

	International Business for New Ventures Master of Business Innovation January 6-7, 2012
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Course material: OnVirtual Campus or hard copies

OVERVIEW:

This module focuses on the strategic management of innovative firms that seek to expand across national boundaries. In particular, we aim to prepare high-tech entrepreneurs to leverage their innovations abroad and conversely to leverage international operations to sustain the innovative firm.

The issues that we explore include:

- specificities of the global business environment for innovative firms
- right (and wrong) reasons to develop international operations
- alternative methods of corporate international expansion and when to use them
- methods of organizing and controlling international operations

A note about the bigger (or smaller) picture: Even if international expansion is not a priority for your venture, the concepts we will discuss are broadly applicable to expansion on another scale – i.e., regional expansion and even product-market expansion. That is, the concepts of international strategy are also useful for understanding corporate strategy (the management of the firm's scope) in general. If your business is currently very narrow in scope, use this module to think ahead about how your business may diversify as it grows.

YOUR TURN:

We will be discussing new concepts as outlined below. However, with the final presentations coming up on March 23, I also hope that each of you will use the IB module to advance your corporate plans - specifically, by make a brief presentation with respect to your venture's history and/or plans for corporate expansion, and especially international expansion, incorporating the module's concepts wherever relevant.

I have built in time for preparation and presentations this in the schedule, especially in session 6. See the Appendix for a list of questions you may use to identify your venture's current and prospective international dimensions and opportunities. I have set time aside for presentations during sessions 9 and 10. Presentations may be in any format depending on your readiness, but should be kept short: 5 minutes typically, 8 minutes maximum. Prepare slides (I suggest 3 slides maximum) and/or a handout if you have the chance, to maximize feedback.

And, if your plans feel too tentative or distant – don't sit back during the module, but rather get involved with other projects!

ADVANCE PREPARATION:

Of course, you should read the assigned material and prepare the cases listed in the schedule below. Likewise, you should start thinking about the questions described in this syllabus, including its Appendix.

To help set up the module, please **e-mail me by Monday January 2** a brief overview of your venture and its international dimensions: What business are you in? What are your priorities for the near and longer term, in terms of venture development and expansion? What international activities has your venture been involved in so far, and with what consequences? What priorities for international or corporate expansion do you have? You may use any format that you see fit to report this information, but a couple of paragraphs should suffice.

To the extent possible, also e-mail me in advance a draft presentation (see below) and any reflections or questions you have in conjunction with this module.

SCHEDULE:

Session 1 (09.00-10.30) Introduction

Learning objectives

- Introduce the module
- Discuss the range of choices and challenges that international business involves

Session preparation

Read the case: Russki Adventures.

This case provides a neat opportunity to confront a sharp set of issues and scenarios that can arise when venturing abroad. As the venture described in the case is not high tech, you can skim the sections pertaining to the industry. However, make sure that you do grasp the economics (i.e., what determines profitability in the case industry).

Questions to consider

- General and personal questions:
 - o What do “globalization” and “international competition” mean to me, precisely?
 - o What are the main opportunities and threats that my firm has already faced, and can expect to face, with respect to international expansion?
- With respect to the case:
 - o What special areas of concern are there with the Russian environment?
 - o What are the pros and cons of the various alternatives?
 - o What should Crevasse and Kakov do? With what timetable?

Session 2 (10.45 -12.15) International Environment

Learning objectives

- Understand the international dimensions and consequences of the business environment
- Assess which dimensions are most likely to affect my venture's international expansion opportunities, and how

Session preparation

Read the article: Distance Still Matters.

The article is written for managers of large and small firms alike, and discusses a variety of industries. The issues identified, and almost all solutions provided, apply to new ventures too.

Questions to consider

- Which dimensions of the environment ("distance") are important for my venture, and why?
- What aspects of my venture's current or planned operations do these dimensions of the environment stand to affect most? What does it imply in terms of business planning?

Session 3 (13.00-14.30) Entry Modes: ConceptsLearning objectives

- Understand the conditions under which international expansion is desirable and likely to succeed
- Develop systematic knowledge of the means of international expansion, and when each mode of entry is appropriate

Session preparation

Read the texts: Entry Modes; Selecting an Entry Mode.

The first extract is largely descriptive. It might be that one or more of the entry modes described are not obviously applicable to your venture; for instance, franchising is unlikely to be, so you can skim that section. Still, having a systematic understanding of the options is critical in asking the right questions for each venture and project.

Questions to consider

- In general, what does it take for a firm to decide to invest abroad? What are the potential gains and risks?
- What does this mean for my venture?
- What foreign entry modes might apply to my venture, and how would I choose among those?

Session 4 (14.45 - 16.15) Entry Modes: IllustrationLearning objectives

- Assess the motivations for a firm or venture to expand internationally
- Assess the set of entry modes that a firm may use, and what makes them more or less appropriate

Session preparation

Read the case: International Expansion at Lear Corporation.

Lear is a large corporation, which is helpful because it allows us to see the full range of choices in action. Increasingly, we also see relatively small ventures expand rapidly into a large number of countries. Pay special attention to the range of entry modes employed.

Discussion questions:

- Prepare the questions at the end of the case.

Session 5 (16.45 - 18.15) Taking Stock of Resources for International Expansion

Learning objective

- Understand the resources required for various international expansion strategies
- Assess the state of your organization from that standpoint, in terms of both resources and resource gaps

Session preparation

Read the article: The Challengers

This short article points out that firms that expand abroad use a finite menu of strategies, based on a specific set of resources. Scale aside (and even that is relative), this applies to ventures small and large alike.

Questions to consider

- What are the main strengths of my venture now, and prospectively?
- Which corporate functions (R&D, production, marketing etc.) are we best at as a company? Which ones must we become better at to grow internationally, and by when?
- With respect to the article:
 - o Which of the exemplars in the article does my venture resemble most, in terms of its business proposition (again, scale aside)?
 - o Why is that?

Session 6 (19.15- 20.45) Developing an International Entry Strategy for Your Venture

Learning objective

- Develop a strategy for entering international markets (drawing also on the morning module in terms of where to expand), or barring international expansion for regional or market expansion
- Justify the means and pace by reference to your venture's needs and resources

Preparation questions

Think about what all of today's material and discussion means for your venture(s), present and future!

See the Appendix for some other specific questions to consider.

Items to be worked on further in class

- What should be my venture's geographic and market priorities for international expansion?
- How quickly are we able to expand abroad? Conversely, can we afford *not* to expand?
- What resources are we aiming to leverage? Which ones must we protect? Conversely,

which ones do we aim to enhance via our choice of entry mode?

- What overall entry strategy does this add up to?
- If the questions are hard to answer, why? When will I know that we are ready for international expansion?

Session 7 (09.00-10.30) Alliances

Learning objective

- Assess the conditions under which alliances are suitable entry modes
- Understand how alliances affect knowledge and R&D capabilities, especially in high-technology businesses

Session preparation

Read the case: Xerox and Fuji-Xerox.

Xerox is a quintessential example of the use and consequences, intended and unintended, of alliances to achieve fast venture expansion. We may think of Xerox as a large, mature company now, but the case covers a long time period from Xerox' breakthrough innovation and takeoff to global expansion. There are plenty of lessons here for contemporary startups.

Questions to consider

- With respect to the case:
 - What role has Fuji Xerox played in Xerox's global strategy? How do you expect this role to change in the future?
 - Is Fuji Xerox a successful joint venture in 1990? How do you measure its performance? Please be as specific as possible.
 - What were the key success factors in this alliance in the past? Do you expect these factors to change in the future?
 - Consider the options for reorganization listed in Exhibit 11. Select one option in each functional area and be prepared to explain why you prefer it over the others.
- General and personal questions:
 - To what extent is my venture involved in collaborations and alliances at this time? What alliances would be required to advance my venture?
 - What are the pros (advantages) and cons (disadvantages) of alliances for my venture? What are the main risks we would need to manage in this area?

Session 8 (10.45 - 12.15) Varieties of International Goals and Strategies

Learning objective

- Assess means and ends of international expansion, beyond just "selling what we have"
- Understand the implications of pursuing multiple goals via international expansion

Session preparation

Read the article: Managing differences: The central challenge of global strategy.

This article builds on the ideas of the reading "Distance still matters" from session 2. In expanding abroad, keep in mind that firms may be seeking to add resources as well as make use of their existing ones. For instance, a technology-based firm may expand to enrich its R&D inputs and outputs, rather than simply to market its current technology.

Questions to consider

- Which of the strategies described in the article might fit my venture?
- Should I use a mix of them? Why?
- The summary says that “R&D focus suggests **aggregation** for its economies of scale”. Is that so? If so, what threats and opportunity does this imply for my venture?

Session 9 (13.00-14.30) Organizing for Corporate Expansion; Presentations

Learning objective

- Understand the pathways and tradeoffs involved in managing operations that are spread internationally
- Consider how your venture’s organization (structure, systems, staffing etc.) will need to evolve in light of international expansion
- Apply these concepts to your venture given its potential expansion path(s)

Session preparation

Read the chapter: Developing a transnational organization.

You need only skim this chapter. It pertains primarily to firms that have a large scale and corresponding timeframe. However, make sure you pick up the general issues and tradeoffs involved in adjusting the organization as it grows. These may loom closer than you imagine for your venture.

Questions to consider

- What is the current state of my venture as an organization (i.e., its structure, communication and reward systems, internal and external coordination mechanisms)?
- What pressures and priorities will my expanding venture face in terms of local responsiveness (i.e., adapting operations in each region or country based on local circumstances and demands) and global integration (i.e., operating in the same way in various regions or countries and concentrating decision-making accordingly)?
- What are my plans for getting there, from an organizational standpoint?

Session 10 (15.00 - 16.30) Presentations and Conclusions

Learning objective

- Summary and synthesis of all material; application to your venture

Session preparation

Read quickly the article: Flexible display screens: Bend me...

This short article describes some recent developments in flexible electronic screens. So this is just about technology... or is it?

I look forward to the module!

APPENDIX: VENTURE EXPANSION PLANNING

Questions

The syllabus above contains a number of “questions to consider”, many of which pertain to your venture. Below is a further list of specific questions that can help you identify the current and potential international dimensions and prospects of your venture.

- What are the international inputs into my venture – personnel, technology, financing?
- Where are our main suppliers, rivals and potential entrants, customers or distributors, and complementors located? What does this imply for my venture?
- To what extent are my venture’s current sales, or potential sales, aimed at foreign markets?
- What partners does my venture have, that may support (or perhaps hinder) our international expansion? How can we use current or new partnerships for this purpose?
- What are my venture’s current assets to support international expansion? In particular:
 - Do we possess foreign intellectual property rights (patents, trademarks and copyrights, licenses)? If so, for what regions?
 - Do we have a prototype or other proof of business that has been demonstrated internationally or could be demonstrated internationally? How did any past demonstration or sale go?
 - Does my venture rely a lot on tacit knowledge, i.e. does it take a lot of personal contact and interaction for me or other engineers to explain the technology to others?
- How remote are our main current or potential partners geographically, and how demanding is it to deal with this distance? What about cultural distance?
- What foreign markets are we targeting in priority, and when?
- How did any current or past international expansion moves go?
- What are plausible means for future expansion?
- How is my venture organized so far? How do the organization, structure and systems need to evolve to support further (international) expansion?

International Expansion Plan

Based on the above questions, and what we will be discussing in class, you should aim to eventually prepare a plan for international expansion that describes:

- The geographic and market priorities
- The venture’s strategic positioning for international expansion
- The analysis of the resources and resource gaps involved
- Entry strategy(ies)
- Collaboration strategy(ies)
- Organizational implications

A BRIEF BIO OF THE INSTRUCTOR



Xavier Martin (Ph.D., University of Michigan) is Professor of Strategy, International Business and Innovation, a Fellow of the CentER for Research in Economics and Business, and cofounder of the Center for Innovation Research at Tilburg University (The Netherlands). He was previously on the faculty of New York University (Stern School of Business) and Columbia University (Graduate School of Business).

His research examines how corporate strategies, interfirm relationships, and knowledge-based assets affect each other and jointly affect firm performance. His papers have appeared in top international journals including *Administrative Science Quarterly*, the *Academy of Management Journal*, the *Strategic Management Journal*, *Organization Science*, *Management Science*, the *Journal of International Business Studies*, and *Research Policy*, among others. He is a recipient of several research awards, including the Best International Paper Award (now Dexter Award) from the Academy of Management, both the Haynes Prize for Best Paper and the Richard N. Farmer Best Dissertation Award from the Academy of International Business, and multiple Best Paper / Best Student Paper awards from the Strategic Management Society.

He serves on the editorial boards of the *Strategic Management Journal* and the *Journal of International Business Studies* and served previously on several other journal and conference boards. He is a former member of the Board of the Strategic Management Society and the former chair of its Competitive Strategy Interest Group. He has also served on the executive committees of two Academy of Management divisions (Business Policy & Strategy and Technology & Innovation Management).

He teaches course in strategic management, international business, and innovation management at the Master's, Executive Master's and Ph.D. levels. He is the recipient of Best Teacher and Best Course awards from New York University and Tilburg University.