

**MUNI  
ECON**

**MPH\_AIMA  
International Management**

# Organization of the Course

- People
- Schedule
- Instructions
- Final Grade
- Literature
- Expectations

# People

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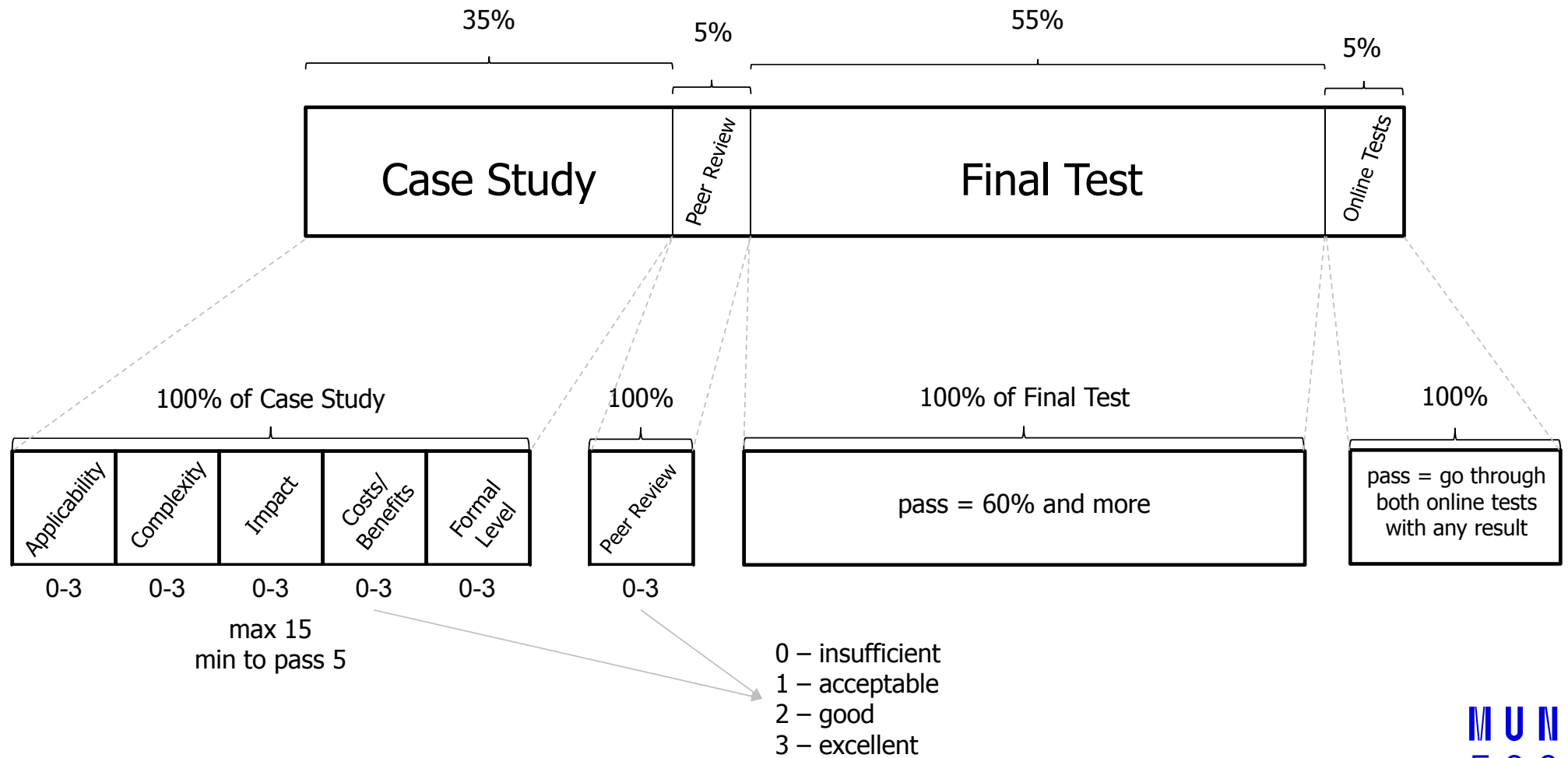


And many others!

# What to do to pass the course?

- Lectures
- Case Study in teams (assignment and instructions will come)
- Peer Review of other team's study
- 2 online tests (instructions by e-mail)
- Final test – written, multiple-choice and open questions

# Final Grade



# Scale for final evaluation

## – Scale for final evaluation:

- 100–93% = A
- 92.9–85% = B
- 84.9–77% = C
- 76.9–69% = D
- 68.9–60% = E
- 59.9–0% = F

# Important Deadlines

- [https://is.muni.cz/auth/el/econ/jaro2021/MKH\\_AIMA/index.qwarp?prejit=6803469](https://is.muni.cz/auth/el/econ/jaro2021/MKH_AIMA/index.qwarp?prejit=6803469)

# Literature

- **Deresky, H. (2017). *International management: Managing across borders and cultures : text and cases* (Ninth edition, global edition.). Boston: Pearson.**
- Gooderham, P. N. (2003). *International management: Cross-boundary challenges*. Malden: Blackwell.
- Luthans, F. (2009). *International management: Culture, strategy, and behavior* (7th ed.). Boston: McGraw-Hill/Irwin.
- Phatak, A. V. (2009). *International management: Managing in a diverse and dynamic global environment* (2nd ed.). Boston: McGraw-Hill/Irwin.
- **Lecture notes, interactive study materials in IS!!!**
- Articles! (databases: EBSCO, ProQuest, JSTOR, etc.)



# What do you expect?

What knowledge and skills do you expect after completing this course?

# Contents

- International Management
- Global Trends and Globalization
- Regional Blocks
- Open System Model
- Political Risk
- Economic Risk
- Legal Environment
- Global Managers

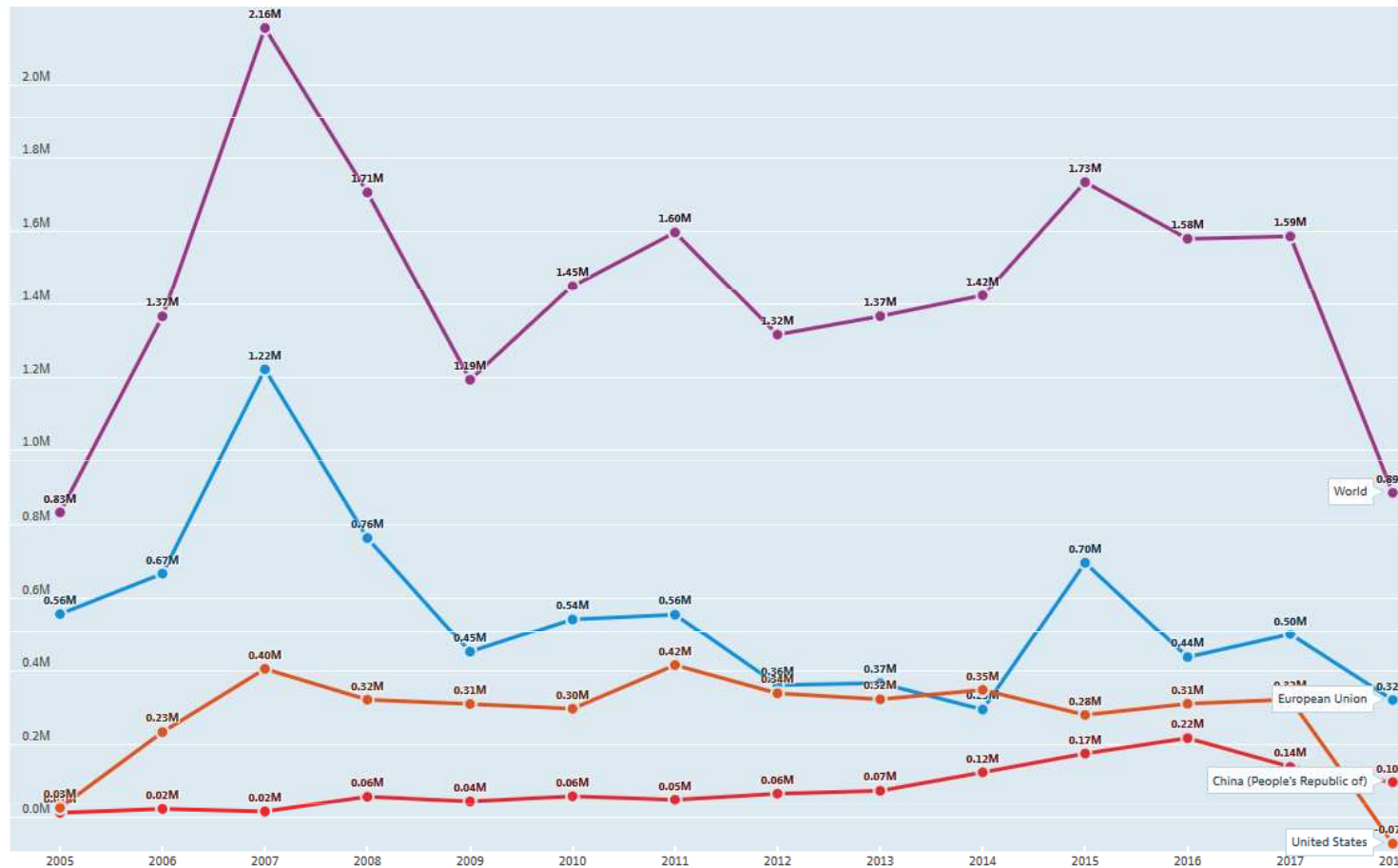
# International Management

= *‘The process of developing **strategies**, designing and operating **systems**, and working with **people** around the world to ensure sustained **competitive advantage**.’*

*Deresky, H. (2017). International management: Managing across borders and cultures : text and cases (Ninth edition, global edition.). Boston: Pearson.*

# FDI flows Outward

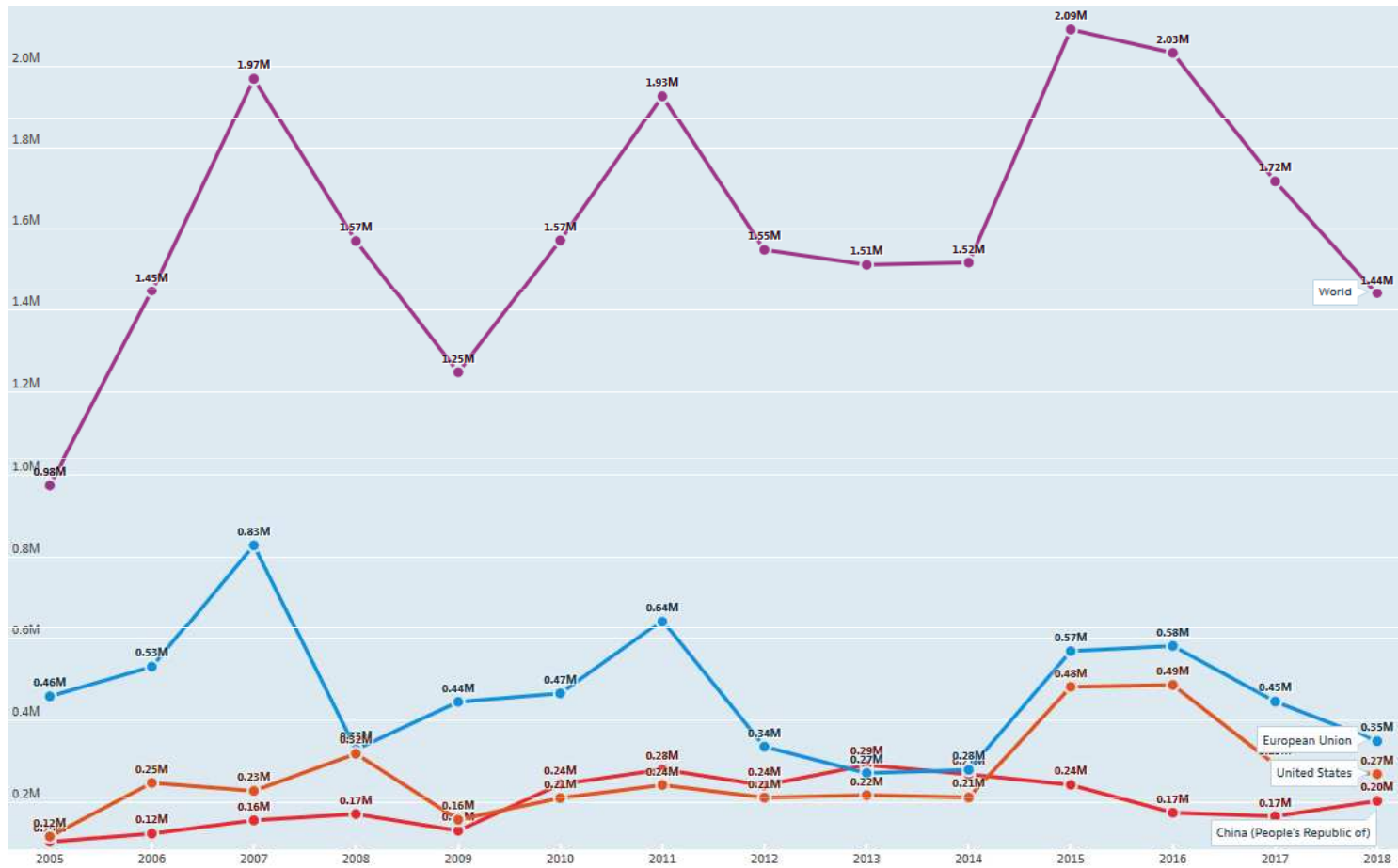
Million US dollars  
2005–2018



OECD (2020), "FDI flows" (indicator), <https://doi.org/10.1787/99f6e393-en> (accessed on 18 February 2020).

# FDI flows Inward

Million US dollars  
2005–2018

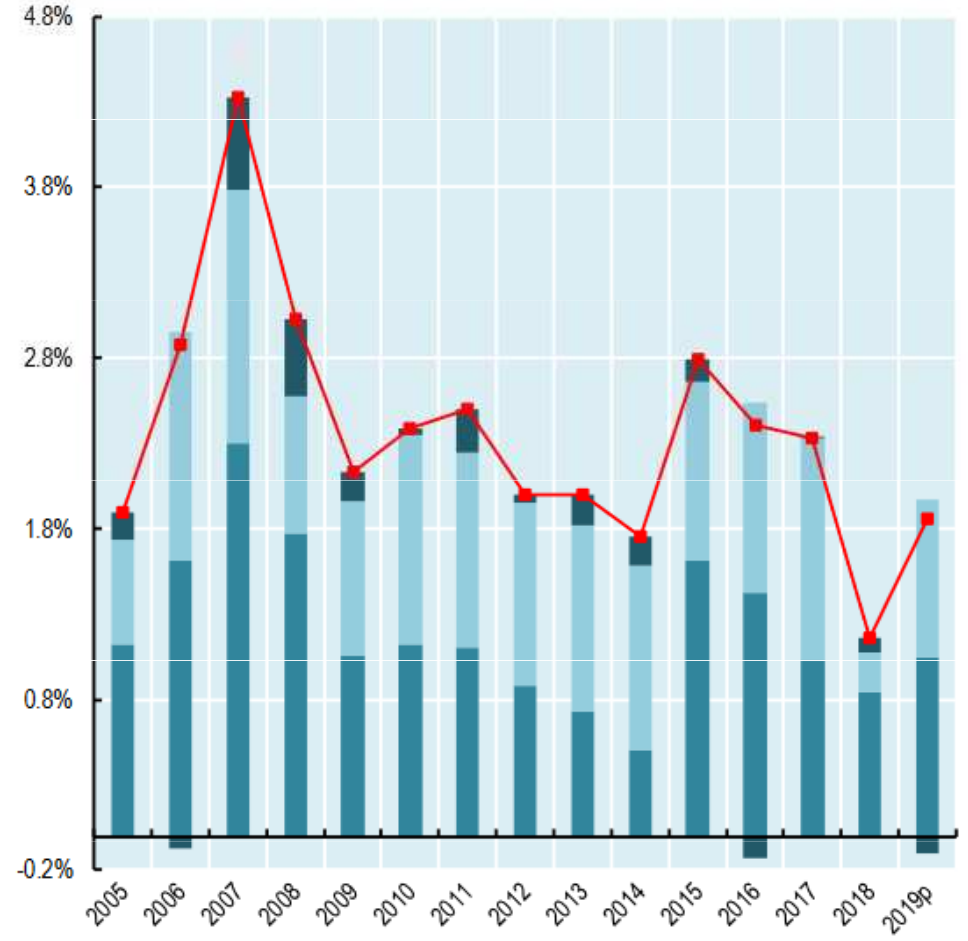
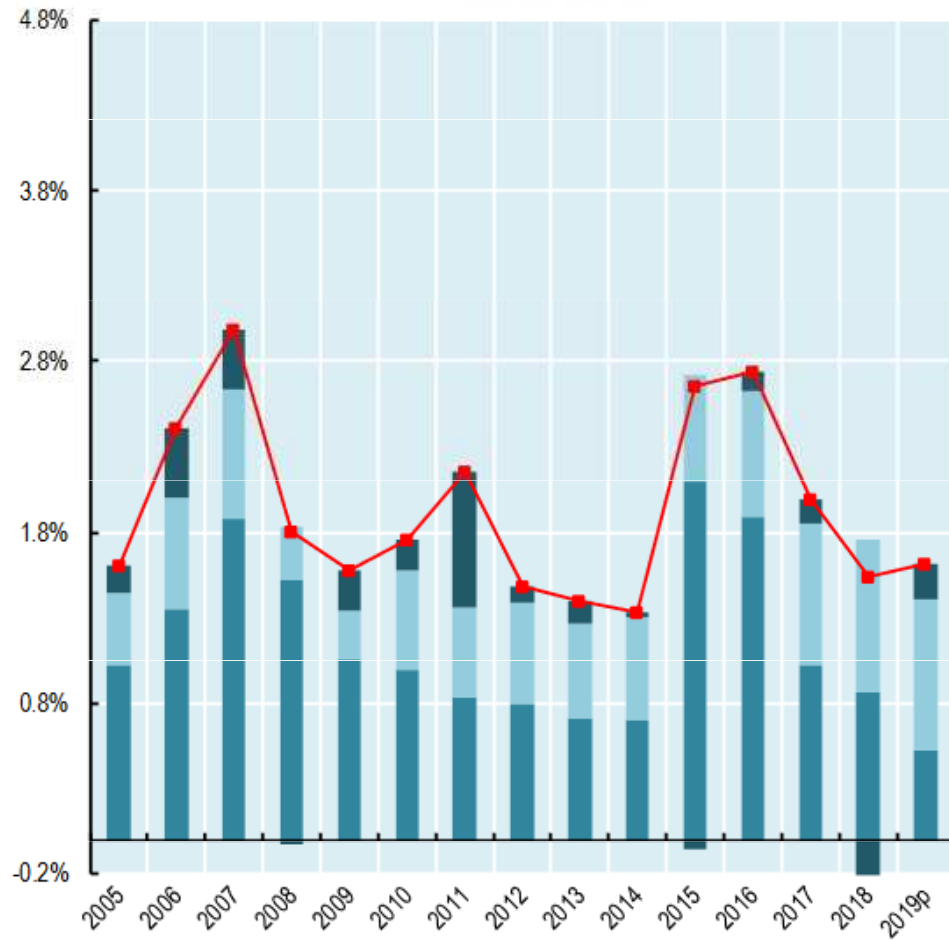


Source: OECD (2020), "FDI flows" (indicator), <https://doi.org/10.1787/99f6e393-en> (accessed on 18 February 2020).

### FDI inflows, as a share of GDP

### FDI outflows, as a share of GDP

■ Equity ■ Reinvestment of earnings ■ Debt — Total FDI



# Should it be equal?

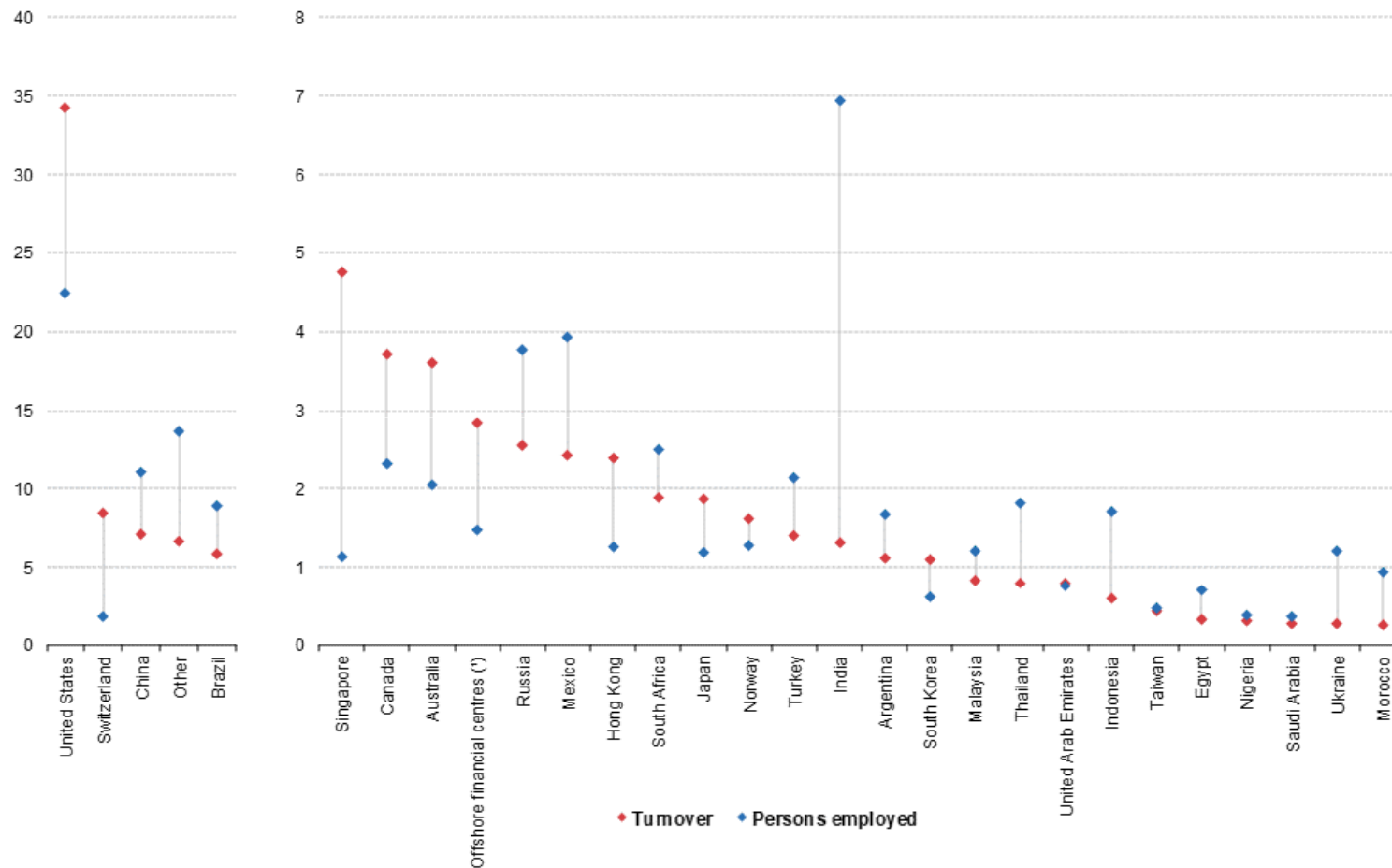
- by definition, inward and outward FDI worldwide should be equal, but in practice, there are statistical discrepancies between inward and outward FDI.

# Impact of the COVID 19 on FDI flows

- FDI flows are expected to decline sharply
- Reinvested earning drop
- The pandemic is having much greater impacts in some sectors than others (accommodation, food service, transportation – not visible in FDI statistics; primary sector, manufacturing – drops in earnings; information and communication – increase)
- Further drops in FDI flows are possible in the medium to long term



# Share of turnover and persons employed in foreign affiliates abroad, business economy, EU-28, 2014 (% of extra-EU total)



# Global Trends...

- growing number of middle-class consumers in emerging countries
- global supply-chain management
- environmental impacts and their solution
- virtual marketplaces
- global standards
- cooperation across cultures
- opportunities for SMEs
- responsibility of MNCs...

## ...but...

- growing consumption of energy and resources
- dependency on other companies, states, trading blocks
- global costs for ‘making change’ and negotiating
- dependency on information technologies and infrastructure
- backlash against capitalism and rekindling of nationalism
- trade wars and increasing of protectionism
- management across cultures
- abusing of weaker systems...

# Regional Trading Blocks

- USA dominance is probably over
- importance of the trading blocks is increasing (NAFTA, EU, ASEAN,...)
- world trade takes place mostly within free trade blocks
- dominant currencies (euro, yen, dollar, yuan)

# Regional Trading Blocks and Other Regions

## – EU (after brexit)

- unified market
- over 447 million citizens
- 27 different countries
- euro and 10 other national currencies



## – Rest of Europe

### – Less Developed countries

- Low GDP/GNP
- Large, relatively unskilled workforce
- High international debt



## – Asia

- China
- India
- ASEAN
- SAARC
- Japan
- Asian Tigers (Hong Kong, Singapore, South Korea, Taiwan)
- political problems
- differentiation within the region



## – Americas

- NAFTA
- CAFTA
- MERCOSUR

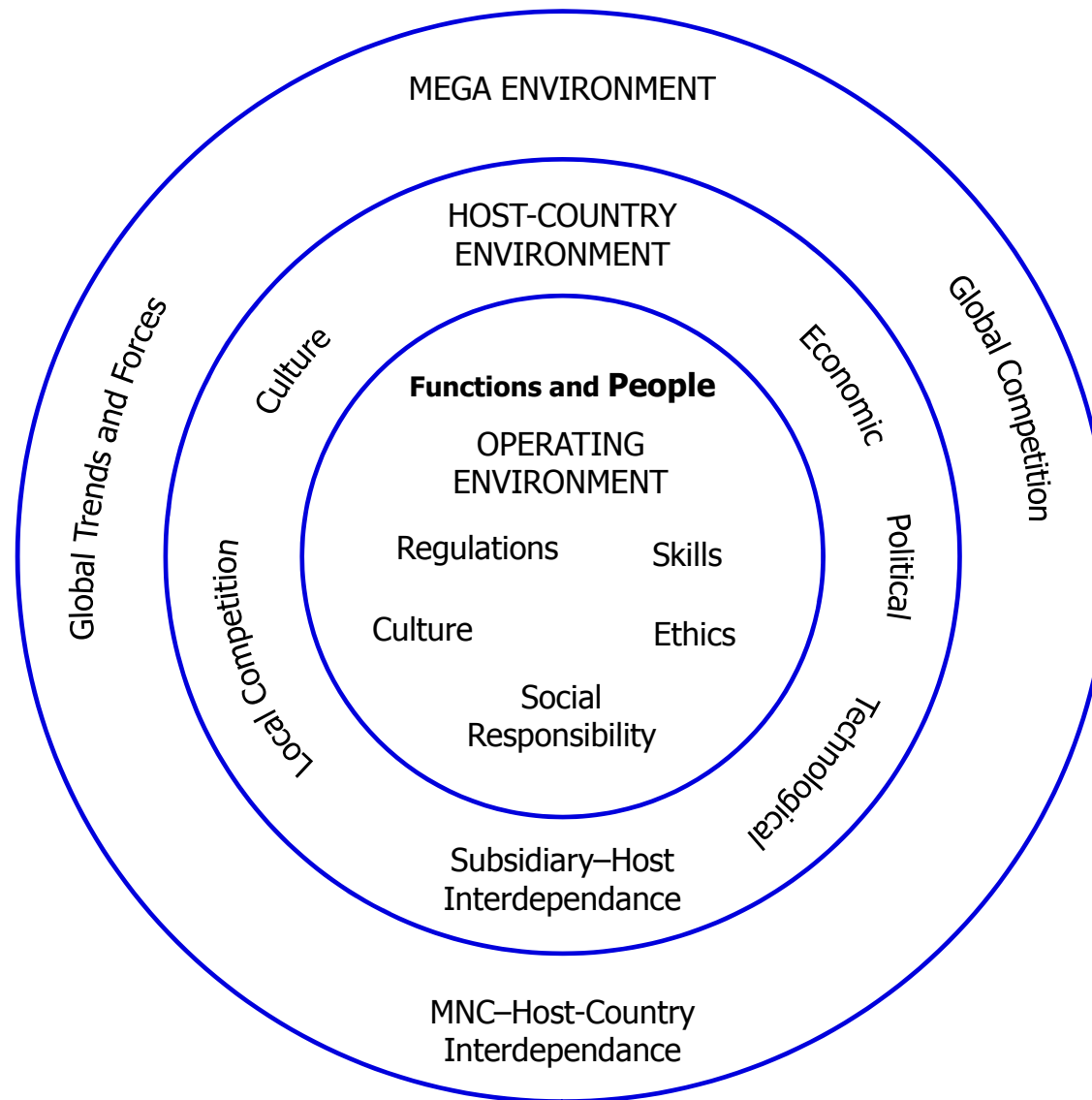


## – Others

- The Russian Federation
- Middle East
- The African Union
- South Africa



# Open System Model



# Global Managers

What are the most important competencies, skills and knowledge of the excellent manager responsible for international operations?

# Political Risk

= 'any governmental action or politically motivated event, that could adversely affect the long-run profitability or value of a firm'

*Venezuela took control of cement plants and offices belonging to Mexico, after failing to reach an agreement in nationalization talks.*

*Argentina announced plans to nationalize Spanish oil company Repsol YPF and caused international arbitration.*

*Bolivian president's move to nationalize the national gas industry followed that in Venezuela.*

*In Russia Kremlin exploited the financial crisis to take control of energy companies.*



# Political Risk

## Political Risks

- expropriation and confiscation
- nationalization
- terrorism
- discriminatory treatment
- barriers to repatriation of funds
- dishonesty by government officials
- ...

## Political Risk Assessment

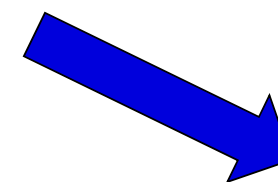
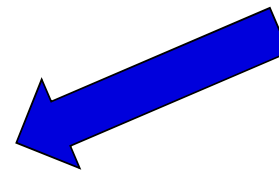
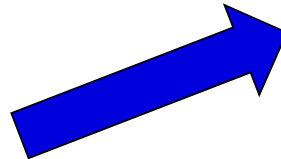
- consultation with experts
- development of internal staff capabilities
- cooperation with specialized agencies

## Dependency / Hedging

- input control
- market control
- position control
- staged contribution
- insurance
- local debt financing

## Avoidance / Adaptation

- equity sharing
- participating management
- localization of the operation
- development assistance



# Economic Risk

- loss of profitability due to
  - abrupt changes in monetary and fiscal policy
  - changes in foreign investment policies
  - changes in currency exchange rate
- connected with the political situation

## Quantitative approach

- indexes
- indicators
- statistics

## Qualitative approach

- monitoring
- induction
- experiences
- assessments

**Combination**

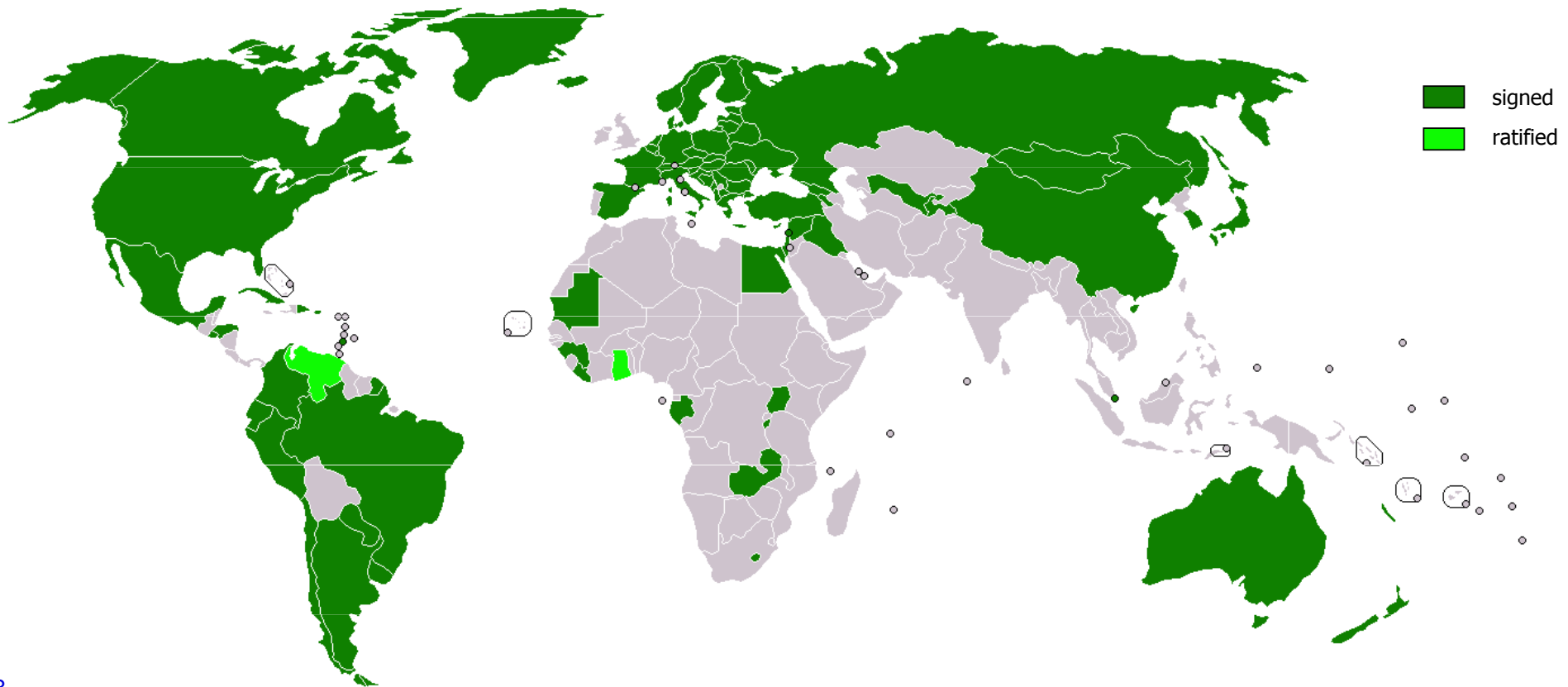
**Checklist approach**

# The Legal Environment

- local laws and legal systems of those countries in which an international company operates
- international law, which governs relationships between sovereign countries (e.g. WTO rules, bilateral/multilateral agreements, CISG,...)
- rules inside the free trade areas (e.g. EU law)

CISG – United Nations Convention on Contracts for the International Sale of Goods

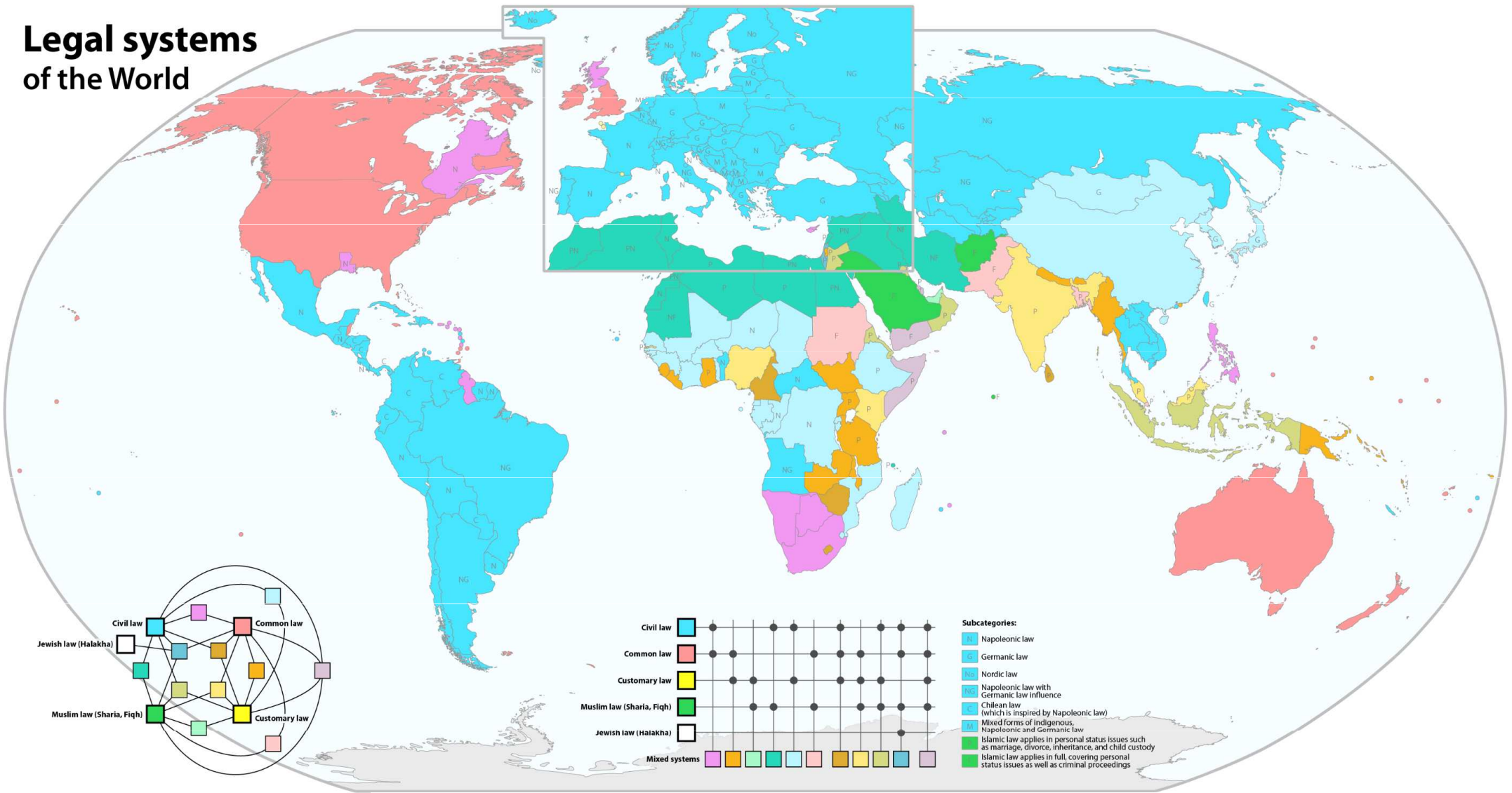
# CISG (Vienna Convention)



# Legal Systems

- common law
  - past court decisions as precedents
  - details must be written in the contract to be enforced
- civil law
  - comprehensive set of laws organized into code
  - assumes promises will be enforced without specifying the details
- Islamic law
  - based on religious beliefs
- combination

# Legal systems of the World



By Maximilian Dörrbecker (Chumwa) - Own work, using World map by Canuckguy and others UNESCO World Heritage map by NNW The data sources are: University of Ottawa: JuriGlobe – World Legal Systems Research Group Wikipedia: List of national legal systems European legal systems map by Ain92 and others (which seems to be based on this map by C.Löser and others) World legal systems map by Robinkissac, CC BY-SA 2.5, <https://commons.wikimedia.org/w/index.php?curid=40154967>

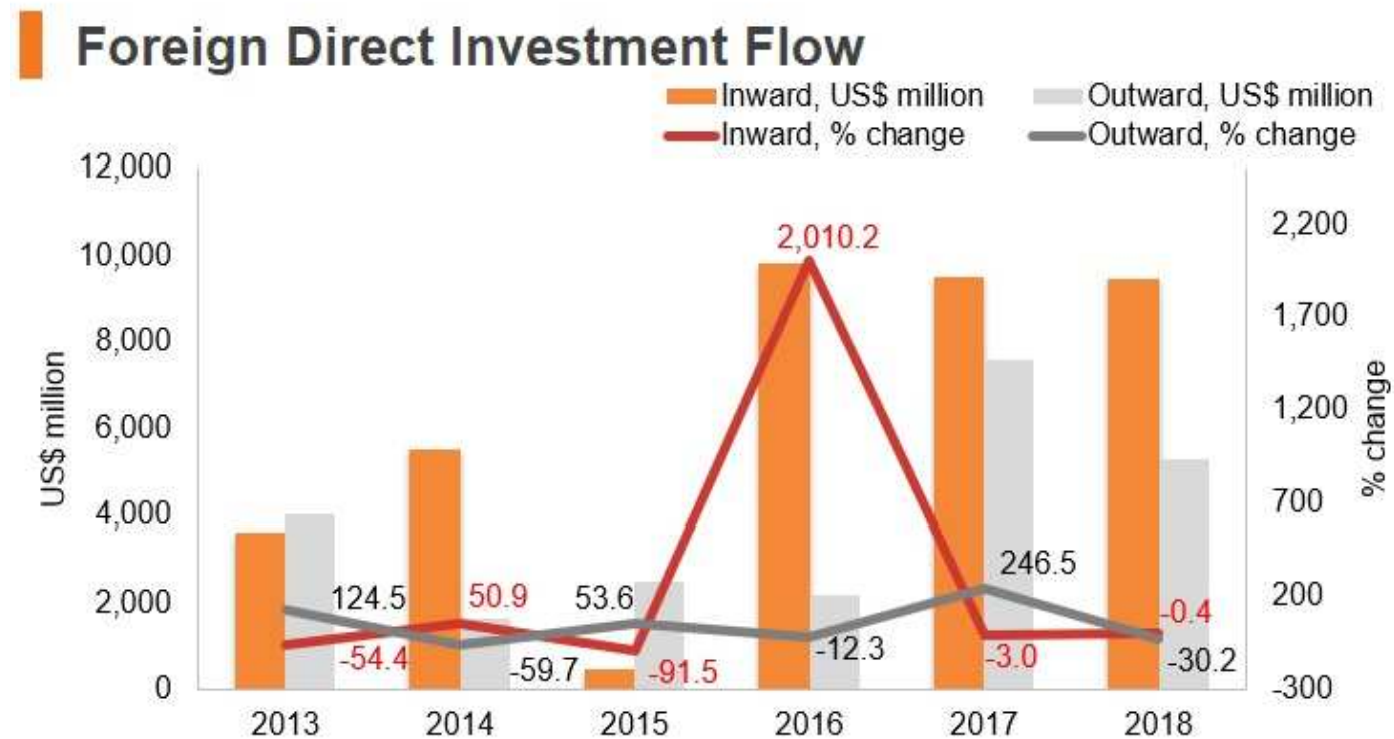
# The Technological Environment

- Appropriability of technology
  - protecting own technology from competitors (patents, trademarks, trade names, copyrights, and trade secrets)
  - less developed countries = less protection of technology
- The International Convention for the Protection of Industrial Property
  - Paris Convention
  - administered by WIPO (World Intellectual Property Organization)
- risk of inappropriate use of technology
  - JV partners, licensees, employees, or stealing by competitors

# Subsidiary in the Czech Republic?

Why?

Why not?





# Questions?

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**Thank you for your attention!**