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Developing international strategies

Going and being international of
medium-sized companies

Slides for lecturers

Overview

0. Introduction
1. Facts and figures about internationalization
2. Drivers of internationalization for companies
3. Strategic planning in general
4. Strategic planning of a domestic company as the starting point for going international
5. Introduction to strategic planning in the international context
6. Evaluating new markets
7. Evaluating market entry modes
8. Developing an internationalization strategy for new markets
9. Evaluating new production and sourcing locations
10. Evaluating foreign operation modes
11. Developing an internationalization strategy for production and sourcing
12. Determining the level of integration and responsiveness
13. Defining the strategic businesses
14. Defining the strategic objectives
15. Determining the level of standardization and differentiation of market offers
16. Configuring the value creation process and determining the operation modes
17. The process of strategic planning in an international company

Framework for going and being international



Structure of the book

Introduction

Part I: Internationalization

Facts about and drivers for internationalization.

Part II: Strategic planning in general and in the international context

Documents and processes of strategic planning in general and in the international context. Strategic planning leading to internationalization.

Part III: Strategies for going international for new markets

Strategic issues and planning process for going international for new markets.

Part IV: Strategies for going international for production and sourcing

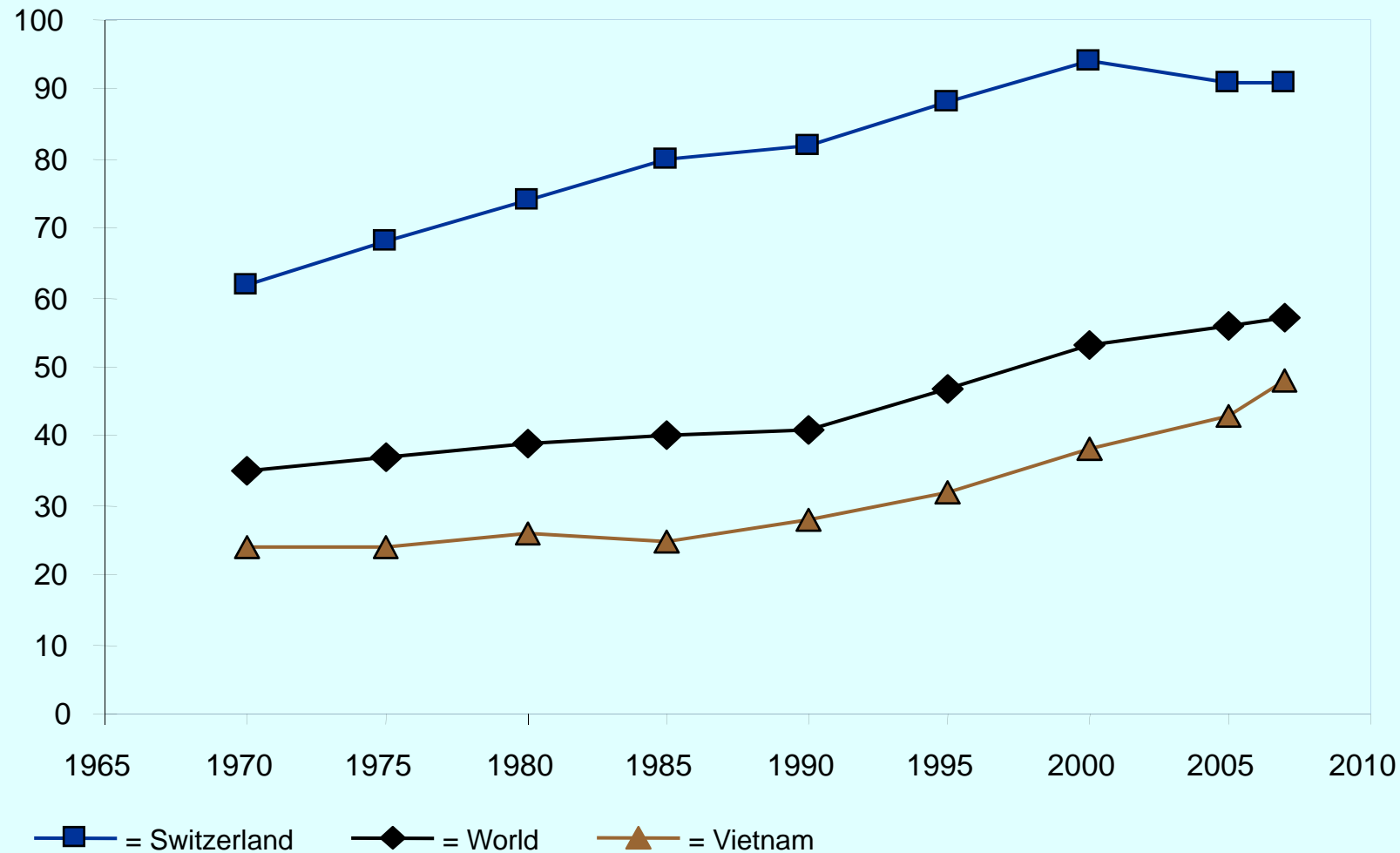
Strategic issues and planning process for going international for production and sourcing.

Part V: Strategies for being international

Strategic issues and planning process for an international company.

Closing remarks

KOF Index of Globalization 1970 to 2007 for the world, for Switzerland and for Vietnam



(KOF, 2010)

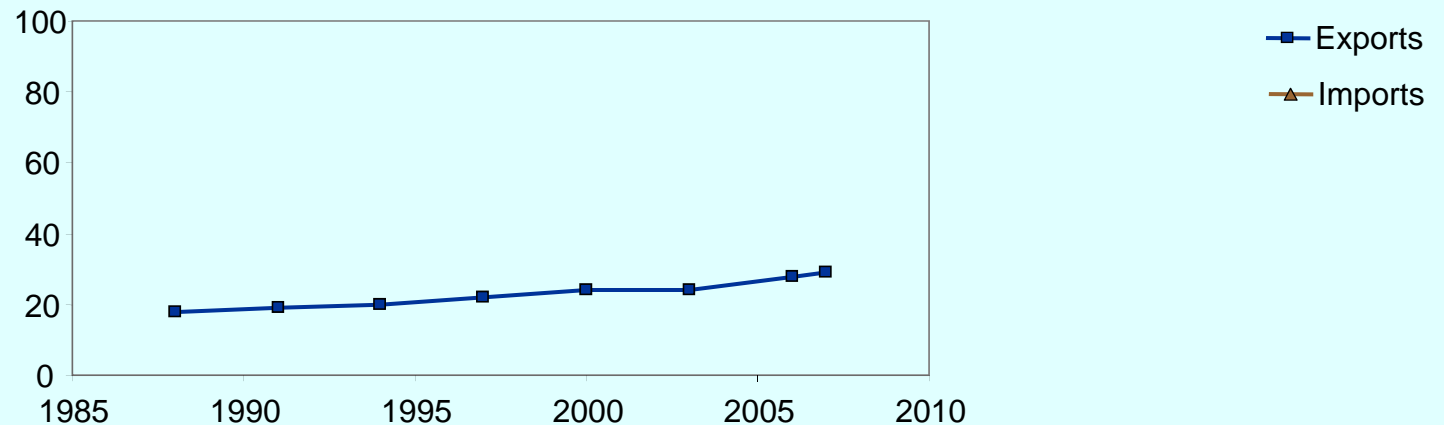
KOF Globalization Indices 2007 for selected countries

Country	Switzer-land	Germany	Poland	Thailand	China	Vietnam	Bangla-desh	Burundi
Globalization Index	91	84	81	64	63	48	46	35
Economic Globalization Sub-Index	83	76	77	69	57	60	36	31
Social Globalization Sub-Index	95	86	77	49	53	31	20	22
Political Globalization Sub-Index	95	94	95	80	87	56	76	59

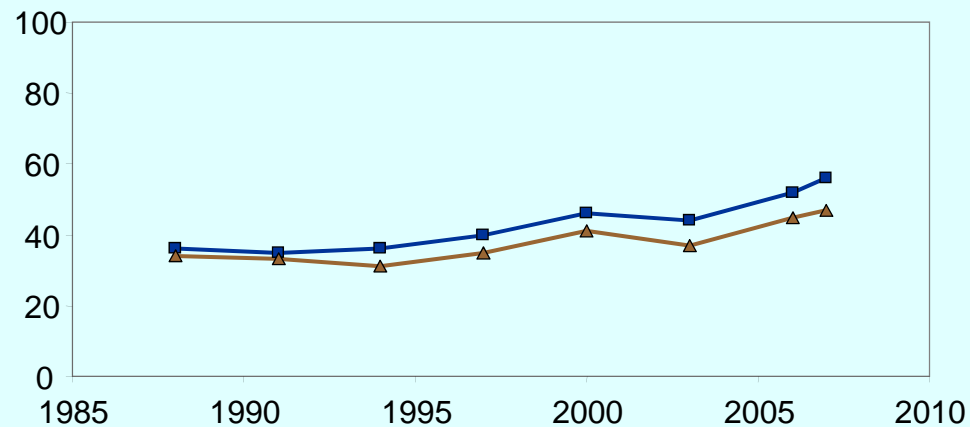
(KOF, 2010)

Economic internationalization 1988 to 2007 for the world, Switzerland and Vietnam I

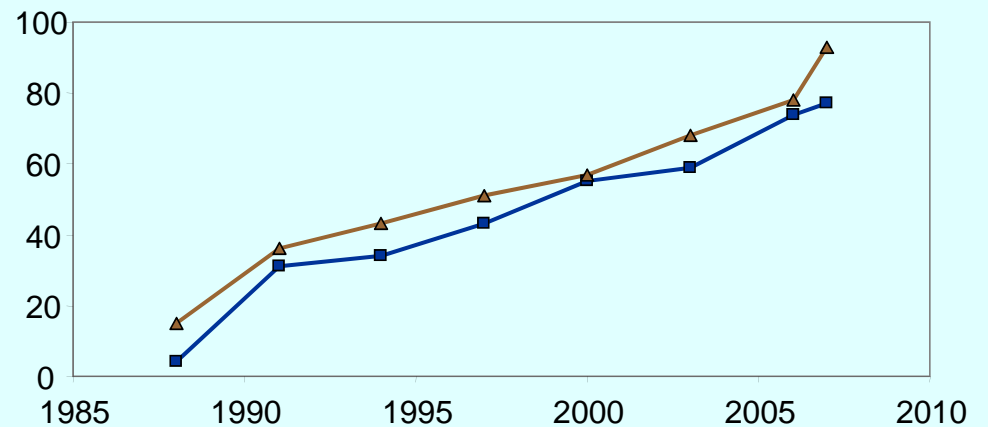
World: Exports in % of GDP



Switzerland: Exports and imports in % of GDP



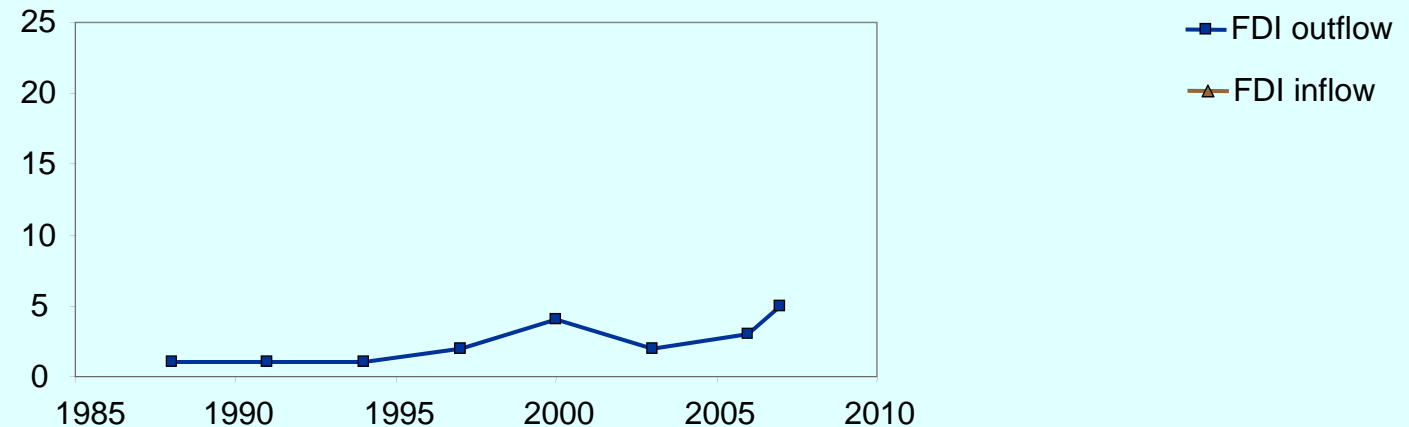
Vietnam: Exports and Imports in % of GDP



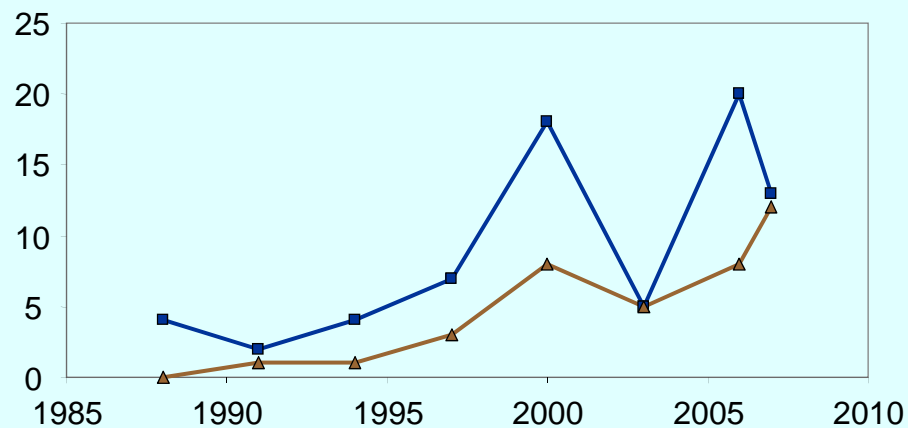
(World Bank, 2010)

Economic internationalization 1988 to 2007 for the world, Switzerland and Vietnam II

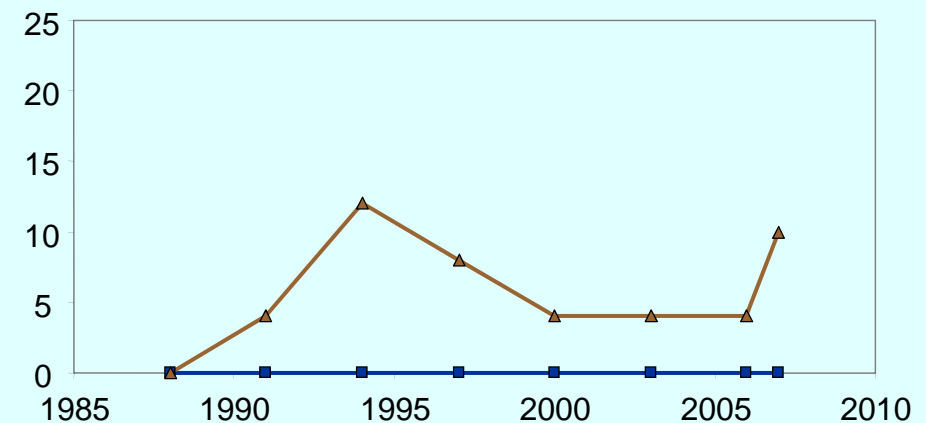
World: FDI outflow in % of GDP



Switzerland: FDI outflow and inflow in % of GDP



Vietnam: FDI outflow and inflow in % of GDP



(World Bank, 2010)

Economic internationalization of selected countries for 2007

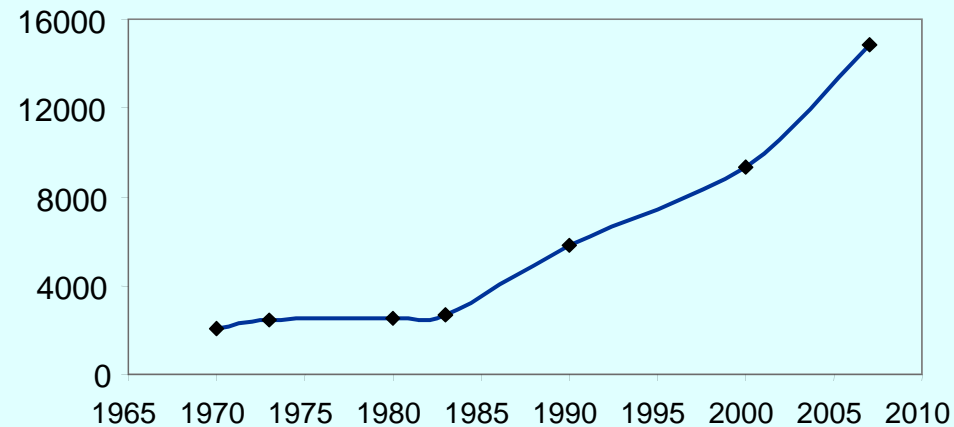
Country	Switzerland	Germany	Vietnam	China	Thailand	Poland	Bangladesh	Burundi*
Exports of goods and services in % of GDP	56	47	77	38	73	41	20	11
Imports of goods and services in % of GDP	47	40	93	30	65	44	27	47
FDI outflow in % of GDP	13	5	0	0	1	1	0	0
FDI inflow in % of GDP	12	2	10	4	5	6	1	0

* Data for 2006

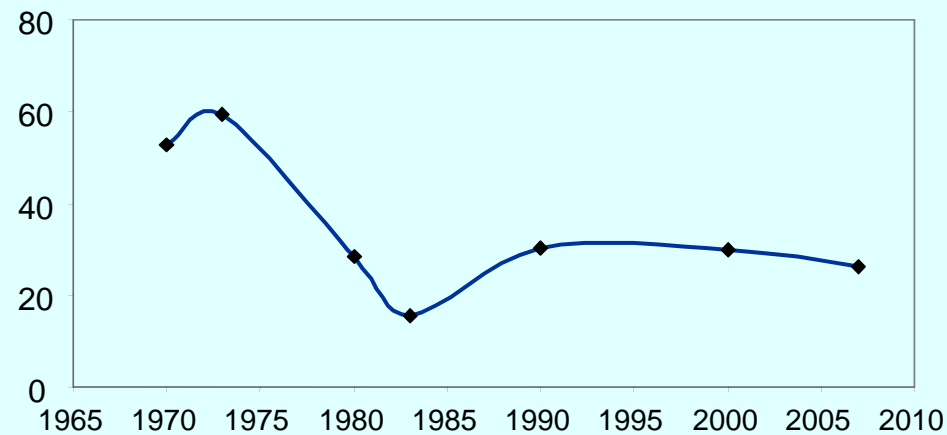
(World Bank, 2010)

Watch exports from Switzerland 1970 to 2007

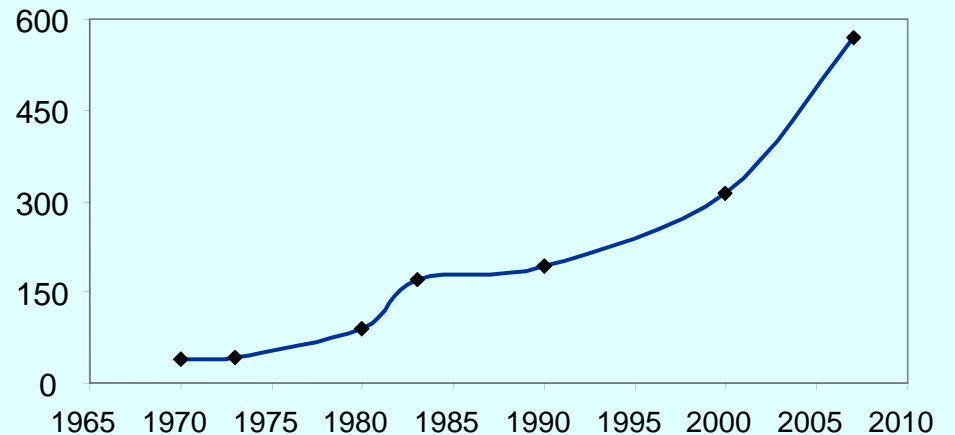
Volume in Mio Swiss Francs



Volume in Mio units



Average unit price in Swiss Francs



(Federation of the Swiss Watch Industry, 2010)

Submarkets of the Swiss watch exports 2007

Submarkets	Exports in mil. units	Average export price in CHF	Exports in mil. CHF	Exports in %
CHF 0-200	18.7	64	1,200	8%
CHF 200-500	2.6	346	900	6%
CHF 500-3,000	3.7	1,324	4,900	33%
CHF 3,000+	1.0	7,800	7,800	53%
Total or average	26.0	569	14,800	100%

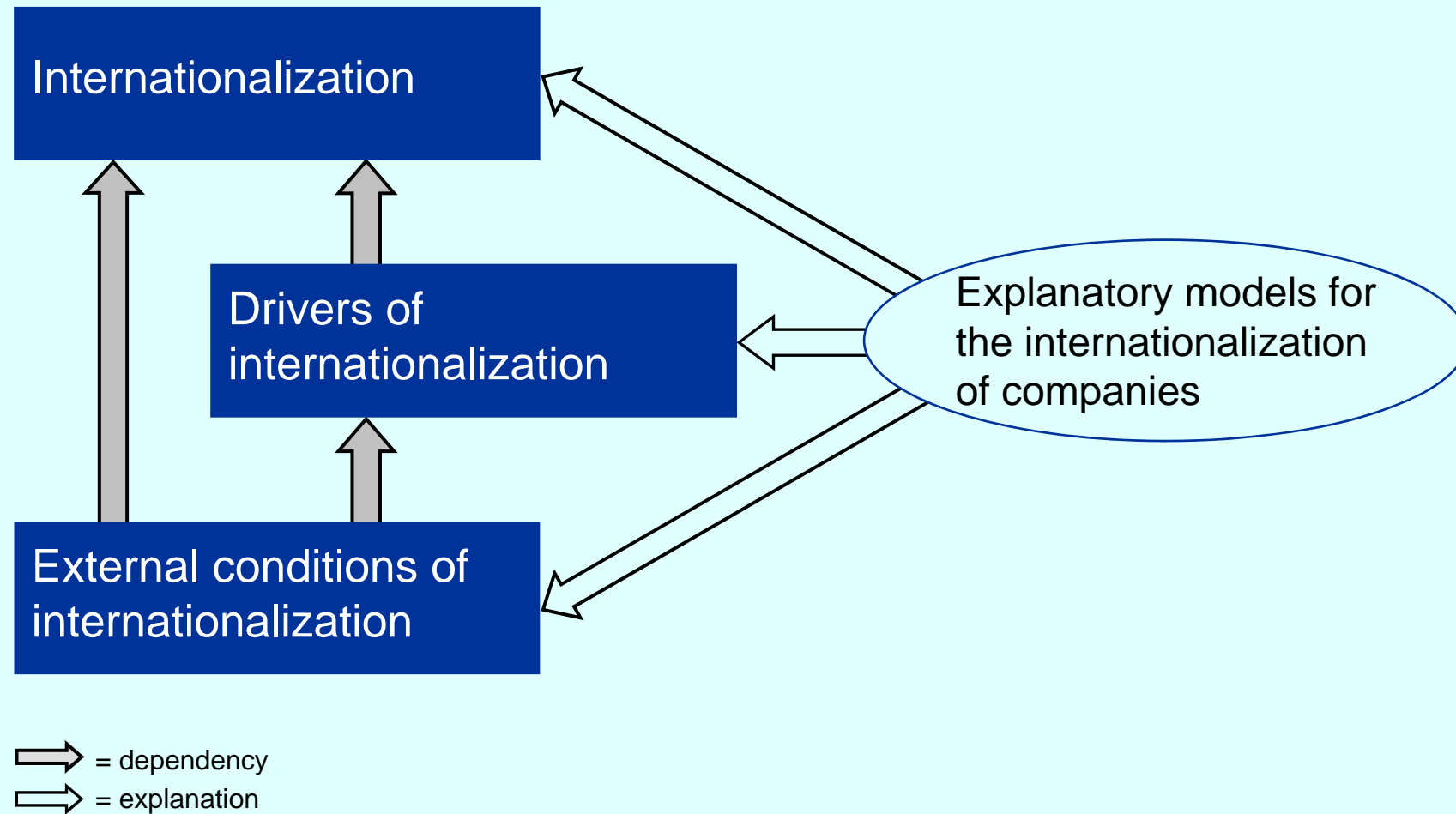
(Federation of the Swiss Watch Industry, 2010)

The four largest watch exporters 2007

Countries	Exports in mil. units	Average export price in CHF	Exports in mil. CHF
Switzerland	26	569	14,800
China incl. Hongkong	1,111	6	6,500
Germany	14	79	1,100
France	6	183	1,100

(Federation of the Swiss Watch Industry, 2010)

Framework for the internationalization of companies



Linking the drivers of internationalization with opportunities and threats

Drivers of internationalization	Countermeasures against threats	Opportunity seizing
Access to new customers	***	**
Cost benefits of scale and replication	***	*
Access to low cost raw materials and labour	***	*
Balancing risks	***	**
Access to new competencies		***
Access to global customers	**	***
Gain strategic power		***

*** = very important link

** = important link

* = possible link

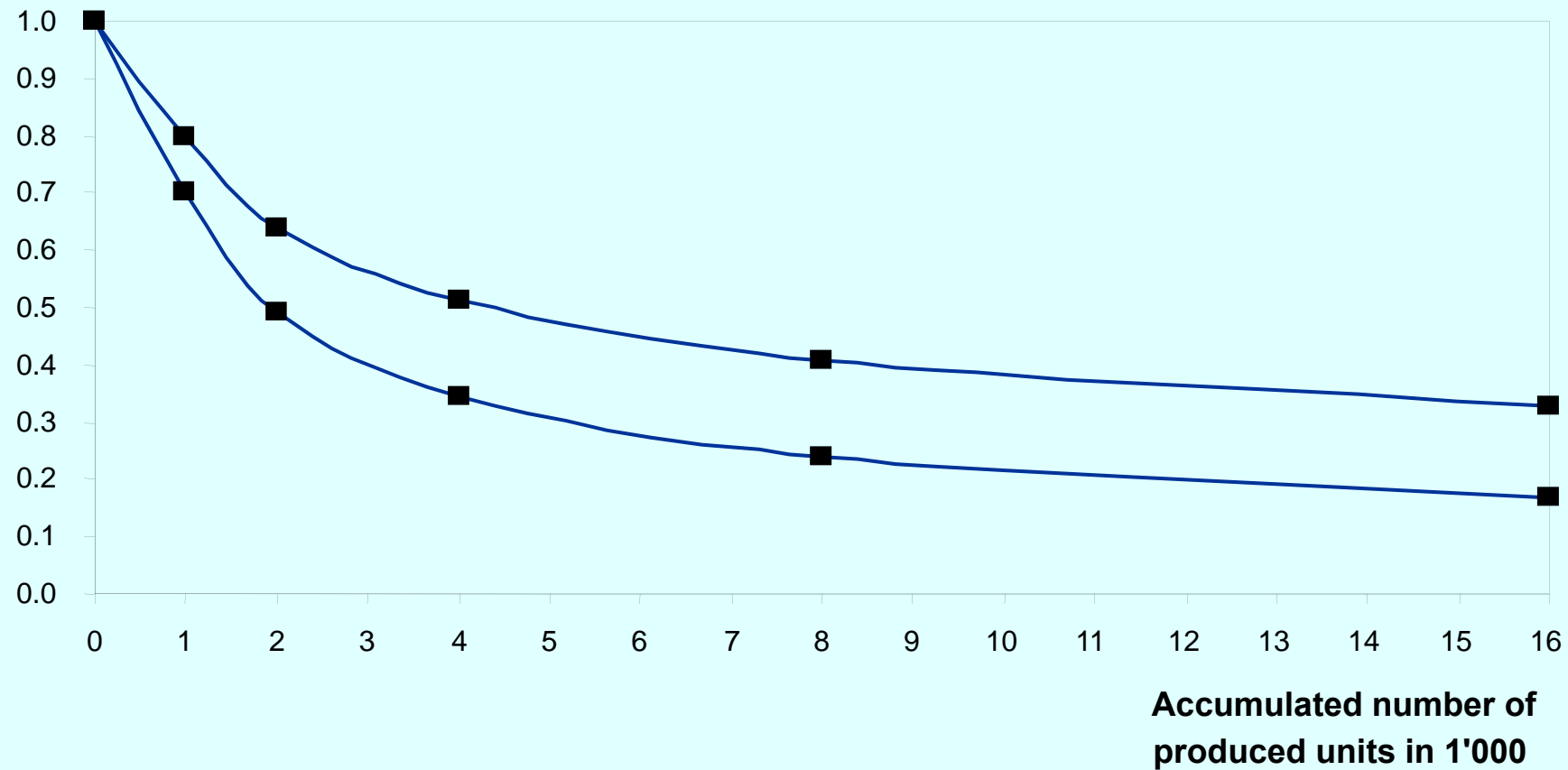
Comparative advantages 2005 of Iceland, Switzerland and Turkey for selected products

Countries Products	Iceland	Switzerland	Turkey
Fish, crustaceans, molluscs and preparations thereof	74.2	0.0	0.5
Photographic apparatus, optical goods and watches	0.0	8.5	0.1
Textile yarn fabrics, made up articles and related products	0.1	0.6	4.5

(OECD, 2010)

Experience curve

Index of real costs of
added value per unit



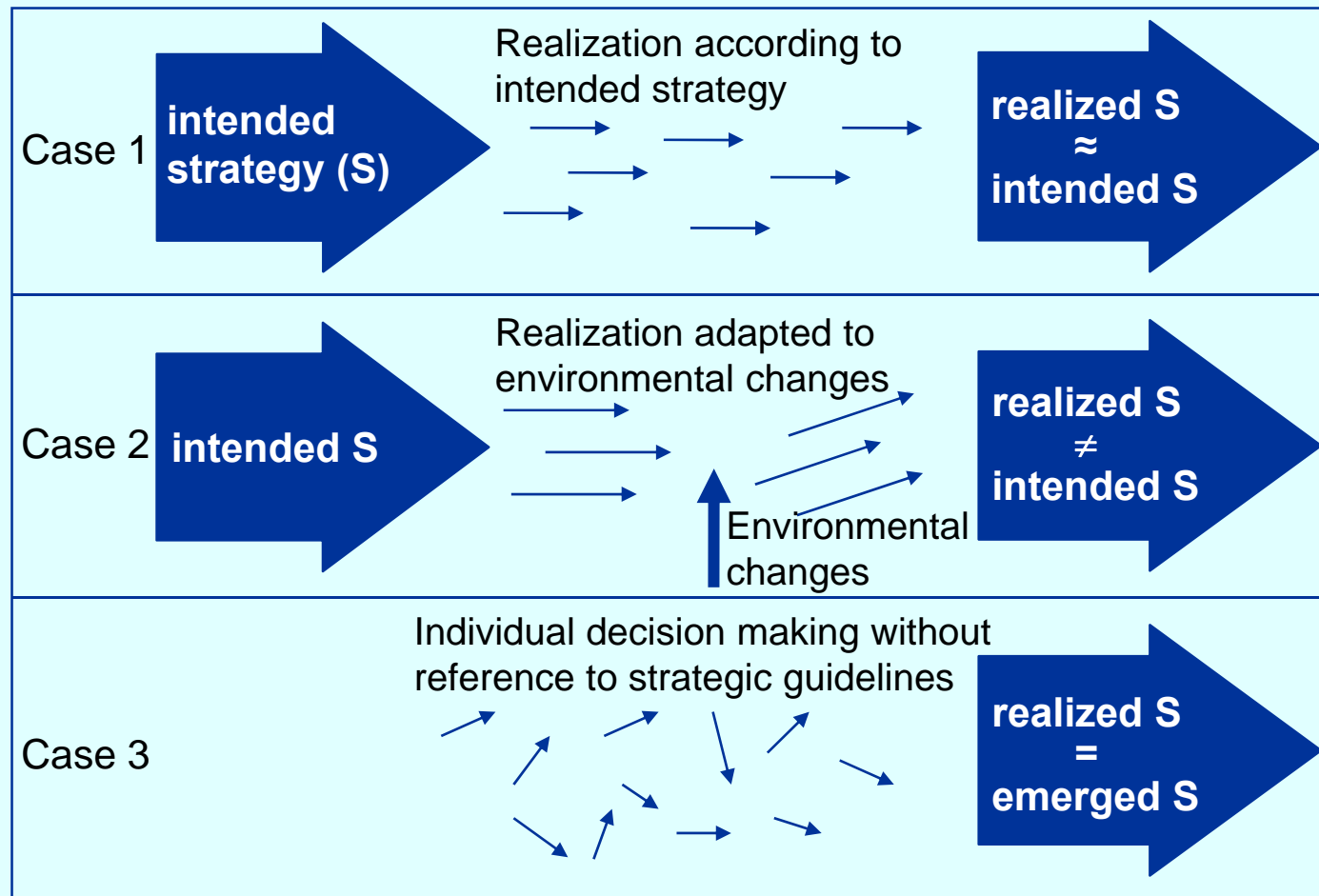
Market share, accumulated production and unit cost

End of year	1	2	3	4	5	6	7	8
	Company A							
Relative market share*	2	2	2	2	2	2	2	2
Accumulated production	2,000	4,000	...	8,000	...	...	...	16,000
Real unit cost	0.7 to 0.8	0.49 to 0.64	...	0.343 to 0.512	...	...	...	0.2401 to 0.4096
	Company B							
Relative market share*	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Accumulated production	1,000	2,000	...	4,000	...	...	...	8,000
Real unit cost	1	0.7 to 0.8	...	0.49 to 0.64	...	...	...	0.343 to 0.512

* = Relative market share is one's own market share divided by the market share of the strongest competitor.

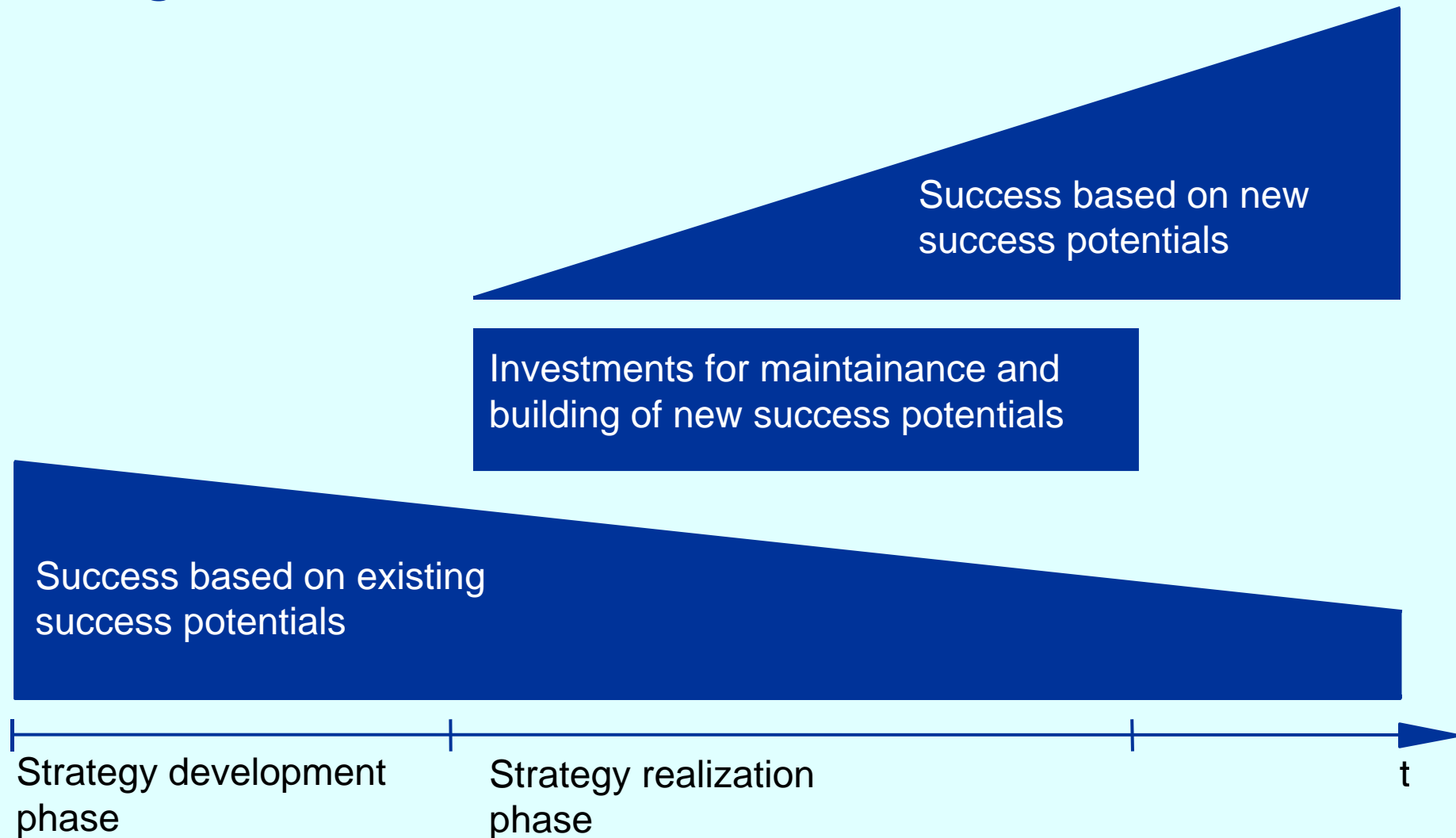
A is No. 1 and has twice the size of B. B is No. 2.

Intended and realized strategies



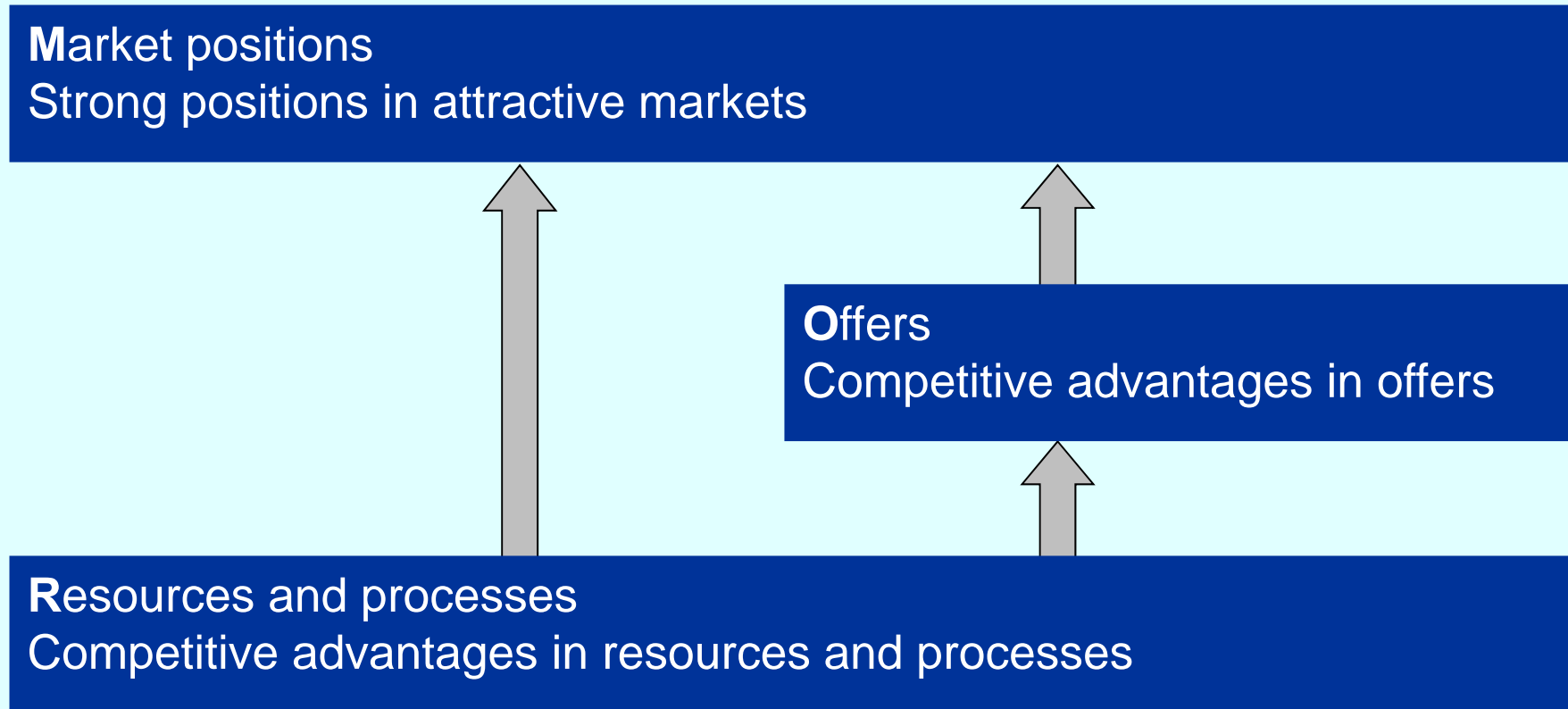
(adapted from Mintzberg, 1994)

Building success potentials as the purpose of strategic management



(Grünig/Kühn, 2011)

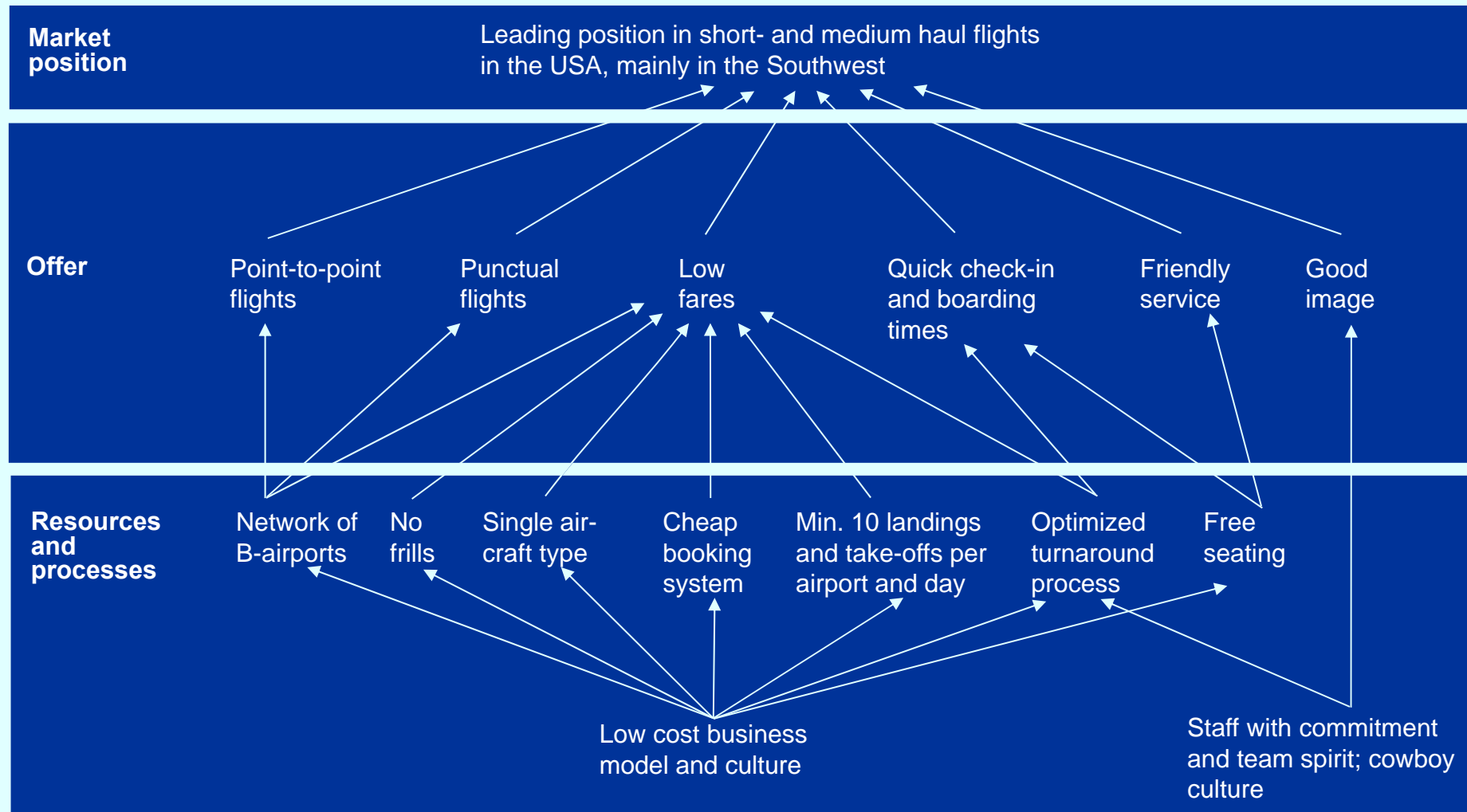
ROM model of success potentials



➡ = direction of influence

(adapted from Grünig/Kühn, 2011)

Network of success potentials of Southwest Airlines



—→ = direction of influence

(Grünig, 2011)

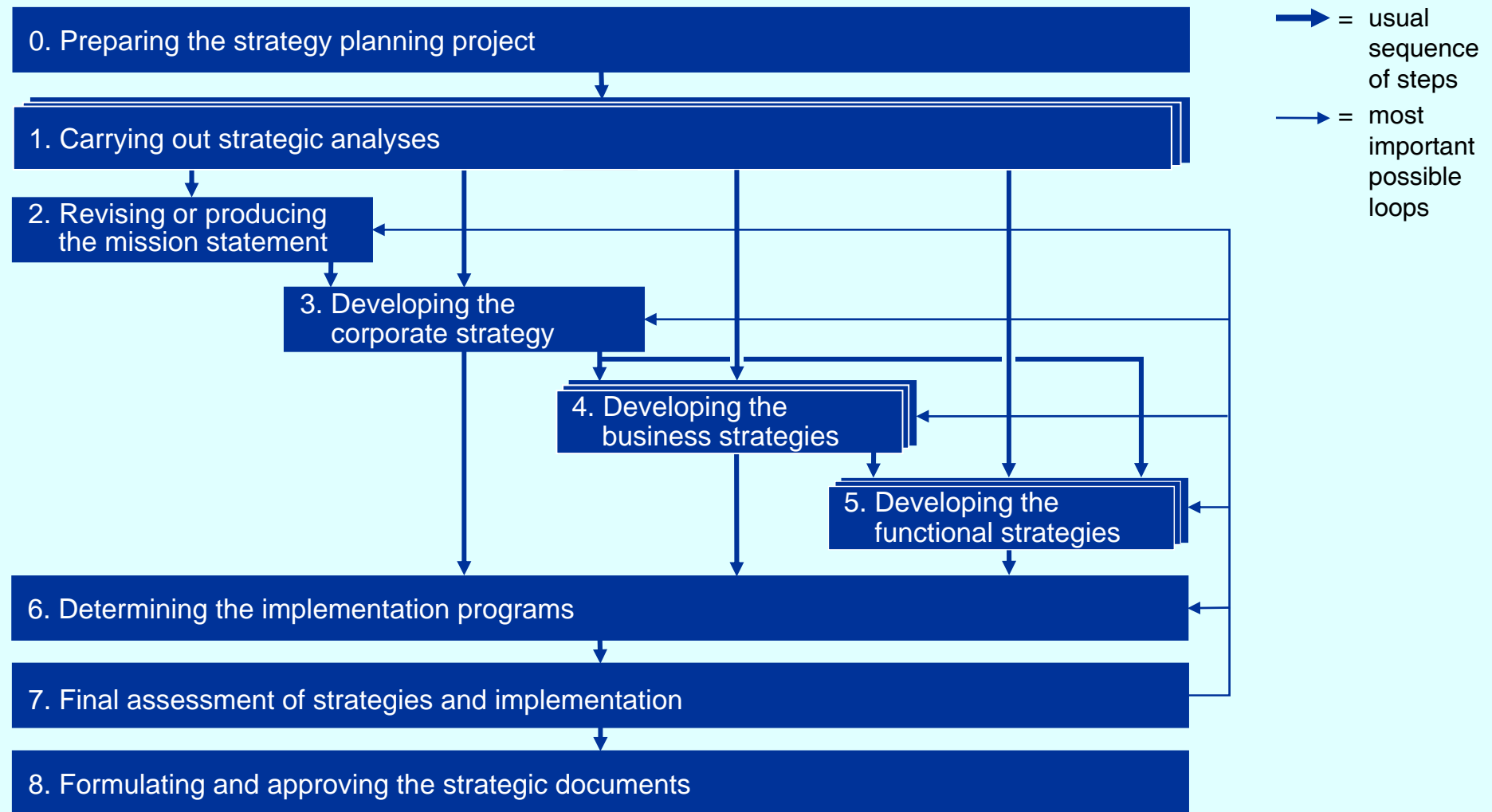
Types of strategic documents

Content \ Types	Mission statement	Corporate strategy	Business strategy	Functional strategy	Implementation programs
Overriding objectives and values	***				
Market positions	*	***	*	*	*
Competitive advantages in offers		*	***	*	*
Competitive advantages in resources and processes		*	***	***	*
Implementation measures					***

*** = main content * = complementary content

(adapted from Grünig/Kühn, 2011)

Process of strategic planning



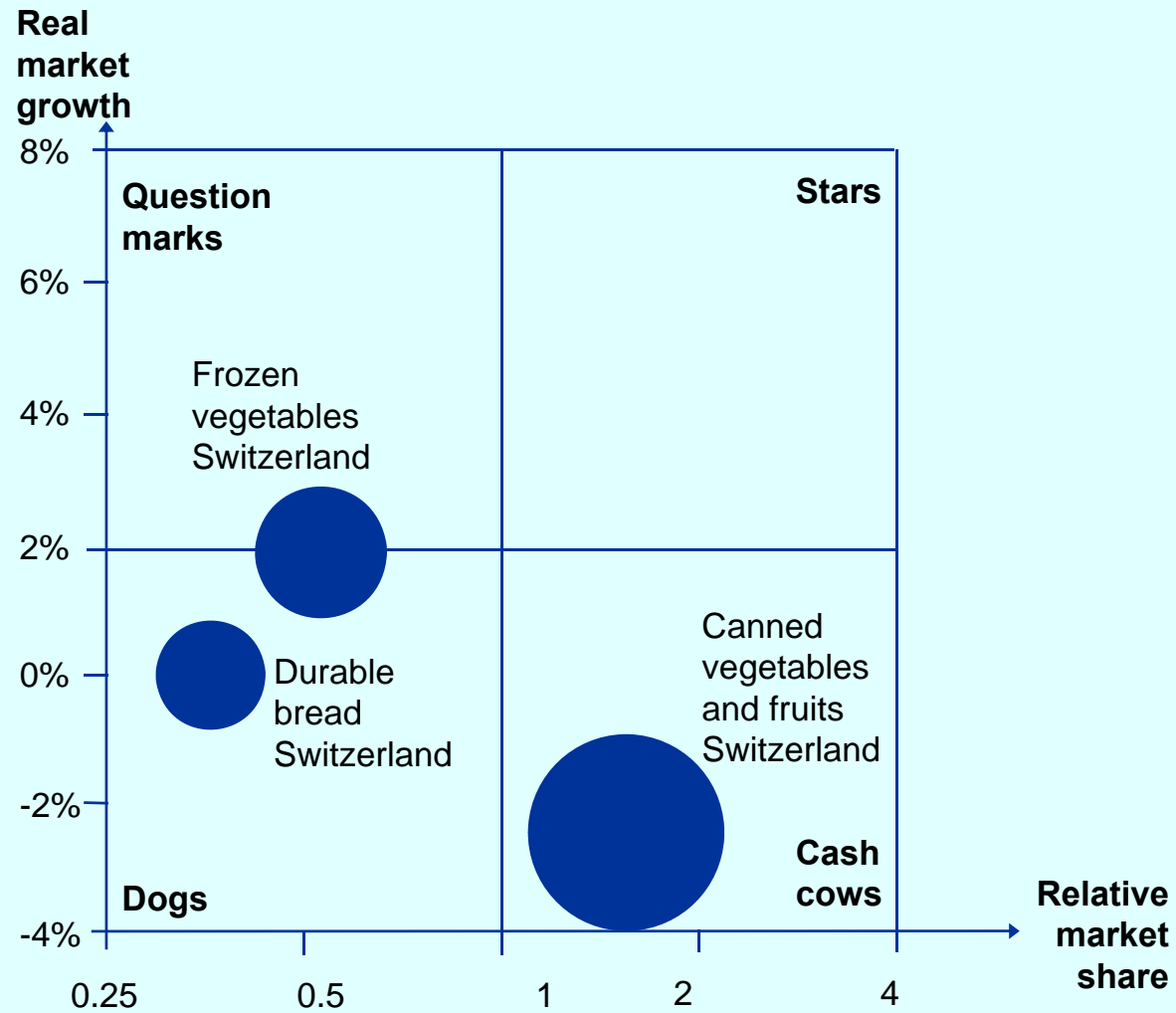
(adapted from Grünig/Kühn, 2011)

Strategy workshop program of Swiss Automotive Group



(adapted from Swiss Automotive Group, 2011)

Boston Consulting Group Portfolio of a purely domestic company



Growth options matrix

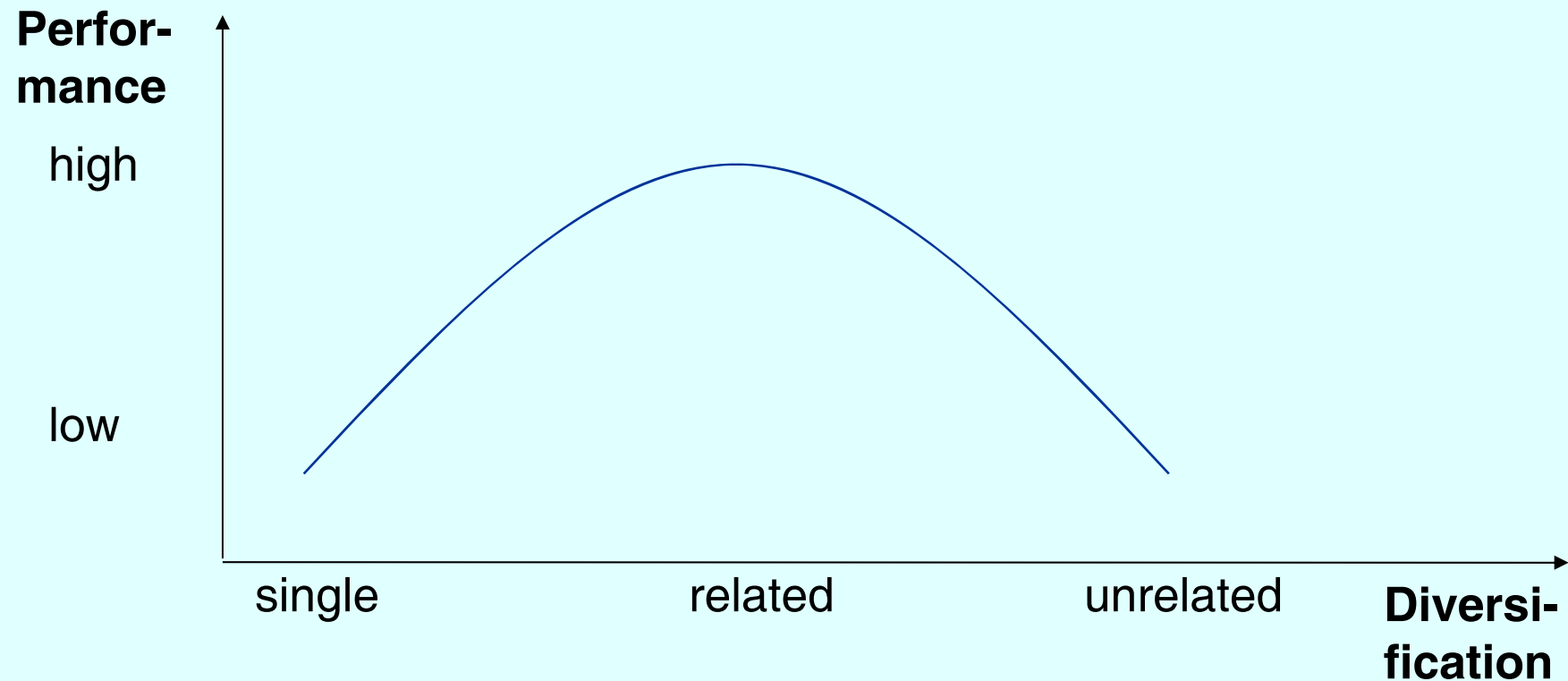
<div>Products and services</div> <div>Markets</div>	Existing markets	New markets
	Existing products	Market diversification
New products	Product diversification	Lateral diversification

(adapted from Ansoff, 1965)

Enlarged growth options matrix

<div>Markets</div> <div>Product + services</div>	Existing customers in existing geographical markets	New customers in existing geographical markets	Similar customers in new geographical markets	New customers in new geographical markets
Existing products and services	Improved market penetration	Customer diversification	Geographical diversification	Geographical and customer diversification
New products and services at the same level	Horizontal diversification	<div>Related lateral diversification</div> <div>Unrelated lateral diversification</div>		
New products and services at a different level in the value creation system	Vertical forward diversification			
	Vertical backward diversification			

Inverted U model



(adapted from Palich/Cardinal/Miller, 2000)

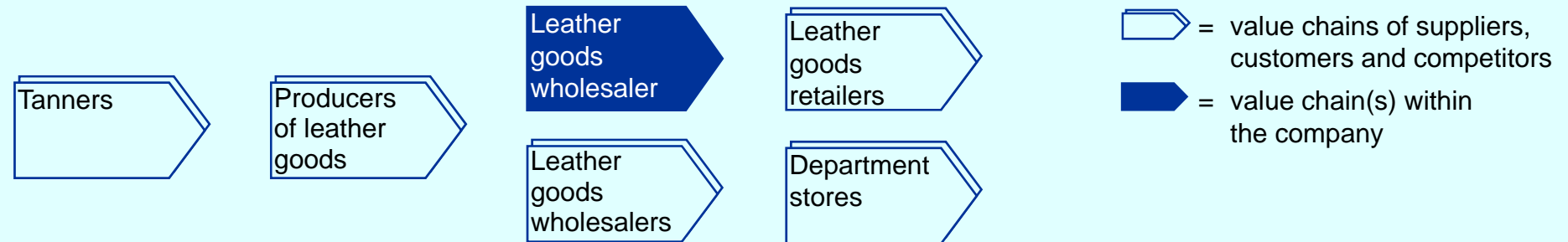
Evaluation of the growth options

Growth options \ Criteria	Growth potential	Synergy effects	Risk
Improved market penetration	+	+++	--
Horizontal diversification	++	+	--
Vertical forward diversification	+	++	--
Vertical backward diversification	+	+	--
Customer diversification	++	++	-
Geographical diversification	+++	++	-
Geographical and customer diversification	+++	+(+)	-
Related lateral diversification	+++	+(+)	--
Unrelated lateral diversification	+++	+	---

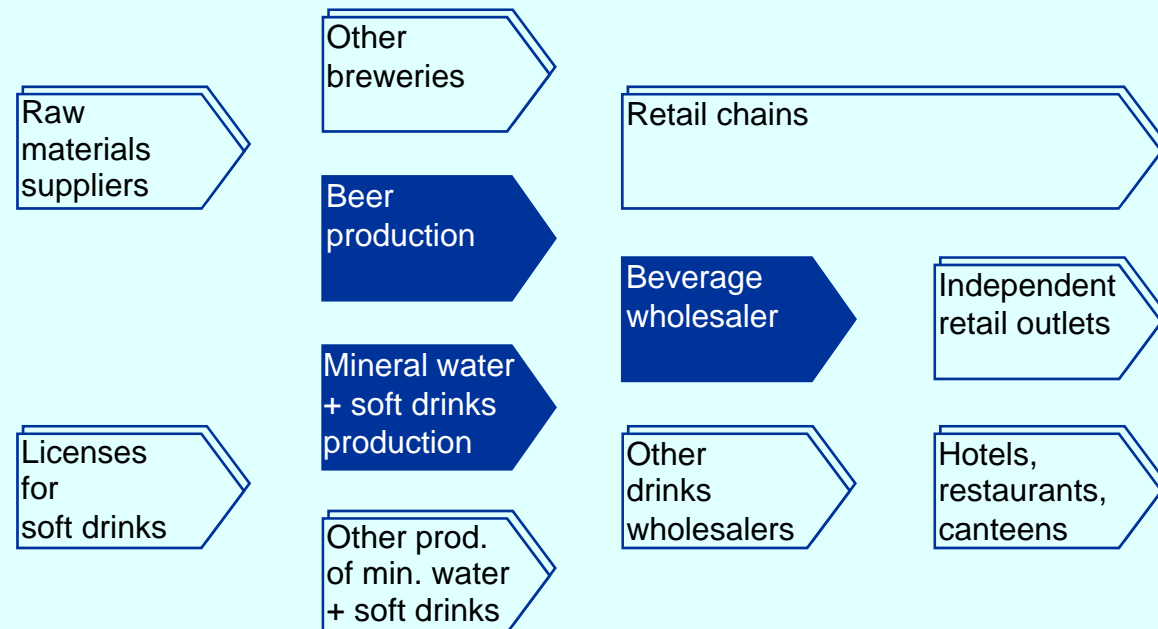
+ = small - = low
 ++ = large -- = high
 +++ = very large --- = very high

Two companies in their value creation processes

Value creation process of a leather wholesaler

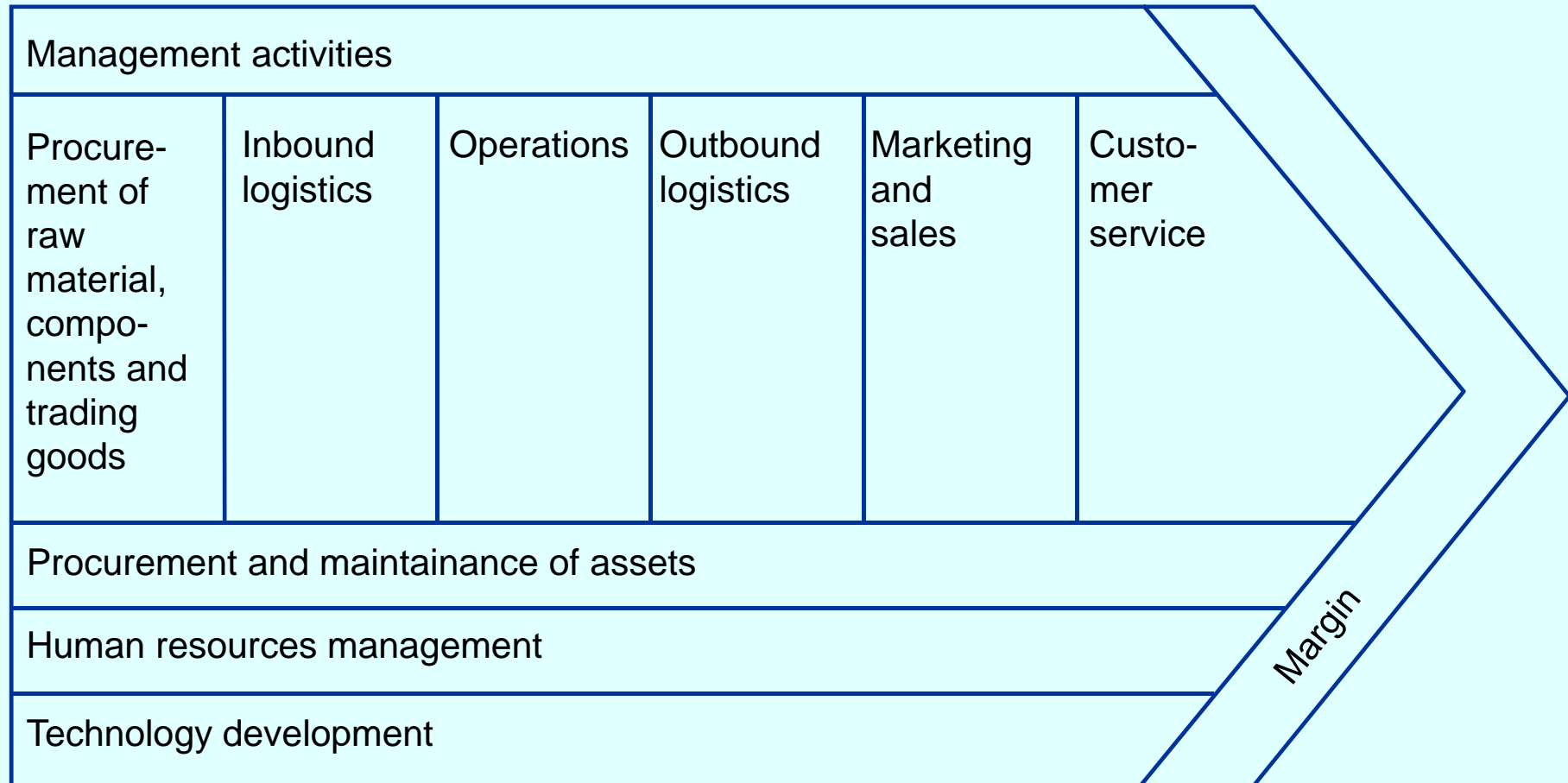


Value creation process of a beverage company



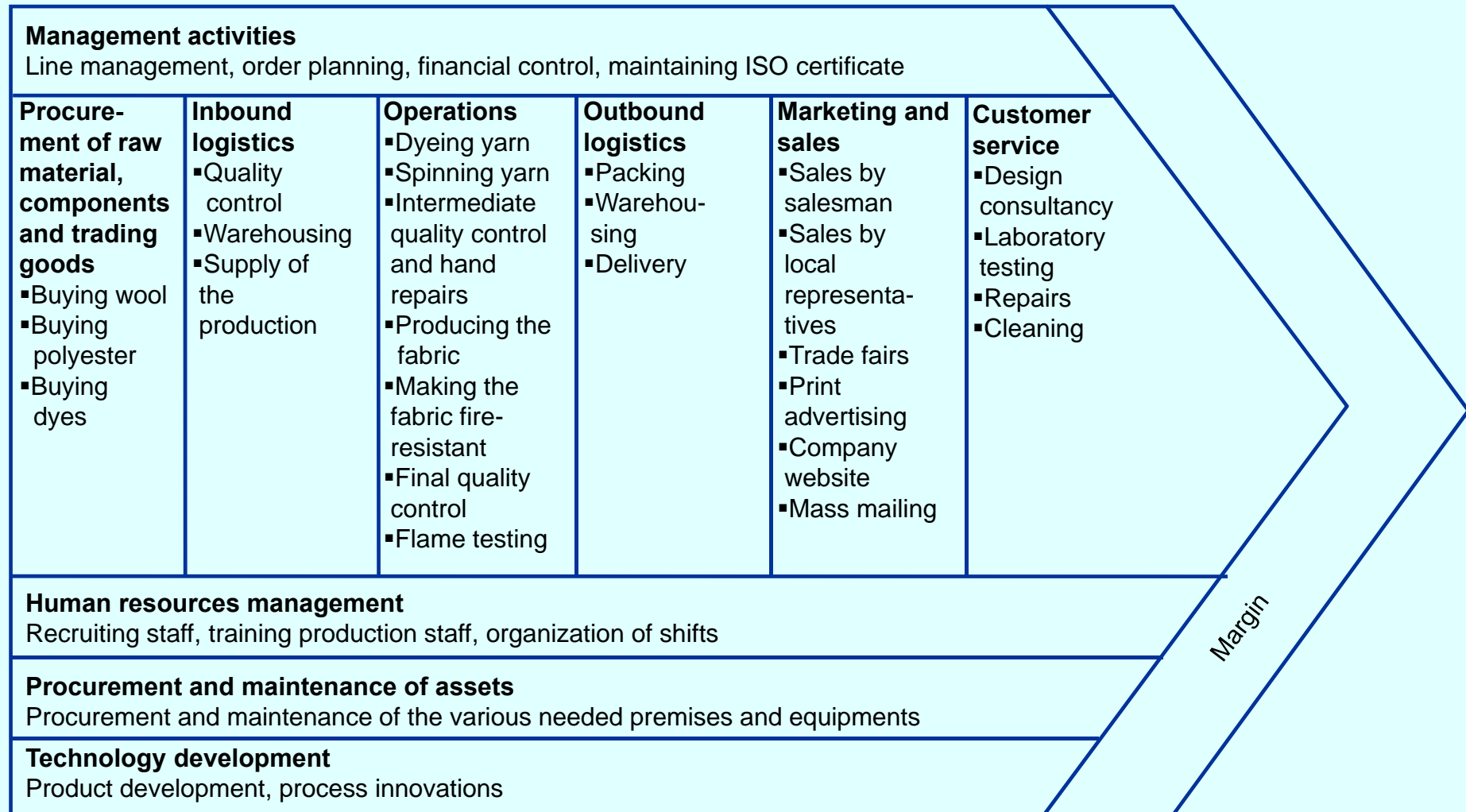
(adapted from Grünig/Kühn, 2011)

Proposed value chain





(adapted from Porter, 1985)

Value chain for the production of airplane seat coverings



Important options for achieving cost competitiveness

Reducing costs by optimizing the value chain	Reducing the costs of value activities
Simplifying the value chain	Offshoring by moving production to low cost countries
Optimizing the links with the value chains of suppliers and customers	Offshoring by moving sourcing to low cost countries
Outsourcing value activities	
Outsourcing and offshoring	
	Realizing economies of scale or scope

-  = direct option for reducing the unit costs
-  = indirect option for reducing the unit costs, needing diversification

Types of strategic documents in the international context

Purposes and types Content	Defining the normative bases	Going international for new markets		Going international for production and sourcing		Being international			
	Mission statement	Internationalization strategy for new markets	Market entry programs	Internationalization strategy for production + sourcing	Production and sourcing relocation programs	(International) corporate strategy	(International) business strategies	(International) functional, especially operations strategies	(International) implementation programs
Overriding objectives and values	***								
Market Positions	*	***	*	*		***	*	*	*
Competitive advantages in offers		**	*	*		**	***	*	*
Competitive advantages in resources and processes		**		***	*	**	***	***	*
Implementation measures			***		***				***

*** = very important content ** = important content * = complementary content

<http://www.springer.com/978-3-642-24724-8>

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Companies

Grünig, R.; Morschett, D.

2012, XXIV, 368 p., Hardcover

ISBN: 978-3-642-24724-8