operations are well managed. International diversification provides greater economies of scope and learning which, along with greater innovation, help produce above-average returns.

- A firm using international strategies to pursue strategic competitiveness often experience complex challenges that must be overcome. Some limits also constrain the ability to manage international expansion effectively. International diversification increases coordination and distribution costs, and management problems are exacerbated by trade barriers, logistical costs, and cultural diversity, among other factors.

REVIEW QUESTIONS

1. What incentives influence firms to use international strategies?
2. What are the three basic benefits firms can achieve by successfully using an international strategy?
3. What four factors are determinants of national advantage and serve as a basis for international business-level strategies?
4. What are the three international corporate-level strategies? What are the advantages and disadvantages associated with these individual strategies?
5. What are some global environmental trends affecting the choice of international strategies, particularly international corporate-level strategies?
6. What five entry modes do firms consider as paths to use to enter international markets? What is the typical sequence in which firms use these entry modes?
7. What are political risks and what are economic risks? How should firms approach dealing with these risks?
8. What are the strategic competitiveness outcomes firms can reach through international strategies, and particularly through an international diversification strategy?
9. What are two important issues that can potentially affect a firm's ability to successfully use international strategies?

EXPERIENTIAL EXERCISES

EXERCISE 1: CROSS-BORDER EXPANSION

Should Ronco Toys expand to Mexico? One of the important reasons for expanding internationally is location advantages through which placing facilities outside one's home country can provide cost advantages. Advantages don't necessarily always have to be about cost reduction; the international country might provide access to important raw materials, logistical support, and energy or other natural resources.

For purposes of this exercise you are to consider that your team has been hired to act as a consulting company for the purposes of analyzing a potential cross-border expansion of a U.S. firm. Your client, Ronco Toys Inc., has made the decision to expand internationally to Mexico under the Maquiladora Program. Under this program American companies (and other countries as well) can establish factories in Mexico close to the Texas border and thereby gain significant cost reductions in labor. This program began in the 1960s but expanded rapidly after NAFTA was approved in 1994. By some estimates today there are over one million Mexicans working in over 3,000 factories producing goods that will most likely be exported to the United States.

Your client makes toys that are rather labor intensive and has found that demand is outstripping supply from their U.S.-based factory. In addition, cost pressures from competitors are squeezing margins uncomfortably. Therefore the CEO has decided to open up a new factory in a Mexican Maquiladora rather than expand domestically. Your challenge in this exercise is to critically examine this decision.

Provide both a list of pros and cons to help the CEO wade through the decision. Pay particular attention to the following:

1. Do you think this is the best solution possible given the limited data provided?
2. What other options should be considered?
3. What other items should go into this decision besides labor cost savings?

Be prepared to present your findings to the class.

EXERCISE 2: WHERE NEXT?

In this exercise, consider your team to be a consultant to a multinational fast food restaurant company that is trying to increase its international exposure in the coming years. As you recall from the chapter, an international strategy is one in which "the firm sells its goods or services outside its domestic market." The choices to do so are varied and include exporting, licensing, alliance, acquisition, or creating a new wholly owned subsidiary. The reasons are just as varied as the entry modes.

To identify a suitable candidate for analysis, consult research databases such as Datamonitor or Business Source Complete. For example, Jack in the Box operates more than 2,200 units but they are all in the United States, which provides advantages as well as disadvantages. Compare this with McDonald's, the world's largest food-service retailing chain, with 34,000 restaurants operating in 119 countries as of 2013. You will also find SWOT (strengths, weaknesses, opportunities, threats) analysis on companies through databases such as those mentioned above.

Your consulting firm has been retained by the fast-food retailer to investigate the feasibility of expanding internationally. You should be prepared to address the following questions:

1. Which international location(s) seem to fit best based on your research?
2. Which entry mode seems the most reasonable for the firms to use?
3. What macro environmental and industry trends support your recommendations? Economic characteristics include gross national product, wages, unemployment, and inflation. Trend analysis of these data (e.g., are wages rising or falling, rate of change in wages, etc.) is preferable to single point-in-time snapshots.
4. What country risks seem most problematic?

The following additional Internet resources may be useful in your research:

- The Library of Congress has a collection of country studies.
- *BBC News* offers country profiles.
- *The Economist Intelligence Unit* (http://www.eiu.com) offers country profiles.
- Both the United Nations and International Monetary Fund provide statistics and research reports.
- The *CIA World Factbook* has profiles of different regions.
- The *Global Entrepreneurship Monitor* provides reports with detailed information about economic conditions and social aspects for a number of countries.
- Links can be found at http://www.countryrisk.com to a number of resources that assess both political and economic risk for individual countries.
- For U.S. data, see http://www.census.gov.
- Be prepared to discuss and defend your recommendations in class.

VIDEO CASE

THE LURE OF AN INTERNATIONAL STRATEGY: INDIA/INFOSYS

India, home to low-cost living and resources, has become a technology mecca that maintains the second-largest software industry in the world. The country has managed to amass the presence of big-name international companies and create a few of its own, such as InfoSys. The key to luring foreign investors and workers is to create companies on par with any in the West. InfoSys, which is similar to a resort spa, continues to offer more experience and opportunity for many young Americans from U.S. colleges than would be possible in the US. Infosys was ranked India's 'Most Admired Company' in Wall Street Journal Asia 200, a listing of Asia's leading companies in 2010, a distinction achieved for nine years in a row. Established in 1981 with capital of $250, Infosys has grown to a $6.4 billion IT services and consulting company.

Be prepared to discuss the following concepts and questions in class:

Concepts

- International strategy
- Business-level strategy
- Corporate-level strategy
- National advantage

Questions

1. What international strategy incentives does India offer to a foreign investor? What limitations exist in India for companies desiring international expansion?
2. What benefits does InfoSys receive from its international strategy?
3. How does India's national advantage(s) influence its business-level strategy?
4. What corporate-level strategy is used by InfoSys and why?