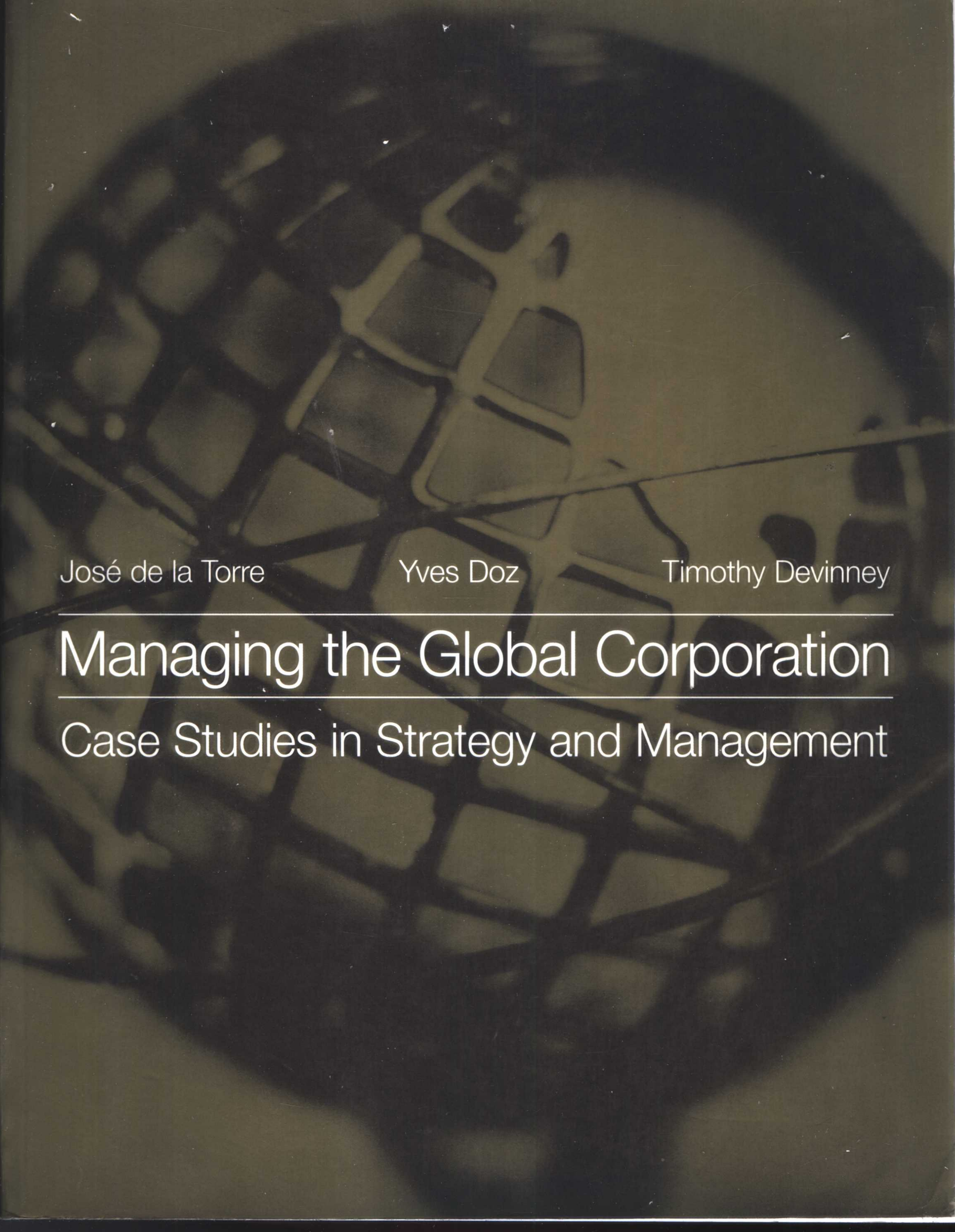

José de la Torre   Yves Doz   Timothy Devinney

Managing the Global Corporation

Case Studies in Strategy and Management

SECOND EDITION

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The Anderson School at UCLA

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Preface

Our Global Environment

There is little doubt that our perception of the size of the world is shrinking by the day. As new technologies and government policies bridge distances and reduce obstacles to international transactions, both producers and consumers expand their horizons from local to global markets and sources. Regardless of the type of endeavor in which businesses engage, the playing field is now the globe.

Modern advances in communication technologies and transport have brought distant lands and events into nearly everyone's field of vision and within the scope of personal experience. National cultural achievements—whether gastronomic, artistic, or literary—are rapidly shared by a world eager to savor humanity's inventiveness and to complement traditional domestic choices. Scientific discoveries spread widely at astonishing speed; they are often replicated across the globe within weeks of their first announcement. The advent of e-commerce makes many products, music, or ideas available in nearly all nations instantaneously, whether or not the owners or producers planned it that way. Even in the arena of sporting events, teams and stars are no longer the domain of any one city or nation. Players like Michael Jordan and Ronaldo—and their teams, the Chicago Bulls and Inter Milan—are recognized and followed worldwide. Yet, it is in the field of business that the transformation from a national to a global economy has been most dramatic.

In the immediate postwar period, the ratio of world trade to world output was considerably less than 10 percent. By the late 1980s this ratio had doubled, and at the end of the century is hovering around 25 percent. World trade in manufactured goods now represents more than 35 percent of total output, with more than 50 percent of this being intracompany transfers, i.e., trade between divisions of the same company located in different national jurisdictions. Overall, trade volume expanded at a pace above 7 percent per annum during the last half-century, far outpacing and significantly contributing to the unprecedented economic growth the world has experienced during this period.

Trade in so-called invisibles—tourism, the myriad of services from engineering to telecommunications that are critical to any modern society, dividend and financial flows, and other international transfers—grew at an even faster rate and have consistently outpaced merchandise trade export growth. Led by the globalization of financial services and markets and propelled by the Internet revolution, this component of world trade promises to remain the fastest growing segment. In 1998, services export trade was on the order of $1.5 trillion and merchandise export trade around $5.5 trillion. In fact, the liberalization of trade in services, particularly in financial and telecommunication services, as well as the international protection of intellectual property rights, are two of the top priorities of the World Trade Organization (WTO) for the next decade.

International capital flows, both portfolio investments as well as foreign direct investment (FDI), have also grown dramatically in the last half-century. With annual flows of more than $600 billion in 1998 (versus less than $40 billion in the early 1980s), FDI has become the major weapon of choice in international competition. In fact, according to the annual UNCTAD survey of multinational investment, sales by foreign affiliates of major multinational companies exceeded $12 trillion in 1998, nearly twice the volume of world trade. In recent years, this growth has been accompanied by considerable diversification in the sources and destinations of investment. For example, the United States, once the principal source of international investment capital, has now become also its major recipient. The U.S. share of the total stock of FDI has dropped from nearly 60 percent in the early 1970s, to less than 40 percent by the late 1990s. Even in the shadow of the Asian economic crisis, Asia now accounts for about one-third of all outward FDI, and this includes firms from Korea, Taiwan, Hong Kong, and Singapore, and not just Japanese multinationals. The same is happening in Latin America, where Mexican, Brazilian, Chilean, and Argentinean firms are increasingly venturing outside their home markets.

The share of FDI going into emerging markets has also grown dramatically during the 1990s. China has led the list with incoming FDI flows that exceeded $40 billion annually in recent years, followed by Brazil and Mexico. The large number of privatizations of state-owned companies and the adoption of liberal economic regimes throughout Asia, Latin America, and Eastern Europe has contributed to this shift.

International investment activity in stocks, bonds, real estate, and other assets now plays a central role in securities markets, as greater integration of the world's major capital markets is driven by deregulation and technological change. By the turn of the century annual foreign exchange transactions approached $600 trillion per annum, nearly 100 times the volume of world trade! The collapse of several Asian currencies and economies in 1997 was blamed by many on the perfidious nature of international capital flows, which later targeted Russia and Brazil. Whether this is fact or fiction is not really relevant; the reality is that governments have lost much of the control they had in manipulating their economic policy to gain strategic advantage. For example, international securities transactions represented over 600 percent of Britain's GDP in 1998 (and nearly 200 percent of the GDPs of Germany and the United States, respectively). The creation of the Euro in 1999 will accelerate this trend.

Yet, concurrent with this expansion in direct foreign investment we find a growing diversification in the prevailing organizational forms and structures adopted by international companies. Joint ventures, licensing arrangements, as well as a multitude of nonequity collaborative agreements appear to be gaining ground relative to traditional investment patterns in wholly owned subsidiaries, as new companies and new countries enter the international arena. Partnerships and alliances represent one of the most dynamic dimensions of the global business environment at the turn of the century. This is particularly evident in the global expansion of "dot.com" companies as they seek local content and acceptability together with financial contributions from those markets into which they wish to grow. In fact, their rapid and instantaneous access to global markets of these "born global" companies may call into question our traditional understanding of the internationalization process.

Finally, the speed of technological diffusion has risen markedly since the early 1950s. Then, less than 20 percent of U.S. innovations would be transferred abroad within the first three years following their introduction to the domestic market. The figure by the mid 1980s was closer to 65 percent. Today, no high-tech company can afford to delay the international expansion of its new products without substantial risks to its global position. For products amenable to e-commerce distribution—computer software, music, images, and books—instant worldwide availability has become ubiquitous. Furthermore, although it used to be safe to predict an international life cycle that started in the United States and moved first to Europe, then to Japan, and eventually to the rest of the world (with a gap of maybe 5 to 10 years between each major stage), major innovations today have an equal probability of emanating from any of the Triad countries and are almost instantaneously adopted by the others. The rapid growth of Japanese and European firms among the top earners of U.S. patents corroborates this trend. And yet, the growing interdependence of world markets means that the source of innovation and the location of production are increasingly divorced both from each other as well as from demand.

One ignores these trends only at their own peril. Business executives need to understand the factors driving industries and firms to compete on a global basis and to develop management strategies and policies to deal with this reality. Although the speed and degree of globalization will vary by industry according to a variety of technical and environmental factors, all modern executives, in any field of specialization, must incorporate a global perspective in the execution of their tasks.

Organization of the Book

We have written and designed this book to enrich the advanced student's understanding of business issues and problems encountered in managing global businesses. The field of international management encompasses a broad range of skills and disciplines. Case studies represent ideal vehicles for integrating the various perspectives needed to master typical international business situations. The cases printed in this volume reflect the authors' belief that international business is a cross-disciplinary field that can only be mastered through the integration of various skills, functions, and disciplines. The book is organized into 5 sections and 14 units with primary focus on individual areas of management concern.

Section I: Introduction

The first two cases in the book serve as an excellent introduction to the set of issues that will preoccupy us throughout the entire collection. The first case (Case 1–1) describes the process by which Cemex consolidated its position in its home market in the 1970s and 80s, and then faced the decision as to whether it should expand abroad or not. This is an industry with established world producers and one in which exports are difficult beyond a regional basis due to high transportation costs. The case addresses the logic of Cemex's acquisition of two cement companies in Spain from a strategic and financial perspective: is this the best utilization of the company's resources, what are Cemex's unique capabilities that can be transferred abroad, and what are the risks associated with such an internationalization strategy? As such, Cemex's dilemma resembles that faced by many firms in the early stages of their internationalization. The (B) case (Case 1–2) describes the Spanish venture in more detail and permits the class to deepen their discussion of the fit of this opportunity with the company's skills and resources. A third case, available for in-class distribution, updates the company's international expansion through the late 1990s and describes the issues it has encountered and the responses taken as Cemex has grown to become the third largest cement company in the world.

Section II: Global Competitive Strategies in Transition

Considerable debate and confusion surround the questions of what constitutes a global industry and what may be termed global, multinational, international, or transnational companies. For our purposes, *global industries* are characterized by fairly homogenous market demand worldwide and exhibit minimum-scale requirements (in innovation, production, or service) that exceed the size of any single national market. Global corporate structures are derived from an overwhelming economic imperative to amortize R&D costs, exploit economies of scale, or take advantage of other firm-specific resources on a global basis. These industries (e.g., commercial aircraft or mainframe computers) are typically but not exclusively populated by *global companies*, that is, firms that optimize their activities as if the world were a single market, a definition rooted in their organizational and operating logic and not on industry association or international scope. They are typically governed and managed with considerable degree of centralization in all strategic and many operational decisions.

In contrast, we define *multinational companies* as those consisting of a loosely coupled network of national subsidiaries, enjoying varying degrees of self-sufficiency and acting in a governance structure more akin to a *federal* model. These firms can successfully inhabit both global industries, where they pursue strategies of raising domestic barriers to entry for global competitors, or *fragmented industries* (e.g., processed foods or retail banking), where they position themselves to compete against purely domestic firms by emphasizing certain advantages derived from their multicountry operations. Finally, *international companies* is a term we reserve to those mainly domestic companies that nonetheless participate opportunistically in the international economy through exports and a few nonintegrated subsidiaries, licensees, and agents.

The cases in this section illustrate the different strategic and organizational challenges that face firms competing in a wide variety of industries with distinct technological and political dimensions in their respective global business environments. They also provide insights into the process and dynamics of industry globalization and the unique competitive interrelationships found in industries subject to international competition under models that range from strong globalization to national fragmentation. The ascendancy of global economic and technological conditions have characterized the last quarter of a century for many industries. How firms adapt or fail to accommodate to the requirements of such changing conditions is the thrust of this first set of cases. We also focus on the particular problems peculiar to service industries and entrepreneurial firms, both of which are populating the ranks of multinational companies to an increasing degree in the last decade.

In Unit 2—From International to Global Competition—the Michelin tire industry series (Cases 2–1, 2–2, and 2–3) takes us a step back in time in order to allow for a longitudinal analysis of the process of industry globalization. These cases permit extensive analysis of individual competitors in an industry experiencing rapid technological change and global market integration. The cases also address some public policy issues that often play a central role in determining the conditions for success in international business. The three cases in the book describe the situation that prevailed in North America in the early 1970s when Michelin made its first foray into this market. Two additional cases available for in-class distribution take the evolution of the industry and Michelin's strategy through the early 1980s and 1990s, respectively. Altogether, these five cases represent a unique opportunity to witness a process that is characteristic of many other industries as the nature of competition shifts from individual markets to the global arena.

The cases in Unit 3—Global Competition in Fragmented Sectors—deal with competitive strategies in fragmented sectors, where globalizing forces are weak and national requirements are dominant. The Heineken case (3–1) presents the evolution of the company's European strategy in the face of domestically oriented competitors. The economics of brewing do not call for extensive globalization. Yet, the company has been active in world markets for over a century. Heineken now faces a reassessment of its international strategy with a view to increase the commitment of resources to fully owned subsidiaries in major European markets. The second case (3–2) deals with the definition of responsibilities between the geographic area coordinators and the worldwide functional managers at Heineken headquarters, and how these may need to change given the new strategy. Two additional cases (Athenian Brewery S.A. and J. J. Murphy's Brewery) are available for in-class distribution. These serve to test the validity of Heineken's proposed new European strategy in two very different contexts. Finally, a case updating the company's development through the late 1990s and posing a new set of strategic challenges is also available for use in class. This set of five cases richly illustrates the complexities of managing a loose federation of companies where the forces of global integration must be kept in check.

The final case in Unit 3 discusses the extraordinary success associated with Häagen Daz's globalization strategy (Case 3–3). Its European entry, however, pits the company against an established and powerful producer, Unilever, in the latter's home market. The case serves to exemplify competitive interaction in multinational markets of this type.

Unit 4—Global Expansion in Service Industries—presents three examples of one of the most pervasive phenomena in the last 20 years, the globalization of services. Egon Zehnder International (Case 4–1) tells the story of the world's number one, top-end executive search firm and its struggle to determine which, if any, of the Asian economies are amenable to its style of executive search. A major concern facing the firm's management is that Asian businesses seem not to respond positively to Egon Zehnder's relational style. A follow-up case is available for in-class distribution that describes subsequent events in one Asian market: India. Kenny Rogers Roasters in China (A) (Case 4–2) ostensibly deals with issues of goal formulation, strategy content and joint venture partner selection. However, more important perhaps is the question of the degree of control over operations and quality that is required in such a global franchise business. Here again, two additional cases are available for in-class distribution to cover subsequent events. The final case in this unit, ENDESA-Chile (Case 4–3), brings in the issues of the political and economic risk facing service companies as they expand away from familiar domestic markets, and the transferability of their competitive skills. ENDESA is attempting to ride the wave of privatization moving through South America's electric supply industry. The company's board must evaluate the risk/return trade-off of further international expansion into the Argentine market relative to domestic diversification or expansion elsewhere.

Unit 5—Global Strategy in Entrepreneurial Firms—explores issues of international expansion in smaller, entrepreneurial firms and the travails they face in being "born global." The Australian Motorcycle Company case (5–1) presents the story of a company that has developed a state-of-the-art motorcycle, but is stymied by the choice of distribution and marketing strategy available in foreign markets. International Service System (Case 5–2) is an example of a company that has entered a low-status, price-conscious business with a service concept that upgrades its image and allows it to charge a premium price for its services. ISS has embraced an organizational model of distributed multinational entrepreneurship, and developed the key management processes and roles required to make it effective. Finally, the Acer Group case (5–3) describes a company that has been focused on internationalization since its outset in a tough global industry. Acer has grown with a strategy of encouraging local investment by joint venture partners in a borderless networked company.

Section III: Managing the Globalization Process

Corporations can participate in individual markets in a variety of ways. They may choose to enter a market by engaging the services of an agent or distributor, through a licensee, by undertaking a variety of joint ventures at different stages of the value-added chain, through acquisition, or by the formation of a wholly owned subsidiary. The issues and frameworks relevant to these decisions are the central points of this section.

Assessing and managing the political environment is an integral element of such a decision and part of the job of any senior international manager. Political constraints often make the best economic strategy unfeasible. Compromises that call for suboptimal economic performance may yield unexpected benefits in the form of political patronage, privileged access to markets, or procurement opportunities. But these advantages may be short-lived, requiring difficult trade-offs on the part of management. And when hostile environments cannot be avoided, the task of managing the possible negative fallout is critically important.

Traditionally, foreign investors undertook joint ventures and other forms of collaboration only when they had been coerced by host country regulations or in response to political risks. For the past decade or two, however, we have witnessed exponential growth in intercorporate alliances and collaborations between partners of equal standing and involving operations in industrial countries. Similarly, market entry by acquisition is an increasingly favorite choice for firms to cope with the structural rationalization accompanying the process of globalization in many industries.

The cases in Unit 6—Market Entry Strategies and Managing Political Risks—focus on the special concerns that arise in multinational companies' relationships with governments, either as customers, suppliers, partners or regulators, and in assessing and incorporating political risks into market entry decisions. The first case (6–1) is the story of Enron Corporation's somewhat acrimonious entry into the Indian energy market. Enron had to decide what to do when a newly elected government in the Indian state of Maharashtra canceled its $2.8 billion power project after considerable front-end investments. In Deng's Legacy: China On-Line (Case 6–2), the case describes the changing telecommunications environment in China. Lacking an indigenous capability to deal with the need for rapid improvement in this vital infrastructure area, the Chinese government must appeal to a number of multinational operators. A set of cases on potential foreign partners that include Alcatel, AT&T, Motorola, Nortel, Siemens, LM Ericsson, and three others (available for in-class distribution by the instructor) describe the situation from the perspective of each of these companies, allowing for a negotiation simulation exercise on the terms of entry.

The third case on PaintCo Brasileira (Case 6–3) addresses the issue of how a company should incorporate political risk in its assessment of various entry alternatives—licensing, joint venture, acquisition or start-up—in terms of both its strategic and financial objectives. A detailed spreadsheet allows for simulation of most scenarios on financial returns and permits the students to quantify these risks. Finally, an additional case on the insurance industry (Colonial Insurance vs. National Mutual Insurance: The Battle for a China License) is available for the instructor to use to explore similar issues in the context of a service industry and the issuance of operating licenses to partners or agents in risky markets.

Unit 7—Alliances, Partnerships and Acquisitions—allows for a closer examination of the strategic and managerial issues associated with different modes of market entry. The first two cases focus principally on partner choice and venture design, whereas the last two focus more on the managerial aspects of alliances and acquisitions. Northrop Grumman and Advanced Technology Transport Bus Program (Case 7–1) discusses the need for the company to seek a partner in order to exploit a radically new design for an urban transit bus. Born out of the U.S. government defense technology conversion program, the project presents the company with a dilemma since it does not possess the necessary skills to succeed in this market. The questions posed include how to select a partner and on what basis. In the case on FIAT and Peugeot's Sevelnord Venture (A) (Case 7–2) we are presented with a situation where the companies have been operating a successful joint venture for some years and want to expand their relationship further. However, the conditions in the proposed new product/market area are different than those prevailing in the original venture. Two additional cases available for in-class distribution provide the relative perspectives of each of the two companies. These and a detailed spreadsheet allow the students to role play a joint venture design negotiation and discuss the issues that may affect its successful development under uncertain conditions.

General Electric-SNECMA (A) (Case 7–3) tells the history of a successful joint venture in the aircraft engine business that is undergoing a challenge from a changing competitive environment. The partners need to determine how to modify their arrangement in order to cope with these changes. Two additional cases are available for in-class distribution that follow the development of the relationship over a 10-year period. The last case in this section, Electrolux: The Acquisition and Integration of Zanussi (Case 7–4) focuses on the importance of post-merger integration in terms of the strategic, operational and organizational priorities of the acquirer. For Electrolux the issue is how to make Zanussi part of Electrolux while preserving its distinct identity and reviving the fighting spirit that had been the hallmark of the proud Italian company.

This last unit in this section, Unit 8—Network Organizations and E-business—presents issues that have risen to the fore in the management of firms seeking to operate flexibly in the new global economy. Nexia International (Case 8–1) is a loose affiliation of accounting firms that includes members in 68 countries and correspondents in 5 others, operating 292 offices with 881 partners and 7,769 staff. For Nexia the key question is how to keep the strategic loyalty of its members in the face of centrifugal forces and asymmetric conditions. Issues of quality consistency and the value and costs of central network services are critical to this question. PixTech (Case 8–2) is a small firm in an industry dominated by big players. The company is facing a number of strategic issues regarding its network of technology partners, such as the need to assimilate low-cost, high-quality, and high-volume manufacturing capabilities from its Taiwanese associate. Much of the company's concerns are due to the fast moving nature of the industry, the design and manufacturing of field emission displays, an alternative technology in the flat panel display industry, and the problems of integrating disparate contributions from the partners.

Aspect Development, Inc. (A) (Case 8–3) describes the early history of a leading provider of component databases and parts information management software to original equipment manufacturers in the electronics industry. Having grown rapidly since their founding in 1991, the company is evaluating how to position itself for the next big growth spurt in intermediation of global value-added chains in the late 1990s. This would include the online provision of their services and expansion to global markets. A follow-up case is available for in-class distribution to trace the company's decision and development over this later period.

Section IV: Managing Global Operations

This section addresses key strategic, operational, structural, and managerial issues associated with the management of different global functions—marketing, finance, manufacturing, R&D and knowledge, and people. In each case the optimal balance of global integration and local responsiveness is bound to respond to different political conditions and technical requirements, as well as having to respond to markedly varying internal pressures. The purpose of the cases in the following units is to develop expertise in diagnosing the right set of forces that apply in each instance, and in designing organizational solutions and managerial approaches that are suitable to the moment, yet remain flexible to accommodate change over time.

The first set of cases in this section, Unit 9—Managing the Global Marketing Function—deal with these issues in the context of marketing decisions. Among the most critical issues facing any manager with global marketing responsibilities are the selection of markets which the firm will enter and the extent to which product positioning and marketing strategies need to be adapted to local circumstances. In fact, the debate on the relative advantages of standardization versus adaptation has been at the core of the international marketing literature for over 20 years. Related to these issues, and often defining the choices, is how the international marketing function is structured to balance the twin objectives of uniformity across markets and responsiveness to the idiosyncrasies of domestic consumers.

The case on Procter & Gamble: Ariel Ultra's Eurobrand Strategy (Case 9–1) describes P&G's efforts to develop a compact laundry detergent for the European market. Competitive developments in the French market, however, argue for a quick and different response from that planned for the European launch, still two months away. This calls into question the entire regional strategy and requires a reassessment of its premises. Hewlett-Packard: Global Account Management (A) (Case 9–2) describes HP's move from a local to a global marketing strategy for their global customers. The shift from a product or market-focused sales/account program to a customer-focused approach requires the company to know which types of customers should be identified as global accounts, how to establish a balance between its global accounts and its geographic strategies, and how to manage both simultaneously.

Unit 10—Managing the Global Finance Function and Risks—examines the management of corporate finance in global markets and its associated risks. The two cases in this unit encapsulate a number of complex issues. In China Southern Airlines (Case 10–1) the immediate question of what is the appropriate price for an initial public offering (IPO) for a Chinese state-owned company brings up the problem of cash flow and risk assessment in environments subject to little due diligence and managerial control. The analysis is relevant not just to those contemplating IPOs but to anyone doing valuation analysis of companies in less developed countries. SouthGold (Case 10–2) is a company going through radical change induced by globalization. The South African mining industry, newly open to international scrutiny, is rapidly focusing its operations around primary metals. In the gold sector this has led to the creation of a number of gold-only companies, one of which is SouthGold. The question facing SouthGold is how to handle Southern Africa's production cost disadvantage with the use of derivatives? It is also an excellent opportunity to discuss how companies utilize outside investors to mitigate the influence of local politicians.

The next set of cases in Unit 11—Managing Global Manufacturing and Logistics—deal with the management of operations in a global setting. The key theme throughout is the balance and coordination of international manufacturing facilities. BOK Fibers International (Case 11–1) describes the Latin American fiber operations of a large diversified chemical firm. Traditionally organized in a series of bilateral relationships with significant local equity partners in each country, the company has to adjust to the advent of a more integrated and liberal market environment. This calls for much higher degree of integration among the subsidiaries. What are the relative costs and benefits of such integration and how to achieve it are the main subjects of the case. In BMW: Globalizing Manufacturing Operations (Case 11–2) the reader finds the story of BMW's new plant at Spartanburg, South Carolina. In a record-breaking 24 months, BMW had put together a state-of-the-art facility and BMW management was considering expanding the plant's capacity ahead of schedule in order to accommodate a faster ramp-up of production for the Z3—a brand new roadster produced only at Spartanburg. Al Kinzer, President of BMW Manufacturing Corp., was under pressure to formulate a strategy for dealing with this unexpected demand that relates to BMW's global manufacturing strategy.

The cases in Unit 12—Managing Research, Knowledge, and New Product Development—tackle the issues of technology and knowledge transfer in multinational companies as well as providing insights into the product development process from an R&D and technology management perspective. Salomon: Strategic Entry into the World Snowboard Market (Case 12–1) examines the know-how requirements facing Salomon as it expands from skis, boots and bindings to snowboards. The problem facing the firm is that while the products are technically similar, they are radically different from a marketing perspective. Nestlé S.A. (Case 12–2) operates a distributed R&D function that puts heavy emphasis on centralization of basic scientific endeavors (in Switzerland) and the geographic dispersion of product development and specialized research to a number of labs throughout the world. The case allows us to examine these competing pressures testing this system and the organizational mechanisms necessary to make it work. Case 12–3, Managing Knowledge at Booz-Allen & Hamilton, represents one of the hot topics of the last decade, knowledge management. Booz-Allen is faced with classic knowledge management problems—how to ensure that people have an incentive to codify what they know; how to develop systems that allow people to access what others know; and how to do so without commoditizing the firm's proposition to consumers—all of this in a broad international context.

The last unit in this section, Unit 13—Managing People in a Global Company—addresses the issues associated with the management of human resources and corporate culture in a global context. Federal Express (A) and (B) (Cases 13–1 and 13–2) describe the acquisition by Federal Express of the Flying Tiger organization in the late 1980s and the subsequent problems it encountered as it attempted to impose its HR practices and values outside the U.S. context. The cases raise the question as to whether these problems could have been predicted and avoided, and how. A third case available for distribution in class continues the company's handling of these issues into the 1990s. Case 13–3, Nizhlak: The Top Management Team, tackles the complex issue of the competence and composition of the top management team in a Russian-German joint venture. The case provides an opportunity to address the sensitive issues of coalition formation and communication breakdowns when two different cultures get together for a single purpose.

The last case in this series, Ciba-Geigy Management Development (Case 13–4) focuses on the human resources management function in a sophisticated global corporation. The triggering decision is the need to appoint a new pharmaceutical marketing manager for the French operating company. Top management of Ciba-Geigy France have one view, whereas the management development staff and division management at headquarters have another. Detailed information on the company's strategy, organization, and management development system allow for a thorough discussion of the merits of each position and of the role of the human resource management function as "glue" in a diversified global company.

Section Five: Synthesis and Integration

The purpose of the cases in this last section is to integrate all the material covered in the book. In A.B. Thorsten (1) (Case 14–1) a dispute arises between the management of the Swedish subsidiary of a diversified Canadian chemical company and its headquarters' staff regarding an investment in Sweden. The situation escalates and comes to the attention of top management, who must deal with a proposal of small financial importance but of great significance for the future structure and management culture of the entire organization. This case serves as an excellent bridge to the organizational problems typical of the transition from international to multinational and global structures. Henkel Asia-Pacific (Case 14–2) discusses an interesting situation where Henkel's business units were initially leery of Asia expansion. An Asian unit is thus created to promoted business development, which leads to the various divisions to change their minds and begin entering Asia willy-nilly. The case highlights the difficulties of decision making, co-ordination and integration across business divisions in a diversified multinational, and presents a case for and against regional structures.

Case 14–3 outlines the problems faced by Alfa-Laval Agri, the world's leading supplier of milking equipment and farm supplies to dairy farmers. The company's problems began with its reaction to the opening of Eastern Europe after 1989. Having formed a matrix structure to share responsibility between business units and local market companies, the company found that the business units were accused of thinking too "Scandinavian" and not listening to customer demands. The market companies, on the other hand, were reluctant to stop customizing at great costs, or to report to "not knowledgeable" people at the center who were constantly asking for market information. Rank Xerox (A) (Case 14–4) brings us back to an analysis of the global strategy of the company, where the book began. Rank Xerox is in the throes of a major reorganization and must completely reorient itself into a customer driven global player. How to break the country-focused strategy of the past, and what is the best transition path to their new structure, are the main issues on the strategic agenda. A follow-up case describing some of their actions is available for in-class distribution and discussion.

The Teaching and Practice of International Business

Our intention in writing this casebook was to make more accessible for teachers and students of international business complex and current materials that reflect the reality of operating in a global competitive environment. Each case study reproduced here represents a set of problems or issues that are commonly encountered by managers who may be operating at various levels of responsibility in the global business arena. The cases were selected and arrayed to permit an effective application of current theory and knowledge in the area of international business management to problems ranging from the definition of competitive strategy to policy issues in all major functional areas.

The appropriate mix of case problems, and the theoretical readings and lectures which must accompany them, can best be determined by individual instructors based on their preferences and on the specific circumstances of their students' curriculum. These are, however, complex and advanced problems more suitable to students having considerable exposure to the full range of business courses required in a core business studies program as well as familiarity with the international economic issues that frame the environment in which trade and investment take place. The number and sequence of cases presented in this casebook reflect a relatively comprehensive catalog of the issues we believe are most critical to the international manager. Obviously, it would be difficult, if not impossible, to use all these cases in any single course. The selection provided here is meant to offer a sufficient variety and a set of options from which each instructor can design his or her most effective course structure.

Although the cases were selected partly because of their focus on broad interdisciplinary issues, they also permit a rather narrow analysis of specific functional areas and issues, while encouraging a more integrated perspective on international management problems. We believe that analysis of the situations presented in these studies will yield significant insights into the general principles that underlie the successful practice of management in a global business environment.

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In closing, we dedicate this book to a giant of our field whose death this past year left a great vacuum in the teaching and understanding of international business. Ray Vernon was an uncommon academic whose devotion to the study of multinational corporations and to his students is worthy of emulation by future generations of students and researchers. We will remember him fondly and try to follow in his relentless pursuit of knowledge and relevance.

José de la Torre
Yves Doz
Timothy Devinney

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