

International Business and Finance Seminar 7

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27 Jul 2023

Outline on MNE

- ▶ General frameworks in international business
 - ▶ Why go international
 - ▶ Comparative advantage
 - ▶ Entry modes
- ▶ Multinational enterprises, innovation and competitiveness
 - ▶ The resource-based view (RBV) and the VRIO framework
 - ▶ R&D and international dimensions
- ▶ Multinational strategy
 - ▶ Strategic orientations, formulation, and implementation
 - ▶ Control and evaluation.
- ▶ Organising strategy
 - ▶ Organization structures
 - ▶ Strategic management and organizing strategy.

Discussion Questions

1. Define the term strategic planning.

Strategic planning is the process of evaluating an enterprise's environment and internal strengths, then identifying long- and short-range objectives and implementing a plan of action for attaining these goals.

2. In what way can the following basic predispositions affect an MNE's strategic planning: ethnocentric, polycentric, regiocentric, and geocentric?

An MNE with an ethnocentric predisposition relies on the values and interests of the parent company in formulating and implementing the strategic plan. Primary emphasis is given to profitability and the firm tries to run operations abroad the way they are run at home. An MNE with a polycentric predisposition tailors its strategic plan to meet the needs of a local culture. An MNE with a regiocentric predisposition is interested in obtaining both profit and public acceptance (combining both the ethnocentric and polycentric approaches), and uses a strategy that allows it to address both local and regional needs. An MNE with a geocentric predisposition views operations on a global basis. The largest international corporations often use this approach. They produce global products with local variations, and staff their offices with the best people they can find, regardless of the country of origin. Multinationals, in the true meaning of the word, have a geocentric predisposition. An MNE's predisposition greatly influences its strategic planning process.

19 Porridge – China, Singapore, Malaysia



13 Green Curry Chicken Rice Bowl – Thailand



Here are the 10 best-selling vehicles in the U.S. by unit sales for 2022, according to Motor Intelligence.

1. Ford F-Series: 653,957 units – down 9.9% from 2021



2023 Ford Super Duty F-350 Limited

Ford

Europe's most popular car is now the Peugeot 208

The Volkswagen Golf loses the top spot after 14 years



Cat Dow

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Cars, Continued

The A6L looks identical to the standard A6 both from the front and the back. It's just the side (obviously) where the difference is the most evident: The A6L is 111mm longer than the standard A6. The wheelbase has gone up by 100mm. In comparison, the long wheelbase E-Class that we get in India is 141mm longer than its standard version and the wheelbase is up by 140mm.



It's a known fact Chinese customers have a soft spot for rear legroom, which is why many of the German luxury brands have developed separate LWB models to cater to the world's most populous country. The distance between the axles grows by 130 millimeters (5.1 inches), resulting in a generous wheelbase of 3105 mm (122.2 inches) for the locally assembled 5 Series Li.



Discussion Questions

- 3. How will an MNE carry out an external environmental assessment? Identify and describe the two major steps involved in this process.**

In an external environmental assessment, an MNE gathers information and then assesses these data. Information gathering focuses on answering the question: What is going on in the external environment? There are a number of ways that MNEs go about conducting an environmental scan and then forecasting the future, including (a) asking experts in the industry to discuss industry trends and make projections about the future; (b) using historical industry trends to forecast future (c) asking knowledgeable managers to write scenarios describing what they foresee for the industry over the next two to three years; and (d) using computers to simulate the industry environment and generate likely future developments. Of these, expert opinion is the most commonly used. Information assessment is often based on an evaluation of the five forces that determine industry competitiveness—buyers, suppliers, potential new entrants to the industry, the availability of substitute goods and services, and also rivalry among the competitors. As an MNE examines each of these five forces, it evaluates the attractiveness and unattractiveness of each.

External Environment

	GDPR	CCPA	CPRA	VCDPA	CPA
Name	General Data Protection Regulation	California Consumer Privacy Act	California Privacy Rights Act	Consumer Data Protection Act	Colorado Privacy Act
Citation	EU/2016/679	Cal. Civ. Code § 1798.100 et seq.	Cal. Civ. Code § 1798.100 et seq.	Va. Code § 59.1-571 et seq.	Colo. Rev. Stat. § 6-1-1301 et seq.
Jurisdiction	European Union	California	California	Virginia	Colorado
Model	Opt-in	Opt-out	Opt-out	Opt-out	Opt-out
Sector	Non-sectoral	Non-sectoral	Non-sectoral	Non-sectoral	Non-sectoral
Effective date(s)	May 25, 2018	Jan. 1, 2020	Dec. 16, 2020; Jan. 1, 2023	Jan. 1, 2023	Jul. 1, 2023

	GDPR	CCPA	CPRA	VCDPA	CPA
Jurisdictional threshold	Processes personal data in the context of activities of an “establishment” in the EU, or processes personal data of individuals in the EU related to the offering of goods and services to them or monitoring their behavior	“Does business” in California	“Does business” in California	“Conduct business” in Virginia or produce products or services “targeted” to Virginia residents	“Conducts business” in Colorado or produces or delivers commercial products or services “intentionally targeted” to Colorado residents
Revenue threshold	None	Annual gross revenues greater than \$25 million	Annual gross revenues greater than \$25 million in preceding calendar year	None	None
Processing threshold	None	Data of 50,000 or more consumers	Data of 100,000 or more consumers	Data of 100,000 or more consumers	Data of 100,000 or more consumers

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What types of data are protected?					
Statutory term	Personal data	Personal information	Personal information	Personal data	Personal data
Defined as	Any information relating to an identified or identifiable natural person	Information that identifies, relates to, describes, is reasonably capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household	Information that identifies, relates to, describes, is reasonably capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household	Any information that is linked or reasonably linkable to an identified or identifiable natural person	Information that is linked or reasonably linkable to an identified or identifiable individual
Definition excludes publicly available info	No	Yes	Yes	Yes	Yes

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	GDPR	CCPA	CPRA	VCDPA	CPA
Noncompliance	Administrative fines up to €20 million or 4% of total worldwide annual turnover of the preceding financial year, whichever is higher	In actions brought by AG, civil penalties of up to \$7,500 per intentional violation or \$2,500 per unintentional violation. In actions brought by consumers for security breach violations, statutory damages not less than \$100 and not greater than \$750 per consumer per incident or actual damages, whichever is greater	Administrative fines of up to \$7,500 per intentional violation or \$2,500 per unintentional violation. In actions brought by consumers for security breach violations, statutory damages not less than \$100 and not greater than \$750 per consumer per incident or actual damages, whichever is greater	If a controller or processor continues to violate the VCDPA following the cure period or breaches an express written statement provided to the attorney general, the attorney general may initiate an action in the name of the commonwealth and may seek an injunction to restrain any violations of the VCDPA and civil penalties of up to \$7,500 for each violation	For purposes of an enforcement action brought by the attorney general or district attorney, a violation of the CPA constitutes a deceptive trade practice

Discussion Questions

4. What is a value chain? How can this chain be used in an internal environmental assessment?

A value chain is the way in which primary and support activities are combined in providing goods and services and increasing profit margins. This chain is important in the internal environmental assessment because the chain consists of such internal considerations as logistics, operations, marketing, sales, and service strategies.

5. What are some typical MNE goals? Identify and briefly describe four major types.

One major type of MNE goal is profitability, which is measured by annual profit growth, annual earnings per share growth, return on assets, investment, equity, and sales. Another major type of goal is marketing, which is measured by such criteria as total sales volume, market share, and growth in sales volume. A third is production, as measured by quality control, cost control, and economies of scale. A fourth is finance, as measured by criteria such as taxation, foreign exchange management, and optimum capital structure. Still another is human resource management, as measured by the development of managers with a global orientation and by developing managers among host-country nationals.

Ireland

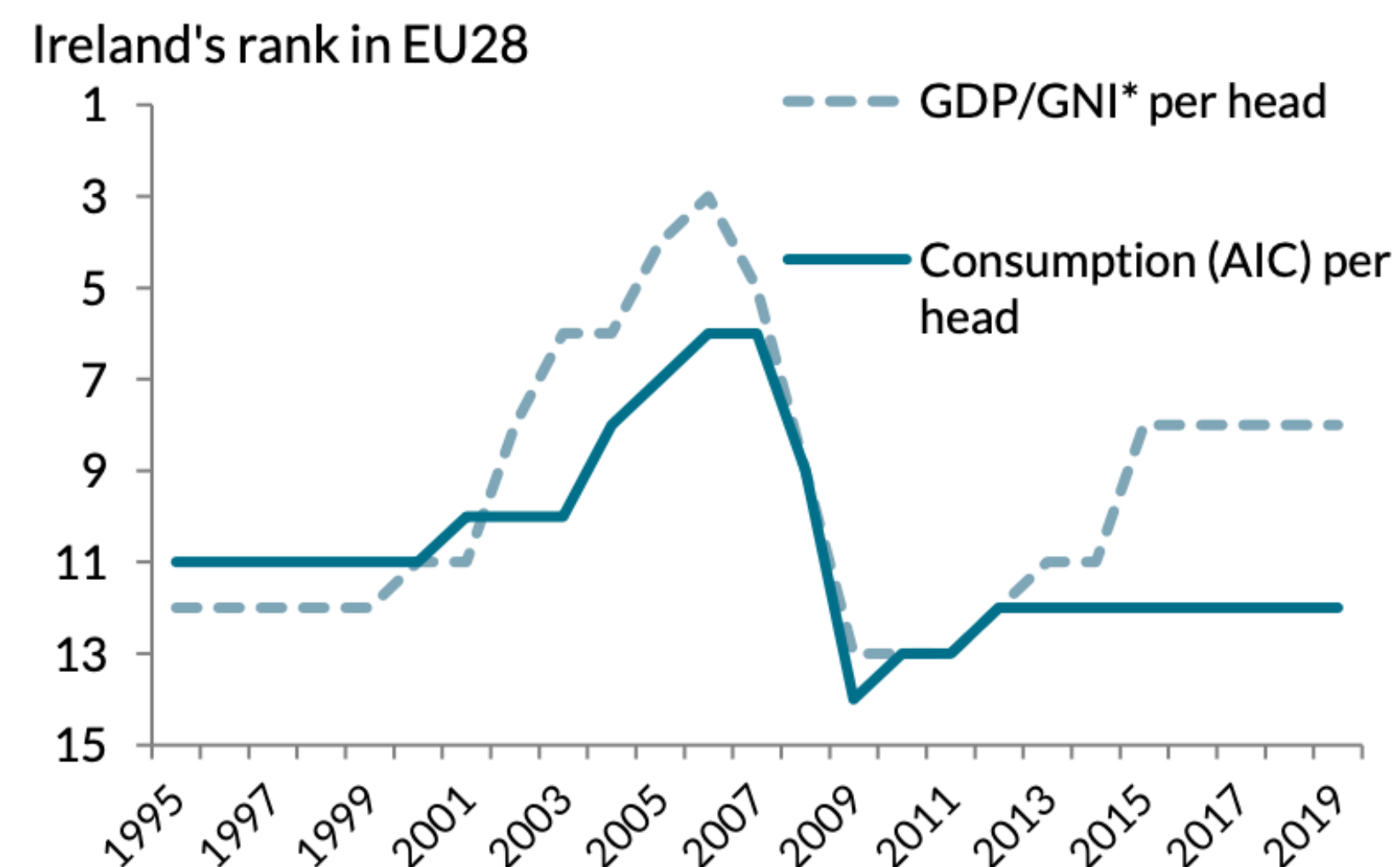
[Apple](#) ⁺ was all over the headlines on Tuesday after the European Commission ordered the iPhone maker to pay 13 billion euros (\$14.5 billion) in back taxes to Ireland. While Apple is the biggest tech name with the longest history in Ireland, having opened up shop there in 1980, many of Silicon Valley’s most notable brands now call Ireland their European home.

[Google](#) ⁺, Facebook and [LinkedIn](#) ⁺ established European headquarters in Dublin, and smaller companies like [Zendesk](#) ⁺, Dropbox, HubSpot, Slack and Glassdoor have set up Irish footholds. Salesforce.com said Ireland played a “[key role](#)” in its European success upon opening a second Dublin office in 2013.

Ireland does have highly regarded engineering programs at Trinity College Dublin and University College Dublin, and there’s no question that the prominence of Guinness is a draw.

But the country has one distinct advantage over its neighbors to the east, north and south. Its corporate tax rate of 12.5 percent is the lowest in Western Europe and 10 percentage points below the average in the European Union, according to [KPMG](#).

Figure 1 | Ireland’s Rank Among the 28 Countries of the 2019 EU, using GDP and Actual Individual Consumption at Purchasing Power Parities, but substituting GNI* for Ireland’s GDP.



Source: Author’s calculations based on Central Statistics Office, Ireland and Eurostat

Discussion Questions

- 6. One of the most important considerations when implementing a strategy is that of location. What does this statement mean?**

This statement means that location is important because of the role it plays in carrying out strategy, in particular, when (a) it can provide a cost advantage by reducing the distance between the company and the customer; (b) it addresses the problem associated with markets where people want to buy only goods that are produced locally; (c) materials, parts, or labor can be obtained inexpensively in the nearby market, thus allowing the company to increase its efficiency; (d) local governments or businesses must buy locally and this opens opportunities for the firm; or (e) there are low-interest loans, low tax rates, free or low-cost land and/or subsidized energy and transportation rates available to firms that set up locally.

- 7. Functional strategies are used to coordinate operations and ensure that the plan is carried out properly. What are some of the most common types of functional strategies? Identify and describe three.**

Three of the most common functional strategies are marketing, manufacturing, and finance strategies. Marketing strategies are designed to identify the needs of consumers and to formulate a plan of action for selling the desired goods and services to these customers. Manufacturing strategies are designed to dovetail with the marketing strategies and to ensure that the right products are built and delivered in time for sale. Finance strategies are used to control operations and to ensure that everything is going according to plan.

The official opening in Berlin hit the same beats as the opening of the Shanghai Gigafactory in 2020: Musk delivered the first locally made vehicle, in this case a Model Y SUV, and danced the same happy dance as he did two years ago.

“Tesla will make sure that this is a gemstone for the area, for Germany, for Europe and for the world,” Musk told attendees, mostly Tesla car owners who were there to pick up the first batch of vehicles made in the Berlin Gigafactory.

Musk’s optimism aside, the Berlin plant needs to increase production quickly to help Tesla capture massive — but possibly fleeting — demand from China, where the US company is unable to keep up with orders.

China has become Tesla’s key market since the Shanghai Gigafactory opened. Company revenue in the country has doubled for two consecutive years, hitting \$13.8bn in 2021, according to filings.

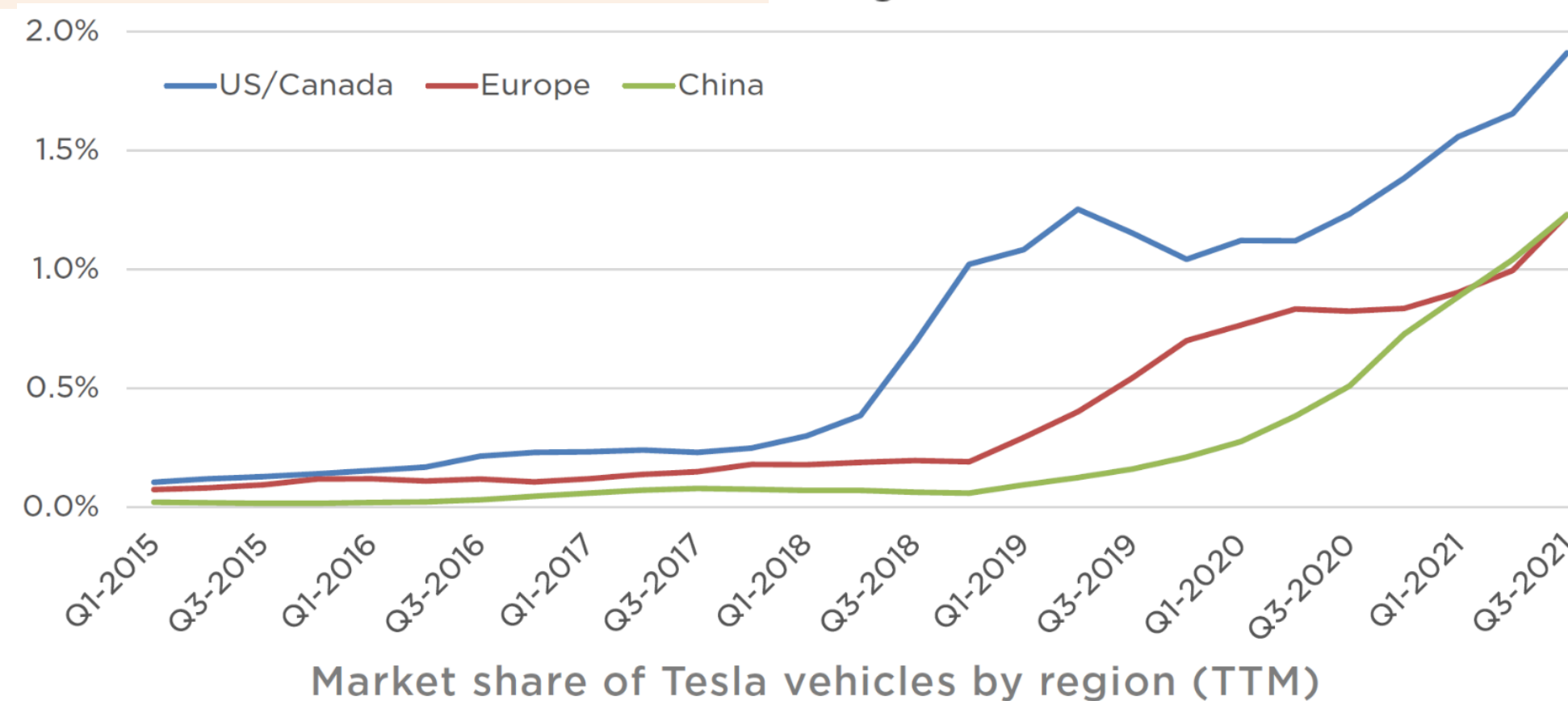
But the local policies that helped Tesla scale up quickly while keeping costs low in China will not last for ever. Shanghai’s initial 15 per cent corporate income tax rate for Tesla could go up to 25 per cent after 2023, which will weigh down on margins.

Meanwhile, as Beijing readjusts subsidies for new plug-in electric vehicles and a growing number of local and international rivals go all-in on electrics, Tesla may find it harder to continue dominating the Chinese market.

NEW DELHI, July 24 (Reuters) - Tesla representatives are set to meet India’s commerce minister this month to discuss plans to build a factory to produce what the company has described as an all-new \$24,000 car, a person with direct knowledge of the matter told Reuters.

Tesla has expressed an interest in building a factory in India that would produce low-cost electric vehicles (EVs) for the local market and for export, the person said, adding that the company had indicated that it would be for the new vehicle.

Electric vehicles currently account for less than 2% of total vehicle sales in India, now the world’s third largest auto market.



Source: Tesla estimates based on ACEA; Autonews.com; CAAM - light-duty vehicles only

Discussion Questions

8. Why do MNEs use an international division structure? Are there any drawbacks to this organizational arrangement?

The MNEs use an international division structure in order to centralize international operations. Some of the benefits of this arrangement include the following: (a) it reduces the CEO's burden; (b) it raises the status of overseas operations to that of the domestic divisions; and (c) all authority and decision making related to foreign efforts is centralized and handled from one central clearing point. Some of the drawbacks include the following: (a) the potential for rivalry between the domestic and foreign groups and (b) pressure put on the home office to think in global terms and to allocate resources on the basis of overall market opportunity

Discussion Questions

- 9. There are five key variables that MNEs examine in choosing from among alternative organization structures. What are these five? Identify and briefly describe each.**

The first key variable the MNE evaluates is the relative importance of international operations at the present time, projecting what the situation might be within three to five years. Second, the company considers its past history and experience in the international arena. Third, it reviews its business and product strategy. Fourth, it considers its philosophy of operating. Fifth, it examines its ability to adjust to organizational changes.

- 10. Why are some overseas operations highly decentralized while others are very centralized? What factors influence this arrangement?**

Overseas operations are decentralized or centralized depending on the benefits offered by each. Some of the factors that encourage decentralization include the following: (a) the small size of the organization; (b) the relative unimportance of the unit to the MNE; (c) a stable competitive environment; (d) a weak volume -to- unit-cost relationship; and (e) a moderate to low degree of technology being used. Some of the factors that encourage centralization include: (a) the large size of the enterprise; (b) a high capital investment; (c) a highly competitive environment; (d) a strong volume-to-unit-cost relationship; and (e) a high degree of technology being used.