological uncertainty; and (b) when expatriate involvement is high, as the subsidiary can reap the full benefits of entrepreneurial capabilities and enjoy resource interdependencies through interactions with the parent simultaneously. MNC executives should aim for an appropriate balance between subsidiary autonomy and these internal and external factors so that the subsidiaries achieve superior performance.

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■ MNE Autonomy & Subsidiary Performance

❖ Kawai & Strange’s (2014) Conceptual Framework

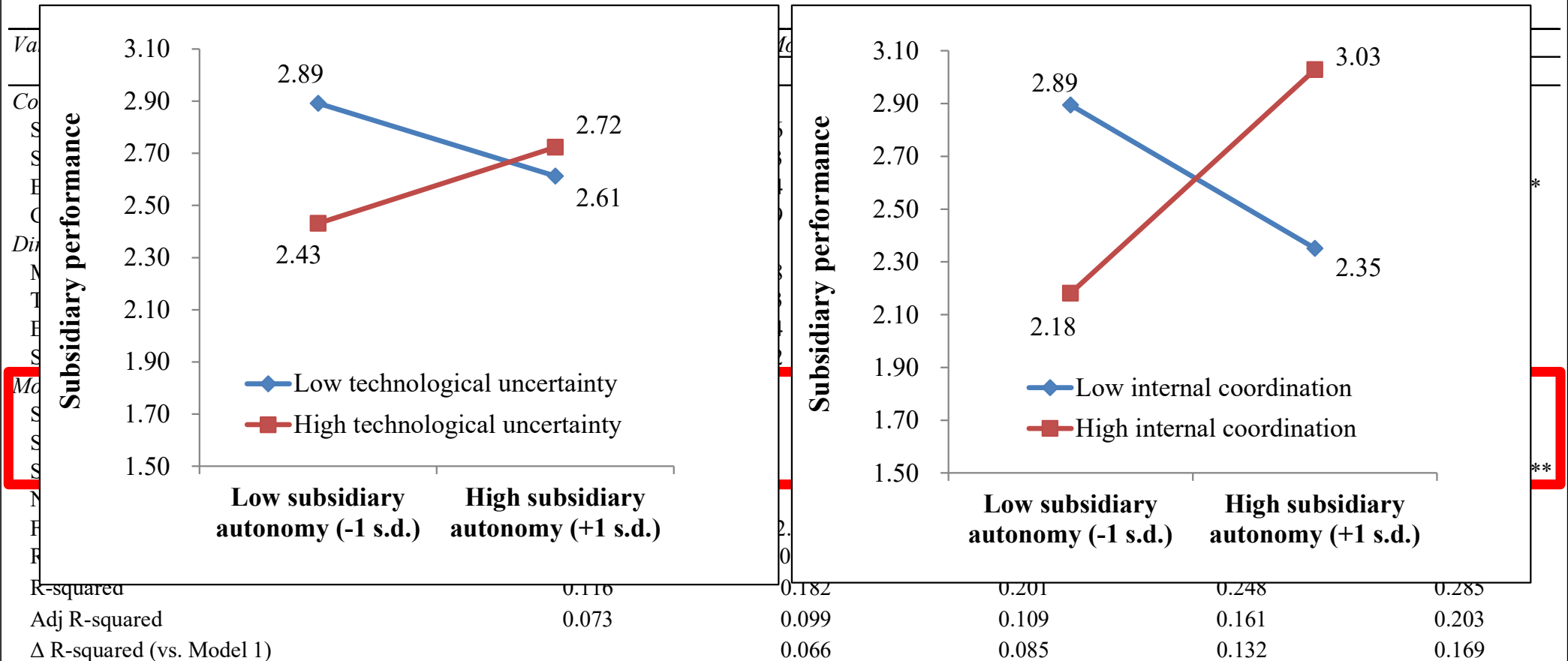


Note: Own illustration.

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■ MNE Autonomy & Subsidiary Performance

❖ Kawai & Strange’s (2014) Main Findings



Note: Standardized regression coefficients are shown;*** 0.01 level of significance,** 0.05 level of significance,* 0.1 level of significance.

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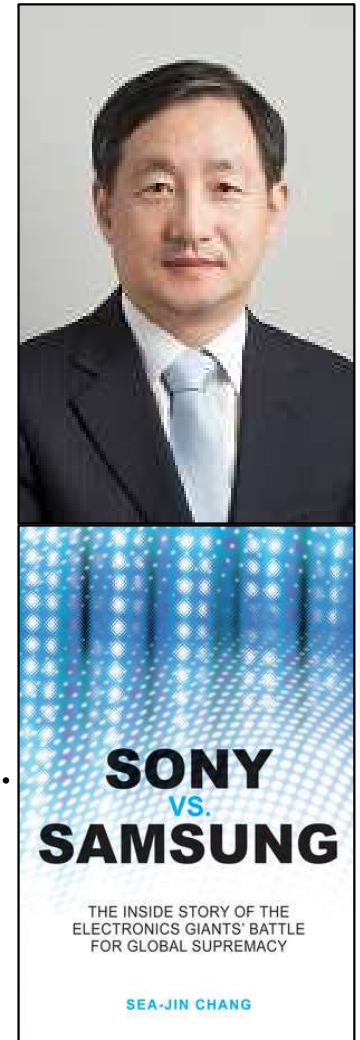
■ Critical Issues for Sony & Samsung

❖ Sony

- Charismatic founders (Mr. Morita & Mr. Ibuka) → Professional managers (Mr. Idei).
- “Short-term” performance orientation → “Long-term” investments in R&D (↓).
- Absence of a “focus & choice strategy”.
- Too much independence → “Silos” (↑).

❖ Samsung

- Departure from competitive imitation.
- A powerful owner-centered & rigid organization structure.
- A “military style” & fear-based management = Creativity (↓) & organizational fatigue (↑).
- Hubris & overconfidence.
- Korean centric bias in the globalization process.



Assignments for 24.04.2024 (Wednesday)

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Assignments for 24.04.2024 (Wednesday)



■ *“Pearl River Piano Enters Foreign Markets”.*

❖ Alessandro Campana

■ *“Tata & Geely Acquire Capabilities”.*

❖ Daniel Hiner Rey

■ *“Joint Venture ZF Karma in Russia”.*

❖ Davide Carbonari

The End of Today's Lecture



ご清聴有難う御座いました。

Thank you so much!

Merci beaucoup !

Vielen Dank für Ihre Aufmerksamkeit!

Grazie mille !

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