



# **Global management**

**European and international  
business**

# Overview



- Global integration
- Global rankings
- Global corporate strategy
- Establishing and managing the competition
- Czech republic & cases

# Reasonability of the topic & objectives

- To become familiar with the situation in Czech Republic, regarding international business
- To understand basic structures and forms of international business

**Mozart balls to be packed in the Czech Republic, the Austrians are angry**



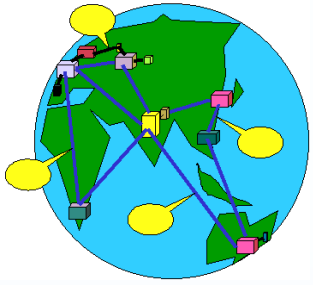
# Is today's economy global?

- your ideas?
- Thomas Friedman
- Ghemawat
- ...

# Overview



- **Global integration**
- Global rankings
- Global corporate strategy
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# Global integration

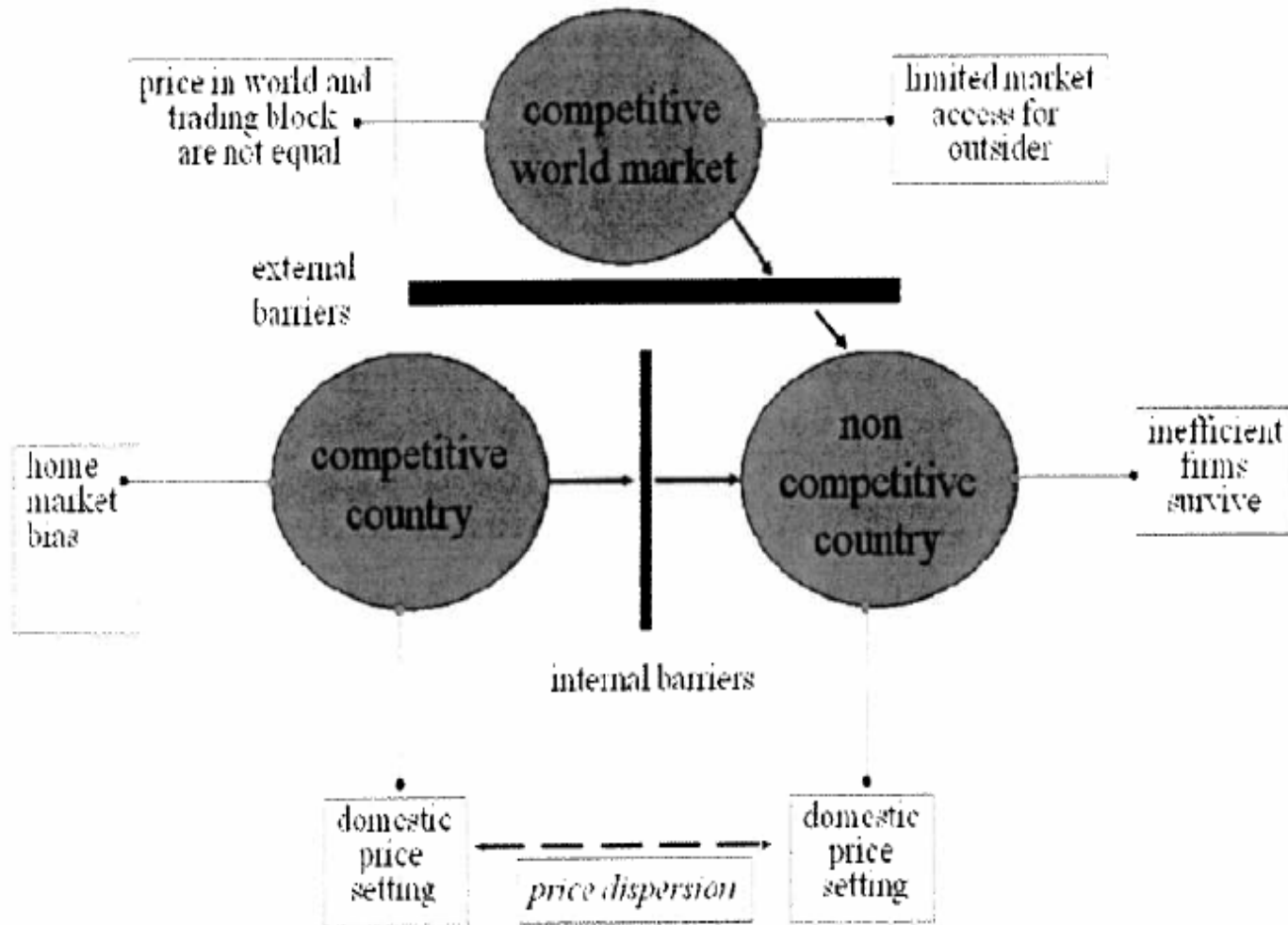
- Theoretical approach
  - Competitive advantage
  - Comparative advantage

## Examples of comparative advantage:

- ✓ Slovakia /Germany
- ✓ France/Netherlands
- ✓ Finland/Poland
- ✓ Czech Republic/Italy

# Segmented markets

Figure 1: The segmented market case



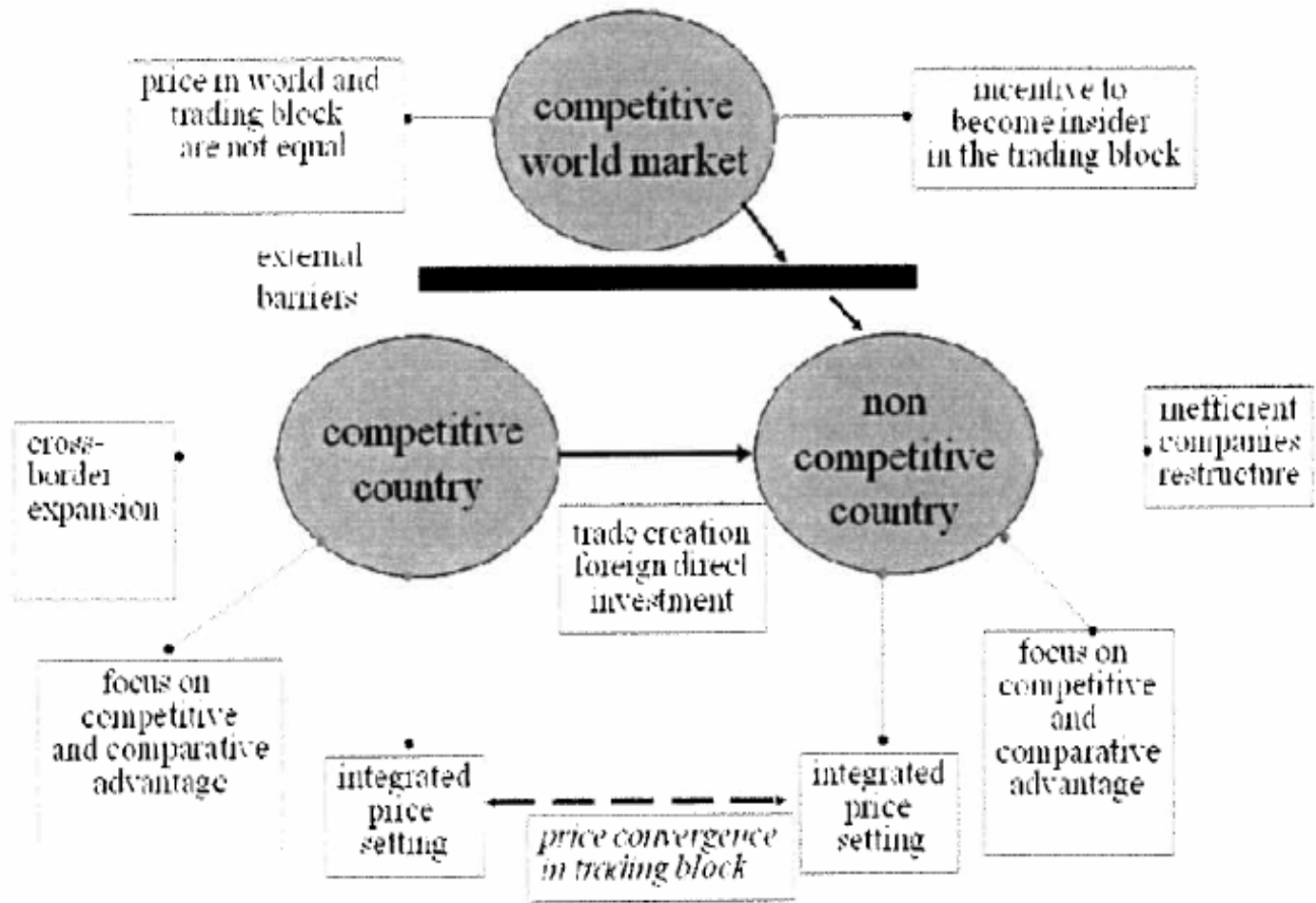
# Consequences

- Price dispersion
- Home bias
- Access to markets



# Integration within trading block

Figure 2: Integration within the regional trading block

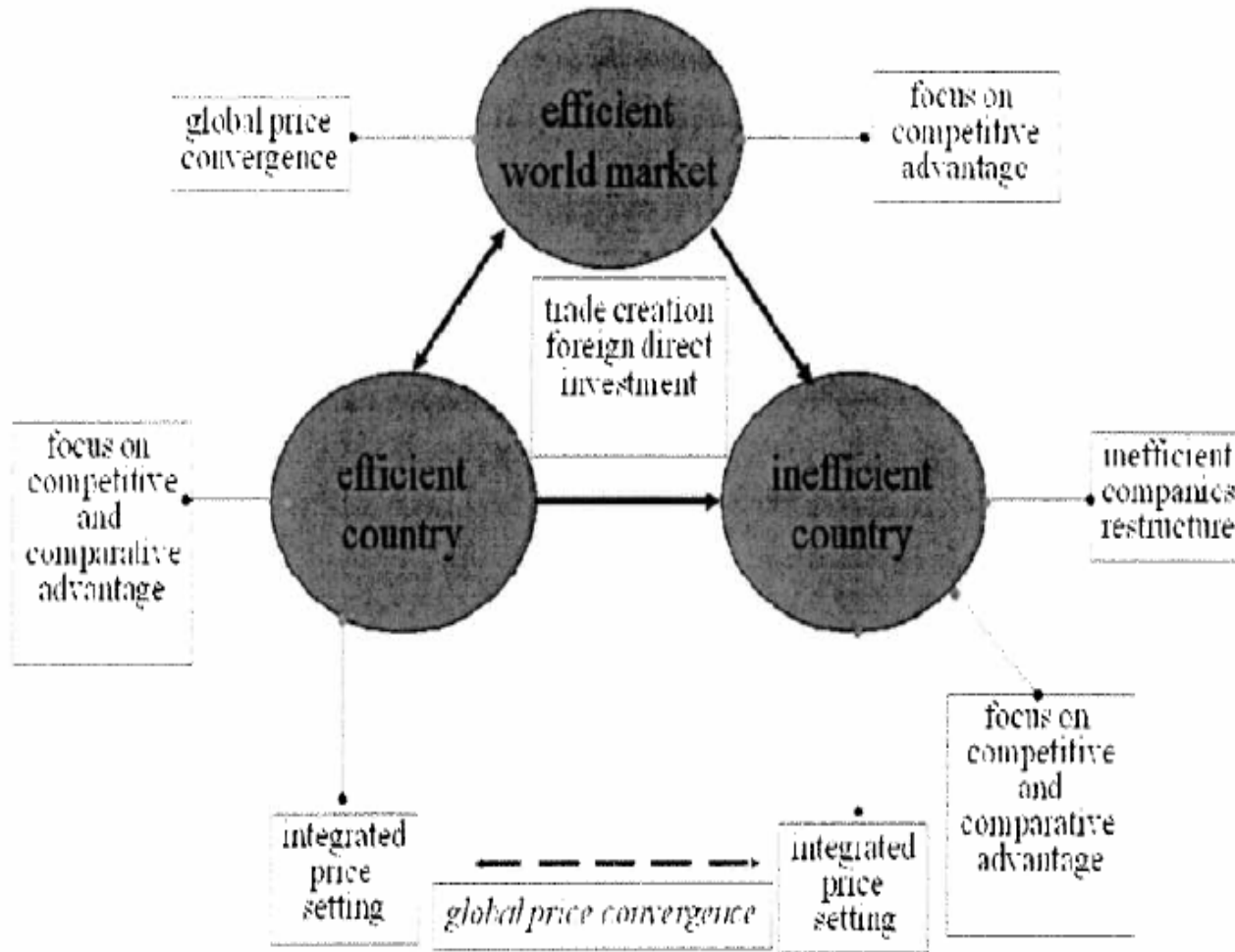


# Consequences

- Price convergence within trading block
- Expansion of efficient firms
- Focus on their competitive advantage
- Relation between specialization of firms according to competitive advantage and the specialization of a country according to comparative advantage
- Attractivity of successful regional trading blocks

# Global integration

Figure 3: Global Integration



# Consequences

- Global price convergence
- Home market bias disappears
- Efficient firms prevail
- Firms focus on their competitive advantage, countries specialize according to their comparative advantage

# From theory to practice


- Price convergence
- Home market bias
- Turning to corporate specialization due to integration
- Relation between intergration and comparative advantage of countries

# Overview

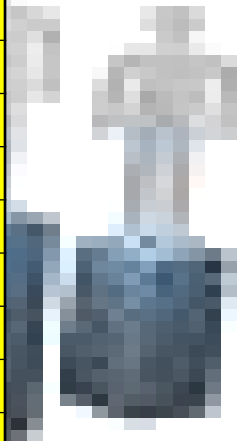


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# Global rankings



Country/Economy	GCI 2009–2010		GCI 2008–2009
	Rank	Score	Rank*
Switzerland	1	5,6	2
United States	2	5,59	1
Singapore	3	5,55	5
Sweden	4	5,51	4
Denmark	5	5,46	3
Finland	6	5,43	6
Germany	7	5,37	7
Japan	8	5,37	9
Canada	9	5,33	10
Netherlands	10	5,32	8
Hong Kong SAR	11	5,22	11
Taiwan, China	12	5,2	17
United Kingdom	13	5,19	12
Norway	14	5,17	15
Australia	15	5,15	18
Czech Republic	31	4,67	33



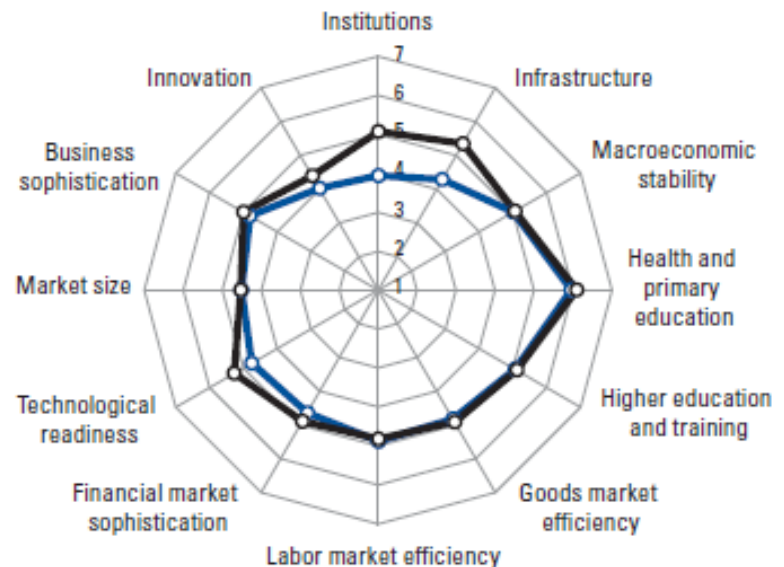
<http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%Report/index.htm>

# The Czech Republic ranking

## Global Competitiveness Index

	Rank (out of 133)	Score (1–7)
<b>GCI 2009–2010</b> .....	<b>31</b>	<b>4.7</b>
GCI 2008–2009 (out of 134).....	33	4.6
GCI 2007–2008 (out of 131).....	33	4.6
<b>Basic requirements</b> .....	<b>45</b>	<b>4.8</b>
1st pillar: Institutions.....	62	3.9
2nd pillar: Infrastructure.....	48	4.3
3rd pillar: Macroeconomic stability.....	43	5.0
4th pillar: Health and primary education.....	33	5.9
<b>Efficiency enhancers</b> .....	<b>24</b>	<b>4.8</b>
5th pillar: Higher education and training.....	24	5.1
6th pillar: Goods market efficiency.....	27	4.8
7th pillar: Labor market efficiency.....	20	4.9
8th pillar: Financial market sophistication.....	42	4.6
9th pillar: Technological readiness.....	30	4.7
10th pillar: Market size.....	40	4.5
<b>Innovation and sophistication factors</b> .....	<b>26</b>	<b>4.4</b>
11th pillar: Business sophistication.....	25	4.8
12th pillar: Innovation.....	25	4.0

## Stage of development

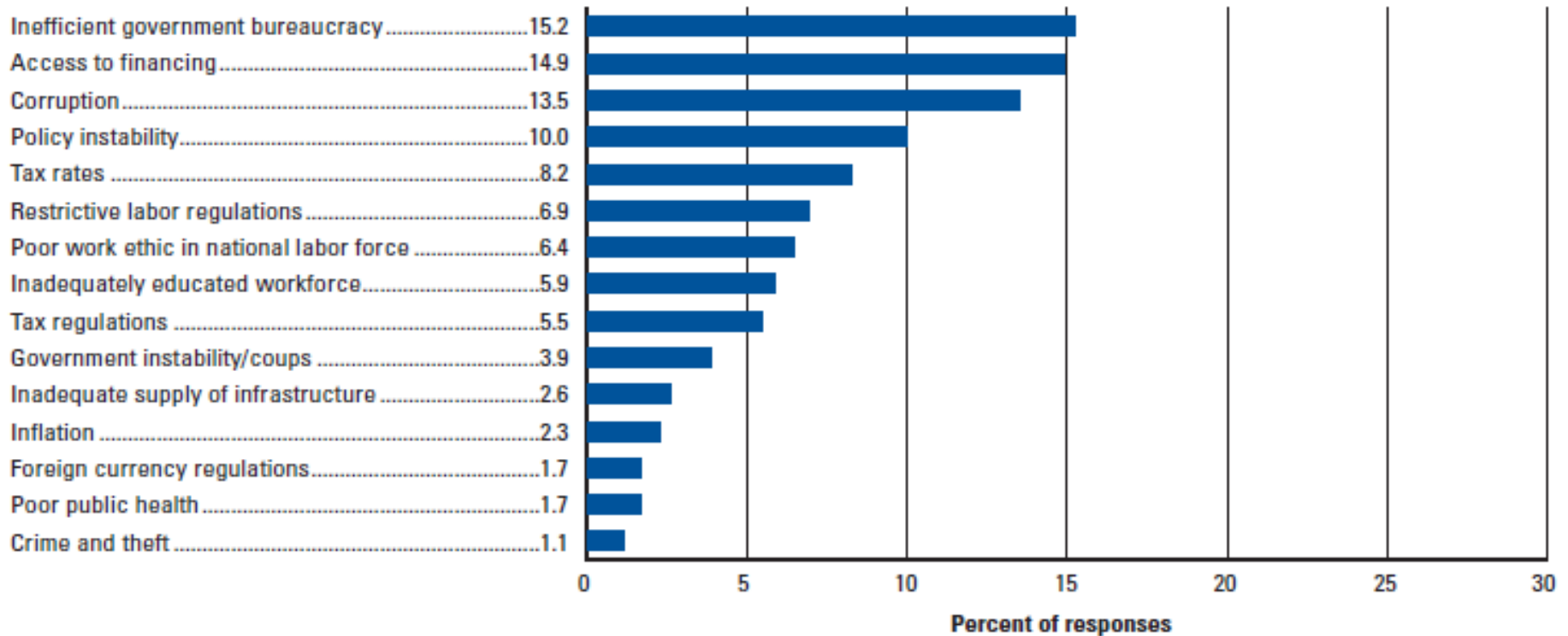


—●— Czech Republic   
 —●— Innovation-driven economies



# The Czech Republic ranking

## The most problematic factors for doing business



Note: From a list of 15 factors, respondents were asked to select the five most problematic for doing business in their country/economy and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

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# Global corporate strategy

Companies that go abroad have to face a set of key questions:

- Why do they want to expand across borders?
- What factors make them decide?
- What strategies will they follow?
- Which entry mode will they choose?
- What are the consequences for their corporate organizational model?
- How do they balance the global strategy?
- ...

# Global corporate strategy

Which entry mode to choose?

- exporting, licensing, joint venture, and sole venture
- all of these modes involve resource commitments , firms' initial choices of a particular mode are difficult to change without considerable loss of time and money [Root 1987].
- factors that influence the choice of an entry mode for a selected target market
- Dunning [1977, 1980, 1988] - the choice of an entry mode for a target market is influenced by three types of determinant factors: **ownership advantages of a firm, location advantages of a market, and internalization advantages of integrating transactions within the firm.**

# Global corporate strategy

- Extended Dunning's theory
- Not predictive – it does not help to find out how the FDI will evolve in the future, it is rather descriptive – it helps companies to ask the right question about global corporate strategy
- Useful check-list approach
- Focuses on 3 main questions:

**Why do companies go abroad? (Ownership advantages)**

**Where the company wants to operate? (Location advantages)**

**How the company intends to enter the market?**

# Global corporate strategy

## Why do companies go abroad? (Ownership advantages)

- Monopolistic advantages
- Technology, knowledge
- Economies of scale
- Reputation
- Organizational architecture (logistic models,..)

Company has to investigate to what extent those strengths allow the company to differentiate itself from competitors on foreign markets

# Global corporate strategy

## Where the company wants to operate? (Location advantages)

- Factors that determine the location decision:
  - Sources of national comparative advantage
  - Sources of regional comparative advantage
  - The degree to which four freedoms are realized
  - Political, social, cultural aspects

# Global corporate strategy

## How the company intends to enter the market?

- entry mode that minimizes transaction cost
- internalization advantages
- typology of market entry strategies:

- home based strategies
- market-seeking strategies
- value chain strategies





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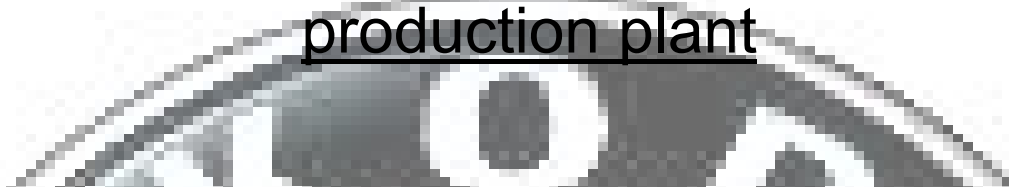
# J4



J 4 was established in 1994 and deals with the development and production of cyclothermic tunnel band baking ovens and with delivering complete baking and bakery lines and bakeries. The ovens are not only designed for baking rye, rye-wheat or wheat bread, but also various types of bread and pastries, fancy breads, pies, stuffed cakes, cookies, gingerbread, sponge cake biscuits, salted sticks and numerous other baked products.

During the short time of its existence, the company has become a lead player on European markets, and markets in the Middle East and Far East. At the present the company supplies baking equipment to England, Belarus, Brazil, Croatia, Cyprus, the Czech Republic, Egypt, England, France, Germany, Hungary, Italy, Kuwait, Moldavia, Mongolia, the Netherlands, Romania, Russia, Saudi Arabia, Slovakia, Spain, Sweden and the Ukraine.

## Škoda auto a.s. – Russia – market seeking strategy – production plant

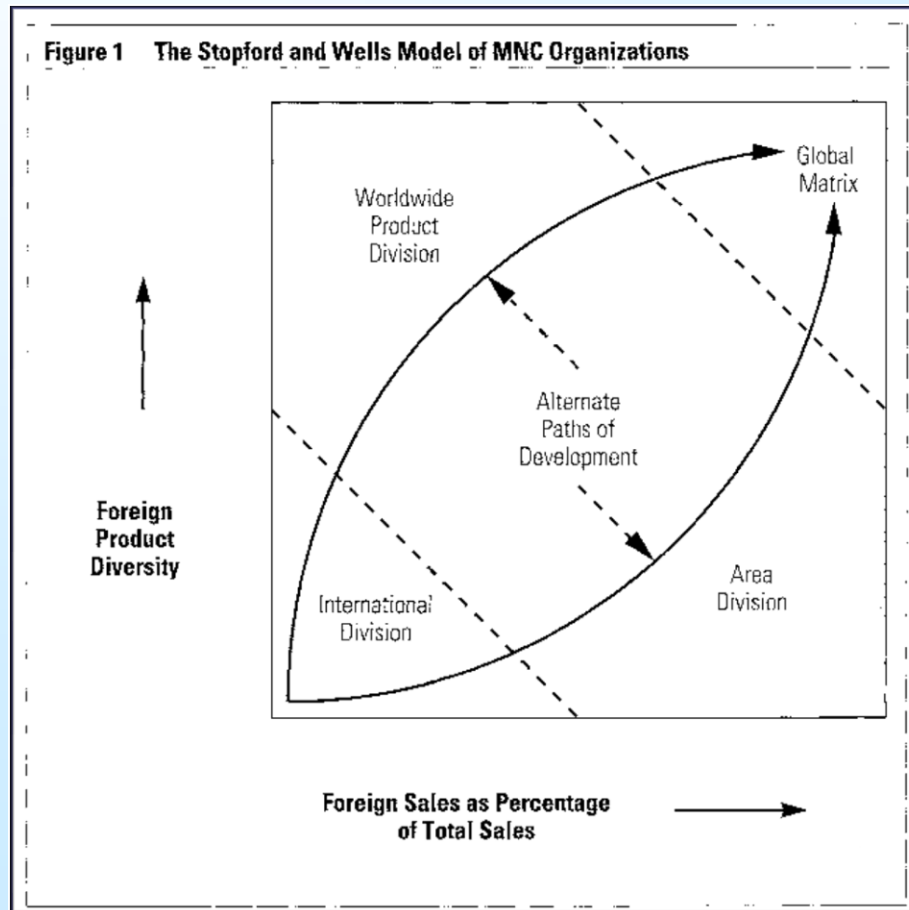


- "Opening our first production plant in Russia is a milestone in Škoda Auto's expansion to eastern markets, because the region is growing very dynamically and we look at it with high hopes as far as the future of Škoda Auto is concerned," said Škoda Auto BOD Chairman Reinhard Jung.
- The key factor in selecting the location for the Group's plant was the fact that the biggest portion of the sales volume in the Russian market is in Moscow that is less than 200 km away from Kaluga. Another important thing is the transport infrastructure, because Moscow and Kaluga are linked by both railway and a motorway. On top of that, the technical university in Kaluga is likely to be a source of qualified manpower in the future.



# Organizational structure

- Stopford a Wells

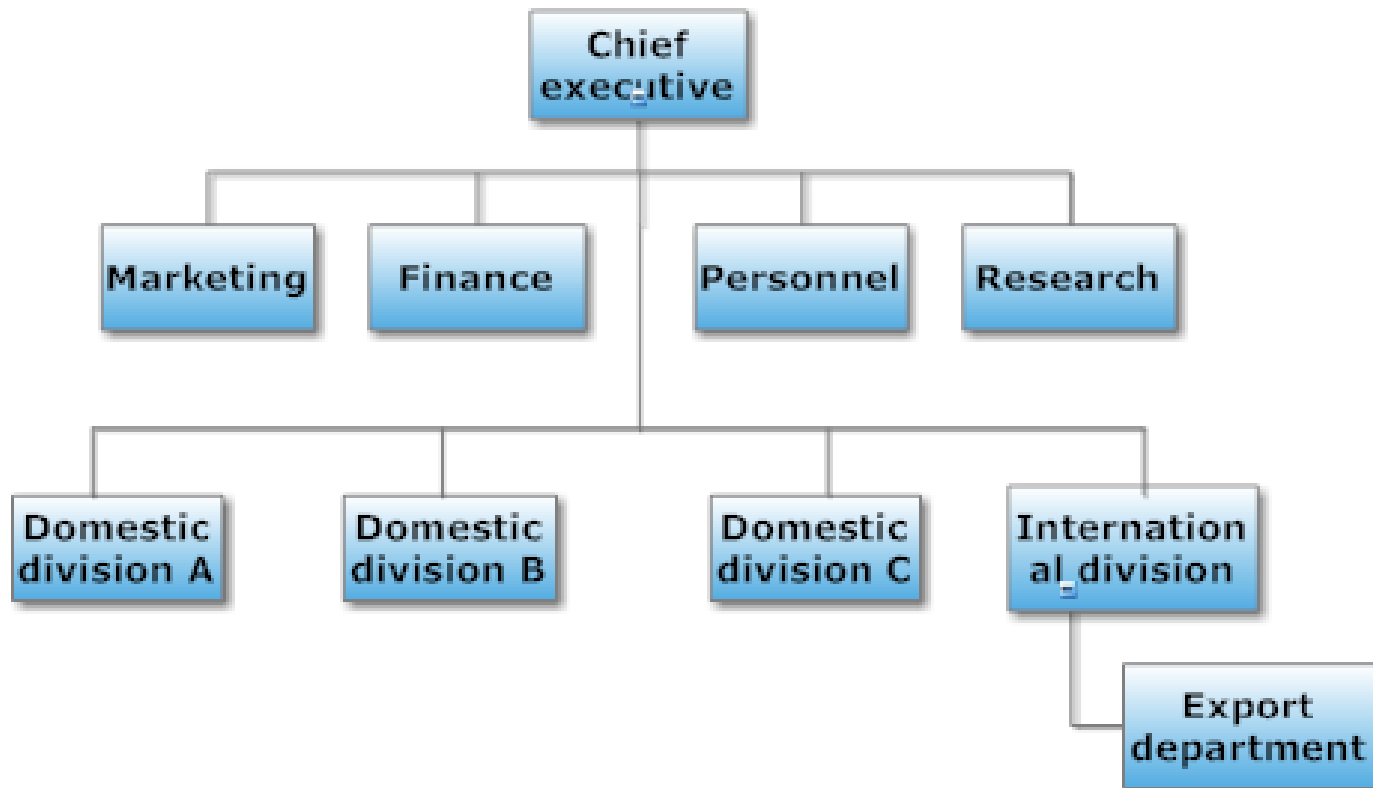


# Organizační struktura nadnárodních podniků

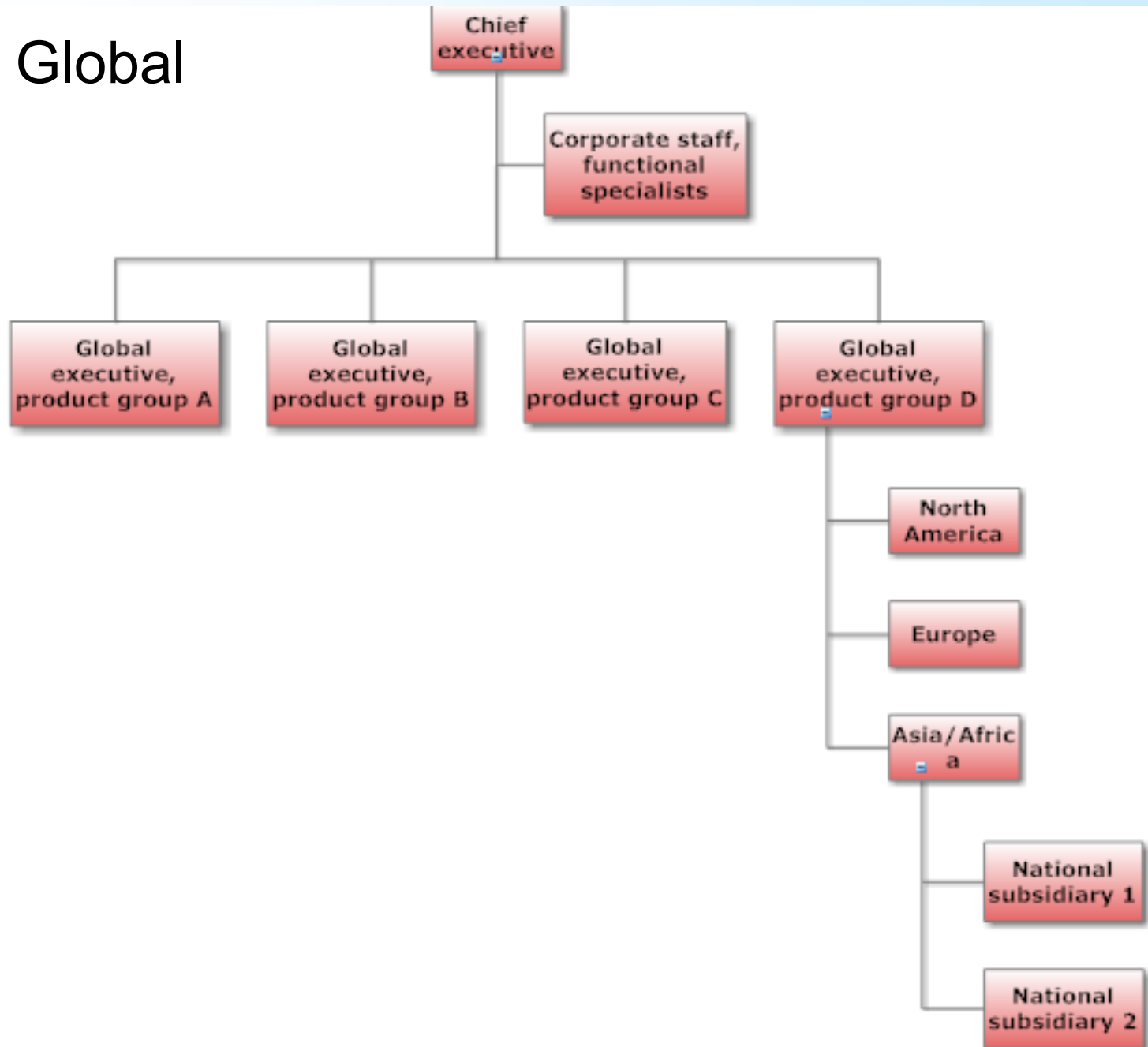
- Bartlett – Ghoshall

Organizational characteristics	Multinational	Global	International
Configuration of assets and capabilities.	Decentralized and nationally self-sufficient.	Centralized and globally scaled.	Sources of core competences centralized, others decentralized.
Role of overseas operations.	Sensing and exploiting local opportunities.	Implementing parent company strategies.	Adapting and leveraging parent company competencies.
Development and diffusion of knowledge.	Knowledge developed and retained within each unit.	Knowledge developed and retained at the center.	Knowledge developed at the center and transferred to overseas units.

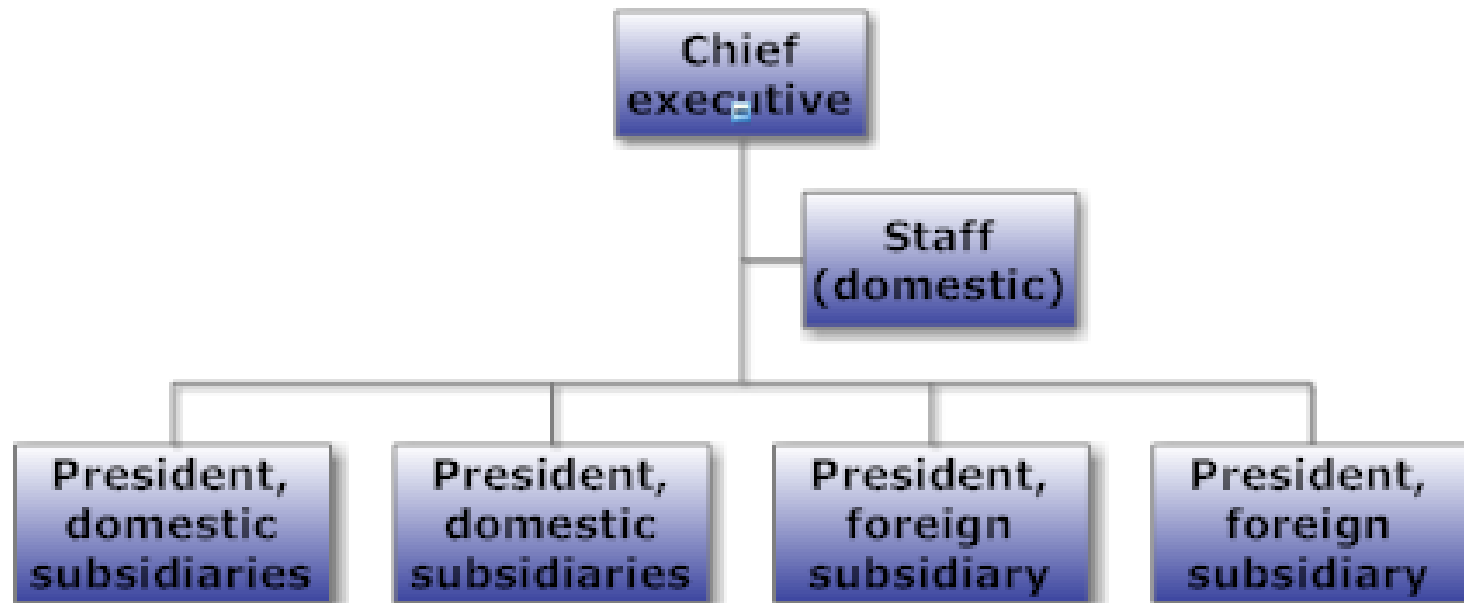
# International



# Global



# Multinational





# Multinacionální podniky

## Nestlé

Peter Brabeck (Chief Executive of Nestlé): *„Link with local consumers is very important to us. Therefore, our business remains fragmented and therefore we try to stay as close to the customer as possible.*

(Financial Times, 13 March 2000)

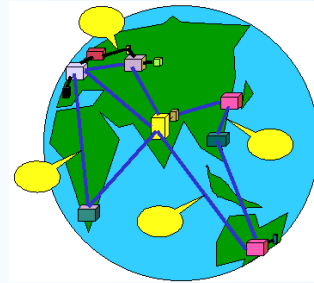


# Transnational

Organizational characteristics	Multinational	Global	International	Transnational
Configuration of assets and capabilities.	Decentralized and nationally self-sufficient.	Centralized and globally scaled.	Sources of core competences centralized, others decentralized.	Dispersed, interdependent, and specialized.
Role of overseas operations.	Sensing and exploiting local opportunities.	Implementing parent company strategies.	Adapting and leveraging parent company competencies.	Differentiated contributions by national units to integrated worldwide operations.
Development and diffusion of knowledge.	Knowledge developed and retained within each unit.	Knowledge developed and retained at the center.	Knowledge developed at the center and transferred to overseas units.	Knowledge developed jointly and shared worldwide.

# Literature

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**Thank you for attention!**

