Change Management

Marta Fernández
Montse Forne

PID_00222101

Universitat Oberta de Catalunya

Index

1. Change management steps and perspectives

The objectives of internationalization, as already noted, are related to accessing new markets (*market seeking*) or accessing strategic resources (*asset seeking*). The strategic focus of the internationalization process is, as mentioned, aimed at exploiting competitive advantages through international expansion, advantages based on intangible assets (patents, management systems etc.) and on differential organizational capabilities, such as the ability to realize innovations, for example.

The success of internationalization depends, to some extent, on the intangible assets and organizational capabilities that the company wants to exploit in its international expansion being important to target markets and transferrable to subsidiaries, so that the company can maintain ownership.

The sustainability of competitive advantage achieved through international expansion is reflected in the OLI model (Dunning, 1981 and 1988), which specifies the eclectic paradigm of the author.

Bibliography

J. H. Dunning (1981). International production and the multinational Enterprise. London: Allen and Unwin.

J. H. Dunning (1988). "The eclectic paradigm of international production: a restatement and some possible extensions". Journal of International Business Studies (vol. 19, p. 1-31).

- O: ownership of competitive advantages (ownership)
- L: location advantages
- I: advantages that can be exploited through Internationalization, by controlling activities that involve the transfer of tangible and intangible assets between units of the company itself and in different countries.

In this sense, when companies advance in their internationalization process, they experience operational difficulties arising from operating in different countries and markets, since they are in an environment with greater uncertainty. The causes of these difficulties can be synthesized into three categories:

- Loss of competitive advantage when the company is unable to transfer skills and critical resources related to that specific advantage, or that specific is not relevant in the destination.
- Creation of a disadvantage when faced with barriers related to the company's country of origin.
- Lack of complementary resources in the source country to support the expansion process in the host country (lack of specialized suppliers or adequate communications infrastructure).

- We can distinguish two phases of internationalization that are codependent and are linked to the difficulties and success factors when operating in different countries.

- Selection of the most attractive markets and the entry mode that is most suitable for each market.

- Degree of adaptation of the basic competitive strategy in the local target market, which is especially important when subsidiaries are owned in the host country.

a) The degree of adaptation can be a source of competitive advantage, especially for products with a high cultural content (food, hygiene, leisure, etc.), or those in strategically sensitive sectors (telecommunications, defense, or transportation). It should be noted that, in some cases, a part of the production of these strategic sectors takes place in the country of destination.

b) By implementing processes abroad, companies encounter different conditions with a different intensity from that of pressure to adapt locally, which defines the strategy of the subsidiary or subsidiary.

As the company goes international and operates in a wider range of markets and countries with varying degrees of local adaptation, management is more complex; there is a growing tension between the demands of maintaining and developing competitiveness and the demands to develop specific competitive advantages in different areas to respond to local pressures and conditions.

Bibliography

Cuervo-Cazurra and others (2007). "Causes of the difficulties of internationalization". *Journal of International Business Studies* (vol. 38, p. 709-722).

A complete adaptation to the conditions of each country would lead the multinational company to act like a domestic company, with disappearing synergies and even structural costs incurred; from being a multinational the company would become a conglomerate of autonomous businesses. In that sense, a strategy of full adaptation allows for exploitation of specific advantages, but limits the multinational capacity in order to take advantage of the presence in different countries.

Benefiting from the advantages that can be derived from being a multinational company requires coordinating activities between subsidiaries in different countries. These advantages may refer to:

Bibliography

Tallman, **Yip** (2001). "Strategy and the multinational Enterprise". In: Rugman, A. M.; Brewer, T. L. *The Oxford Handbook of international business* (pag. 317-348). Oxford: Oxford University Press.

- Gaining efficiency if certain activities or functions between subsidiaries are integrated through economies of scale.
- Gaining flexibility through the relocation of value chain activities and lower input costs.
- Developing the capacity for innovation by accessing a variety of resources, skills and customers.
- Responding to global customers.
- Increasing the ability to learn by transfers between subsidiaries.
- Diversifying the risk of divergent economic cycles between countries.

Bibliography

Bartlett, Ghosal (1989). *Managing Across Borders. The transnational solution*. Boston: Harvard Business School Press.

Kogut (1985, autumn). "Designing global strategies: Profiting from operational flexibility". Sloan Management Review (p. 27-38).

Porter, M. E. (1985). Competitive advantage. Creating and sustaining superior performance. Boston: Harvard Business School Press.

As mentioned in previous sections, the coordination and integration of activities between subsidiaries is the option with the greatest potential as regards overall value, entailing costs and management that is more complex.

The level of development of this coordinated international strategy depends on the activity sector, the degree of (or potential) globalization of the competitive position of the company in the sector and the competitive advantage of origin.

In multilocal industries or sectors, markets have specific and differential characteristics, competitors have a domestic orientation, competitive advantage is based on the domestic goal and one location does not have a bearing on international competitive advantage, leading to sectors becoming fragmented. In contrast, global sectors show homogeneous markets with international competitors in which a given competitive position in a market affects the position of the company in other countries. Additionally, competitive advantage in the sector is based on the ability to integrate activities and businesses internationally and the existence of locations that confer distinct advantages for certain value chain activities.

To evaluate the most appropriate type of strategy, it is important to know what forces push the industry towards local adaptation or towards market integration (and to what level of intensity) and the degree of globalization of the sector, as we have said repeatedly.

The international presence of the company does not necessarily mean it has maximized the competitive advantage of the company, valuating its global position. Companies that develop a competitive differential and additional advantage, as opposed to those entrenched in their home markets, based on international position, are those that become multinational. The key questions are:

- How to benefit from the presence in different geographies to build a competitive advantage?
- What to do differently in different countries?
- How to organize activities in different geographical areas to achieve competitive advantage?

We can find a similar approach in Porter, but based on two dimensions:

- Where and at what level are the various activities of the value chain located.
- How to ensure coordination between activities and to what extent.

As noted, a company with an international presence has the potential to develop benefits derived from improved efficiency, knowledge management, local response and optimization of locations.

The development of these advantages is not without stress; it is necessary to balance the need for local adaptation and its benefits with advantages and benefits derived from the overall integration and management.

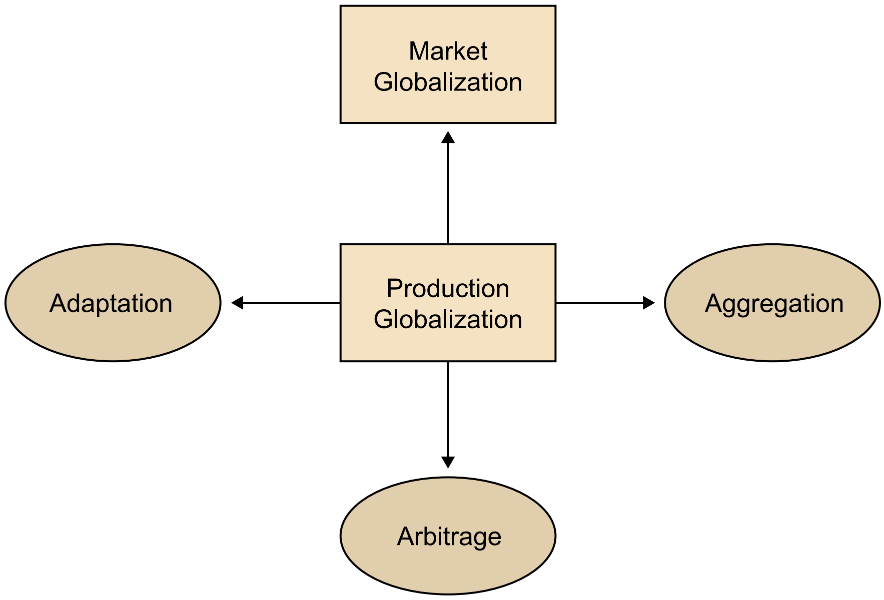
Local adaptation allows the company to gain a number of benefits, such as increasing market share (customers react positively, with better adaptation to specific local needs), allow price increases (if the product fits customer needs better) or improving its position against local competitors.

The company must identify aspects that may prove to be profitable if it develops a particular activity in a particular country, aspects that optimize the activities that shape its value chain in different locations, taking advantage of those in which a given location in one country can bring greater value than it can in another. In this way, it also gets economies of scale and realizes a higher volume in activities, concentrated in one or several locations, which may allow a lower unit cost and a better position in the market, offering a similar or better solution than their competitors, with lower costs. These actions can improve performance in various activities, reducing costs and risk[1].

(1)Gupta; Govindarajan (1998 and 2001)

Multinational companies can also develop competitive advantages as a consequence of the opportunities of knowledge transfer between different countries, although some local adaptation of the product or service is required. The knowledge developed in this process of local adaptation, if transferred to other company locations, which can leverage the learning process and knowledge made, lets the innovation process gain power and speed and exploit the knowledge of competitors in other countries.

Ghemawat presents a complementary approach on how to generate value as a multinational company through his AAA triangle: three strategic options to develop competitive advantage based on the international position of the company (adaptation, aggregation and arbitration):



Source: Ghemawat (2007). Redefining global strategy. Boston (MA): Harvard Business School Press.

- The adaptation strategy is about how to take advantage of local adaptation of product and service.
- The aggregation strategy refers to seeking economies of scale through the grouping together of customers, businesses or regions.
- The arbitrage strategy takes advantage of the differences between countries to create value for those elements of lower cost or higher value in certain countries.

These strategies are related to different types of organizational structures:

- The adaptation strategy is associated with companies organized in a divisional structure by country.
- The strategy of aggregation is associated with companies that adopt a structure by business units or product divisions, regional structures, or global accounts.
- The arbitrage strategy is associated with a functional or vertical structure that enables management of the different contributions of countries.

The AAA triangle allows managers to analyze which of the three strategies, or a combination thereof, is more likely to allow the development of a competitive advantage for the company depending on the sector in which it competes. However, keep in mind that each strategy has specific requirements in the management of its implementation.

The transition from an international to a multinational company is, both organizationally and culturally, a major challenge, and involves significant changes in the model and structure of the company. It is likely that discontinuities will arise during the process.

The transition from an international company to a multinational company involves considering the company as a federation formed by the parent company and its subsidiaries, managed as a portfolio of international independent businesses. It is to be regarded as an integrated organization in which certain activities of the value chain are coordinated transnationally, in order to convert the presence in different countries into a source of competitive advantage.

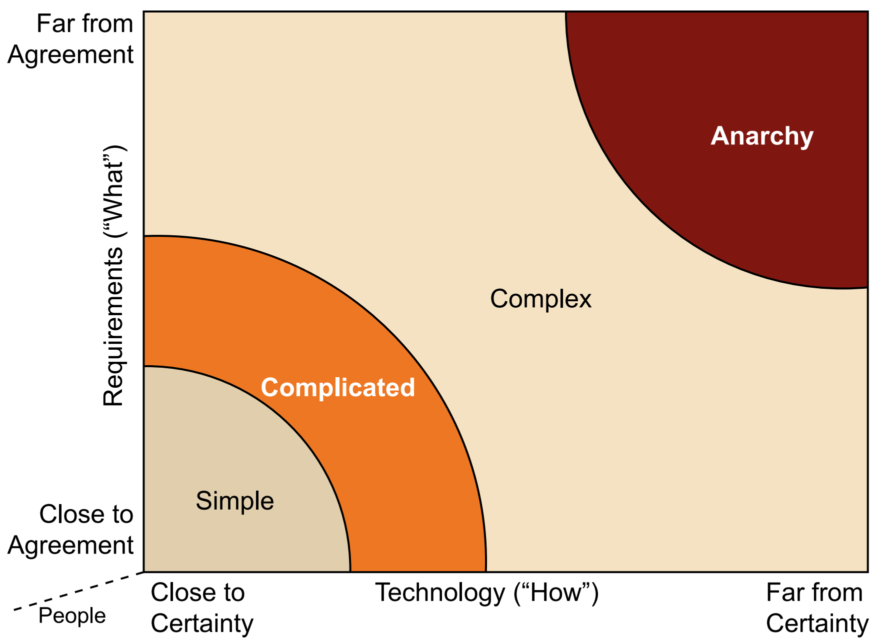
The integration of activities across countries requires setting the distribution of power, which previously existed between subsidiaries and parent company, in terms of the scope of autonomy and the subsidiaries' capacity for decision-making, and requiring establishment of the most appropriate coordination mechanisms for each of the activities that are managed in an integrated manner. Not only is the relationship between centralization and decentralization in the company modified, but also the roles to be played by both the subsidiaries and the parent company and the structure of the management team (in the parent and subsidiaries) with the outline, the skills and capabilities and motivation required to implement the new model with the strategic focus.

2. Understanding the complexity of the change

There are several models that explain the complexity of change, this section will cover the main ones that are used: the Stacey matrix, the viral change approach and the business model canvas.

2.1. The Stacey matrix: http://www.emilianosoldipmp.info/tag/stacey-matrix/

With his ‘Stacey Matrix’, Ralph Stacey helped us recognize the main system typologies, their characteristics and how to cope with them. This matrix is quite simple.



The big idea originated from his interests in complexity and in how organizations change over time. The model, sometimes referred to as the Stacey Matrix, considers organizations from the perspectives of levels of agreement and levels of certainty.

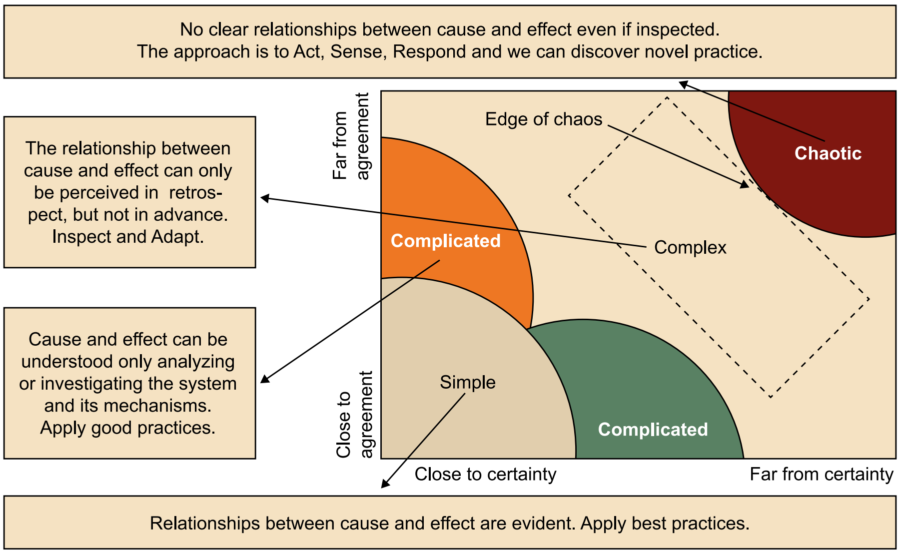
Certainty is driven by the quality of available information that supports management and decision making. Agreement recognizes that enterprises are socially-based and dependent on negotiation for their activities.

Purpose: The matrix encourages you to reflect on the relative levels of certainty and agreement in your enterprise, activities or in a particular project. Using the matrix can support:

- Decision making

- Stakeholder management
- Communicating why particular approaches are being used
- Encouraging creativity and considering different perspectives

The Tool: The approach involves plotting your projects, decisions or activities on the certainty/agreement axes. Depending on where the projects or activities are placed, a different response is needed in terms of management and decision making. You can use the tool on your own or with a group. It is suitable for businesses of all sizes. Depending on how much of your business you are looking at, it may take up to two hours to complete.



The X-axis of the matrix represents the level of certainty on how the system works. More specifically, it describes what the relationships and the linkages between the cause and effect are, in other words, the behaviors of the systems in response to predefined stimulus.

The Y-axis represents the level of agreement among us (group of people or project team) on the systematic behavior just mentioned.

When a system has a finite set of responses that can be easily related to an input, it means that the relation between cause and effect is clear. These systems are called simple systems and can be approached with the best practices, taking advantage of previous experience.

If you are wondering whether you should use Agile with projects related to those systems, the suggestion is NO. It is not necessary.

If we can only move the slider along the X or Y axis of the matrix, diminishing the level of certainty or agreement, we fall into the area of the complicated systems. These systems are less predictable. They continue to be understandable, but not in advance and only after a deep analysis, looking at their internal mechanisms and rules. With systems like these, we can apply good practices, which help you to get closer to the solution.

An example: think for a moment of a watch. If you aren't a watchmaker, a watch is something, at least for me, very, very complicated. But I'm certain that if we spend time analyzing its gears, wheels, screws and how they relate to each other, sooner or later, we will be able to disassemble and reassemble it, let's say, "quite easily". If you are wondering whether you should use Agile with projects related to those systems, I respond SOMETIMES IT COULD HELP, but a traditional approach will work fine here.

Moving far from certainty and agreement, a place that is called "complexity land" is reached.

In this land, cause and effect can be neither predicted nor analyzed, but only perceived in retrospect.

In such a land, we must be awake and attentive, and plan for and execute just a few (baby) steps at a time. What is most important is to analyze the results of any action, in order to decide whether to continue that way or change our plans according to the feedback obtained.

If you are wondering whether you should use Agile with projects related to those systems, my answer is YES, YOU MUST.

The successful pattern here is:

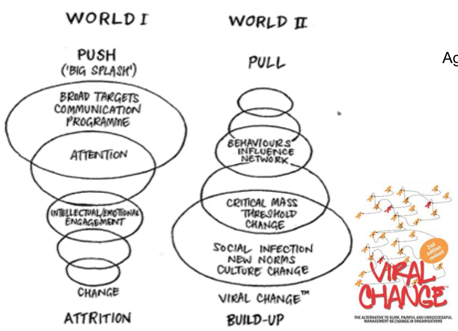
- break complexity up into small chunks,
- plan iteratively for each chunk,
- act,
- inspect the results,
- adapt your future plans according to the feedback just obtained.

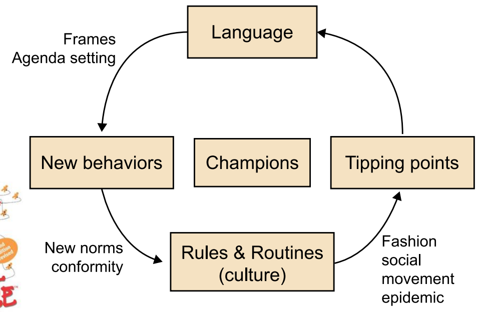
Finally, the realm of the chaos is reached; a realm where certainty and agreement are foreigners and the only approach is to explore. The only suggestion I can give you here is good luck.

2.2. The Viral change approach

Viral change is a change management concept introduced by Leandro Herrero in his books "Viral change" (2008) and "Homo Imitans" (2011).

His core idea is the Alternative to Slow, Painful and Unsuccessful Management of Change in Organizations. Change is only sustainable if it changes people's behavior and behavior does not change in a top-down, large scale, push mode.





A more effective approach applies these five principles:

1) Choose a very specific behavior or practice that you want to change in an organization, one with behaviors that make a difference.

2) Make the change easily scalable and applicable for influential role models.

3) Use informal networks and channels to spread the change.

4) Accelerate new narratives. Use story telling, images and symbols to spread the change.

5) Viral change needs servant leadership. It is not the formal leaders who are in charge of "pushing" new habits.

This approach to cultural change fits well with the leadership thinking of The Future Leadership Initiative. The undercurrent in an organization makes it possible to swim in a certain direction. Building trust, developing social capital, having a clear story & knowing how to bring it, sensing & listening: these are the leadership skills that fit organizations needing flexibility and creativity.

The following example is of change champions from 6 large organizations discussing the practice of viral change and sharing their insights. Here are some of the conclusions.

1) Growing awareness of the importance of reinforcing informal ways of changing culture & leadership in an organization. Old change habits lose their magic. Not only because 'top-down, planned & based on rational analysis' doesn't win the hearts of people, but also because there's no more time and money to do it in a large scale way.

2) A lot of variety in viral change practices. The use of ambassadors is common: people who commit themselves out of free will to a desired change.

3) Key lessons learned: emotion & free will are key and it takes time for people to trust the organization that it is for real. Therefore a long term perspective is necessary. Key stakeholders at the top need to favor this long term & viral strategy and define the boundaries. Results take time and are less predictable. Appreciate the small changes. No big project teams, but a small crew facilitating the dynamic & injecting energy pills in the process. Make it visible in an emotional way (using images, walls of fame, stories, gadgets, etc.). Provide room for reflection. Limit restrictions and top-down interventions to a strict minimum.

4) A lot of questions remained unanswered: How to measure success? How to balance 'letting go/trusting the process' and 'organizing & pushing the progress'? How to go beyond the coalition of the willing? How much commitment from the top is needed?

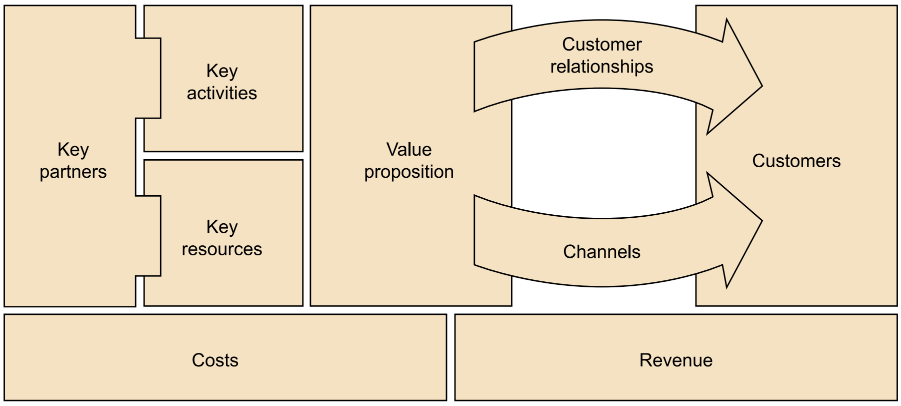
5) Discussing these questions, it became clear that they are closely linked to the personal belief systems of the viral change agents. Initiating viral change is risky and raises personal issues: How much do I trust the organization & the change ambassadors? How convinced am I of the need for change? How willing am I to let go of personal objectives and ambitions? How much energy do I have or want to inject in the process and how sustainable is my energy investment strategy?

Changing virally is closely related to developing leadership. Once a leader or change champion lets go of the idea of top down command and control, he or she opens the door for doubt, never-ending questions, and endless checks and balances. The change agents in the TFLI workshop acknowledged that having a safe place to discuss these more personal doubts and fears is a critical success factor for continuing their journey of changing their organization in a viral way.

Since change is constantly present in any organization, this approach will appeal to people at different levels of management or leadership who want to reshape their culture through the power of internal social networks and aim at greater organizational effectiveness in day-to-day organizational life (not just during change initiatives).

2.3. The Business Model Canvas

Formal descriptions of the business become the building blocks for its activities. Many different business conceptualizations exist; Osterwalder's work and thesis (2010, 2004) proposes a single reference model based on the similarities of a wide range of business model conceptualizations. With his business model design template, an enterprise can easily describe their business model.



Infrastructure

- Key Activities: The most important activities in executing a company's value proposition. An example for Bic would be creating an efficient supply chain to drive down costs.

- Key Resources: The resources that are necessary to create value for the customer. They are considered an asset to a company and are needed in order to sustain and support the business. These resources could be human, financial, physical and intellectual.

- Partner Network: In order to optimize operations and reduce risks in a business model, organizations usually cultivate buyer-supplier relationships so they can focus on their core activity. Complementary business alliances can also be considered through joint ventures and/or strategic alliances between competitors or non-competitors.

Offering

- Value Propositions: The collection of products and services a business offers to meet the needs of its customers. According to Osterwalder (2004), a company's value proposition is what distinguishes itself from its competitors. The value proposition provides value through various elements such as newness, performance, customization, "getting the job done", design, brand/status, price, cost reduction, risk reduction, accessibility, and convenience/usability.
  The value propositions may be:
  – Quantitative – price and efficiency.
  – Qualitative – overall customer experience and outcome.

Customers

- Customer Segments: To build an effective business model, a company must identify which customers it tries to serve. Various sets of customers can be segmented based on their different needs and attributes. This is to ensure that the appropriate implementation of corporate strategy meets the characteristics of selected group of clients. The different types of customer segments include:

- Mass Market: There is no specific segmentation for a company that follows the Mass Market element as the organization has a wide range of potential clients, e.g. Car.

- Niche Market: Customer segmentation based on specialized needs and characteristics of its clients, e.g. Rolex.

- Segmented: A company applies additional segmentation within existing customer segment. In the segmented situation, the business may further distinguish its clients based on gender, age, and/or income.

- Diversify: A business serves multiple customer segments with different needs and characteristics.

- Multi-Sided Platform / Market: for a smooth day-to-day business operation, some companies will serve mutually dependent customer segments. A credit card company will provide services to credit card holders while simultaneously assisting merchants who accept those credit cards.

- Channels: A company can deliver its value proposition to its targeted customers through different channels. Effective channels will distribute a company's value proposition in ways that are fast, efficient and cost effective. An organization can reach its clients either through its own channels (store front), partner channels (major distributors), or a combination of both.

• Customer Relationships: To ensure the survival and success of any business, companies must identify the type of relationship they want to create with their customer segments. Various forms of customer relationships include:

  - Personal Assistance: Assistance in the form of employee-customer interaction. Such assistance is performed either during sales, after sales, and/or both.

  - Dedicated Personal Assistance: The most intimate and hands on personal assistance, where a sales representative is assigned to handle all the needs and questions of a special set of clients.

  - Self Service: The type of relationship that translates to the indirect interaction between the company and the clients. Here, an organization provides the tools needed for the customers to serve themselves easily and effectively.

– Automated Services: A system similar to self-service but more personalized, as it has the ability to identify individual customers and their preferences. An example of this would be Amazon.com making book suggestions based on the characteristics of the previous book purchased.

– Communities: Creating a community allows for direct interaction among different clients and the company. The community platform produces a scenario where knowledge can be shared and problems are solved between different clients.

– Co-creation: A personal relationship is created through the customer's direct input in the final outcome of the company's products/services.

Finances

- Cost Structure: This describes the most important monetary consequences while operating under different business models. A company's DOC.

- Classes of Business Structures:
  – Cost-Driven – This business model focuses on minimizing all costs and having no frills, e.g. SouthWest.

  – Value-Driven – Less concerned with cost, this business model focuses on creating value for their products and services, e.g. Louis Vuitton, Rolex.

- Characteristics of Cost Structures:
  – Fixed Costs – Costs are unchanged across different applications. e.g. salary, rent.

  – Variable Costs – These costs vary depending on the amount of production of goods or services, e.g. music festivals.

  – Economies of Scale – Costs go down as the amount of goods ordered or produced goes up.

  – Economies of Scope – Costs go down due to incorporating other businesses which have a direct relation to the original product.

- Revenue Streams: The way a company makes income from each customer segment. Several ways to generate a revenue stream:

- Asset Sale – (the most common type) Selling ownership rights to a physical good, e.g. Wal-Mart.
- Usage Fee – Money generated from the use of a particular service, e.g. UPS.
- Subscription Fees – Revenue generated by selling a continuous service, e.g. Netflix.
- Lending/Leasing/Renting – Giving exclusive right to an asset for a particular period of time, e.g. Leasing a Car.
- Licensing – Revenue generated from charging for the use of a protected intellectual property.
- Brokerage Fees – Revenue generated from an intermediate service between 2 parties, e.g. Broker selling a house for commission.
- Advertising – Revenue generated from charging fees for product advertising.

Application: The Business Model Canvas can be printed out on a large surface so groups of people can jointly start sketching and discussing business model elements with post-it note notes or board markers. It is a hands-on tool that fosters understanding, discussion, creativity and analysis.

The Business Model Canvas is also available in web-based software format.

Alternative forms

The Business Model Canvas has been used and adapted to suit specific business scenarios and applications. Examples include:

- Product-market fit
- Supply chain
- Cash flow

Some empirical studies on the internationalization of Spanish companies highlight as major difficulties in this regard, the following:

- Knowledge of languages.
- Resistance to moving abroad, for cultural and family reasons.
- Concerns about the return, which often means a reduction in salary when the mission is completed.
- In many companies, expatriation is not seen as an element of professional advancement.

As we have pointed out repeatedly, identification of the most attractive markets/countries for the product portfolio and the entry mode selection are central elements of the strategy of internationalization.

For international companies or companies in an advanced stage of internationalization, and for multinational companies that have subsidiaries abroad (but whose strategic action corresponds to the business model being internationalized), competitive advantage comes from the parent company and is transferred to the subsidiaries[2].

(2)Mendoza (2007)

3. Management of cultural diversity

Four Essential Skills

From our increasingly diverse domestic workforce to the globalization of business, cultural competence is arguably the most important skill for effective work performance in the 21st century.

What is cultural diversity in the workplace? Culture refers to the values, norms, and traditions that affect the way a member of a group typically perceives, thinks, interacts, behaves, and makes judgments. It even affects perceptions of time, which can impact day-to-day scheduling and deadlines. Get an overview of all key aspects of diversity at the diversity resource center.

Cultural competence, in brief, is the ability to interact effectively with people from different cultures. This ability depends on awareness of one's own cultural worldview, knowledge of other cultural practices and worldviews, tolerant attitudes towards cultural differences, and cross-cultural skills.

The more different cultures work together, the more cultural competency training is essential to avoid problems. Cultural problems can range from miscommunication to actual conflict, all endangering effective worker productivity and performance. Training videos on diversity are excellent tools for developing awareness and respect.

Managing Cultural Diversity in the Workplace:

Developing cultural competence results in an ability to understand, communicate with, and effectively interact with people across cultures, and work with varying cultural beliefs and schedules. While there are myriad cultural variations, here are some essential to the workplace:

1) Communication: Providing information accurately and promptly is critical to effective work and team performance. This is particularly important when a project is troubled and needs immediate corrective actions. However, people from different cultures vary in how, for example, they relate to bad news. People from some Asian cultures are reluctant to give supervisors bad news, while those from other cultures may exaggerate it.

2) Team-building: Some cultures – like the United States – are individualistic, and people want to go it alone. Other cultures value cooperation within or among other teams. Team-building issues can become more problematic as teams are comprised of people from a mix of these cultural types. Effective cross-cultural team-building is essential to benefiting from the potential advantages of cultural diversity in the workplace.

3) Time: Cultures differ in how they view time. For example, they differ in the balance between work and family life, and the workplace mix between work and social behavior. Other differences include the perception of overtime, or even the exact meaning of a deadline. Different perceptions of time can cause a great misunderstanding and mishap in the workplace, especially with scheduling and deadlines. Perceptions of time underscore the importance of cultural diversity in the workplace, and how it can impact everyday work.

4) Calendars: The business world generally runs on the western secular year, beginning with January 1 and ending with December 31. However, many cultures use other calendars to determine holidays such as New Years or specific holy days. For example, Eastern Orthodox Christians celebrate Christmas on a different day from western Christians. For Muslims, Friday is a day for prayer. Jews observe holidays ranging from Rosh Hashanah to Yom Kippur. These variations affect the workplace as people require time off to observe their holidays. A cultural calendar is a helpful tool to ensure meetings are successful, and deadlines are met.

Remember cultural differences are also of great importance when establishing partnerships with foreign companies as they may affect company relationships significantly, making it difficult, for example, to create the necessary trust climate and the sharing of certain decisions. It is therefore necessary to learn to establish new mechanisms for decision-making, conflict resolution, etc.

4. Small and medium size firms in the international arena (or environment)

SMEs cannot, generally, compete in mass markets with large international firms, either in overseas markets or in their domestic market. Therefore a strong alertness is required to identify market opportunities. One practical strategy is to look for market niches that demand well-designed, customized products and services. A niche strategy can GIVE a competitive edge over larger companies, in fact the fastest growing international SMEs tend to be those in niche markets and new industries.

SME success relies heavily on market awareness and reacting to opportunities in order to identify open market niches. Thus, every opportunity to acquire information from doing business must be treasured. For instance, the after-sales service is a good way to collect market feedback.

The international SME needs a long-term strategy. Even though most SMEs are reactive to changing market conditions, they must still have some defined goals.

As shown in Table 1, in the period we are reviewing – 2011-2013 – there was an interesting sustained growth of the total number of exporting firms, which, at around 11% annually, has resulted in an average growth pattern of 4.4% in sales figures.

Table 1. Spanish exports statistics (thousands €)

	2011	2012	2013
Total number of export firms	123.128	137.528	150.992
Number of regular export firms (1)	37.250	38.373	41.163
Total amount of exports	215.230.370	226.114.594	234.239.799
Export figure of regular firms	196.406.820	205.750.178	215.814.578

Source: ICEX
(1) With continued exports during the last 4 years

Such trends have also been reflected in the sector of regular exporters, even if their rates – especially those related to growth in number – were significantly lower.

One highly significant fact is evident: the gap between total export express and they do regularly – that is, the number of companies that stop exporting regularly – is growing consistently. This makes us draw a first important deduction: despite the obvious interest shown by companies in going abroad, they are failing to reverse the trend of potential failure. On the contrary, the discontinuity in export activity is increased gradually and gap between those who exported and those who do regularly is increasing, as shown in Table 2.

Table 2. Assessment of staple export companies

	2011	2012	2013
Number of firms	85.978	99.155	109.809
Number of regular export firms (1)	18.823.550	20.364.416	18.425.221
Total amount of exports	218	205	167

Source: Own source with data from ICEX
(1) Difference between total exports applicable to staple export

It would be apt, at this point, to determine what type of businesses are the ones activating the export drive that is leading to the sustained growth reflected in the tables and, additionally, what is the segment that is particularly suffering from failure. We would try as well, to focus on actions to remedy the situation conveniently.

To do this, assuming that there are no specific data published, we considered it necessary to draw attention to Table 3, to show that the largest increase in the number of exporting firms is occurring consistently among those engaged in operations of less than €25,000 per annum. There is sustained growth among all others exporting less than €50,000 and a relatively tight situation among those with a turnover exceeding exports.

In parallel, the same table reflects the persistence of a contribution of around 40% to total export figures by the domestic sales sector of up to €50,000, which would frame, by definition, SMEs:

Table 3. Concentration of exporting companies by annual sales

Net sales	Number of firms	Net operating	Number of firms	Export figure	Number of firms	Export figures
< 5.000€	58.612	69.790,10	63.837	77.824,60	78.734	87.271,20
% of total	47,60	-	49,30	-	52,10	-
5.000 to 25.000€	21.587	251.967,30	24.415	282.752,40	26.062	301.676,60
% of total	17,50	0,10	17,80	0,10	17,30	0,10
25.000€ to 50.000€	6.803	242.966,40	7.522	267.554,60	7.622	269.410,00
% of total	5,50	0,10	5,50	0,10	5,00	0,10
50.000€ to 5 k€	17.880	3.470.592,40	19.057	3.703.676,60	19.462	3.721.211,90
% of total	14,50	1,60	13,90	1,60	12,90	1,60
5k to 50k€	13.589	22.794.599,70	13.868	23.186.997,50	14.177	23.656.812,40
% of total	11,00	10,60	10,10	10,30	9,40	10,10
50k to 250€	4.116	59.222.276,50	4.258	60.947.379,00	4.365	62.619.563,40
% of total	3,30	27,50	3,10	27,00	2,90	26,70
250 k or >	452	45.095.695,60	476	47.483.969,90	469	46.876.534,50
% of total	0,40	21,00	0,30	21,00	0,30	20,00
	89	84.082.482,70	95	90.164.439,40	101	96.707.319,10
	0,10	39,10	0,10	39,90	0,10	41,30

Soure: ICEX

From all this, a second deduction can be established: those who are fueling the export drive are SMEs, although large companies do not pass on their contribution to the total volume.

If we return again to Table 2, and observe the average annual export business discontinuous foreign operation – at the level of €200,000 – a third logical deduction can be made: it is also SMEs that make up the majority of irregular export lists.

We could still conduct some deeper and more detailed analysis, but it does not seem appropriate within the limits of this work. It seems more sensible to draw a first important conclusion: the behavior of International SMEs in these years shows an extraordinary exporting effort. However, the vulnerability is evident, with apparently no effective formula for serious bleeding yield failure that might help the percentage of firms that initiate internationalization and then give up – with important consequences and implications in every way – to get increasingly lower.

Source

International pime

5. Tips to enter into a new culture in your company

Changing jobs is a challenge, but it is much harder if you do it in a company outside your country. Not only will you need to demonstrate that you meet the requirements of the new job, but you must also deal with cultural differences. If you are not well integrated in another culture, this might bring frustration, hypersensitivity, insecurity and even grumpiness, because even if the person strives, they may not achieve their objectives.

If you already made the decision to join the workforce in another culture, the first suggestion is to give yourself time to learn the idiosyncrasies of the country you arrive in or persons with whom you will work.

With globalization, it is increasingly common that companies have workers from other countries and take care of them. It is not rare to find companies worrying about integrating their foreign collaborators, including adapting to their culture, from the admission process onwards.

"Those in charge of recruitment and selection of candidates understand the different cultures of the countries, such as how to communicate by talking, sitting, to ask, and everything related to the development of an interview and the day to day," says Alvaro Vargas, general manager of the Chilean website Trabajando.com.

However, the person must also do their part, e.g. working on emotions that lead to their being in contact with another culture. Having feelings is normal and it is advisable to identify those reactions, thus the person will be "better able to achieve the objectives sought, than he who requires that nothing happens and who wants to be in a similar situation as if it were inconsequential," said Graciela Bar.

It also indicates that the steps to integrate properly will depend on the conditions and the type of fee to be paid. "If it is a role in which he (worker) is very dependent, it is suggested that there be adequate preparation for them to perform their jobs." Whereas if it is a role of power or domain, "they can have authoritarian relationships based on proper listening and understanding of the various views and can give summaries based on the integration of contributions, plus the sum of all their know-how."

Alvaro Vargas adds that it is also advisable to "observe the behavior of others, be respectful and not very invasive, be a good listener, be analytical and act moderately, at least initially."

Clearly, for some professionals inserted successfully in a job outside their country it will be much easier than for others, and that will happen surely because they have some personal characteristics that facilitate this process.

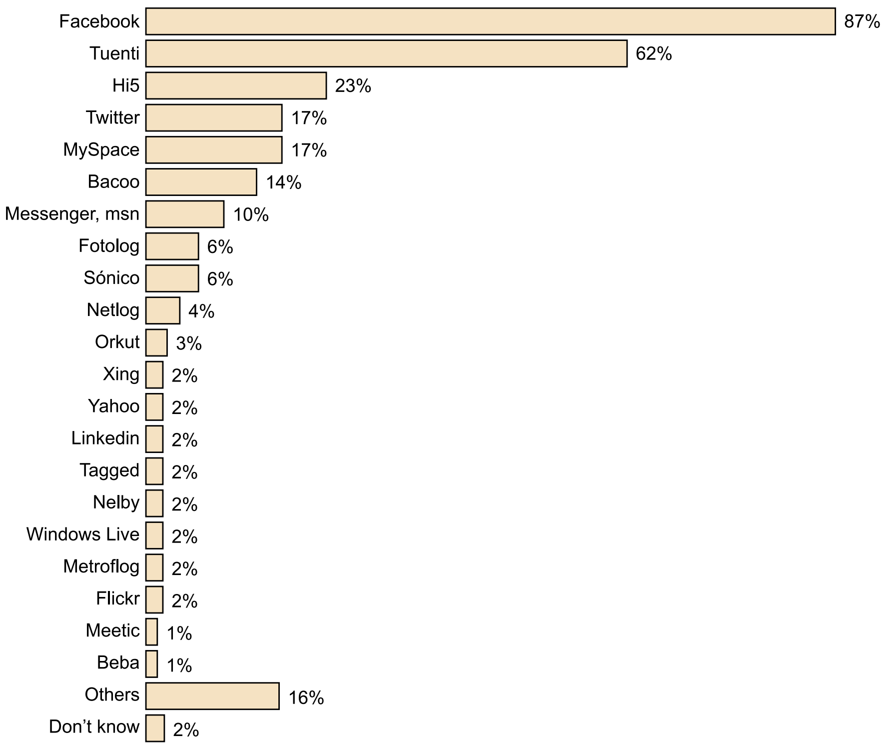
In addition to the “hard” or characteristic of the position held, “these professionals must have systemic skills that lead to a relationship of integration with their peers, and for this they should be open to learning about other cultures, have an “open mind“, be humble, observant, good listeners, self -motivated and tolerant towards frustration,” says Vargas.

6. E- international business and international networks

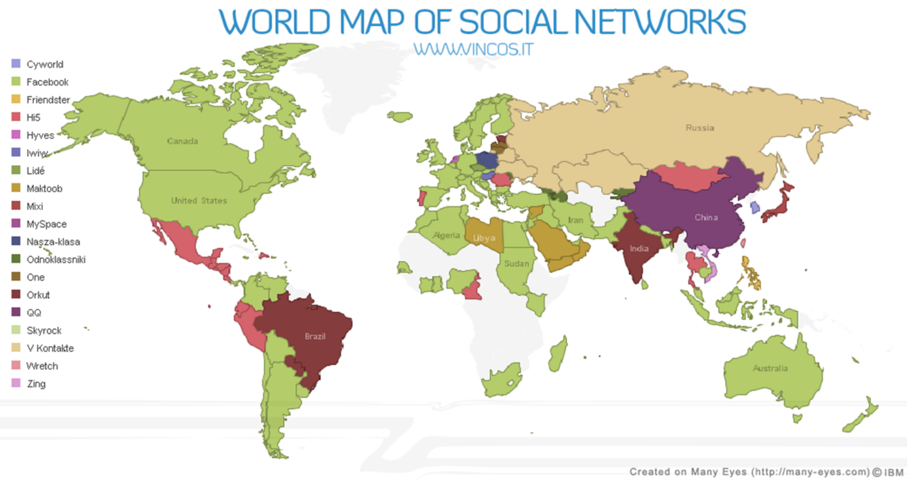
What are social networks?

Networks are a form of social interaction, defined as a dynamic exchange between individuals, groups and institutions in contexts of complexity; an open system and permanent construction involving sets identified in the same needs and problems and that are organized to leverage their resources.

Top of social networks on the world (January 2010)



Distribution of social networks around the world



There are two types of social networks:

1) Vertical social networks:

Revolve around a theme or content common to all users (photos, music, video, and other), e.g. Flickr, Youtube, Slideshare.

2) Horizontal social networks:

Networking, professional networking and microblogging (Facebook, twitter). Advantages of social networks:

- Establishing ties and relationships with others.
- Innovative experiences are reflected in these networks.
- Consolidation of knowledge management projects.
- Mass movements of solidarity.
- Advertising.
- Business environment.
- Direct Marketing.
- Business Contacts.

6.1. Networks and their impact on international business

Brands and advertisers are increasingly more inclined to prefer social networks for their advertising because they are much cheaper than other sites and a Live "engagement" is created with the brand when it becomes a user over the brands network.

The success of social networking as a business platform is based on a tripod:

- Quality
- Time
- Budget
- Innovative strategies

6.2. The new Internet strategy

Viral marketing is self-replication of ads within social networks to position products and brands.

Viral self-replication is when the ad reaches a recipient, then takes information from other profiles or friends to send itself to new destinations.

6.3. Business model of Second Life

Virtual spaces within the network are sold by Linden Labs, the creator, who earns income. Users can put their business in virtual spaces and earn the local currency, Linden-dollars, then exchange them for real money.

IBM, Nissan and several other companies have opted for the Second Life model to expand their customer lists and begin to fight for a share of this new growth market.

Social media and advertising

Online advertising had growth of 10.4% last year, while the use of traditional media has declined between 5% and 6%, showing the power of the internet.

This is mainly because the new creative directors of agencies have grown together with these new media, and in a few years, consumers will be those used to going to social networks.

During a time of recession, customers want their advertising budgets to go further and at the same time, generate advertising products faster.

The Internet and social networks are increasingly an option for advertising.

The level of customization offered by networks is an opportunity that is just beginning to be studied as a business option.

6.4. How to use social networks to help your enterprise business? Follow these steps

- Step 1. Create a reputation for experience
- Step 2. Get closer to your customers
- Step 3. Empower your “networking”
- Step 4: Learn from others

Step 1: Create a reputation for experience

Social media provide a unique showcase to show who you are and who your company is. Talk about your industry wisely through Twitter or a blog.

Step 2: Get closer to your customers

- Know what they say and what their customers are saying.
- Know what the customers of their customers are saying.
- Monitor trends in the industry.

Step 3: Empower your “networking”

- LinkedIn, Twitter, Plaxo, etc. are good places to start, but if you can relate to your contact in a niche social site, you will highlight your company even more.

Step 4: Learn from others

- Do not underestimate the amount of information available on the Internet. It’s amazing what you can learn just by extending your reach. If you and your business have a strong presence in social media, it’s easier for customers, partners and potential employees.

7. Multinationalization. Strategy choices

The internationalization of the company and the ongoing commitment of resources in international operations have strategic implications for the firm and involve major changes as it progresses in stages. From a strategic standpoint, a focus on overseas sales is based on finding a higher degree of consolidation and development in the markets in which it operates.

From the organizational point of view, internationalization has implications on the management model. In many cases, it involves modifying the management model to respond to the increased complexity derived from operating in different countries (differences in language, currency, legal and institutional economic environment, distance and different business practices). The human resources policies must also be redefined to ensure that the company has people with the skills and knowledge necessary to manage and implement its international operations, both in the country of origin and in the countries where it operates. When the company advances in its internationalization process towards major control positions in the markets where it operates, the expatriation of technical and managerial staff is one of the primary needs that arise, manifesting itself, for example, in the creation of overseas subsidiaries. Expatriation often causes resistance among employees, but despite this, the demand for expatriate managers has been growing in recent years.

As companies progress with their internationalization processes and adapt their management and organization, they configure different types of international companies. The distinction between having subsidiaries abroad and acting in a strategic way, seeking to create new competitive advantages through this international presence is significant and not dependent on company size or geographical coverage.

Reflection

Which criteria should be taken into consideration for the decisions of international localization?

Not only production but also the other activities of the value chain – R&D and/or marketing – are likely to be localized in a more efficient manner in other countries, hence the definition of a multinational is no longer restricted to those companies with production subsidiaries abroad, and extends to companies which have subsidiaries.

Currently, the conventional definition of a multinational refers to a company that effectively controls one or more subsidiaries abroad. This definition brings together a diverse group of companies regarding commitment of resources abroad, geographical coverage and size, from large multinationals with a large number of subsidiaries and geographic reach, to SMEs with limited number of subsidiaries and concentrated in just a few countries.

These definitions are not enough to explain how multinational corporations act and what might be the competitive advantages of its multinational character, although they are useful for its identification and can help determine indicators on the degree of multinationality. Therefore, it is interesting to take a strategic view of the internationalization process.

The strategic focus of the internationalization process focuses on the exploitation of the company's competitive advantages through international expansion, advantages previously developed in the domestic market and areas where it has its own property[3].

(3) Mendoza (2007)