

## International Business and Management 2020 – EXAM

*Note: If needed, you are welcome to make assumptions and address the questions in relation to your assumptions.*

**QUESTION 1:** Read the following case about Lenovo, a Chinese manufacturer of personal computers. What strategy do you think Lenovo is pursuing? Discuss the staffing policy that Lenovo is adopting and whether it matches Lenovo's strategy. Can you see any potential weaknesses or problems that the company might encounter as a result of its staffing policy? What should the HRM function do to mitigate these problems and thereby helping Lenovo to achieve its strategic goals?

### *Case: Lenovo<sup>1</sup>*

In late 2004 IBM announced that it was getting out of the personal computer business and would sell its entire PC operations to Lenovo, the fast-growing Chinese manufacturer of personal computers, for \$1.75 billion. The acquisition turned Lenovo into the world's third-largest PC firm. It also raised many questions about how a Chinese enterprise with little global exposure would manage the assets of an American firm that had 2,400 employees in the United States, 4,000 in foreign manufacturing facilities, and 3,600 sales and distribution centers in over 60 countries around the world.

Lenovo moved quickly to reassure employees that it was committed to building a truly global enterprise with a global workforce. Less than 24 hours after the two companies announced the acquisition, the human resources department at IBM's PC division released a 59-point question and answer memo to all employees informing them that they would become employees of Lenovo, that their compensation and benefits would remain identical or fully comparable to their IBM package, and that they would not be asked to reallocate. The memo also made it clear that employees could accept employment at Lenovo or leave, with no separation pay. IBM would not consider them for a transfer within IBM or recruit or hire the new Lenovo employees for two years.

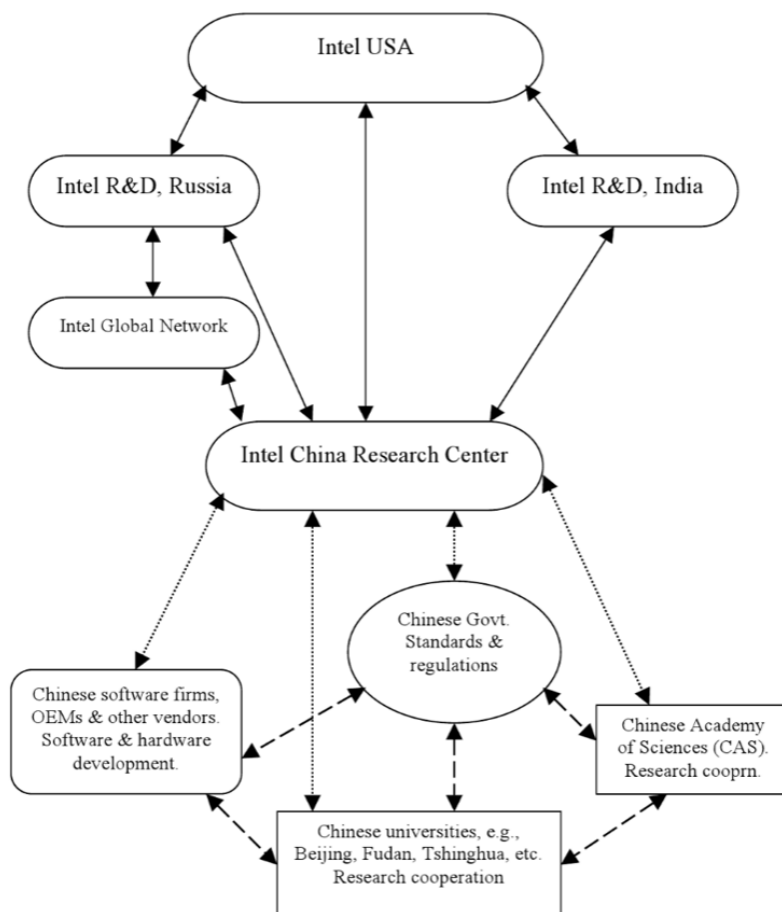
What really surprised many observers, however, was the composition of the top management team at the new Lenovo and the location of its global headquarters. Top executives at Lenovo moved Lenovo's global headquarters to New York. Moreover, the former head of IBM's PC division, Stephen Ward, was appointed CEO of Lenovo, while Yang Yuanqing, the former CEO of Lenovo, became chairman, and Lenovo's Mary Ma became CFO. The 30-member top management team was split down the middle—half Chinese, half American—and boasted more women than men. English was declared the company's new business language. The goal, according to Yang, is to transform Lenovo into a corporation that is capable of going head-to-head with Dell in the battle for dominance in the global PC business. The choice of Ward for CEO, for example, was based on the presumption that none of the Chinese executives had the experience and capabilities required to manage a truly global enterprise. For Lenovo, when deciding who should hold management positions, the national origin of candidate is not an issue. Rather, the decision focuses upon whether the person has the skills and capabilities required for working in a global enterprise. Lenovo is committed to hiring the very best people, wherever they might come from.

Commenting on the acquisition, Bill Matson, a former IBM executive who became senior vice president of human resources at Lenovo, noted that the company would use the same set of principles to guide workforce management in all locations. He noted that "You have to establish the broad principles of how you want to manage your business, but then you have to be very astute about how those principles are applied in every local market so that you remain responsive to the needs of people in different environments."

<sup>1</sup> The case study is intended to be used only as a basis for IBM exam.

**QUESTION 2:** AlumCo is a large producer of aluminum products. AlumCo now handles international operations through its export department. However, top-management believes this arrangement is no longer suited to the firm’s growing international activities and wants to adopt a more sophisticated approach. What alternative organizational structures should the firm consider? Why? Make a recommendation to the management team regarding the most appropriate organizational structure that AlumCo could employ.

**QUESTION 3:** Intel is the world’s largest semiconductor company and the inventor of the microprocessors found in many personal computers. Intel combines advanced chip design capabilities with a leading-edge manufacturing capability. Most of Intel products (e.g., hardware, large software components, software for consumer electronics) are global products, with little or no localization requirements. The figure illustrates Intel’s R&D operations with a particular focus on Intel China Research Center. About 80 percent of R&D teams in China works on worldwide products and the remaining 20 percent deals with local differentiation (e.g. different applications in different businesses). Note that China is a very big market with a complex system, which usually requires the development of different configurations. In China, Intel has relationships with the government and collaborates with Chinese firms and local universities in new technology development. Intel does not conduct any chip design activities in China. How would you describe Intel’s R&D subsidiary in China? How are the R&D operations in China likely to affect Intel’s long-term value creation? What risks may Intel face in having R&D operations in China? Should Intel’s top-management take measures to safeguard its interests and if so how?



Legend. OEM: Original equipment manufacturing

**QUESTION 4:** What are key sources of competitive advantage available to international businesses that are not (or less) available to purely domestic firms? How can international businesses exploit these sources to create value? What are the potential challenges?

## Appendix: Academic readings used in IBM

### Session 1: International business and management: An introduction

Ghemawat, P. (2001). Distance still matters. *Harvard Business Review*, 79(8), 137-147.

### Session 2: The internalization theory of the multinational enterprise (MNE)

Hennart, J.-F. (2001). Theories of the multinational enterprises. In A.M. Rugman & Brewer T.L. (eds.), *The Oxford handbook of international business*, Oxford: Oxford University Press, ch. 5, 127-149.

### Session 3: Business theories of MNE activity

Dunning J. and Lundan SM (2008), "The main tenets of the paradigm" in Dunning J. and Lundan SM (Eds), *Multinational enterprises and the global economies*, Edward Elgar: Cheltenham, UK, pp. 99-109.

Dunning J. 2000. The eclectic paradigm as an envelope for economic and business theories of MNE activity. *International Business Review*, 9(2): 163-190.

### Session 4: A learning perspective of the MNE – The Uppsala School

Johanson, J. & Vahlne, J.-E. (1977), The internationalization process of the firm - A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, Vol. 8, No. 1, pp. 23-32.

Johanson, J. & Vahlne, J.-E. (2009) The Uppsala internationalization process model revisited: from liability of foreignness to liability of outsidership. *Journal of International Business Studies*, Vol. 40, No. 9, pp. 1411-31.

### Session 5: The institutional view of the MNE

Hotho, J.J. and Pedersen, T. (2012). Beyond the 'rules of the game': Three institutional approaches and how they matter for international business. In: G. Wood and M. Demirbag (Eds.) *Handbook of Institutional Approaches to International Business*, Cheltenham: Edward Elgar, pp. 236-273.

Regnér, P., & Edman, J. (2014). MNE institutional advantage: How subunits shape, transpose and evade host country institutions. *Journal of International Business Studies*, 45(3), 275-302.

### Session 7: The internationalization of emerging market firms

Ramamurti, R. (2012). What is really different about emerging market multinationals? *Global Strategy Journal*, 2(1), 41-47.

Luo, Y., & Tung, R. L. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of international business studies*, 38(4), 481-498

### Session 8: MNE strategies in a global context

Ghoshal, S. (1987). Global strategy: An organizing framework. *Strategic Management Journal*, 8(5), 425-440.

Yip, G. S. (1989). Global Strategy...In a World of Nations? *Sloan Management Review*; Vol. 31 Issue 1, 29-41.

"Strategies based on the Integration-Responsiveness Framework" in Cavusgil, S.T., Knight, G., Riesenberger, J.R. 2014. "International Business. The New Realities". Pearson, England, Ch. 12, pp. 342-345.

### Session 9: Building global organizations

Westney, D. E., Zaheer, S. (2001). The Multinational Enterprise as an Organization, in Alan M. Rugman and T.L. Brewer (eds.), *The Oxford Handbook of International Business*, Oxford University Press: Oxford, UK, pp: 349-379.

Harzing, A. W. (2000). An empirical analysis and extension of the Bartlett and Ghoshal typology of multinational companies. *Journal of International Business Studies*, 31(1), 101-120.

### Session 10: Human resource management strategies in MNEs

"International human resource management", in Daniels J.D, Radebaugh L.H, & D.P. Sullivan (2019), *International Business* (16Ed), Pearson, Ch 20, pp. 592-603.

Rosenzweig, P., & Nohria, N. (1994). Influences on Human Resource Management Practices in Multinational Corporations. *Journal of International Business Studies*, 25(2), 229-251.

Black, J. S., & Gregersen, H. B. (1999). The right way to manage expats. *Harvard Business Review*, 77(2), 52-59.

### Session 11: Diversity management in MNE

Lauring, J. (2013). International Diversity Management: Global Ideals and Local Responses. *British Journal of Management*, 24, 2011-224.

Marschan-Piekkari, R., Welch, D., Welch, L. (1999). "In the shadow: the impact of language on structure, power and communication in the multinational". *International Business Review*, 8: 421-440.

### Session 13: MNE foreign subsidiaries

Birkinshaw, J., N. Hood, S. Jonsson. 1998. Building firm-specific advantages in multinational corporations: the role of subsidiary initiative. *Strategic Management Journal*, 19: 221-241.

Birkinshaw, J., Fry, N. 1998. Subsidiary initiatives to develop new markets. *Sloan Management Review*, Spring, pp. 51-61.

### Session 14: Power and control of foreign subsidiaries

Bouquet, C., Birkinshaw, J. (2008). Managing Power in the Multinational Corporation: How Low-Power Actors Gain Influence. *Journal of Management*, Vol. 34 (3), 477-508.

### Session 15: Global knowledge management

Santos, J., Doz, Y., and Williamson, P. (2004). Is Your Innovation Process Global?, *MIT Sloan Management Review*, 45: 31-37.

Kuemmerle, W. (1997). Building Effective R&D Capabilities. *Harvard Business Review*, 61-70.

Hansen, M. T., Nohria, N. 2004. How to build collaborative advantage. *Sloan Management Review*, Fall: 22-30.

### Session 17: Special focus on MNEs and corruption

Cuervo-Cazurra, A. 2006. Who cares about corruption? *Journal of International Business Studies*, 37(6): 807-822.

Rodriguez, P., Uhlenbruck, K., & Eden, L. 2005. Government corruption and the entry strategies of multinationals. *Academy of Management Review*, 30(2)383-396.

Rabbiosi, L., Santangelo G.D., 2019. "Host country corruption and the organization of HQ-subsidary relationships", *Journal of International Business Studies*, 50, 111-124.