

# Contemporary management issues

The global enterprise



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# Schedule (1/2)

Session 1	Session 2	Session 3	Session 4
Introduction & Case study 1	Case study 2	Case study 3	Case study 4
September 28 <sup>th</sup>	October 03 <sup>rd</sup>	October 10 <sup>th</sup>	October 17 <sup>th</sup>
Correction of case study	Presentations & correction of case study	Presentations & correction of case study	Presentations & correction of case study

# Schedule (2/2)

**Today**

Session 5	Session 6	Session 7	Session 8
Case study 5	Case study 6	EXAMEN	Correction
October 24 <sup>th</sup>	November 07 <sup>th</sup>	November 13-20 <sup>th</sup>	November 13-20 <sup>th</sup>
Presentations & correction of case study	Presentations & correction of case study		

# Exam

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The exam will be held on the last session (n°7 and 8) of the course between **November 13<sup>th</sup> and 20<sup>th</sup>**.

Students will be presented with a case study on a new firm.

Students will have 1 hour 30 minutes to complete the case study (reading + questions).

Subject will deal with concepts studied during the course.

A correction will be provided at the end of the exam.

If absent and without substantial proof, the student will be disqualified of the course.

Identification or student card will have to be provided.

# Exam

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For the exam, students must mandatorily provide:

- Answer to question
- Definition of key concepts
- Justification
- Examples or extract from the documents (e.g., *quote [...], from document 2, paragraph 3*)

Without which, answer will be invalid or incorrect.

# Case study 6 – Ikea et McDonald's

The global enterprise

# Question 1

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**In which models of internationalization do each of the 2 organizations fit?**

**Justify**

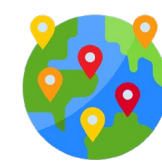
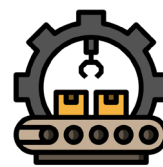
# 1. Models of internationalization

- **Export strategy** = export of a standardized product or service by the same company all over the world.



- **Global internationalization strategy** = standardization of a product or service that is manufactured in different locations all around the world.

- Offshore production and formal control system
- This strategy is highly dependent on partnerships ; partners must be operational all the time.





# 1. Models of internationalization

- **Integrated network strategy** = development of franchises for distribution of a product or service.
  - A portion of the turnover is donated to the parent company which created or owned the brand.
  - Formal and informal control system (+ audit by parent company)



- **Multi-national strategy** = product or service are adapted to local specificities.
  - Raw materials come from the country in which the company is located, and the company works with stakeholders with whom they have a partnership with.
  - Adaptations to local specificities, informal control system and relative autonomy.



# 1. Models of internationalization

## Export strategy

Export logic  
Dependence of subsidiaries  
Formal control systems  
**+ Circulation of information**  
**- Bureaucratization costs**

## Global strategy

Offshore production logic  
Partner dependency  
Formal control systems  
**+ Strong economies of scale**  
**- Ignore local specificities**



Logic of local adaptations  
Autonomy of subsidiaries  
Informal control systems  
**+ Local specificities**  
**- Bureaucratization costs**

## Multi-national strategy

Outsourcing logic  
Legal autonomy of the partners  
In/formal control systems  
**+ Organizational flexibility**  
**- Complexity of coordination**



## Integrated network strategy

# 1. Models of internationalization



- **Doc. 2** "Logic of global marketing of standardized products" "centralized product design (especially in Sweden where its designers are)" "Delocalized manufacturing in countries with low labor costs" "standardization of tastes and collections" "Follow the great movement of offshoring and cost cutting"
- **Doc. 4** "corresponds to relocations in our country" "Asian factories in Bangladesh, Vietnam and India"
- **Doc 5** "The communication of the IKEA group largely insists on the image of Sweden" "IKEA sells from elsewhere" "Its buyers, its management controllers constantly orient their choices towards raw materials, subcontractors, screws and bolts, transport, the cheapest. "

# 1. Models of internationalization



- **Doc. 6** "The policy adopted for this multiplication is the Franchise. A commercial agreement that allows McDonald's to receive financial royalties from franchised restaurants that use or sell its products and display its signs. »
- **Doc. 7** "All other operating expenses must be made with suppliers referenced at McDonald's France." "Franchises own 86% of restaurants in France. For an investment of €150,000 to €230,000, they receive decoration, hamburgers and uniforms from the parent company, which, in return, receives about 5% of turnover" "Legally, each franchised restaurant is an autonomous company. The company agreements in force in McDonald's restaurants France therefore do not apply. »
- **Doc. 8** "70% of food made in France, McDonald's France represents a significant outlet for French agriculture. In 2011, the brand bought through its suppliers,... » "Our HR teams practice social audits at least 1 time per year"
- **Doc. 9** "We have become a multi-local company"

## Question 2

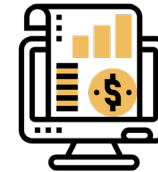
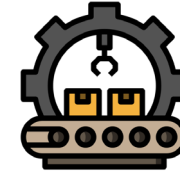
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**Which two functions at IKEA and McDonalds have been internationalized and which can be assessed from the documents?**

## 2. Internationalized functions

- **In a firm, functions can be:**

- Research and development
- Production and operation management
- Accounting and finance
- Human resources
- Marketing and sales
- Distribution



## 2. Internationalized functions



### Distribution

- *"Global commercialization of standardized products"*
- *"Almost every capital city in the world has its restaurants."*



### Production

- *"Offshore manufacturing"*
- *"The vast majority of supplies are from other EU countries"*

## 2. Internationalized functions



- Doc. 2 "Offshore manufacturing in countries with low labour costs"
- "By setting up in communist Poland to manufacture cheaper"
- "Last year, 53% of beef, 35% of chicken, 25% of salad, 80% of potatoes and 100% of wheat were produced and processed in the territory. The vast majority of supplies are made from other EU countries."



## 2. Internationalized functions



- **Doc. 2** "Global marketing of standardized products" "There are only the last links in the chain that drive the local economy that consumers often want: the store itself, of course, and sometimes the marketing entrusted to national advertisers."
- **Doc. 6** "Almost every capital city in the world has its restaurants. A city can even contain several » "the inauguration of a new restaurant" "menus and sandwiches offered by restaurants"

## Question 3

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**For each organization**

**(1) characterize the business strategies at work**

**(2) determine why these strategies involve different internationalization models**

# 3. Strategy & Internationalization

- **Business strategy = Product thinking – Customer targeting – Geographical reflection**
- **Internationalization models = Global Integration – Multi-Local Orientation**



### 3. Business strategy



**Produits → Standardisation**

Doc. 5 "Ikea's communication emphasizes Sweden's image."

**Targeting → Clients**

Doc. 2 "Democratizing your furniture"



**Geography → Local adaptations**

Doc. 9 « adaptations aux habitudes alimentaires »

**Targeting → Country**

Doc. 6 "Currently, McDonald's are present in most major cities in the world"

### 3. Internationalization models



#### Global integration

Standardization

Offshore production  
Economies of scale  
Centralized power



#### Multi-location orientation

Country Targeting

Outsourcing logic  
Organizational flexibility  
Decentralized power

# 3. Internationalization models



- Doc. 5 "The Ikea communication insists on the image of Sweden. Ikea appears as an elsewhere: the colors of the brand, the name of the furniture or the food products"
- Doc. 2 "Democratizing your furniture" "What carpenter or traditional furniture manufacturer can offer an elegant bookcase at 99€?"
- Doc. 5 "The group agrees to adapt to the types of markets, but these adaptations remain largely marginal"

### 3. Internationalization models



- Doc. 7 "Franchisees receive decoration, hamburgers and uniforms from the Mother House"
- Doc. 6 "One of the symbols of American domination of the world" "McDonald's has continued to expand its influence and global presence" "Currently, McDonald's is present in most major cities in the world"
- Doc. 9 "Adaptations to eating habits"

## Question 4

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**How do the two firms prioritize their relationships  
with their various stakeholders?**



# 4. Managing stakeholders

- **Who are the stakeholders identified in the documents?**

- Consumers

- Civil society

- Franchisees

- Suppliers

- Employees



## 4. Managing stakeholders

		
Consumers	★ ★ ★	★ ★ ★
Civil society	★ ★	★ ★ ★
Franchisees		★ ★
Suppliers	★	★ ★
Employees	★ ★	★

## 4. Managing stakeholders



- "Whether it's its efforts for Christmas trees, packaging and wood, electricity consumption, we must recognize that Ikea knows how to value real efforts"
- "Between its seat with comfortable and consensual management, employees with sophisticated functions, and the small hand paid 100 times cheaper on the other side of the planet, the contrast of striking"
- "The advantage of this model is to make Ikea's furniture prices very affordable and make it a commercial steamroller."
- "The women in these factories that supply Ikea work between 80 and 90 hours every week and do not receive a wage that allows them to live with dignity. They are paid the legal minimum: in India 37 € / month, in Bangladesh 11 € ... »

## 4. Managing stakeholders



- "To rebuild its image among its consumers, the group is multiplying humanitarian and charitable actions. The Ronald McDonald's Foundation is the best representation of this. »
- "Working conditions in the sector: compulsory part-time, infernal pace (30 sec/client), low wages, anti-union practices... »
- "Its menu changes are present everywhere in the countries where McDonald's operates. It thus serves to keep their culture while implementing an American fast food. »
- "McDonald's leitmotiv is to constantly open new restaurants, even if it means maintaining a certain competition between franchisees"

## Bonus questions

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**What is Ikea's supply logic?**

**In terms of growth strategy, what contractual development does Ikea use?**

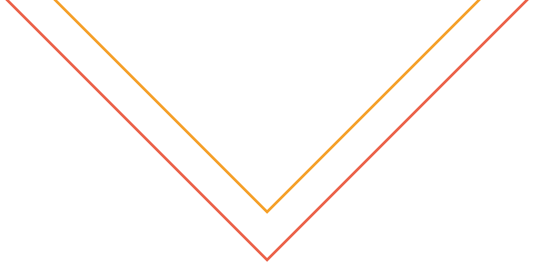
**What are McDonald's growth strategies?**

## 5. Bonus questions



- Ikea's supply logic = production (standardized products + economies of scale)
- Contractual development of Ikea = outsourcing
- Contract development + wealth growth + conglomerate growth

**Any question?**



# Contemporary management problems

Case study – Ikea & McDonald's

**Thank you**