

Internationaal zakenwezen

Les 1

Session 1

Theorie boek (alles dat wordt vermeld in de 200 slides over het boek is te kennen, de rest niet) wordt gecombineerd met “live” cases tijdens de lessen. Cases worden voorgesteld door CEO's van andere bedrijven.

KPMG: what do we do?

- Audit: checking if financial statements of companies are reasonable
- Advisory: activities to help companies
 - Risk consulting: help companies take risks – risk minimisation
 - Management consulting
 - Deal advisory: help companies acquire or sell companies (*prof*)
 - Technology advisory
- Tax & Legal
- Accountants

What is strategy?

= > Design where you want to go as a company

1. What is my purpose as a company? Reason of existence
2. What does the world look like?
3. How strong am I to do this?

⇒ Implementation

VB.

Sailing on a yacht

Imagine: bad weather

- Either go back or go deeper

Would your decision change if there are holes in the sails and the crew is sick? Yes

⇒ Internal analysis

Beautiful or bad weather?

⇒ External analysis

Imagine: friend is giving birth in England: would this change your decision? Yes

⇒ Stakeholder analysis: why do I do business? Why am I sailing?

Stages in strategic analysis

1. Stakeholders
2. External analysis
3. Internal analysis
4. Strategy
5. Implementation

1. Stakeholders

- Shareholder
- Personnel
- Key clients
- Funding

Is it possible that stakeholders have different views?
Not everyone wants to take the same risks.

A lot of companies don't grow because they think "they have enough".
Why take the risk if you don't need it?

Business purpose:

it used to be: make profit

now: more and more: add value to community: do good for society

Quadrant: typical American way of business: destruction of community + profit so put part of profit in foundations to add value to community

Now: a lot of companies try to go to the top right quadrant: do good while making profit

⇒ See slide 21 session 1

More and more consumers are getting conscious. They don't want to be in the bottom right quadrant. They want to be part of something positive.

Being in the top right quadrant brings a lot of enthusiasm.

2. External factors

5 forces of Michael Porter: the “old way” of looking at the outer world

- Rivalry among existing competitors
- Threat of new entrants
- Bargaining power of buyers
- Bargaining power of suppliers
- Threat of substitute products or services

= outdated

KPMG Innovation Lab methodology

- Regulatory environment
- Social environment
- Technological environment
- Economic and market environment

Porter lived in a world without regulation. Today regulation is everything and everywhere.
Social behaviour has changed. We travel, eat, ... differently.
We are using technology and technology is using us.

Market attractiveness: GE McKinsey (skipped)

Market attractiveness: Steeple

VB. Imagine we want to start a hamburger restaurant in Kinshasa

Social: wages are too low to afford a 5\$ hamburger

Technological: how many hours a day do we have electricity in Kinshasa?

...

VB. Nigeria

Gigantic amount of oil.

Half of the population is under 20.

100 million people without electricity.

- ⇒ Selling iPhones won't work: no electricity
- ⇒ Infrastructure to turn oil in electricity will work

(CIA website: facts on different countries)

Business cycles

What is the maturity of a business? Where is it in the business cycle?

Initial => Repeatable => Defined => Managed => Optimised

BCG matrix

= already seen in previous courses

3. Internal factors

Core competences (Hamel-Prahalad)

What are you good at? Not easy to find out

= something so special that it makes a difference

.

- Provides potential access to variety of markets
- Benefits perceived by the end customer
- Difficult to imitate

VB. Porsche

Slides 37 - 41: skipped

4. Strategy

Porter's generic strategies

- Differentiation (Apple, Starbucks)
- Cost leadership strategy (Primark)

3C Model by Kenichi Ohmae

- Corporate based strategies (hospitals)
- Customer based strategies (most companies)
- Competitor based strategies

Value discipline model (Tracey and Wiersema)

- Product leadership (best)
- Operational excellence (cheapest)
- Customer intimacy (best link to clients)

Choose 1/3 but don't forget the other 2.

The Ansoff matrix: theory

See slides

Rest of session 1: skipped

Session 2

Summary of book

(slide 4 skipped)

The seven concepts of the unifying framework

FSA = something specific you have that makes a difference

Is it location bound or not?

1. Internationally transferable (or non-location bound) firm-specific advantages (fsa)
 - You can bake bread elsewhere but what about ingredients, specific baker, ...?
Will it be equally successful? So: maybe
2. Non-transferable (or location-bound) fsa's
 - Hotel at the ocean for example
3. Location advantages
 - Will the company thrive in a different environment?
4. Investment in – and value creation through – resource recombination
 - Combinations of ideas, distributors, ...
5. Complementary resources of external actors
 -
6. Bounded rationality
 - You will make mistakes because you are not informed enough (especially in different countries)
7. Bounded reliability
 - For example: when you do something that's not in line with the global strategy even though it seems like something good on its own. For example: you sell a lot of Louis Vuitton in Aldi: you sell a lot but is not in line with global strategy

Slide 7-12: te kennen

Slide 13-14: skipped

Motivations for foreign expansion

- Natural resource seeking
 - Oil: no oil in Belgium, go seek it somewhere else
- Market seeking
 - Nigeria: 400 million people, Belgium: 10 million people
- Strategic resource seeking
 - You need a unique license, location, ...
- Efficiency seeking
 - Lower wages in different countries (Poland, ...) or closer to natural resources

Slide 16: te kennen

Slide 17: skipped

4 archetypes of multinational enterprises

- Centralized exported
 - Standardized products
 - Produced at “home” and can be exported to the rest of the world
 - Can be adapted a bit: subtitles for movies, ...
- International projector
 - Replication in a different country
- International coordinator
 - Linking materials from different countries
 - Seamless logistics
 - Countries are part of one global corporation
- Multi-centred MNE
 - For example: apple watch centred in Belgium, iPhones in US

Complementary resources of external factors

- Cultural distance
- Economic distance: iPhone to 19-year old Nigerian won't work
- Institutional distance: authorization
- Spatial distance

Les 2

Key take-aways from A Verbeke: International business strategy

Examen = multiple choice

Chapter 1: conceptual foundations of international business strategy

Slide 7-8-10-12-18-20-21-34-39-40 skipped

Upstream knowledge: before it comes to your company: suppliers, ...

Downstream knowledge: sales, distribution, ...

Paradox of international transferability

If the thing you do, is easy enough to do in another country, it will also be easy enough to be copied by another company. So you need a “secret ingredient”, which is difficult.

Some FSA’s are not transferable. For example: 9000 t-shirts: not exportable to other countries/cities but the IDEA is transferable.

Motivations for foreign expansion

Why would you want to go abroad?

Possible exam question:

In the case of Coca Cola: why have they moved? Primarily for natural resource seeking – market seeking – strategic resource seeking – efficiency seeking?

⇒ Market seeking

MNE archetypes

Exam: What archetype is Coca Cola mainly (slide 22-33)?

⇒ Centralized exporter: no, they produce in different countries

⇒ International projector: yes

⇒ International coordinator: no

⇒ Multi-centred MNE: no

Complementary resources of external actors

What could you use of others and why?

- Distance:

- Spatial distance: literal km: Paris is closer than Australia
- Cultural distance: you’ll have to act different in Asia
- Economic distance: some countries (Nigeria) can’t buy our product (too expensive) => make a cheaper version that is economically fit. Or in other direction: too expensive to produce there, so not feasible
- Institutional distance: do we need permits, are we aloud, ...?

Exam: what kind of distance is this company trying to cover? What is the most difficult distance to cover for this company?

Bounded rationality

Example: in France doctors prescribe brands, not just glasses or pills. If you would transfer your business to France without knowing this: lack of information: bounded rationality: you (probably) will fail.

Bounded reliability

Not always easy to align strategic management. What is good for one of the stores is not per se good for the entire business.

Chapter 2: critical role of firm-specific advantages

Slide 45 skipped

Organizational implications

You need an architecture: divide structure hierarchically or per division? No right answer

Decentralized SBU's: for example: Chaudfontaine is a part of Coca Cola company but they act in own self-interest.

Five management takeaways after every chapter

Chapter 3: the nature of home country location advantages

When should you move to another country? When you're strong or when you're weak?

Chapter 4: problem with host country location advantages

Distance is always more difficult than expected.

What is for a Belgian company the easiest country to export to?

Think about the different distances, prepare and don't underestimate it.

Chapter 5: combining firm specific advantages and location advantages in a multinational network divider one

Do you need subsidiaries and how will you manage them?

As a chief of Coca Cola Belgium: almost all of the decisions need to be aligned with the international strategy. Responsible for a lot, but you have to be compliant for a lot.

Chapter 6: international innovation

Where and how do you put R&D centres? Central or on the outside?
For iPhone: in the US, few in Belgium.

2 types of R&D

Home-base exploiting site: invent at home, adapt to the local market (Apple)

Home-base augmenting site: invent where ever, and export to all countries

Chapter 7: international sourcing and production

Where should I put my factories? What type of factories do I have?

Trade barriers used to be very big. They were there to protect local markets. They mostly disappeared. Within the EU they don't exist anymore. Lately, they have appeared again => Trump. Assuming this is only temporary and that things will go back to normal, we can see the world as one big market.

Possible roles of factories (exam question)

- Offshore factory: do what I tell you and do it cheaply (Apple)
- Server factory: produce locally to avoid trade barriers, but not a lot of autonomy
- Outpost factory: gain local information, how does it work there?
- Source factory: cheap labour, cheap electricity, ...
- Contributor factory: leads and contributes to the bigger picture
- Lead factory: where things are invented and created

What type of leadership do these different plants need?

Chapter 8: international finance

100-109 skipped

Chapter 9: international marketing

Les 3

Live case 1: Desotec

Mission

Delivering industrial purification solutions in Europe.

They are doing this in 5 market segments.

They capture the contamination and destroy or neutralize it. This way their customers don't have to invest in purification systems themselves.

5 markets:

- Air emission
- Biogas: a lot of contamination - Desotec is market leader in this segment
- Remediation market: if not purified, the contamination can end up in the water
- Chemicals market
- Waste water

Why are they a market leader?

-> constantly investing to stay ahead

-> targeting those five markets

STEP 1: they have to understand (call-visit) the customer purification demands

STEP 2: select the activated carbon that meets the demands of the customer

STEP 3: select the right mobile filter system

STEP 4: PLUG & PLAY: install the filter

STEP 5: Reactivation and valorisation: the activated carbon is heated up (not burned). The contamination is inside the activated carbon. This process destroys the contamination. This way the activated carbon can be reused in the market.

Questions:

What is the community angle of the business? (quadrant)

=> Profit + add value to community

While selecting employees, they are looking for a drive to do something for the community.

How will the market evolve? (quadrant)

=> Regulatory changes

The control on the regulations is evolving as well. This differs in every country. This stimulates growth of the company.

Main strategic choice?

They are not the cheapest. They are the best. They are a solution-based company.

What type of company are you? (corporate based-competitor based-customer based)

=> not competitor-based

It is a combination of corporate based strategy and customer-based strategy. It is based on the needs of the customer.

How do you position yourself? (product leadership-customer intimacy-operational excellence)

=> Customer intimacy

Only very few customers are lost every year. If they lose one, all the attention is focused on that customer and how they can improve their service.

How do you expand? (quadrant)

=> Not focusing on existing-existing: they are not trying to become cheaper

They are focusing on latent demands. For the customer it's new. Not for the company.

What are the key motivations for foreign expansion?

=> Why not a subsidiary in China? Because they don't want their company to be copied.

They are market seeking. Looking for clients with needs.

As a lot of their resources is being reused, they are not looking for more natural resources.

Efficiency and strategic: everything is centred in Roeselare.

Which type of business is the MNE?

=> They tend to be more a centralised exporter. The solutions are centrally developed. They are acting locally. They have hubs in different countries. They think globally but act locally.

They recreate the same project in different countries => international projector

They can be successful in other continents because there are no competitors with the same project in those continents.

What resources of external actors are used?

=> They use partners who have the same solution-driven mindset. They don't work with suppliers like regular product-supply companies.

What kind of distance do they want to cover?

=> Cultural, institutional and spatial (not economic). Language is very important. Yes, everyone knows English. But, in Europe there are still some areas that don't really speak English and prefer to work with local partners.

How do you manage bounded rationality and bounded reliability?

=> The managers in the other countries are called regional business directors. Those people come together often (physically, but also digitally). It helps that everyone is doing the same thing. But there are cultural differences. How to deal with those particular people.

How do you communicate with local managers (guide vs command)?

=> How do you find an equilibrium between "bossing around" and stimulating entrepreneurship? CEO went to local managers and the customers. => corporate headquarters' familiarity. Effective two-way communication is necessary. Consistent

decision-making is also very important. Challenging each other and transparent understanding of the strategy is key.

How do you organize R&D?

=> Central. Why? So they can keep their uniqueness in the market. This is very important for them.

How do you manage foreign currency?

=> The company buys and sells in Euro. They also buy materials in different currencies. How do you solve that?

- Become more international = find customers in those foreign currencies
- ...

How do you manage M&A's?

=> They are looking for M&A's but you have to find companies at the right place for the right price. They are looking for companies that contribute to their company and also fit geographically into their strategy.

What is the role of CSRoI

=> Sustainability gets more and more important. Certainly on the European playfield.

Nearly 10% of their operation goes to R&D.

Live Case 2: LensOnline

Introduction

2004: start-up

Around this time online shops for glasses started to turn up in Germany, the Netherlands. A lot of commotion made LensOnline known by the public. Opticians and lens-stores were angry.

2007: They started working together with independent opticians. By combining online shops with the opticians and physical stores, the sales numbers rose exponentially.

Why hybrid? From Clicks to Bricks!

How does the customer win?

24h availability. Fast delivery. Bigger assortment. BUT the advantage of having check-ups by opticians.

How does the optician win? They can sell more brands. They can win clients from the online shop to their physical shop. They are more competitive. They can join the marketing of LensOnline. This gave them the opportunity to compete with chains and other online shops.

How does LensOnline win?

Less drop-outs, more expensive buying => growth LensOnline

How does the market win?

More people wear contact lenses now than 10 years ago.

2008: when you grow, there is trouble ahead.

=< in 2010: chaos. They reorganised with an SAP = better organized and more stability

2017: 15% market share, which is enormous in the contact lenses market

2018: LensOnline acquired LensWorld and now has a market share of 20%.

What went wrong?

They tried to copy-paste this to other countries.

Spain => legal issues: took them a few years to work past them.

Netherlands => market is double as big there, more competition

They acquired LensBestel.nl. That way they found out how the market worked. Afterwards they put LensOnline.nl online.

Italy => LensOnline already existed. In Italy houses are numbered differently: delivery issues
They couldn't find opticians willing to work together until they went to an exchange in Italy.

France: prescription-driven market: they have to have a prescription and then can be reimbursed by health insurance. They are still looking for a way to penetrate the market in France. They are doing research: how does the market work?

Germany: 35% of the market takes place online. Going into the market requires another approach.

UK: they are waiting what will happen now because of Brexit. Currency issues might be a problem.

Questions:

What is the community angle of the business?

=> Profit (not value to community)

How will the market evolve?

=> Competitors are growing fast. ...

What is the main strategic choice?

=> Differentiation in the online business

How do you position yourself?

=> Customer intimacy: that is the difference between companies that are only selling online.
Here there is a link with the opticians = extra value

How do you expand?

=> Same product in new markets

What are the key motivations for foreign expansions?

=> Market seeking: definitely

=> Sometimes strategic resource seeking (buying in other countries to make it more difficult for competitors) but that was not the main reason to go abroad

Which type of business is the MNE?

=> Centralised exporter: sell from Belgium all over Europe

=> International projector: local systems reproduced in other countries => local opticians

What resources of external actors are used?

=> They have a very important partner in Italy because of a cultural difference. Having an Italian working on the Italian market is very important. Institutional: it can help to know where to go and how to handle authorities.

How do you manage bounded rationality and bounded reliability?

=> Sometimes things went wrong. It is very unique that a company wants to tell about their failures. When they first went to Spain they had an optician visiting other opticians. He was only thinking about his shop. Trying to build shops for another was not ideal. It was a conflict of interest.

How do you communicate with local managers?

=> A lot of opticians who all know better. A lot of discussion and they all want it their way. So there has to be a decision-making concept that is done by the company itself. For example: price-setting is decided in Antwerp, branding as well. This is the only way it will work.

How do you manage marketing?

=> It is a consumer product. How much do you localize/centralize the marketing approach? Do you adapt the product? The LensOnline concept always has the same colour, product, branding. In some countries you have to adapt a bit because of regulations but they try to keep it as centralized as possible.

What is the role of CSR?

=> There are no greener alternatives in the optical world for now. They have tried to recuperate packaging but there was no interest. This market has a lot of growing to do when it comes to recycling.

Les 4

Live case 3: Agfa-Gevaert

3 business groups which are all linked to the history of the company. Everything with images.

- Graphics
- Healthcare
- Specialty products

The company was founded in 1867 in Germany.

Together with Kodak and Fuji Film they were one of the three main players in the film industry.

There was an evolution from analogue to digital. This transformation had to happen through different elements.

=> Internal development: a lot of new technologies, a lot of patents

=> Acquisitions: IT companies mostly

=> Divestiture of the more traditional companies

Graphics

A lot of images are printed. Packaging and things inside are printed. It used to be just to inform customers (magazines, newspapers, packaging, ...). Now for example even furniture from Ikea is printed. Inkjet is an important technology that allows differentiation.

Healthcare

Radiology and imaging IT: It used to be film. Now all the imaging is on a computer.

Hospital information systems: Management of the patient. Work flow management has a connection to the ERP system of the hospital which has a connection to health insurance companies. Agfa Gevaert develops these kinds of systems.

Integrated care: Some people (elderly) can stay at home while sick but need to be connected to doctors, medication, ... Staying at hospitals will become too expensive. The population is aging. Technology is evolving rapidly in this sector.

Specialty products

This is a smaller part of the business, but it is the root of what they do in the other businesses (graphics and healthcare).

Strengthening 2011-2016

The years before were very difficult => economic crisis. They were just trying to survive. Then they made a 5-year plan to rebuild and strengthen the company. They reduced costs and improved the gross margin and the EBITDA-margin + they reduced their debts.

They did this by improving

- Manufacturing efficiency
- Service efficiency
- Procurement efficiency
- Product portfolio rationalisation

But the revenues of the company dropped by 16% in 5 years. This was because of 2 main reasons.

=> The market growth is not evolving as expected.

=> The markets of these technologies are declining.

Next target: growth of top line (revenues)

4 pillars

- Resist the decline in their traditional business
 - How do you grow in a market that is declining?
Reposition yourself to markets that ARE growing.
Try to consolidate the industry. There are too many suppliers. => acquisitions.
- Boost their growth engines
 - In the markets that are growing: grow at least as fast as the market itself or faster.
- Analyse clever, profitable acquisitions
 - Difficult => find technologies you don't have, companies that are still growing.
- Develop competences & cultural change
 - Don't do business the same way as 20 years ago.

They are trying to make 2 companies

- Imaging and healthcare IT
- Rest

Why? Two companies with very different styles, people and models. The people you recruit are different for each company. To better pursue growth, profitability and opportunities. To achieve this transformation, you need to go through different steps.

Being global: Cases

ORBIS: software for hospitals

Every country has its own habits and practices => take into account local specifications.

Multi-local business: R&D is 70% global, but in 30% local specific adjustments must be made.

This is why you need a local team.

Imaging IT: more standardized model but also local support and services. R&D: 0% local => global business.

...?

ExCo Culture: 5 top managers. They have all lived in several countries => knowledge of local culture, local regulations and local business practices.

Questions:

What is the community angle of the business?

=> The healthcare business focuses on adding value to the community as well. Is there a difference between the people who work for the graphics and the people who work for healthcare? It is more pleasant to work knowing you're helping people. But people are also proud to work for graphics, making their clients more sustainable. Not only healthcare adds value to the community.

What is the main strategic choice?

=> They are trying to sell value. They don't focus on cost leadership. But by buying the quality products their clients also save money.

What type of company are you?

=> They are aiming at being a customer-based company. You only survive and develop when you serve your customers. That is why they are innovating. You need to develop the products that they will need in the future.

What are the key motivations for foreign expansion?

=> Hospital management systems: market seeking

=> Imaging IT: expansion is questionable: costs become high and might not be profitable (Efficiency seeking: some plates are being found in the countries themselves because it's too expensive to transport)

Which type of business is the MNE?

=> mix of centralised exporter (films) and international coordinator (plates)

How do you manage bounded rationality and bounded reliability?

=> bounded rationality: when they made an **acquisition**, ...

=> bounded reliability: in some countries some people think they can do it themselves

How do you communicate with local managers?

=> mix of 3 things:

organisational processes: discipline: the way you give flexibility

communication: what is the strategy? What are the tactics? When CEO travels to other countries, speak to all employees, answering questions: two-way communications: also let them criticize.

give people a strong empowerment: if they respect the strategy of the company, they can decide themselves how they can help the company move forward.

What types of factories do you have?

=> **server factories and lead factories**

How do you manage distributors?

=> In big countries you need a big amount of salesmen. Sometimes it's too expensive to set up agfa employees in other countries. + ...

How do you position yourself?

=> Operational excellence: factories have to be efficient

=> Customer intimacy: they have long-lasting relationships: installing systems, ...

=> Product leadership: necessary when you focus on IT

Because focusing on all three is impossible, they have decided to split up the company.

How do you expand?

=> Product development: they decided to sell a new product in the existing market. What went wrong? They didn't realize they were entering the pharma industry. The pharma industry has a very strict regulation. It was much more complex than they thought. They closed the operation. (=inside agents story)

What are the roles of the subsidiaries?

=> He gets things done but he also gives empowerment to the subsidiaries.

How do you organize R&D?

=> Centralized: they are home-based exploiting: one-way communication

How do you manage foreign currency?

=<

How do you manage M&A?

=> They had their own M&A team. Acquisitions are not always the right choice.

How do you manage environmental issues?

=> They used environmental issues to their advantage. They started as an industrial company. They got complaints, they were a chemical company. They changed products to chemical-free products.

Les 5

Guest lecture: Hans Vanoorbeek: private equity

Book: Barbarians at the gate: they buy a fat company that spends way too much. They cut out the fat and sell it again.

Private equity as an asset class:

You can put your money in bonds, shares, real estate, ... Private equity is a part of the alternative asset class.

Private => not on the stock market => no public price => more time before people realize how the company is doing because you don't have to publish anything

Public => on the stock market => public price => quarter & annual results have to be published

Private equity generally exists of different funds: venture capital, seed capital, crowd, ...

Investor objectives:

Private equity is a relatively risky business. There is a high standard deviation. Naturally, investors want high returns. Right now, returns are going down.

Private equity segmentation:

Every business has a lifecycle. Seed – Start-up – Growth – Mature – Decline
Each step requires different types of investors.

Leveraged buy-outs:

- Private equity provides the majority of the shareholding
- Big portion comes from the bank
- Management has a stake in the business
- Manage & develop the company
- Capitalisation

Different types of buy-out deals:

- Corporate spin-off ?
- Secondly/thirdly buy-out: one private equity firm buys it from another
- Public to private: buy all the public shares with private equity
- Roll-up: they buy a company and all the companies around it too
- Turn-around: they buy an unsuccessful company and make it better

The leverage effect:

Buying a company with a lot of debt. Turning it into profit and ending with more private equity. ?

$$\text{Internal rate of return} = \text{IRR} = \sqrt{\frac{\text{end value}}{\text{begin value}}}$$

Value creating = Δ

Les 6

What to learn?

The core of the book = 4 first chapters

The document with key questions is the most important. Take it into account during every case study.

Te kennen (200 slide ppt):

Chapter 1

The seven concepts of the unifying framework: important concepts to know

The MNE's unique resource base

Four main types of location-bound FSA's

Motivations for foreign expansion: ideal exam question: give all 4 of them

MNE archetypes: you do not need to know the definitions but understand it and link them to the cases.

Complementary resources of external actors: distance types (bv. economic: can you afford it?)

Bounded rationality: you can't know everything

Bounded reliability: local managers need to think of the big picture, not just what is good locally

Exam question: is this an example of bounded rationality or bounded reliability?

Chapter 2

Higher-order FSA's/core competencies: characteristics! Bv. Porsche (zie eerder)

Five management takeaways: the key learning points of the class

Chapter 3

Porter's diamond

Chapter 4

Distance components

Chapter 5

Roles of subsidiaries

Context and complementary perspectives (2)

Japanese example (5): read

Chapter 6

Significance (1)

Significance (2) home-base exploiting <-> home-base augmenting: exam question

Chapter 7: How do you produce, where do you produce, ...?

! *Six roles of foreign manufacturing plants*!! Exam question: gives an example: what type is it?

What are the x and y axes on the graph to classify them? Strategic purpose + level of distinct FSA's

Chapter 8

Significance (1) It's about competitiveness relative to rivals. If Porsche has to increase their prices, it's only bad if Ferrari has to increase them too. If Porsche has to increase their prices because of problems with euro, but American company doesn't need to increase prices: problem for Porsche. You want equal amount of dollars as euros.

Significance (2) What are the key underlying drivers to this business?

1. Imagine steel is $\frac{1}{4}$ of a washing machine. Steel prices go up. Would consumer still buy a more expensive washing machine? Most of the time: no, not my problem.
Underlying driver: steel prices
 2. In steel chords, prices of steel do not have much effect on the final price of a steel chord. These chords are used to anchor oil platforms. Oil prices went down, oil activity stopped and business for steel chords went down as well. Underlying driver: oil prices.
 3. Recycling of steel drums. In steel drums you can keep oil. Underlying driver here is the cost of steel. If a new steel drum costs less, than people will not want a recycled one. Underlying driver: steel prices
 4. Production of rugs and carpets. These carpets are made of oil. They have a very big production site in Turkey. A lot of textile companies were taken over by Turkish government. Owning carpet business: what is my political exposure? = underlying driver
- ⇒ Underlying drivers are sometimes hard to discover
⇒ Once you have the underlying driver, you can start to manage it

Chapter 9

Customers are becoming “one”, which is why Levitt sees the multi-centred MNE being gradually replaced by centralized exporters and international projectors

Chapter 10

If you want to create an international atmosphere: give a warm welcome back to expatriates. If not, others won't want to do the same. Make sure they are well looked after.

Chapter 11

Significance (4) Make it a partnership. Distributors can add value.

Chapter 12

Think about the dangers while developing this. In the media sector: a lot of strategic alliances and joint ventures. In the end, they always get dissolved and return to 1 shareholder. It's not always easy to work with a rival.

Chapter 13

Most important slide: value creation through M&A. Exam question!

Total price you pay for something worth 100 is 120. Costs of M&A experts, extra costs, ...

You will have to earn it back. Synergies: sell tables and chairs instead of only chairs?

New strategies: do new things. Synergies and new strategies => create new value.

What can go wrong?

Integration risk: people running away. For example: people leaving because they don't feel at home anymore.

Target risk: things in the company you didn't see (“lijken in de kast”)

Synergy risk: try to realize synergies and fail

Strategy risk: try a new strategy and fail

Due diligence: research the company:

there can be deal breakers (building is burned down)

there can be valuation issues: it's worth less

contract you are still willing to pay same amount buy vendor must agree to guard you

Integration issues: some legal things must still be taken care of, some things still need to be changed

Chapter 14

If you are trying to do business in raising economies, there will be challenges, it's a different environment

There are 3 strategic options (significance 4)

Chapter 15

Differences between emerging economies and western economies:

We want the best products, emerging economies want "good enough".

Chapter 16A

CSR = corporate social responsibilities

step 1: stop doing bad things

step 2: trying to improve the world

For some companies: we have to do it, so we'll do our part = green washing

For other companies: it's a life mission = being green = companies with a purpose

Chapter 16B

The problem is: the cheapest way, is the dirtiest way. If you are going for the long-term: choose the environment. It's not easy, but something you need to do.

We have regulations because sometimes you have to force people to do it.

Niet te kennen:

Cases from the book

Key questions PowerPoint: all exam questions: applied to the live cases

Les 7

Technology & megatrends

What is the life expectancy of a company? (S&P 500 company)

- In 1937: 75 years
- In 2011: 15 years
- In 2025: 5 years

Chances are we will work for companies that are yet to be created or have just been created. Unicorns? Google, Facebook, ... are not that old. On average it takes 20 years to grow into a giant company. Google and Facebook took 8 & 5 years to reach \$1 billion.

Four megatrends shaping the world of the future

Demographic dynamics

- Growing population
- Urban population
- Aging population

What does this mean for us?

If you build a business, which is surfing on these trends, you will surf on the wave instead of fighting it.

Urban population: we will need more public transport.

Aging population: if people get older, why not invest in elderly care, cruise ships, ...?

Sharing responsibility

- Resource insecurity: resources are not infinite: recycle or use less
- Socially responsible
- Ecosystem at risk

If you live with a lot of people in a small space, you have to share responsibility

Disruptive technologies

- Increasing connectivity
- Future of health
- Power of technology

Social values & behaviour

- Platform economy (airbnb: biggest hotel service in the world, doesn't own rooms but they have a platform)
- Personalization (Nike: personalised shoes on the internet)
- Insecure world (Betafence instead of chicken wire => wire railroads, ...)

We no longer live in a secure world. There are threats. It was always insecure, but now we get all the information immediately.

Demographic dynamics

Events like WWI can't be seen on a demographic graph. We only see the population growing. Cities are growing, becoming megacities. We will need *smart cities* => having things connected. Electric vehicles, steps, traffic lights adapted to the traffic, internet, ... Why will that be needed? To make things survive.

For example: several delivery systems deliver goods in the same street. Instead of using 10 different cars, organize it better. This need is not yet here, but it will come.

Smart cities = trend to come

3D-printing:

What can we do with it? We can even print houses.

Threat of an aging population:

Now: 12% of the population is over 60. By 2050 it will be 25%. This means there will be more people who need care and less people to work for that care.

Fortunately, solutions exist: problems => opportunities

China is one of the biggest investors in renewable-energy all over the world.

Internet of things

Investing in technology is only interesting if people want to use it. Always look at applications and then use technology to build that. For example: Apple. They have never "invented" technology. They think of something and gather technology to make it happen.

What is AR/VR and how could you use that? Exam question!

- Augmented reality: extra information on top of the reality (Pokemon Go)
- Virtual reality: the reality is not there: you wear glasses and it looks like you are in China

Blockchain:

Nothing can be manipulated or changed unnoticed. The blockchain is being kept by everyone. It is a chain of information. (bv. Bitcoin) There is no central owner of the data.

Other uses: home ownership, ...