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INTERNATIONAL AGEMENT

ND CASES

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INTERNATIONAL MANAGEMENT

TEXT AND CASES

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PREFACE

International Management is about how firms become and remain international in scope. It is about the experiences of firms of all sizes, from many countries, as they come to grips with an increasingly competitive global environment. It is about the practice of management when a home-market perspective is no longer enough. Through carefully selected comprehensive case studies and integrated text material, this book bridges both the internationalization process and multinational management.

	Internationalization	Ongoing multinational management
Small-/Medium-size firms	Smaller domestic firms moving abroad	Global niche competitors
Larger MNEs	Larger firms moving into more markets	Large, full-scale global competitors

The focus of many texts is on the lower right-hand cell in the above matrix—ongoing management issues in the world's larger MNEs. This is an important area, but one that presupposes a body of knowledge that most students do not possess. The focus of the first half of the text material and cases is on internationalization—developing an awareness of the impact of international forces on the firm's future and establishing and conducting transactions with firms from other countries. It is about understanding the basic modes of involvement and deciding when each is most appropriate. For each mode, both inward- and outward-looking perspectives have been adopted: licensing (as licensor *and* licensee), trade (exporting *and* importing), joint ventures (with foreign companies abroad *and* at home) and subsidiaries (establishing foreign affiliates *and* as part of a foreign-controlled affiliate):

The first half of *International Management* helps to demystify international business so that meaningful study of multinational management can occur. In the second half of the book, focus is on how to establish a balance between the sometimes conflicting demands of the multinational headquarters, the multinational subsidiary, and the local government. The cases are not limited to the experiences of the world's largest MNEs—they are also about smaller

companies that must be global in order to survive and about the management of small subsidiaries when the potential parent company contribution has been exaggerated.

International Management is intended for use in international business and international management courses at the undergraduate, graduate, and executive levels. It can serve as the basis for an overarching course that deals with internationalization *and* multinational management, or for courses in each. The eight chapters of basic text material can (and should) be supplemented with readings of the instructor's choice. Videotapes are available for a number of the cases—use of these videos is preferable, but not essential.

The cases in *International Management* have been extensively classroom-tested by us and colleagues around the world in executive, MBA, and undergraduate programs. One measure of their quality is that a number of them have been translated—into Japanese, French, Chinese, and Spanish.

We are deeply indebted to a number of authors and institutions for the intellectual and financial support we have received:

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PART ONE

Text



CHAPTER 1

The Internationalization Process

Internationalization is the process by which firms increase their awareness of the influence of international activities on their future and establish and conduct transactions with firms from other countries. International transactions can influence a firm's future in both direct and indirect ways. Decisions made in offices in Tokyo, Hamburg, or Nairobi, regarding such things as foreign investments and partnership arrangements, can have significant impact on a firm in Chicago—and vice versa. The impact of such decisions may not be immediately and directly evident. The development of an awareness and appreciation for the role of foreign competition becomes an integral—and sometimes overlooked—part of the internationalization process.

Firms become international in scope for a variety of reasons—a desire for continued growth, domestic market saturation, the potential to now exploit a new technological advantage, and so forth. The dominant reason, however, relates to performance. There is clear evidence that among the largest multinational enterprises (MNEs), a strong correlation exists between improved performance and degree of internationalization (see Exhibit 1-1).

Internationalization has both *inward-looking* and *outward-looking* elements. The outward-looking elements include such influences and modes of activities as:

- a. Awareness of the nature of competition in foreign markets.
- b. Exporting.
- c. Acting as licensor to a foreign company.
- d. Establishing joint ventures outside the home country with foreign companies.
- e. Establishing or acquiring wholly owned businesses outside the home country.

These outward-oriented elements are similar to those in the stages model of international expansion. The stages model is an outward-looking perspective developed to reflect the commonly observed pattern of increased commitment