

Internationalisation and M&A

INTERNATIONALISATION AND M&A - EXAM LEVEL

Exam question types from the 2022 sample exam: name and explain a Yip driver (5p), choose a Bartlett & Ghoshal strategy with a short justification (5p, 20 words), name two advantages of an acquisition over greenfield (5p, 40 words). Write full sentences and use the English technical terms.

Yip's internationalization drivers

Definition. Yip distinguishes four groups of factors that determine how strong the incentive to internationalise is.

Driver	Components	Example
Market	similar customers, global customers, transferable marketing	Cars worldwide; Uber made taxis more international
Cost	scale economies, global sourcing, bulk purchase, cheaper capital, country-specific differences, favorable logistics	Higher production volumes lower the cost per product
Competitive	multipoint competition, global knowledge management, interdependence between countries, clusters	Coca-Cola and Pepsi; Silicon Valley, London, Hollywood, Milan
Government	trade policies, technical standards, host government policies	EU treaties; tariffs and import restrictions

Use the full names: market drivers, cost drivers, competitive drivers and government drivers.

Applying. Decide per driver whether it is strong or weak for the sector and per country. A strong driver means more reason to internationalise. Every driver is dynamic: internationalisation comes in waves, especially for the government driver.

Pitfall. If a question asks for "a driver", name one, explain it and link it to the case. Only naming it is too little.

Link. These are the international counterparts of the diversification drivers from module 4.

Bartlett & Ghoshal (global integration versus local responsiveness)

Definition. Companies determine their strategy as the outcome of the tension between **pressures for global integration** (scale, central steering) and **pressures for local responsiveness** (local tastes, rules, competitors).

Strategy	Integration pressure	Local pressure	Characteristic
International	low	low	Product mostly exported unchanged; temporary phase (Xerox with patents)
Global	high	low	Standardisation, central planning, scale (car makers)
Multi-domestic	low	high	Autonomous country managers, little mutual learning (financial sector)
Transnational	high	high	Central where possible, local where necessary; local learning is applied globally (Unilever)

Applying. First establish how high the two pressures are and name the reason from the case. Then choose the strategy and give one justification. Example from the 2022 marking scheme: a media company with high pressure for global integration and for local responsiveness fits transnational (5p). Another strategy with a good justification earns partial points (3p).

Pitfall. The four boxes are not a free choice but stages in a development path under increasing competitive pressure. Transnational is increasingly a necessity. The book (Figure 8.4) uses the names export strategy, multi-domestic, global and transnational, and calls transnational complex to implement.

Link. The chosen international strategy partly determines the structure in module 6 (divisional or matrix with internationalisation).

Entry and expansion modes (Johanson & Vahlne)

Definition. Johanson & Vahlne (internationalization theory): firms internationalise gradually, first to nearby countries, with increasing commitment: exporting, licensing, franchising, sales rep, sales unit and then direct investment.

Three forms of direct investment (module overview and slides 20-21):

	Buy (M&A)	Ally (joint venture)	Greenfield (DIY)
Speed	fast	fast	slow
On failure	often (partly) by selling	share the loss, keep a buy option	hard to sell
Risk	culture, valuation, unwanted units	culture and control, learning race	slow, high own investment
Advantage	takes over capabilities and market position	learning and sharing risk	cultural consistency with headquarters
Tip	do not buy the whole company	only cooperate with the relevant partner unit	develop in a new venture unit

Choice factors (book section 8.8): **urgency, uncertainty** and the type of capabilities you combine. High urgency and uncertainty point to Buy or Ally. Soft capabilities (culture, management) are hard to integrate; with Buy and Ally the biggest problems arise there.

Pitfall. For “advantages of acquisition over greenfield” say: faster, and easier to sell on if it fails. Do not just write “cheaper”, because that is not proven.

Link. Coase’s transaction cost thinking (module 4) sits in the Internalization component of OLI.

Liabilities of foreignness and Dunning’s OLI

Definition LOF. The extra costs a foreign firm has compared with local competitors: unfamiliarity with the context, discrimination against foreigners and a geopolitical home front.

OLI explains which advantages must be large enough to offset the LOF:

- **Ownership:** firm-specific factors such as competitive advantages, core competences and dynamic capabilities (module 3: VRIO).
- **Location:** location-specific factors, with Porter’s diamond (factor conditions, demand conditions, related and supporting industries, firm strategy structure and rivalry).
- **Internalization:** integration advantages and avoiding transaction costs on the market. This determines the entry mode.

Applying. Ask: does the firm have an ownership advantage that works in the host country, is the location suitable, and is it better to do it yourself than via the market? Imitating local firms does not work without an ownership advantage.

Pitfall. Internalization is not the same as internationalization.

Porter's diamond

Four factors explain why certain countries are strong in a sector: **factor conditions**, **demand conditions**, **related and supporting industries** and **firm strategy, structure and rivalry**. Example from the lecture: the Dutch dairy sector and bull semen. The book and the worksheet add government and chance as additional influences.

CAGE framework (Ghemawat)

Distance	Examples
Cultural	language, religion, social norms
Administrative	colonial ties, trade agreements, political hostility
Geographic	physical distance, no common border, transport
Economic	differences in income and costs

Distance affects sectors differently. Ghemawat's fast-food example shows that the ranking of countries changes once you include distance (country portfolio analysis). Reus names Cultural and Administrative as the most important. Research on cultural distance: culture clash (negative), cultural enrichment (positive), cultural complementarity, cultural adaptation, or insignificant ("it depends"). Moderators are experience, openness of the country and industry.

Pitfall. CAGE measures distance between two countries, not the quality of a country.

Alliance between rivals: NUMMI

GM and Toyota set up an equity joint venture in Fremont in 1984. **GM's contribution:** factory, workers, union agreement, distribution, brand (explicit resources). **Toyota's contribution:** the Toyota Production System, managers and product design (tacit, systemic knowledge). Toyota learned that TPS works in the US and so reduced its LOF (the next factory came in Kentucky). GM hardly learned, because of not-invented-here, an island structure, missing absorptive capacity and its own culture. This is an example of a **learning race**.

Geopolitics (Blake, Jandhyala and Li, 2026)

- **Anarchy:** no supranational authority. It is a football match without a referee, not chaos.
- **Security dilemma:** one state's security measure makes another state feel less secure.
- **Conflict equilibrium** versus **cooperative equilibrium:** stable, self-reinforcing state of mutual defection (tariffs, investment restrictions, breaking agreements) or cooperation (open markets, keeping agreements).

- **State-based** versus **market-based economic order**.
- Four consequences for MNEs: **market entry**, **investment security**, **equal treatment** (national treatment, MFN) and **institutional alignment**.
- **Disequilibrium** through redistribution of power, domestic politics (nationalism, populism) and changing shared beliefs and identities.

Applying. ASML: export restrictions on chip machines in a conflict equilibrium between the US and China, with 15 percent of revenue in China and a chokepoint position.

Pitfall. Geopolitics is not a one-off disaster, it is a structural factor in international strategy (administrative distance in CAGE).