

# Teaching Notes for Cases in Internationalisation of Small and Medium Sized Enterprises

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JOSIP JURAJ STROSSMAYER UNIVERSITY OF OSIJEK  
FACULTY OF ECONOMICS IN OSIJEK

# INTENSE

**INT**ernational **EN**trepreneurship **Skills** **E**urope

Sunčica Oberman Peterka – Aleksandar Erceg – Julia Perić –  
Anamarija Delić – Tine Lehmann - Veit Wohlgemuth

## Teaching Notes for Cases in Internationalisation of Small and Medium Sized Enterprises



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# FOREWORD

The teaching notes in this book are one outcome of the Erasmus+ project INTERNATIONAL ENtrepreneurship Skills Europe (INTENSE) which ended in August 2019. The project aimed to achieve targets set out in the “Agenda for the modernisation of Europe’s higher education systems” by improving the quality and relevance of higher education, by promoting mobility and cross-border cooperation, and by linking higher education, research and business sectors.

The main project partners were five HEIs from different European countries: Hochschule für Technik und Wirtschaft Berlin, Germany, Turku University of Applied Sciences, Finland, Hogeschool Utrecht, the Netherlands, University Colleges Leuven-Limburg, Belgium and Josip Juraj Strossmayer of Osijek, Faculty of Economics in Osijek, Croatia.

The objective of the project was to develop and implement an innovative and multifaceted teaching module on the internationalisation of SMEs to boost the entrepreneurial behaviour and internationalization of students, HEI staff and SMEs. These characteristics are linked to increased employability of both HEI students and HEI university staff, and to a better understanding of the process of internationalisation of SMEs by students and SMEs.

The development of innovation competences and versatile international skills requires practice-oriented learning environments, the utilization of active learning, and innovative teaching methods. Lecturers are key players in supporting students’ innovation-oriented action, by deviating from the traditional teacher-centred approach. Instead, the project relied on international university-company cooperation as a learning environment. This enhanced not only students’ but also teachers’ and SMEs’ innovation competences, entrepreneurial skills and knowledge about internationalisation beyond classical classroom teaching. The involved SMEs also benefitted by receiving advice on their international business activities.

However, the students did not just consult local SMEs in their internationalisation process but also cooperated with another student team in the target market of the SME’s internationalisation. The students documented their consultancy stories in teaching case studies. In this book we are presenting teaching notes for some of the case studies that are one result of the students’ and professors’ work during the transnational student consultancy projects. The connected cases and teaching notes summarise the main challenges that our partner firms faced and that the students were supposed to solve. We hope you will find them useful for your classes and that you and your students can benefit from our learning experience through these cases.

Editors & Authors

## Teaching Note for BB GmbH Case Study

### Synopsis

The case of BB GmbH deals with several topics that fast-growing SMEs and young entrepreneurs face when internationalising. BB GmbH is a young service provider for email encryption that competes in the IT security industry. The company seeks growth in the international market and considers for this purpose internationalising to Brazil. The core topic of the case study is the internationalisation decision itself into a country that is recently growing out of its emerging market status. In order to make a sophisticated decision, market research has to be conducted at first, which is the main task that the students shall execute. The case study puts the students into the position of consultants and requires them to undertake a PEST + L analysis, to decide by themselves how much insight they need for a proper consultancy, and to deal with further internationalisation, and business-related topics. The case study also broaches the issue of how demand can be triggered, market entry modes, over-enthusiasm, glass ceiling, and the management of constraints. Furthermore, the case of BB GmbH highlights the subject of lacking experience and knowledge which is an issue that especially young SMEs face.

### Target Audience

The case study is designed for business students preferably at least in the 2<sup>nd</sup> academic year of their bachelor studies. The audience has to have previous knowledge in marketing, SMEs, and strategic planning models (PEST + L). Furthermore, it is required to have fundamental knowledge about internationalisation or rather international management and the subtopics that come along with it; in particular intercultural management and market research. The students should have a common understanding about the EU as well. The case is designed on a medium difficult level, requires own research, but also provides suggested literature in the reference list. Solving the case should take three hours in class and additional time outside class. The additional time can be determined by the lecturer, depending on the depth of detail that is sought.



## Instructor's Notes

Learning Objectives:

- Obtain a better understanding of the internationalisation process of a company through a practical case
- Apply the knowledge on intercultural management and cultural taxonomies in order to provide recommendations for the case
- Develop analytical capabilities by assessing the different courses of action
- Gain experience in a decision-making scenario

Key Issues

- Obtain a general outlook of the Brazilian market through a PEST+L analysis
- Assess the capability of BB to carry out an internationalisation process
- Analyse different possible market entry methods

## Discussion Questions

**Question 1: To develop a proper Market Analysis, the “Social” aspect is missing. As members of the Trust Agents AG Team, please support Mrs. Delgado and research the social and cultural aspects that might affect the internationalisation of BB GmbH to Brazil. Do you think that the German and Brazilian culture are compatible? Explain your answer. You may use models for the analysis.**

**Approach:**

Students discuss in their teams and define which factors will have an influence on the business. Then they research these exact factors for Germany and Brazil. I ask two groups to present their results and ask the rest of the class to add, and then we come to a joint conclusion. A good time breakdown would be 40 min group work, 15 min for presentation, 15 min adding factors and conclusion.

Solution:

**Social in general:**

Across the globe, Brazil may be best known for its carnival, football, and samba, but the truth is that Brazil is a melting pot of various races, ethnicities, and cultures. Therefore, stereotypes cannot be deemed as facts, but foreign businesses need to look into expat experiences and research the business culture. When conducting business in Brazil, the common understanding is that Brazilians value personal interaction and relationships highly and therefore there is a stronger use of emotion in communication to show enthusiasm and a stronger emphasis on body language as well as close proximity. Often organisations follow strict hierarchical lines, which means that final decisions are made at the top level only and therefore decisions may not be made directly. There may be a flexible manner towards time and meetings should be confirmed in writing.



INTENSE

## Cultural:

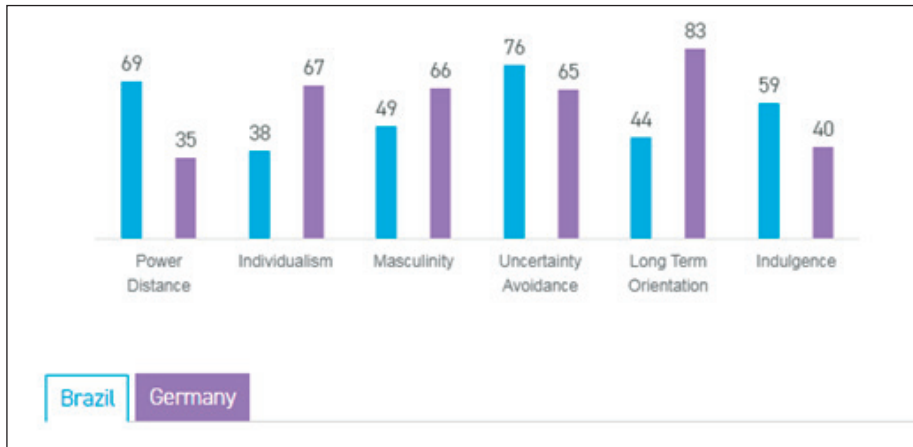


Figure 1: source: <https://www.hofstede-insights.com/country-comparison/brazil,germany/>

Main differences: Brazil has higher Power Distance; formality and hierarchies are more important;

Brazil is collectivistic, Germany is individualistic

Brazil is short-term oriented and higher on indulgence, they live day by day; current things have higher priorities than long term issues.

Furthermore: Brazil is high context, Germany low context → communication issues will arise!

Germans are specific; Brazilians diffuse

Germans are universalistic, Brazilians particularistic

Students might also add further social aspects, like distribution of income, standards of Living (HDI), demographics etc.

In the end, on the social level, Brazil and Germany vary greatly. This is definitely not an easy market to enter for a Germany company, just looking at the social factors.

**Question 2: Does BB GmbH have the potential to internationalise in the first place? Would you recommend internationalising at all and to Brazil currently in specific? Explain your answer in detail.**

### **Approach:**

As Question 1 demands an extensive analysis, I do here an open discussion in class, 20 min.

### **Solution:**

- Internationalisation has been proven to be successful for BB GmbH in the past, it is experienced in this field
- Brazil, however, is a different continent and the level of experience in dealing with Brazil is very low

- BB GmbH has little funds available for the next expansion projects, which is why the licensing strategy is a very suitable strategy
- Brazil is a striving economy with a large potential market and a growing middle class who may be more interested in European products and services (any company dealing with the EU will need to comply with GDPR standards)
- However, current political developments are unexpected and might change the whole story
- Hence, generally, internationalisation would be a yes; but Brazil might not be the right market.

## Additional Questions for Discussion

For supportive purposes, the following questions should guide students through the case and highlight various issues that the case deals with. Depending on the size of the group, the required hours for solving the case differ. The minimum suggested time is seven hours per student.

1. Which constraints is the business development team facing and how does it affect the internationalisation project?
2. Could BB GmbH use other market entry modes? Would you recommend another market entry strategy? Explain your answer.
3. You are employed at Trust Agents AG and were assigned to the BB GmbH case. Provide a recommendation regarding your client's internationalisation decision based on the business development team's research that takes the different research categories into account. If necessary, conduct further research. You can use the links provided in the reference list. Please ALSO answer the following questions:
  - a. Do you think Brazil is a suitable market to enter? Conduct an analysis and explain your answer in detail.
  - b. Which opportunities and threats do you see when internationalising to Brazil?

### **1. Which constraints is the business development team facing and how do they affect the internationalisation project?**

The business development team is facing several constraints when working on the internationalisation project.

- The constraints can be categorised into two groups of which one is related to Brazil and the other directly to the business development team.
- During the project, the business development team is facing constraints related to the budget, to knowledge and experience, and to time.
- Constraints that are implied when internationalising to Brazil include social, legal, cultural, and language differences. The predetermined market entry mode can also be considered as a constraint in relation to the research of potential partners.

The constraints affect the project in the following way:

- Due to the lack of monetary resources provided by the CEO, only public information can be obtained and evaluated. This puts an extra burden on time, and limits data and quality, since expert opinions and other high-qualitative data cannot be acquired during the own research period.
- The lack of knowledge and experience is the most decisive constraint, since it influences every aspect of the internationalisation project. For example, Mrs. Delgado has no experience in carrying out these kinds of projects, even less in a country like Brazil. Therefore, the project is characterised from the beginning by insecurity. The lack of knowledge and experience puts a burden on time as well, since more research has to be conducted and uncertain aspects discussed. Although Mr. Wagner has some experience in market research, he is completely inexperienced concerning the Brazilian market. Only Mrs. Delgado possess some previous knowledge from the Brazilian market, but limited to the cultural and some economical aspects.
- Due to the pressure for the board to decide in which projects to invest, time pressure is automatically created on the business development team. A timeframe of eight weeks and the constraint of 15 hours per week per team member limits research possibilities.
- The forecasted budget of the company implies a strong growth period but does not include resources required for other potential projects that may have a priority and at the same time do not require such a strong commitment as an internationalisation to Brazil.
- Cultural differences can limit business interactions and business relationships. The same applies to social aspects. Language barriers hinder communication. Only Mrs. Delgado is able to speak Portuguese in the entire firm. Legal aspects force compliance with the Brazilian law.

All in all, lack of time, experience, knowledge, and budget hampered the project of the business development team, so that they were forced to reach for consulting help. These constraints are almost independent of the target market.

## **2. Could BB GmbH could use other market entry modes? Would you recommend another market entry strategy? Explain your answer.**

The decision which market entry mode to choose depends on:

- Willingness of commitment
- Risk aversion
- Conditions of the market
- Budget

In general, two major types of market entry exist, export and direct investment. Since email encryption services do not belong to the category of tangible products, direct export is not an option. Indirect export could be undertaken by hiring German institutions that place the product on the Brazilian market. Depending on the fees that BB GmbH would be willing to pay, this entry mode could be an option.

The following entry modes belong to direct investment:

- Cooperation with a foreign company; includes joint ventures, strategic alliances, licensing and franchising
- Merger with a foreign company, involves sharing all the assets of both companies with each other
- Participation in a foreign company, can be categorised into a 100% owned subsidiary, majority interest and minority interest
- Establishment/expansion of own subsidiary, involves establishing its own business in another country; examples are green and brownfield investments.

Using a simple elimination strategy, a merger with a foreign company would not be an option for BB GmbH, since:

- The willingness of commitment does not seem to be strong enough for this type of market entry
- The cultural differences could be too big for such a strong commitment
- To engage in such a commitment enough trust and benefits from both sides have to exist. As an IT company, BB GmbH is dependent on copyrights and protecting the source codes. Since BB GmbH has no network in Brazil so far, no trust could have been built and therefore such a strong step into a complete foreign market is not an option. In addition, Brazil is not supposed to become the new core market but instead an additional market, which is why a merger would also not yield enough benefits to compensate the risk for BB GmbH.

Establishing a subsidiary is not an option either due to the budget constraints.

- The income statement provided by Mr. Leroy indicates that BB GmbH has a constant, positive incoming cash flow in terms of the net profit. However, this is a forecast and costs for potential projects are not included. Therefore, opening up a new subsidiary is too risky and should not be an option, since BB GmbH would not be able to bear the total cost of the subsidiary. Especially as BB GmbH's product is not a mass product and furthermore requires customer education, the probability that the subsidiary will yield losses in the first years is very high. The losses might be too big to handle for BB GmbH.

Participation in another company fails the ambition of BB GmbH to actually bring the product to the market, which is why this entry mode can be excluded as well.

This leaves a cooperation with a foreign company as a last resort in terms of a direct investment.

- A joint venture implies sharing resources with another company and creating together a separate business entity, which is not the interest of BB GmbH and therefore can be excluded.
- A strategic alliance is less binding and concentrates on undergoing a mutual beneficial project. Of course, the issue of commitment and trust is still present in this case which is why the authors consider the strategic alliance as not suitable as a market entry, but good for a possible strategy when having a reasonably stable position in the Brazilian market.

- Franchising is suitable for companies that can market their business easily and are able to attract a solid customer base for a reasonable price. In addition, the operations, processes and skills for running the business should be possible to handle for a reasonably smart person with only a short training. None of the above applies to BB GmbH and therefore franchising can be excluded as a possible entry mode.

The analysis leaves the choice between indirect export and licensing. The authors would recommend licensing, due to the fact that a network of contacts can be established, due to independence of a third party and due to the lower costs in the long-run.

**3. You are employed at Trust Agents AG and were assigned to the BB GmbH case. Provide a recommendation regarding your client's internationalisation decision based on the business development team's research that takes the different research categories into account. If necessary, conduct further research. You can use the links provided in the reference list. Please ALSO answer the following questions:**

**a. Do you think that Brazil is a suitable market to enter? Conduct an analysis and explain your answer in detail.**

- Based on all the information provided a reasonable conclusion can be made
- Recent expansion experiences have been successful
- So far, BB GmbH had positive experiences with internationalisation
- It needs to be cautious about costs which could occur and they have no budget
- Brazil and Germany have a longstanding and successful relationship, supported by many agreements and associations between the two countries
- Licensing is a fairly low risk internationalisation process

**b. Which opportunities and threats do you see in particular when internationalising to Brazil?**

**Opportunities:**

- GDPR will force Brazilian companies working with a European country or with European customers to comply with the regulations. This can promote innovation, transparency, and a new data strategy → need for higher IT security and data processing standards
- If Brazilian companies working within the scope of the GDPR do not comply with the GDPR high penalties will follow
- Demand triggered by complying with law (BB GmbH products comply with highest standards globally)
- Increase of data protection awareness
- Data protection is becoming more popular in the private and public sector
- Agile legal landscape (penal code)

- Current standards of IT security are low (see worldwide cybercrime ranking)
- Law on data protection
- EU-Brazil Science and Technology Agreement (extensive collaboration)
- Horizon 2020 (largest EU research and innovation programme)
- New US trade agenda (Brazil could take advantage of the shifting global trade agreements under current President D. Trump, as he is pursuing a stronger protectionist strategy and global US trade partners may be looking for new partners.)
- EU-Mercosur Association Agreement (reduce tariffs and non-tariff barriers)
- Brazil is expected to become the fourth largest economy in the world by 2050 (PWC)

### **Threats:**

- Agile legal landscape
- Ongoing recession since 2015
- Brazilian companies have the poorest cyber security performance among major world economies
- IT security is not top priority in Brazil
- Time of enforcement of data protection laws
- Governmental controversial opinion regarding the scope of data accessibility
- Cultural differences may hinder the internationalisation process if they are not acknowledged

## Background reading

Although some information is provided in the case study, thorough market research should be conducted, including Brazilian business environment, intercultural environment, political environment and looking at trade agreements and partnerships between the European Union and Brazil. Furthermore, to assess whether Brazil is a suitable market for internationalisation the cybercrime landscape and data protection laws in Brazil should be analysed as well as the general IT security perception in Brazil by the government and by businesses and the implications of the new GDPR rulings in the EU for Brazilian companies.

## Epilogue

As the company evaluated all market entry strategies thoroughly, BB GmbH began to create a network of contacts to pursue a licensing strategy over the next six months. The initial enthusiasm, however, was not kept up since intensive talks with potential partners abroad were rarely successful. Only after having hired a good friend of Mrs. Delgado, who happened to be a successful sales manager for financial services in Brazil, the negotiations began to roll and a great fit for a licensing agreement could be found. The subsequent quarter marked a milestone for BB's Brazil expansion as the licensed product skyrocketed sales revenues, mainly through the new legal requirements that were set by the Brazilian Government to strengthen the IT security infrastructure in the country. With the experience gained through this success story, BB's plans to expand further in South America are yet to come.



## Teaching Note for For the Love of Bread Case Study

### Synopsis

The case study describes the failed internationalisation process of a German start up to the US market. The brothers Mathias and Peter Altus started their social enterprise “bread fans” as an online store selling traditional German bread baking sets. Their internationalisation is based solely on their friend Marc in the US. The students’ task is to analyse the failure.

### Instructor’s Notes

#### Learning objectives

- Students are able to understand the background situation of an SME and its influences on doing business
- Students are able to analyse motives of internationalisation
- Students are able to understand principal agent problems that arise due to the contractual relations with employees
- Students get the team development stages of their group going
- Students learn how to work with a case study

### Case Solution

Overall question: Can you help the “bread fans” and try to find out what went wrong?

Questions to support the analysis:

Question 1: What kind of business do the Altus brothers have? In what stage of business development are they and what does it mean for the different issues in their company?

Solution and Approach:

*Approach:* As this question is only about gathering information from the text and putting it into context to concepts discussed in class, the students should proceed to do the following: Each group gets a flipchart paper and board markers. The task is to display the relevant information in a meaningful way in a poster. They only get 10 minutes to do the task and it should be highlighted that in order to create a good poster in 10 minutes they need to divide tasks in their team efficiently. After the 10 minutes



students shall just hang the posters in the front and the whole class discuss the content of all posters and the solution jointly. So, no individual poster presentations as this would be repetitive and take too much time. Solution: Information from the case:

- 2 brothers as founders
- 2 further employees?

→ SME → Micro Business (IM1\_slide 62); Family Business? Yes. Managed actively by more than 1 person of the same family (IM1\_slide 67). Implies: less management, business, and market experience, but strong personal ties between members

Entrepreneurial/creativity stage of development (IM1\_slide 52):

Category	Phase 1 Creativity	Phase 2 Direction	Phase 3 Delegation	Phase 4 Coordination	Phase 5 Collaboration
Management Focus	Make and sell	Efficiency of operations	Expansion of market	Consolidation of organization	Problem solving and innovation
Organizational structure	Informal	Centralized and functional	Decentralized and geographical	Line staff and product groups	Matrix of teams
Top Management style	Individualistic and entrepreneurial	Directive	Delegative	Watchdog	Participative
Control system	Market results	Standards and cost centers	Reports and profit centers	Plans and investment centers	Mutual goal setting
Management reward emphasis	Ownership	Salary and merit increases	Individual bonus	Profit sharing and stock options	Team bonus

→ Implies: “busy with themselves”, not really a well-developed strategy and structure.

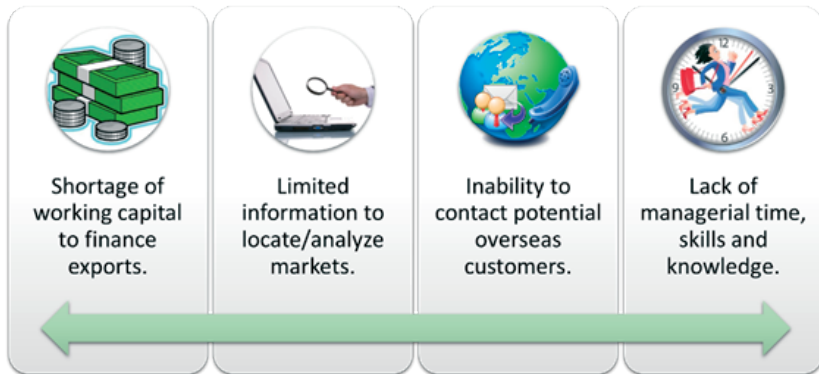
Question 2: What were their motives for internationalisation and what are the core problems in their internationalisation to the US market?

Solution and Approach:

**Approach:** Think-pair-share: Students shall take two minutes each to really think about it, then take two minutes to discuss it with their neighbour, then take another four minutes to discuss it in their group and come to a joint solution. Each group shall argue their solution in a two minutes elevator speech (they can use the board and a board maker).

**Solution:**

- Motives (IM2\_slides13/14): export; proactive (something between managerial urge and anticipated opportunities)
- Core problems 1: All barriers to internationalisation (IM2\_slide 15) basically fit:
  - They seem to have limited capital as they were happy that Marc would work free of charge
  - They had basically no information on the market
  - Seemed unable to identify and contact the potential customers
  - Had a lack of time/knowledge on market entry



- Core problem 2: The relation with Marc is a principal agent problem (IMI slides 37f): It seems to be an adverse selection problem, implying Marc is the wrong person for the job. He let the brothers believe that he has market knowledge and experience, which does not seem true now. There is also partly a moral hazard problem, because the brothers do not seem to monitor Marc's actions and do not really know what he is doing.

Overall question: Can you help the “bread fans” and try to find out what went wrong?

Final discussion on overall question: This is discussed jointly with the class. The main points are:

- It's a Micro family business in the entrepreneurial stage, hence structures and strategies are not well-developed
- Their internationalisation motive was simply “chance”. It did not follow a general company strategy and was not attached to any strategic decision-making and did not entail any specific changes within the company. For that reason, they missed to be aware of the very common internationalisation barriers that SMEs face. Here a clear market analysis and an internal company analysis (both we start next class!) would have been beneficial to be aware of upcoming problem and steer against them/develop structures to avoid them
- Furthermore, their setup with Marc let them into a classical principal agent problem. A clear contractual relation with Marc could have reduced these principal agent risks.
- Last but not least: Are they “born global” or do they follow the “Uppsala Model”? They are not “born global” but rather follow the Uppsala, hence this approach is not so uncommon for internationalisation attempts of SMEs.

## Further information

This is a real story. Due to the confidentiality reasons names were changed. The company actually went bankrupt, partly due to its failed investment into the US market.

The annex is included on purpose and it is completely irrelevant. We wanted to demonstrate to students that case studies tend to include “noise” or irrelevant information. Part of working with case studies is, as in real life, to be able to differentiate the “noise” from the important facts.”

# INTERNATIONAL ENTREPRENEURSHIP SKILLS EUROPE



## Teaching Note for Carta's plan for export Case Study

### Synopsis

While reading and solving this case, students will encounter situations that companies are struggling with when entering a foreign market. Students will find out about company Carta, about products that Carta wants to export on foreign markets, but also information about Belgian market. Every country has a different culture, language and religion, meaning people are different, and they have different habits and different needs. Social, economic, and legal differences are of great importance and influence when placing our products in the foreign market. The existence of potential demand in the foreign market, for which the company believes that it can successfully meet, can represent success but also a disaster if the company doesn't research these segments. Through all this information gathered about Belgian market, students should be able to offer possible strategy for entering that market. The main purpose of this case is for students to understand process of internationalisation of small and medium companies. SWOT analysis is the most important analysis in this case because it is a simple, yet powerful tool to help develop business strategy for entering the foreign market.

### Target Audience

This case study is intended for students at the bachelor or master's level of business studies. In order to solve this case, students should have acquired adequate knowledge and the ability to draw conclusions, and make the decisions they can apply for this case.

### Instructor's Notes

#### Learning Objectives

Specific learning objectives are as follows:

- Be able to use the SWOT analysis after theoretical learning
- Recognize advantages and disadvantages of Carta's entry into a foreign
- Discuss possible market entry strategy through overview of customer approach and profitability

### Approach

At the beginning of the class students should get familiar with the basic information

and purpose of the case study, and after a brief introduction they should be divided in groups of three. Students should analyse, discuss, and explore their own ideas of Carta entering strategy on Belgium market. They should also determine the advantages and disadvantages of entering the foreign market. To process this case (introduction, group work, concluding discussion) two school hours are required, a total of 90 minutes.

## Solutions

*Disclaimer: please understand the questions and their presented solutions as one way of many to tackle the problem in the case. The presented solutions are not complete and are presented here just as a basis for discussion for the teacher. They do not represent the “only” and “right” answer.*

- 1) What are the biggest obstacles for Carta’s entrance to Belgium? Explore all aspects of the Belgian market and create a SWOT analysis of Carta’s market entry to Belgium.

<b>Strength</b>	<b>Weakness</b>
1. Carta has biodegradable bags 2. New machines and 1 kg bag making machine	1. Distance between these two countries, industrial bags are products that lose value on a larger number of kilometres, 1500 km is the limit of miles of pay-per-sale
<b>Opportunity</b>	<b>Threats</b>
1. Belgians are aware of importance of BIO production 2. Turn to new markets such as chocolate and cereal production	1. Large competitors in Belgian market 2. Cement production has been declining steadily in recent years

- 2) What changes need to be made in the production process in order to adapt its offer to the Belgian market?

As the cement industry has declined slightly over the past few years, Carta should turn to other industries. For example, Belgium is a country known for its chocolate production.

If Carta wants to be competitive on the Belgian market, it has to bring something new to the production of its bags, such as a half-pound or less packaging with a window so that customers can see the contents of the bag.

- 3) How should Carta approach customers in the Belgian market?

The best approach to customers in this kind of business, we think, is through visiting the trade fairs. There are plenty of events organised for import-export business such as thematic fairs that firms can participate on. At such events, we can identify importers and buyers that will become our future international trading partners and change the course of our business altogether. Since the import-export process is usually in the good name of a country’s economy, the chances are that authorities will do their best to facilitate this process and put foreign exporters in touch with trustworthy local importers.

4) Is it profitable for Carta to go to the Belgian market? Explain your answer.

The biggest problem of exporting these products is the distance between these two countries. Industrial bags are products that lose value on a larger number of kilometres, 1500 km is the limit of miles of pay-per-sale. The distance between Croatia and Belgium is 1400 km on average, so it is important to point out that the export of these industrial paper bags is profitable in the cities of Belgium located on the German border, and to the cities who are closer to the Croatia than those cities on the north of Belgium.



## Teaching Note for Europlast goes to Holland Case Study

### Target Audience

This case study is designed for business students attending undergraduate and graduate programmes. The case can help students understand particular problems faced by enterprises preparing to do business in international environment.

### Synopsis

This case study is related to the topic of internationalisation; therefore, it aims at engaging students in a discussion where they can express their opinion about internationalisation challenges and demonstrate that they can 'apply theory to practice'. Referring to that, the main purpose of this case is to meet students with internationalisation of small and medium companies. Students, while reading and solving this case, will find information about Europlast, about product that company wants to export to the Netherlands and, in the end, information about Dutch market and about habits and needs of Dutch people. As it has been known before, entering a foreign market can be a very hard time for a company because in that time its needs to meet all social, economic, and firstly, legal things in order to enter the market as painless as possible. In the end, a SWOT analysis was selected as main analysis in case because on the simple way students can provide strategy for entering on the foreign market.

### Instructor's Notes

#### Learning Objectives

Main learning objectives for this case study are:

- being able to recognise obstacle for company
- being able to use SWOT analysis
- discuss about strategy that fits best for company's market entry on mentioned market

### Approach

In the beginning, students need to read the case to get familiar with their tasks. After that introducing part, students should be divided in groups of three or four, depends on total number of students. In groups, students need to analyse, discuss, and give pro-

posal what could be the best way for Europlast to enter Dutch market. A SWOT analysis will help students to discover strengths, weakness, opportunities, and threats of the company that wants to sell in foreign market. Estimated time for case study analysis is 90 minutes.

## Discussion Questions and solutions

*Disclaimer: please understand the questions and their presented solution as one way of many to tackle the problem in the case. The presented solutions are not complete and are presented here just as a basis for discussion for the teacher. They do not represent the “only” and “right” answer.*

The main questions to be answered in this case are:

### **Question 1: What are the biggest obstacles Europlast is facing when considering to enter the Dutch market? Create SWOT analysis for Europlast.**

For section “what are the biggest obstacles” for firm, student tasks will be to do research about the main obstacles for market entry and open discussion to find the best solution and how to jump them. To identify the obstacles SWOT analysis can be a useful tool for students.

First students make the SWOT analysis according to the given information in the case and afterwards teacher needs to start the discussion with students based on their findings. It is important to explain their choice and corroborate with some solutions.

<b>Strength</b>	<b>Weakness</b>
<ol style="list-style-type: none"> <li>1. High quality products (trailers)</li> <li>2. Production according to European standards</li> <li>3. Offering lower prices than competition</li> <li>4. Long time experience in producing products for the demanding European market</li> </ol>	<ol style="list-style-type: none"> <li>1. Dimension of trailers difficult to transport them to Netherlands – maybe high transport costs</li> <li>2. Lack of networks because the company has never been doing business in Netherlands</li> </ol>
<b>Opportunity</b>	<b>Threats</b>
<ol style="list-style-type: none"> <li>1. Foodservice industry in Netherland is growing, especially in area specialist coffee shops, juice/smoothie bars and food trucks</li> <li>2. A large number of food fairs offering the company an opportunity to present itself to potential customers and distributors</li> <li>3. Croatia is a part of European Union so there are no customs.</li> </ol>	<ol style="list-style-type: none"> <li>1. A large number of competitors on the Dutch market</li> <li>2. Preferences of Dutch costumers – they like smaller and differently designed trailers</li> <li>3. Restrictions about height and wide of trailers</li> </ol>

**Question 2: What would be the best way for Europlast to enter the Dutch market directly or via a distributor?**

If company wants to go directly on the Dutch market, it could be the harder way to enter the foreign market. Company had never been working in the Nederland before, so it hasn't established networks to help them get "inside" information about the market needs and habits about food trailers. Of course, company can reach potential customers via food fairs, but it requires a large amount resources especially time and money.

On the other side, entering the Dutch market via a distributor is a much more rational option for company. Firstly, a distributors already have a base of existing customers which could become potential buyers of Europlast food trailers. Even when paying fees to the distributors Company has room to increase prices and making more profit. Choosing a distributor leaves the company more time to focus on key aspects of their business ant that is production.

Apart from these suggestions, it is desirable that the students, engage in deeper discussion and feel free to express some of theirs suggestions that could be applied to Europlast case.

**Question 3: What are the changes that Europlast needs to adopt to their product to meet the Dutch market requirements?**

The biggest problem for Europlast in the Dutch market is related to the preferences of Dutch costumers that like smaller and differently designed trailers. Also Dutch prefer food trucks over food trailers. Changing the preferences of costumers is very hard so it would be good if Europlast could change size and design of its product. According to all from the above, if company wants to be competitive on the Dutch market, they need to modify their trailers.



# INTERNATIONAL ENTREPRENEURSHIP SKILLS EUROPE

## Teaching Note for Euro-Trans GbmH to internationalise to Croatia Case Study

### Synopsis

This case involves Euro-Trans GmbH, a medium-sized logistics company located in Germany with 55 employees. It conducts most of its work in the Benelux countries and in Austria also, where it transports various goods in trucks across these nations.

Euro-Trans' problem is simple to identify but very difficult to fix. In the countries in which it operates (mentioned above), there exists a shortage of qualified truck drivers. With the job becoming seemingly less glamorous and at times lonely and monotonous, it's becoming increasingly difficult for logistics companies to source drivers. For Euro-Trans, its inability to find qualified truck drivers in the Benelux regions was becoming a problem for it, so it looked to further afield to solve this problem by conducting business in European countries further east, where the labour would be relatively cheaper and where it hoped to find a bigger pool of drivers to choose from. It had already achieved some success prior to this in Hungary, where an executive in the company had existing business ties and it was easily able to set up a pilot office, where it could then go on to hire Hungarian drivers, who would then work in the Benelux region for Euro-Trans.

So this brings us to its current issue. It wished to explore the opportunities that exist in Croatia for sourcing truck drivers who it could get to work in the Benelux region of Europe. However, unlike in Hungary where it had existing contacts prior to its internationalisation there, in Croatia it had no such ties or help. This meant that it is effectively starting from scratch with regards to this proposed internationalisation and it required information on the following topics:

- What is the current state of affairs in the Croatian transport market and its structure in regard to domestic and international transport?
- What are the current requirements for a foreign business to start a company in Croatia? How difficult is it?
- What type of business model/structure should it use to internationalise to Croatia?
- What are the most important points of the Croatian tax system, with respect to Euro-Trans?
- What are key points in Croatia's social security and relevant employment law?

- How to receive an EU-license (necessary to participate in the commercial transport market)?
- What is the process of sourcing high-value equipment (trucks) in Croatia?

By answering the above bullet-pointed questions, Euro-Trans hoped to find a solution to its problem that gave it the foundations necessary to internationalise to Croatia.

## Target Audience

This case is suggested for undergraduate students who are in their 2nd and/or 3rd year of International Business studies. The course Global Logistics Management can be suitable to study the different logistics methods and the conditions within this sector.

Similarly, it could also be well suited to use in an international management course, because it deals with some management topics, but more importantly internationalisation within the EU.

## Instructor's Notes

### Learning objectives:

- The student has to learn about and to deal with issues such as cultural differences, social responsibility and stakeholder demands.
- The student has to learn to improve their researching and more importantly their analytical skills. Being able to find information is one thing, but knowing how to analyse and use it is another.
- The student has to test their problem-solving skills. When researching the business practices of another country where a different language is spoken, it is inevitable that problems will arise, and these problems will often not have simple solutions.
- The student has to obtain a general understanding of the complex and increasingly globalised world surrounding transport companies, and the impact various actions has on the employment sector.
- The student should be able to show that he or she is able to handle dilemmas in a manner that they show that he or she can be held responsible for and with critical thinking suggest solutions that are suitable for all stakeholders.

## Discussion questions and answers:

### 1. What can Euro-Trans GmbH do to attract truck drivers?

- Offer competitive wages, clear schedules and good working conditions
- Contribute to the training of selected unemployed individuals
- Look for local initiatives to employ people, job agencies, subsidies, etc.

## **2. Which challenges are most pressing when it comes to hiring truck drivers in a foreign country and how can these be overcome?**

- It can be difficult to access the drivers. To have a contact person in the country who speaks the local language will be an advantage, someone who can continue to be the contact person and help negotiate the contract etc. in the likely case that the truck driver(s) do not speak English or German.
- Understand the cultural needs of different individuals in different countries, and adapt flexibility to accommodate these;
- The drivers from further away need longer time to travel to where they perform the job. This can be mediated by having a set schedule for all drivers, for example, 14 days, so they work in teams and on rotation and can swap vehicles for example on the border in Austria.

## **3. Setting up a company in a foreign country can be challenging. How can Euro-Trans GmbH minimise the risks involved with such an activity?**

- Acquire a 50% stake of an existing transport company or set up a new company together with a trusted partner. It's important that this individual or company has knowledge on how to deal with the bureaucracy in Croatia, knows the language, and does not do business in the unofficial market (which is common in the country).
- Investigate which consulting firms are available to give advice and provide aid. It might turn out cheaper and better to hire someone to conduct the legal works of acquisition or the setting up of a new business, rather than struggling with the language and making mistakes alone.
- Make small investments at the time and avoid too much ownership before it is more clear how the developments are going. For example, this could mean to rent or lease trucks instead of purchasing them. It could also mean to specifically look for partners who already have the EU license, to avoid having to invest in one individual that needs to go through the qualification process to obtain it and may ultimately prove to not be suitable for the task.

## **4. What factors should be taken into account when deciding upon which country or countries to internationalise to as a logistics company?**

- The legal framework of the country's business world. This includes the level of bureaucracy in the country and the various administrative boxes that must be ticked, including the steps and costs associated with setting up a business in a foreign country and how easy or difficult it is for foreign companies to do business in a given country. This also includes employment law and how protected both you and your employees would be under this country's employment law.
- The cost of labour in the country. This will obviously affect how much you have to pay in wages to employees.
- Infrastructure. As a logistics company, infrastructure is crucial. And as a trucking company, in particular, the quality of the road network in any country you wish to do business in must be up to a good standard or else it may in turn end of costing the company money in the form of repairs and maintenance.

## Key Analytical Tools/Theories:

There are a number of useful analytical tools that students can use to aid them with their research. For example, in the Netherlands, there is the Central Bureau of Statistics which provides users with a variety of useful statistics regarding business and other things in the Netherlands. Another useful website that provides such free services is Statista, which offers information on a wide range of European countries, including Croatia.

To help students get a basic understanding of the business conditions in Croatia, challenge them to carry out a PESTLE analysis; which is an acronym for Political, Economic, Social, Technological, Legal, Environmental. Whilst this analysis won't help them to directly solve the problems of Euro-Trans, it will at the very least give them a basis to go on, and help them to understand the context of the obstacles facing Euro-Trans.

## Solution:

The solution we came up with was as follows. Euro-Trans GmbH should look for a joint venture/partnership opportunity in Croatia. It can be flexible with the type of partnership it choose but fundamentally, it needs local knowledge.

Due to the complex nature of Croatia's legal and administrative systems, it would be best for Euro-Trans to seek an existing entity in Croatia, preferably with experience in the logistics market in Croatia. When a successful partnership occurs, be it in the form of a company acquisition or a strategic alliance, Euro-Trans will have a solid platform to work with. From here, this will enable the company to create ties with truck drivers in the region and enable it to build a network of local drivers from which it can hire.

Students should be able to identify this from reading through and discussing the case in detail, but if they are having difficulty coming to this conclusion, be sure to remind them of the success they had in Hungary when they had pre-existing business knowledge in the country in the form of an associate of one of the company directors. Emphasising the impact this had on the internationalisation process in Hungary should help them realise the solution.

Of course, as is the case with most case studies of this nature, they may be other unforeseen answers that you, as the mentor, may deem acceptable as your discretion.

## APPENDIX 1:

It is advised to provide the information shared in the appendix also for the students, as important conclusions can be drawn from the additional information provided in the following pages.

### **The Requirements for a Foreign Business to Start a Company in Croatia**

Croatia scores high on the "Ease of starting a business"-index, with 8 procedures needed to start a company. This takes between one and four weeks, with standard starting-capital of a Limited Liability Company (LLC) being approximately €2700 (20.000 HRK).

#### **Key points to the 8-step procedure:**

1. The first step is to reserve the company's name
2. Notary: The notary completes the basic constituent document of the Memorandum of Association. There are standard documents that can be filled in for this step, which includes the articles of association, the appointment of the director(s), application of registration of the company, list of shareholders and managers, and others.
3. Commercial Court: There are standard documents to complete also for this step, including the application form, proof of deposit of paid-in-capital, articles of association, and others. This can be applied for online and typically takes just 24 hours. However, the hard copy of the incorporation certificate is usually received within two weeks, and the original document is needed to accomplish the next steps.
4. It is optional to order the official seal, which typically takes one day;
5. Statistical registration number: A copy of the Commercial Court's Decision on the entry into court register, and a copy of the Personal Identification Number (OIB) of the company is needed to accomplish this step.
6. Open a bank account and register for VAT and employee income tax withdrawals; this can be accomplished in one sitting with the bank;
7. Register with the Croatian Institute for Pension Insurance (HZMO) and Croatian Institute for Health Insurance (HZZO);
8. Register with customs authorities if the company conducts foreign economic activities.

#### **Key Notes:**

- In order to act as a director, a person shall contribute 51% or more of the authorised capital. The total amount of authorised capital should be more than 100.000 kuna (€13.455). Minimum 1 director must be appointed the company.
- In addition to the three Croatian employees in non-administrative positions, the company shall employ 10 Croats, if two of the directors are not citizens of one of the EU countries.
- A foreign natural person who is the founder of the LLC in Croatia has the opportunity to obtain a residence permit.

- The company's participants can be one or more legal entities/natural persons of any citizenship, nationality, tax residence status.
- A Croatian company is required by law to have an accountant. Average costs between 400 to 1.500 kuna per month for an LLC. End of year calculation comes on top of monthly fees, at least costing 2.000 kuna.
- Pay attention to the high costs of changing the business' address (initially given to the notary in step two above), as this requires a notary to be filed with the government and can cost between 2-4000 kuna, depending on the notary. Many accountants will allow the use of their address and can then also accept the post on your behalf.
- There are consulting companies available that can be hired to set up the company on your behalf. There are two main ways to do so, where 1) the client is present in Croatia and his/her passport is used to obtain a tax number and where the client appoints the director of the company, or 2) where the client is not present in Croatia and only a copy of his/her passport is needed as well as a special notarised accreditation. One such company is "Vomi Consulting", based in Croatia.

## APPENDIX 2:

### Croatia's Social Security and Relevant Employment Law for Truck Drivers

#### The new Labour Act

A new Labor Act was adopted by the Croatian parliament in 2014 after being criticised worldwide for its inflexibility. Croatia's employment protection regulation was among the strictest in Europe, and thus the new Labour Act has been adopted to increase the number of people employed, and to create a legal framework where employers have more flexibility whilst still maintaining employee protection. The main amendments are:

- More flexibility in working hours, extending maximum weekly hours to 50, or by collective (written) agreement to 60. Yearly overtime hours are capped at 180 unless collective (written) consent is given, in which case the cap is at 250 hours of overtime per year.
- "Unequal working hours schedule" has been implemented; this allows the employer to modify the employee's working hours according to needs. The maximum overtime hours remain the same, yet the collective agreement can allow the employee to "bank" extra hours and spend these on time off at a later point.
- Easier cancellation of employment contract in certain cases
  - Note that if a court establishes that the dismissal of an employee was not permissible, it may award minimum three and up to eight monthly salaries as the compensation for judicial termination. This has been changed from a maximum of 18 salaries.
- Encouraging "atypical forms of employment" by increasing the allowance for temporary employment from one year to three years allowance of using the same assigned worker(s) to perform the same tasks.

## APPENDIX 3:

### Key Points on Truck Driver Salaries

- A truck driver's average hourly rate is €4,50; with the average monthly wage being €944.
- Minimum monthly wage: €470, and maximum any truck driver in Croatia earns per month is €1416 (numbers from 2018);
- 75% of the truck-driving workforce in Croatia earns €1180 or less. Private sector average monthly payments are around €810, compared to the average in the public sector which is about 34% more at €1082. Public sector includes also, for example, bus drivers.
- Salaries in the industry have slowly increased every year, at a rate of 3%. This trend is expected to continue, yet slowly.

Important to note is that some companies have reported difficulties in finding experienced drivers, yet the most recent claim was in October 2016. This is due to Croatia's role in international transport increasing. The Croatian government has tried to increase the number of students enrolled in schools for truck drivers and also the number of scholarships available to them.

The most recent report on this issue states that there are qualified truck drivers available in Croatia, but there are also jobs available regionally and nationally in the sector. These jobs are specifically bus drivers and heavy truck drivers. Competition can be amended by offering higher wages, as discovered above the private sector is still on average barely above the national minimum.

## APPENDIX 4:

### New EU Regulation for Truck Drivers:

This may be impacted by new rules, as the EU has recently agreed on new rules on truck drivers' working conditions to create fairer competition in road transport. The new regulation will also need to be adhered to in Croatia, as an EU member country. The main points of the new regulation are as follows:

- The new regulation will come into force in 2020;
- New payment rules: Drivers travelling outside their home country will receive their home pay-level for three days. If they are still abroad after three days they will be paid according to the rules of the country in which they are working, including then the minimum wage, overtime rules, bonuses, allowances, etc. of that country.
- Cabotage cap will be removed, allowing for any number of cabotage operations within 5 days of the international delivery.
- Improved driver conditions: Companies must pay for driver accommodation when a rest period of 45 hours is involved, e.g., drivers cannot sleep inside their cabs anymore during these longer rest periods.
- This will eliminate unfair competition, and means "drivers will get the same pay for the same work in the same place";
- Driving times remain unchanged: Driving time should not exceed 9 hours a day or 56 hours a week. After 4½ hours, drivers must take a break of at least 45 minutes. After a full working week, 45 hours rest must be taken (regular rest period) or 24 hours (reduced rest period), two consecutive weeks cannot exceed 90 hours of driving.

## Teaching Note for Fiylo GmbH Case Study

### Synopsis

The case concerns the Hanover-based Fiylo GmbH active in the MICE (read: Meetings Incentives Conventions Exhibitions) industry and its, yet rather diffuse, aims to expand into the Dutch market. In the past the company has followed the traditional Uppsala approach when going international and expanding into the culturally, geographically, legally and first and foremost linguistically close Austrian and Swiss MICE markets.

While Fiylo did already gather some international market entry experience in equity-intensive (Austria) and non-equity (Switzerland) modes; it yet lacked much of a roadmap of how to enter the Dutch market. Moreover, it lacked a clear decision-making structure (apart from loose non-business and semi-business ties) for why it decided for the Netherlands in the first place.

### Target Audience

The case is first and foremost designed to be used as part of the EU funded INTENSE programme to educate undergraduate students of International Business degrees. They are to be familiarised with the problems commonly encountered in internationalisation processes and develop perspectives of utter importance for their own subsequent INTENSE consulting projects. This case is suited as an introductory case.

### Instructor's Notes

#### Learning Objectives

- Understand motivations and challenges of market entry of SMEs
- Understand and being able to apply a structured approach to external analysis
- Critically reflect on market selection decisions

#### Discussion Questions

1. **Smaller companies usually face additional challenges when starting to internationalise compared to larger companies. Which of these typical challenges will be relevant for Fiylo and which may not be a problem?**



**Approach:** This is a task to review the discussion in class. I would recommend a Think-Pair-Share method. Students should first think for themselves for 2-3 minutes about potential challenges, then discuss it with their neighbour for another 5 minutes and then share with the class their discussion points. The instructor should gather and structure the discussion points and link it to the points discussed in the class before.

**Solution:**



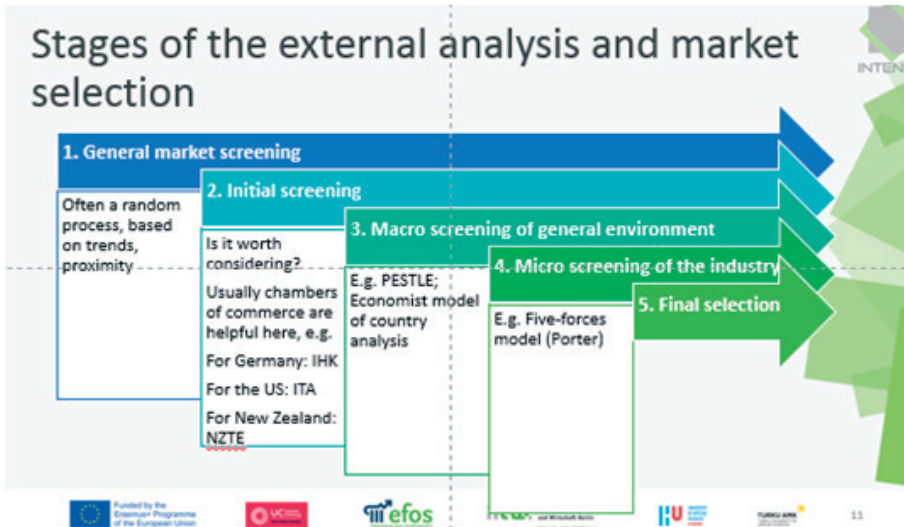
- Finance will be less of a problem, looking at the revenue;
- A lack of time and skills might be a problem;
- Limited market information and inability to contact costumers might be relevant.

Furthermore, students could discuss the influence of Fiylo being a family company and its motivation to internationalise in the first place.

**2. Fiylo did not follow a clear internationalisation process in the past. This time, it wants to do it right and start with an external analysis of the Dutch market. Please explain the stages of the external analysis, in which state are they currently, and what will be important factors to analyse?**

**Approach:** This is a task to critically reflect the approach on an external analysis. I would first, in an open plenum, review the stages of external analysis and establish the stage that it is in (Stage 2: initial screening). Then, ask students in their groups to discuss which next steps of analysis Fiylo should undertake and on which factors it should focus (20 min groups discussion). One group should present their results; other groups add/discuss.

**Solution:**



- Initial screening on the actors (NBTC (National Business and Tourism Convention) is the only organisation responsible for promoting the Netherlands abroad and developing a brand and a strong brand policy, which has a similar business approach and website than Fiylo “Holland venue finder”)
- PESTLE, here legal and economic factors play a large role in order to understand the institutional environment
- Apply Porter’s five forces to understand the industry in detail

### 3. Should Fiylo enter the Dutch market?

**Approach:** Open class discussion; the case does not provide enough information, but task two should lead the students to think about it and engage in some first research.

**Solution:** No.

- Strong competition
- Little demand from German event planners
- Little interdependence between German and Dutch business event planning market



## Teaching Note for How Project Management Leads to Success at GHT Case Study

### Synopsis

The case study addresses the issues of project management at GHT GmbH, a company that specialises in engineering and distributing industrial heat recovery equipment on the German market. Since the company declares a loss in market share and suffers huge financial issues, the new CEO, Mr. Tannenbaum, developed two main ideas for projects, which should be implemented to improve the overall situation - enhance the logistics concept for the manufacturing of products in China and find suppliers within the European market.

Because the amount of work is too large for the current team of two employees with a business background, an additional full-time employee from the Ukraine and a working student from Mexico were hired to keep up with the workload that was announced within the projects.

In order to solve this business problem, it is crucial to understand the project management tools. The first issue discusses the effective teamwork based on Tuckman's FSPN model. Students shall analyse each state of the model and come up with problems that may occur within the team and how to solve them.

The second topic focuses on building a work breakdown structure. This is an important tool for a project as it lays a foundation for the rest of the planning to be done in the future.

### Target Audience

This case study is designed to be utilised for project management or international business students at the bachelor level. It is recommended that the students have previously taken introductory business courses. The teaching case is designed to encourage students to learn about project management and how to successfully manage international projects of large scope.

### Purpose

Since this case study is related to topics of project management, it aims at:

- Engaging students in a discussion on why building an efficiently functioning team is crucial for ensuring a successful outcome of a project, especially when working in a multicultural context;

- Helping to get a practical understanding of the importance of a work breakdown structure as a base of project management;
- Ensuring that students have a clear understanding of how to apply project management tools in an appropriate manner.

## Instructor's Notes

### Learning Objectives

- Ability to adequately apply Tuchman's FSNP model
- Understand the importance of developing a clear work breakdown structure to ensure a strong foundation for a project
- Ability to build a work breakdown structure for a complex project

## Plan for the Teaching Case

### When to apply the case?

Since the case study concerns issues related to project management, it is recommended to use the case whilst teaching the basics of successful project work. Especially when talking about two major topics. First of all, it is a helpful tool when looking at international teamwork and how to successfully form groups of different backgrounds. On the other hand, after the teams are built, it helps to get a practical understanding of creating a work breakdown structure in order to manage projects well. Therefore, students can apply the theories by working on a real-life example.

### How to introduce the case?

The case is based on a real project that happened in 2019. GHT, German Heat Technology, is a Berlin based company with more than 60 years of experience in the field of industrial heat technology and heat recovery. The company itself is rather small in size, having a total of eight employees, from which most of them have an engineering professional background. Since January 2018, Mr. Tannenbaum took over the role of the CEO. Considering the business model of the firm, GHT focusses on engineering its main products, namely Heat Exchangers and Cooling Towers, and selling them to end customers in the role of a sales agent distributor. Hence, the production is outsourced. The main manufacturer is located in China, whereas some smaller suppliers for Heat Exchangers are situated in the Netherlands. In terms of the customer base, GHT only concentrates on the German market and has little international experience so far.

After carefully checking the company's financial statements and evaluating the business model as well as analysing the future business outlook, Mr. Tannenbaum has decided to make changes in order to improve GHT's market position and to develop the business further. Without this change, the company may face major problems related to its financial and market stability. As competitors are very strong and flexible on the market, Mr. Tannenbaum wants to tackle two main issues of improvement:

- Logistics: The delivery time for the product produced in China takes too long and the company cannot respond to requests quickly. Moreover, prices of its current forwarders are very expensive.

- Suppliers within Europe: In order to connect internationally and to be more flexible, GHT shall find additional European Suppliers to increase the market share.

As the current members of staff have little-to-no background with project management and business development, Mr. Tannenbaum employed two more employees (in addition to two existing) - a young working student from Mexico as well as an experienced project manager from the Ukraine with more than 10 years of work experience in China in a similar industrial industry as GHT GmbH.

The two of them shall work together with two existing employees of the firm. However, as all of them have different backgrounds, Mr. Tannenbaum is concerned of how to build the project team and also to manage time and tasks. He would like to see the outcome of the project within the following three months.

## Discussion Objectives

**Disclaimer:** Please be aware that the solutions for the questions represent one of many ways to solve the issues. Therefore, the suggested answers are a basis for an in-class discussion for the teacher. Students may find other or similar solutions to address the problem.

For both discussions, it is to recommend that students work together in teams in order to answer the questions.

### Assignment 1

#### *Approach*

The target of this question is that students learn how people with different backgrounds are brought together in order to perform well as an international team on project management tasks. This is why, they should apply their knowledge of different stages of team development on a real-life example in order to understand difficulties and phases that come along whilst forming a team.

It is to suggest that students form groups of four as this represents the size of the company's project team. One project manager shall be announced within each group. The group shall have 20 minutes of developing a solution, based on the theoretical model, to form a group and handle project work well together.

After solutions have been developed, each group sends one project manager to another group in order to exchange the different approaches. Indicating, that all groups should have a new project manager. The groups and the project manager shall have 5 minutes to exchange their ideas. After that, all of the project managers will have to go back to their group to speak about the different solutions gathered and work on the final answer to handle the issue. In the end, the project manager will present the final solution of the group.

#### *Solution*

As part of the project management course, the solution is designed based on Tuckman's FSNP model. However, there are also different ways of solving the questions based on similar models.

For example:

- GRPI model
- The Katzenbach and Smith Model
- The T7 Model of Team Effectiveness

<p style="text-align: center;"><b>Forming</b></p> <p style="text-align: center;">Group gets to know each other</p> <ul style="list-style-type: none"> <li>- Team introduction</li> <li>- Get to know each other</li> <li>- Try to develop the “we” feeling instead of the “I”</li> <li>- Discussions about team roles and responsibilities</li> <li>- Formulating norms of how to work together &amp; manage the time</li> </ul>	<p style="text-align: center;"><b>Storming</b></p> <p style="text-align: center;">Problem occurring phase</p> <ul style="list-style-type: none"> <li>- Bad time management</li> <li>- Working student: only there for 20 hours per week</li> <li>- Tasks not clearly divided</li> <li>- Strengths of team member is not evaluated properly - work on the wrong tasks</li> <li>- Different cultures with different mentalities and experience</li> <li>- CEO is hard to catch in order to clarify questions</li> <li>- Already existing two employees struggle with the new person taking on the lead due to the experience</li> <li>- “Do-it-on-my-own” mentality by experienced project manager</li> <li>- Lack of communication</li> </ul>
<p style="text-align: center;"><b>Norming</b></p> <p style="text-align: center;">Problem solving</p> <ul style="list-style-type: none"> <li>- Group is getting used in working together as it has been some time yet and they have common goals</li> <li>- Problem solving measures:             <ul style="list-style-type: none"> <li>- members help each other in order to grow and to get better, particularly the experience of the new employee helps</li> <li>- clearly define project targets</li> <li>- weekly Jour fix to get on board of what the others are doing</li> <li>- team building activities in order to develop a “we”</li> <li>- use project management tools, e.g. WBS</li> </ul> </li> <li>- work together on one platform to see what the others are doing, e.g. Asana, Trello, Freedcamp             <ul style="list-style-type: none"> <li>- weekly brainstorming sessions</li> <li>- define milestones</li> </ul> </li> </ul>	<p style="text-align: center;"><b>Performing</b></p> <p style="text-align: center;">Team works well</p> <ul style="list-style-type: none"> <li>- Long progress but team works well together</li> <li>- All work towards the same goal</li> <li>- Team celebrates milestones and work achieved</li> <li>- Working student has learned a lot and wants to apply the knowledge on a constant basis</li> <li>- All appreciate the experienced work of the new member of staff</li> <li>- Existing employees manage their time well, as they organise their days better</li> </ul>

## Assignment 2

### *Approach*

This question concerns the topic of developing a Work Breakdown Structure (WBS). Since this is seen as the base of project management, it is important for students to think of tasks that project members are going to have during their work and how these tasks are interlinked with each other.

Before evaluating the team solutions, the professor can ask for the purpose and the importance of a WBS in order to make students aware of how crucial it is during project management.

Students shall be split into two groups: one group addresses the tasks of the logistics approach; the other group focuses on suppliers. After 20 minutes, each group presents their findings by drawing the main tasks on the blackboard. Students will then see if there are similarities between both tasks and which skills may be required in order to fulfil the to-dos of the project.

### *Solution*

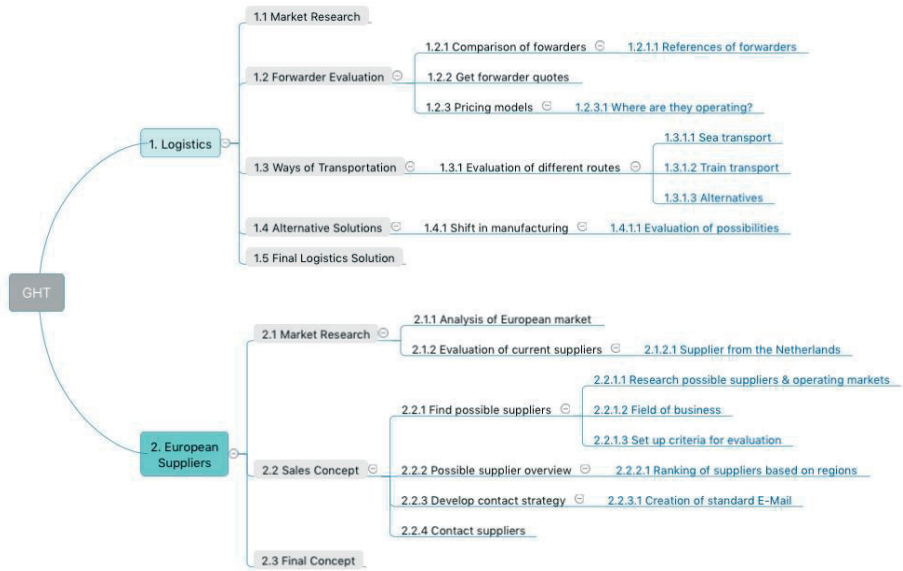
Students shall create a WBS.

Importance of WBS:

- It is the foundation of the project as tasks are planned, managed, and evaluated;
- A WBS does not only include the task as a whole, instead it gives an insight into which sub-tasks are connected to general big tasks;
- It will be the base of a Gantt Chart in order to manage time and the project later on during the process;
- A good overview is provided;
- Responsibilities within the team can be set up; therefore, the team can see the project scope;
- Risks can be identified.

Since the project consists of two major issues - focusing on improving the logistics of the firm and building up a supplier network within Europe - there are two main tasks within the WBS. As given in the case study for the students, the criteria that is requested by Mr. Tannenbaum has to be within the WBS. Moreover, students shall come up with other sub-tasks concerning the project.

WBS:





## Teaching Note for Buying a Packaging Machine Case Study

### Synopsis

In this case, the focus is on data acquisition. Data can be found in numerous channels, and depending on the purchaser's preference, the channels used vary in every case. The Internet is a major source of data these days. Search engines like Google and Yahoo are the easiest tools for starting data acquisition. They enable you to find a huge variety of information and gain various perspectives.

Search engines are likely to guide the purchaser to a relevant company's website. This is often the major provider of information. In this case, the purchaser felt the company's website was the most important data source. There was a lot of technical information, references, videos and pictures of the machine, and general information about the company. The purchaser was also convinced that the information was accurate and reliable. Other social media sites offer information: YouTube, Facebook and LinkedIn. In this case, they weren't involved in the decision-making process, but they are mentioned here because they may serve as an important source of data in other cases.

In most cases, the information the Internet offers isn't enough. The purchaser may want personal contact with the company providing the required product or service. Some purchasers appreciate personal sales work and are pleased to accept a salesperson's personal contact details. In this case, the purchaser went to a trade fair to acquire data. At such fairs, the purchaser has the opportunity to familiarise themselves with many companies and make personal contact with suppliers. How much and what kind of information the purchaser collects from each company is up to them. At a fair, the purchaser can ask specific questions and get more specific answers than is possible on the Internet or social media. Especially when purchasing expensive products or extensive service solutions, personal contact with the seller is usually desirable.

### Target audience

This case study is targeted at business students – more precisely, in the programmes in marketing, procurement and sales work. Students should already have basic information about business administration, but freshmen can also benefit from reading this case study. Besides students, companies in various fields will also find the study of interest. The study emphasises the importance of the distribution of accurate and essential information. These days, when competition between companies is intense,

and customers and service are the focus, the ability to distribute the right kind of information through the right channels is of great importance to companies.

## Purpose

The key issue in this case study is data acquisition in the purchasing process. The study also aims to demonstrate the importance of data distribution for a company. The topic is viewed both from the customer's and the selling company's perspectives. The process of company purchasing or procurement is broad and complex, and it requires great attention. It is crucial for a company's profitability that it can be seen as one of its main functions. This case study aims:

- To assess the kind of data needed in the purchasing process. It is crucial to be familiar with the field to decide what kind of data is important for the purchased item in question.
- To express the importance of data distribution for a company doing business in modern competitive markets.
- To present different types of data acquisition channel that can be used in the data acquisition process such as the Internet, fairs and personal sales work.
- To identify the kind of information you are likely to find in different channels, and how this information can be evaluated. Not all information is equally reliable and important, and it is essential to be able to distinguish between different types of information.

## Instructor's Notes

### The critical issues in this case

1. What kind of data should be collected for the purchasing process?
  - a) Technical information
  - b) References
  - c) Case studies
  - d) Information about the company itself

The type of data naturally varies according to the product/service to be purchased. In some cases, including this one, the focus is on technical information. In others, it is on references, company values, price information, environmental issues etc.

2. Where can accurate and reliable data for the purchasing process be found?
  - a) Social media
  - b) Company's website
  - c) Trade fairs
  - d) Personal sales work
3. How should this data be evaluated?
  - a) Reliability of the data

- b) Extracting the important data from the data overload
  - c) Vertical cooperation in data analysis in a company
4. The importance of data distribution for a selling company
- a) Distributing accurate and valuable data for potential customers
  - b) Using the right channels in data distribution
  - c) The competence of sales representatives

## Hilla's recommendation of a stretch wrapping machine to the Executive Team

The machine Hilla chose to recommend to the board was Haloila's Octopus Compact TSi stretch wrapping machine. Octopus uses innovative ring technology as its operating principle, and the machine is engineered to wrap pallet loads. Wrapping is done fully automatically. Haloila's innovative stretch wrapping method provides a cost-effective and less wasteful solution with faster production, shorter delivery times and reduced labour costs.

Octopus Compact TSi is an end-of-line machine that uses proven new Octopus ring technology. The machine has a pre-set controlled pre-stretch feature for the film, which is highly appreciated by other customers. Among other features, the machine has No Touch No Tail seaming with a durable cutting element. No Touch No Tail seaming eliminates film tails, and it works with any shape load because it prevents contact between the seaming device and the load itself. The wrapping system works with pallets. Although the machine has an S-type film carriage with an easy, quick and safe film reel change feature, Hilla decided to order the machine with the automatic reel change option. This improves the machine's availability and increases its running time, because it changes the film automatically when the reel is finished or in the event of a film break. The HMI-user interface is also easy to use and can be tailored for the needs of the customer. The machine can be purchased with a turnkey solution.

The company also provides different kinds of added value to the purchase decision. This was a very important factor for Hilla. The company's operating culture made a great impression on her, as did their aim of making first-class and innovative products. For example, the company's Masku plant in Finland partly utilises LEAN management in production. The most valuable feature of Haloila is a corporate culture that is difficult to copy, unlike the product. They offer high-quality readymade solutions that can be tailored to the needs of the machine for maintenance and ordering spare parts.

## Buyer's decision process

### Models

A purchase decision is usually the result of a sequential process. There is a large number of different and complex models that seek to explain this process. Although some models claim to present industrial or organisational purchasing behaviour that somehow differs from the behaviour of the ultimate consumers, there is in fact no difference. In some situations, this may be detrimental to the seller if it underestimates the ability of the ultimate consumer to make the purchase decision objectively. In industrial purchasing decisions, an unnecessary weighting of "the facts" can lead to neglect of

subjective dimensions, which are often critical when buyers are seeking to choose between two or more evenly matched alternatives. The concept of relationship marketing recognises the significance of this.

The salesman's AIDA mnemonic (Awareness, Interest, Desire and Action) encapsulates perhaps the simplest, most basic and best-known buying behaviour. First, you need to attract the customer's attention if you're going to get any sales. This is not an easy task, because your marketing needs to stand out from the crowd. As soon you have the customer's attention, it must be converted to interest as the customer considers the sales offer. Reflection must become the desire to buy. Raising the customer's interest in your product isn't enough. The closer the purchase decision is, resistance to purchasing grows, and the greater the risk of the customer making a negative purchasing decision becomes. You must "close the sale" to get action.

### Stages

- Problem/need-recognition
  - In making a purchase decision, the first and most important step is the problem/need-recognition stage. A purchase cannot be made if the need is not recognised in the first place.
- Information search
  - After customers have recognised the problem or need, a search for information is the next step the customer takes to identify the best solution for their requirements.
- Evaluation of alternatives
  - Based on different product specifications, consumers evaluate different products that can satisfy the customer's requirements.
- Purchase decision
  - At this stage the purchase is made.
- Post-purchase behaviour
  - This is the final stage. Customers compare their own expectations with their experience of the product, and they are either satisfied or dissatisfied.

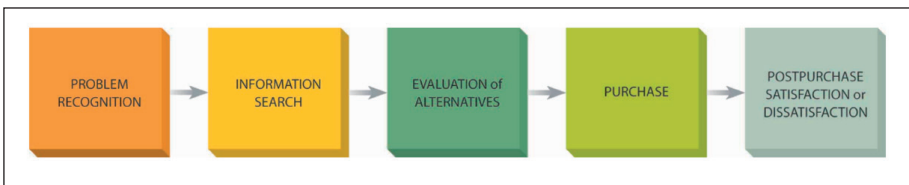


Figure 1. Stages of the buyer's decision process.

Lavidge and Steiner (1961)	Rogers (1962)	Robinson <i>et al.</i> (1967)	Engel <i>et al.</i> (1968)
Unawareness			
Awareness	Awareness	Problem recognition	Problem recognition
Knowledge		Determination of characteristics and quantity needed. Description of characteristics and quality needed.	
Liking	Interest	Search for and qualification of source.	
Preference	Evaluation	Requisition and analysis of proposals. Evaluation of proposals and selection of supplier.	Evaluation and search
Conviction	Trial	Selection of order routine. Performance feedback and evaluation.	Purchase processes
Purchase	Adaption		

Figure 2. Models of stages of buyer behaviour.

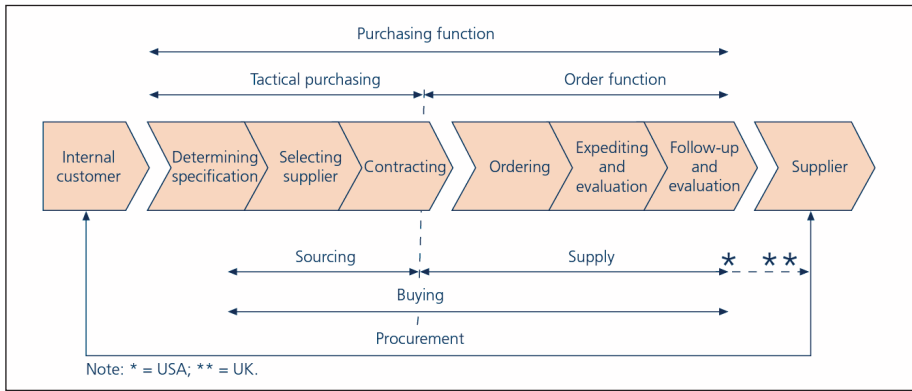


Figure 3. Purchasing process model and related concepts.

## Teaching Note for Laitilan Wirvoitusjuomatehdas - How to enter the German market Case Study

### Synopsis

The aim in this case is to identify the opportunities for Finnish beer in the German market, and the best strategy for marketing, distributing and selling the product. This is intended to be a field case: the research is based on how Germans feel about foreign beers and their attitude to gluten-free products. Germany is known for its various locally brewed beers, and local products are valued. The fastest way to make Kukko known and gain value is to target the average German consumer. This requires field work – for example, arranging tastings in Germany, conducting street polls or distributing a survey to find out what people are looking for in alcoholic beverages. Marketing Kukko as a high-end beer might also give it a chance as a premium-price product.

### Instructor's Notes

One option is to approach the problem with a market entry strategy. This is used when a company wants to enter a new target market. These are the important questions to consider:

1. Which foreign market to enter?
  - In this case, the focus is on an assessment of the German market (market trends, entry barriers, competition, risks, opportunities and constraints).
2. When to enter?
  - Identify the possibilities of gaining coverage in advance by attending trade fairs (with a gluten-free theme), for example.
3. How to enter a foreign market?
  - The aim of the company is to deliver beer directly to consumers, so the retail trade will be the smartest move. Look at the possibility of getting distribution partners.
4. How to market the product in the foreign market?
  - The key is to make the product stand out from competitors' products. The product doesn't have the advantage of being made in Germany, so the gluten-free factor is significant. At the same time, the company's positive image should be brought into the marketing.

Another option is to adapt the internal SWOT analysis to this problem. SWOT is a tool for decision making in the achievement of goals. Using an internal analysis, the company's current market situation can be identified. In this case, this also requires reflection on product level, because this is an important consideration when expanding operations abroad. This will help the company to grow.

	Helpful	Harmful
Internal	S Strengths	W Weaknesses
External	O Opportunities	T Threats

Helpful:

- Strengths: Why would Germans choose this beer? The product itself is special. Kukko has a different manufacturing process from other gluten-free brands, which entails no loss of the beer's original taste. The process's methods (which are the manufacturer's secret) are natural, even if the result is gluten-free. The company's eco-friendly reputation is also a strength and could be used in marketing to create a positive image for the product.
- Opportunities: What are the opportunities to present the product? It's important to think about locations. The best cities to start with could be Hamburg and Berlin. Berlin is a start-up paradise, and people are more open to different options. It's also worth thinking about getting a local partner to help with distribution.

Harmful:

- Weaknesses: The biggest weakness is the price. It's much more expensive to produce beer in Finland than Germany. The price of the final product is higher than the average German product. On top of this, there are transportation costs. To be profitable, larger amounts need to be transported, which means there is more to sell. Long transportation may also undermine the company's eco-friendly reputation.
- Threats: Competition. It's hard to stand out in a big market with an unknown brand. The key point is that the beer is gluten-free, but what if Germans are unaware of celiac disease or have negative feelings about gluten-free products? Will marketing Kukko as a gluten-free product bring a certain stigma to the company?

In conclusion, the main task is to discover what the German consumption of gluten-free products is and how Kukko should be marketed among big local competitors.

The company should also use its green values in its marketing. Answering all these questions requires background work about competitors, survey results from as many Germans as possible and perhaps some tastings to gain an overall picture of the consumer's opinion.





## Teaching Note for Leveraxe going abroad Case Study

### Target Audience

This case is intended to be used with students of business studies. For example, it may be best suited as part of the international business course, because the case study's company is seeking global markets and knowledge about different countries' markets. Another option is to use this case study in a workshop. Participants can be divided into separate groups of 3 or 4. The case study could also be used in a workshop with the theme of importing.

### Purpose

The purpose of this case study is to teach students about international marketing. It is intended to teach students different ways of importing products. Concerning different countries and buying behaviours, a decision will be needed on how to start importing or if it will even be profitable. The case study is also a good way to learn about their own country and its buying behaviour.

### Instructor's Notes

#### Learning Objectives

- \* To gain better knowledge of global markets and internationalisation.
- \* To learn how to do business management in practice.
- \* To understand how to sell various products in the right places.
- \* To learn how to import products into your own country.

### Summary of the Assignment

The assignment in this case study is to identify ways to import and sell Leveraxe Ltd's product. Leveraxes require less strength than normal axes. It is also much harder to strike your leg with the axe, because its handle is longer than is the case with normal axes.

The company is seeking access to global markets, and the main aim is to identify how to start. You'll need to identify the potential market for the Leveraxe, as well as the best

ways to sell it (in stores or online), the channels to use for marketing and possible competitors. The groups can devise some marketing strategies which consider all these issues.

## How to Introduce the Case

This case is based on a Finnish company called Leveraxe Ltd. The company manufactures and sells smart axes for chopping firewood. The axe uses the force of leverage, which makes it much more ergonomic to use than a normal axe. The company has two main models: the Leveraxe Classic FI and the Leveraxe Classic MX. The Classic FI is made entirely in Finland, but the Classic MX has a blade made in Mexico but assembled in Finland. The Classic FI model costs 165 euros in Finland; the Classic MX costs 89 euros. The company wants to export either or both models.

For the case study, Leveraxe Ltd decides to hire a group from the country they are trying to export to. The group's mission is to identify potential markets for the Leveraxe, and they must choose which sales channels will be most suitable for the country's market.

## How to Teach the Case

Before giving the notes and information to the class, it's a good idea to give a short introduction about case studies and how they work. The class should be told that the main rationale for the case study is learning how to use the tools they have already learned in practice. All the main objectives should also be given to the students so they know at least some of the things they should be doing.



## Teaching Note for Going Abroad to Fight Migraines: The internationalisation of M-Diary Case Study

### Synopsis

The case study discusses the financial problems of the start-up M-Diary and presents three different countries in which it could potentially internationalise, in order to utilise scale effects and increase their revenues and profits. The start-up has developed a migraine-diary app that is designed to help migraine patients decrease their symptoms and thus, save migraine treatment costs. There are many factors that influence the decision of where to internationalize; for example, not only the number and buying power of potential users, but also the legal requirements for reimbursement by national health providers play a vital role in the internationalisation decision. In order to make an informed decision, it is necessary to compare the different potential countries, for this purpose the case provides similar data for the United Kingdom, Canada, and India, including legal, economic, technological, and social information. The students should use this information to come up with a suggestion to which country M-Diary should internationalise.

### Target Audience

The case study is designed for business bachelor students to apply market analysis models. Therefore, the students should have an understanding of the business world and know the PESTLE analysis. As the case discusses internationalisation plans and requires an international market comparison, it is best suited to be applied in a course covering internationalisation theories.

### Instructor's Notes

The case includes a large amount of information in a condensed manner, but not all that is necessary for a PESTLE analysis. Students have to find out what is already in the case, which information is not important and what they need to add.

Not all relevant information for a PESTLE is included in the case, so some Internet research from the students is required.

## Learning Objectives

The learning objectives for the students applying this case are:

- To develop analytical skills by overseeing three different domestic markets and finding important and relevant data;
- To develop decision-making skills by realising the problem of the company and deciding on what factors to especially consider to finally make a decision on what market is most suitable;
- Based on that understanding allocate information to advantages and disadvantages relating to an internationalisation into that country;
- To develop a cultural understanding by comparing two industrialised countries (UK, Canada) with a rather developing country (India);
- To understand the increasing importance of the global mobile (app) market;
- To apply the PESTLE analysis and especially understand that some factors are, depending on the individual case, more relevant than others;
- To learn to interpret data from graphs and tables and calculate relevant numbers out of the findings, so that different markets are more comparable (e.g. by absolute numbers).

## Preparation for Case Application

How should the instructor prepare the class prior to working with the case study?

The teacher should introduce the basics of a market analysis e.g. how to apply a PESTLE analysis. In addition, students should be aware that not all aspects of every tool are relevant for every internationalisation case. In addition, the students should be informed that they might need to research some extra information which is not mentioned in the case. Furthermore, it should be said that it could be worth to have a look at the named sources to get a more comprehensive understanding of e.g. the Ease of Doing Business Index.

## Solution Proposal

*Disclaimer: The presented solutions on the following pages are not claiming to be complete and are presented here as a basis for discussion for the teacher.*

a) Apply the PESTLE analysis in order to get a clear picture of the conditions in each country. Focus on relevant factors of the analysis tool.

PESTLE	United Kingdom	India	Canada
<b>Political</b>	<ul style="list-style-type: none"> <li>• Functioning democracy</li> <li>• Political instability due to BREXIT</li> <li>• Relationship to Europe after BREXIT is hard to foresee, potentially suffering from the leave</li> <li>• Trade agreements between the UK and other countries could be less appealing after BREXIT</li> <li>• Treatment for some illnesses is prioritised by the National health system, of which migraine is none</li> </ul>	<ul style="list-style-type: none"> <li>• Relatively unstable government</li> <li>• Institutional environment is not really stable</li> </ul>	<ul style="list-style-type: none"> <li>• A developed country with a stable political environment</li> <li>• Functioning democracy</li> </ul>
<b>Economic</b>	<ul style="list-style-type: none"> <li>• High GDP per capita and regular GDP growth for an industrialised country</li> <li>• Very high cost for migraine patient treatment</li> <li>• The average health expenditure per capita is at around \$4,000 (which is lower than the one of Canada but much higher than the one for India)</li> </ul>	<ul style="list-style-type: none"> <li>• Low GDP per capita of only \$2000 (developing country)</li> <li>• The relatively high GDP growth</li> <li>• Average health expenditure per capita is at \$63 which is only 1.6% of the expenditure of the UK and only 1.4% of the expenditure of Canada</li> </ul>	<ul style="list-style-type: none"> <li>• Good economic growth for a developed country</li> <li>• High GDP per capita</li> <li>• Average health expenditure per capita is around \$4500 which is higher than the numbers for the UK and India</li> <li>• Average annual cost per patient: \$1,888 for chronic, \$688 for episodic migraine which is lower than the costs in the UK</li> </ul>

<p><b>Social</b></p>	<ul style="list-style-type: none"> <li>• In the UK 17%, 7% above the global average, suffer from migraine (total of 11.3 million people)</li> <li>• 9,9% of the population (6,6537,979 people) fall within the focus group of M-Diary (females aged 25-40)</li> <li>• Every citizen is eligible for the health insurance</li> <li>• Private insurance coverage in the UK is relatively low</li> </ul>	<ul style="list-style-type: none"> <li>• Most people do not have any form of health insurance and therefore need to pay their medical bills out of pocket</li> <li>• But even the richest quintile is too poor to pay for the paid version of the app</li> <li>• On average a very young population (especially in comparison to developed countries)</li> <li>• The big economic difference between urban and rural areas</li> <li>• A really big population so even small relative numbers of some factor yield very high absolute numbers (those numbers should be calculated by the students)</li> <li>• Although not the entire population speaks English, India still has a big English-speaking population</li> <li>• 12,3% of the population (164,697,000 people) fall within the focus group of M-Diary (females aged 25-40)</li> <li>• 17% of people suffer from migraine (231,000,000 people) which yields by far the biggest potential target group of all countries</li> </ul>	<ul style="list-style-type: none"> <li>• Low population size: 37,06 million people, approx. 6.3 million suffer from migraine</li> <li>• 10,3% of the population (3,817,180 people) fall within the focus group of M-Diary (females aged 25-40)</li> <li>• Around 7 million people have French as their mother tongue, around 4 million only speak French</li> <li>• Two thirds of the population hold a private insurance</li> </ul>
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<p><b>Techno-logical</b></p>	<ul style="list-style-type: none"> <li>• High percentage owns a smartphone (82%) (resulting in 54.2 million people)</li> <li>• Users spend in comparison to the other two countries the most time on their smartphones per day</li> <li>• A high percentage of citizens use the Internet (90%) (resulting in 59.4 million people)</li> <li>• Privacy and security of digital businesses are developed</li> <li>• Internet users pay attention to security and their data privacy</li> <li>• There are already health apps reimbursed by the public health system</li> </ul>	<ul style="list-style-type: none"> <li>• Only 27% own a smartphone and 39% have access to the Internet, these relative numbers are much lower than the number for the UK and Canada but in terms of absolute numbers they are much higher because of the big population</li> <li>• Getting electricity is surprisingly easy in India</li> <li>• Overall digital evolution is at the lower and in comparison, to the rest of the world</li> <li>• Digital trust score is comparable to the UK and Canada</li> <li>• Low digital evolution score</li> </ul>	<ul style="list-style-type: none"> <li>• Digital trust score: 2.54 (higher than the score of India, but lower than the score of the UK, digital evolution ranking: 12th (higher than the rank of India, but lower than the rank of the UK</li> <li>• 72 % of the population owns a smartphone, 94.7% of the population uses the Internet</li> </ul>
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<p><b>Legal</b></p>	<ul style="list-style-type: none"> <li>• Regulatory environment for digital matters is very developed</li> <li>• The health technology assessment (HTA) procedure for apps is under development</li> <li>• before its arrival, there is no way to be reimbursed</li> </ul>	<ul style="list-style-type: none"> <li>• Institutional environment e.g. rule of law is on the lower end compared to the rest of the world</li> <li>• Enforcing contracts is working really badly</li> <li>• India is on its way to improve their ease of doing business (many of the worst categories for India are in the legal environment, therefore, there is the biggest room for improvement)</li> <li>• It is hard to resolve insolvency in India (although depending on the entry mode for the country this might not be relevant)</li> <li>• Hard to follow bureaucracy e.g. it is hard to follow the tax payment regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Canada Health act requires the national health care provider (Health Canada) to provide fair service to all Canadians</li> <li>• Health Canada almost exclusively pays for in-patient treatment, out-patient treatments are paid out-of-pocket or covered by private health insurance</li> <li>• Market approval procedure for software as a medical device is under development. It is likely that the requirements will be very narrow.</li> </ul>
<p><b>Environmental</b></p>	<p>Environmental factors are not that relevant for deciding the internationalization country in this case</p>		

b) Please analyse and compare the information. In addition, please take into consideration the advantages and disadvantages of each market and give a reasonable recommendation to which country M-Diary should internationalize to.



	United Kingdom	India	Canada
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• Wealthy population, so many people could afford the app even without their health insurance paying for it</li> <li>• The whole population is covered by the public health care system, so in case of reimbursement, all people suffering from migraine could potentially get access to M-Diary</li> <li>• A high share of the population suffers from migraine</li> <li>• The digital regulatory environment is very developed</li> <li>• When the health technology assessment (HTA) procedure for apps is developed, the app will likely be reimbursed</li> <li>• In the future, the NHS library could be used as a platform to display the app</li> <li>• Potential High acceptance by migraine patients as the country is developed in the use of digital tools</li> <li>• High costs for migraine treatment -&gt; high potential to save treatment costs</li> </ul>	<ul style="list-style-type: none"> <li>• Very big population which means that the number of people who suffer from migraine also very high, in addition, the demographic target group is really big</li> <li>• Young technology-savvy population</li> <li>• A good source for gathering data in order to improve the algorithm because of the large population</li> <li>• Since the economy is growing fast, the number of people who would be able to afford the app and the number of English speakers increases, therefore the country may become financially viable in the future</li> <li>• Also, with an increasing standard of living there is also the potential for an increase in the quality of the healthcare system</li> <li>• Growth of Internet and smartphone usage enlarges potential users</li> </ul>	<ul style="list-style-type: none"> <li>• Wealthy population, so many people could afford the app even without their health insurance paying for it</li> <li>• Majority of the population lives in only four states, so marketing can be done geographically concentrated</li> <li>• high use of Internet</li> <li>• A neighbor of the United States, in which the country expands to anyway</li> <li>• Two thirds of the population hold a private insurance so that private insurance companies are a good option to get the app to the market</li> </ul>

<p><b>Disadvantages</b></p>	<ul style="list-style-type: none"> <li>• Small population compared to India (and the app's algorithm developing pace depends among others on the number of users)</li> <li>• UK users are very concerned about their privacy and data security</li> <li>• existing health apps in the NHS library could cover similar functions as M-Diary</li> <li>• HTA adaptation to medical software in the UK is lagging behind</li> <li>• BREXIT could endanger the internationalisation process</li> <li>• New, strict regulations could make it hard to operate</li> </ul>	<ul style="list-style-type: none"> <li>• A low standard of living, people do not have a lot of money to spend</li> <li>• No properly functioning health care and reimbursement system</li> <li>• Most people do not have any form of health insurance</li> <li>• Currently relatively low Internet and smartphone penetration</li> <li>• The potentially unstable government could lead to problems</li> <li>• New regulations regarding health care apps could make it harder to operate</li> <li>• Probably not a viable way to generate revenue and profit</li> </ul>	<ul style="list-style-type: none"> <li>• Regulation might make a medical device approval hard</li> <li>• The reimbursement process is highly decentralised, which would trigger cost</li> <li>• A lower percentage of migraine prevalence than in UK and India</li> <li>• Public Healthcare generally only finances devices used inside a hospital</li> <li>• Costs for the treatment of migraine are low compared to the UK - less potential for saving treatment costs</li> <li>• Part of the population only speaks French</li> </ul>
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## Conclusion of the Solution

Both the UK and Canada are developed countries, so they have stable political systems, good institutions, and people actually have the means to pay for the app. This is not the case for India. In addition, both countries have a functioning health care system. So, there is at least in theory the possibility that ByeMi could get reimbursement from the public healthcare systems. This is also not the case for India. Therefore, there is currently no way to generate significant revenues in India. Which means that India is excluded. But India could still be kept in mind for future internationalisation projects since the country has an enormous population suffering from migraines which would be a great source of data to improve the algorithm of M-Diary. Also, the country grows fast, which means that it might be financially viable in the future.

The United Kingdom has many advantages over Canada. Firstly, the country is bigger and the population suffering from migraines also exceeds the one in Canada. Secondly, the entire population of the UK speaks English which cannot be said about Canada. Thirdly, Canada has a highly decentralised health care system where reimbursement decisions are often made on a hospital level which would require a lot of sales work from M-Diary. Contrary to this, the system in the UK is much more centralised. In addition, Canada currently plans to narrow down the definition of medical devices which would make it harder for ByeMi to get official approval. Oppositely the UK works on regulation to make the process easier for apps. Last but not least, it is likely that ByMi would not be eligible for reimbursement in Canada since the public healthcare system mostly pays for devices and services which are distributed inside hospital walls. This is also not the case for the UK. For these reasons, the United Kingdom is the first choice for internationalisation.

Although Canada is described rather negatively in the previous paragraph, it still could be a viable option. Generally, the country has really good overall conditions except for the regulatory and reimbursement part. Of course, these factors are important but since 2/3 of Canadians have private health insurance it still would be possible to get reimbursement over this channel. This is especially the case since M-Diary already has experience in getting reimbursement from private insurance from their German operations. Also, the potential contractual chaos after a BREXIT might make it a bad time for an internationalisation to the UK, while Canada displays more stability at the moment.

In conclusion, while we recommended UK as the best internalisation market in our real case, Canada also displays an interesting option. It finally depends on what factors are given what importance by the students.

## Teaching Note for Internationalisation of Nixed Case Study

### Synopsis

The case examines the ways of internationalisation of a PR company for various countries. It approaches the issues and opportunities regarding different methods of internationalisation. The industry, the company Nixed is operating in, is highly competitive and has been highly developed. Its clients demand access to new markets, which creates pressure on Nixed to take on and develop new solutions unexplored by the company before, to satisfy its clients' need of internationalisation. This is the case of a PR agency looking to solve the problems regarding internationalisation without having previous knowledge or experience of the matter.

### Target Audience

This case would best be used in international business, entrepreneurship, and management classes at junior or senior level. It should take about three hours of class time and a bit more outside of class in preparation.

### Instructors' Notes

#### **Recommendations for Teaching Approaches**

The case study can be used in undergraduate, graduate international business, entrepreneurship, and management courses. Students should find the case especially interesting due to the focus on the public relations industry and the internationalisation involved in the business of the PR companies. Students should have a solid knowledge of international business management and a basic understanding of PR industry.

The case is exceptionally valuable due to the increased importance for companies to internationalise and have a global presence. It provides an opportunity to learn the ways of internationalisation of PR companies with the risks and costs associated with each concept.

Students shall act as a consultant for the company and advise it on the issues provided in the teaching case. With focus on internationalisation of a PR agency who's specialised in IT-companies, the students need to identify the best solution for Nixed. This case will prepare students for a real world consulting situation. Students will learn the ways of internationalisation a company can use and will be able to understand the implications of the internationalisation process.

The goal of this teaching case is for the student to (1) understand why companies need to internationalise, (2) reflect on strategic alternatives and (3) teach the students of decision making in international business environment.

## Teaching Questions

The following questions were developed in order to assist students in learning about the different aspects of the case study.

Questions:

1. Is it beneficial for Nixed to internationalise at all? Please help Ms. Gerber by identifying strength, weaknesses, threats, and opportunities of an internationalisation approach.
2. Which alternative strategy should Nixed follow? Please explain.

**Question 1: Is it beneficial for Nixed to internationalise at all? Please help Ms. Gerber by identifying strength, weaknesses, threats, and opportunities of an internationalisation approach.**

**Approach:** As this is first an information collecting task, I spread my class into four groups and each group just collects information on one SWOT factor. They have 10 min to prepare the key points on a Flipchart paper.

In the next step, we collect the four Flipcharts on the board to see the full SWOT. I spend about five min reviewing the SWOT and asking if issues are missing. Once we have the full SWOT, the actual strategy discussion begins: So what does the SWOT tell us? Is it beneficial for Nixed to internationalise at all? Can we use a firm's internal strengths to take advantage of external opportunities? Or use a firm's strengths to avoid or reduce the impact of external threats?

**The Matching Stage**

- **SO Strategies**
  - use a firm's internal strengths to take advantage of external opportunities
- **WO Strategies**
  - aim at improving internal weaknesses by taking advantage of external opportunities
- **ST Strategies**
  - use a firm's strengths to avoid or reduce the impact of external threats
- **WT Strategies**
  - defensive tactics directed at reducing internal weakness and avoiding external threats

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**Solution:**

**SWOT:**

<b>Strength</b> <ul style="list-style-type: none"><li>• 20 years' experience</li><li>• Client portfolio of more than 200 clients (German and international companies)</li><li>• Loyal and trusted clients/personal connection to clients</li><li>• Highly motivated workforce</li><li>• Variety of services</li><li>• Nixed Group</li></ul>	<b>Weaknesses</b> <ul style="list-style-type: none"><li>• CEO potentially opposes internationalisation</li><li>• Staff not experienced in internationalisation</li><li>• Potential language and culture barriers</li><li>• No external network/no proper contacts in the target market</li><li>• No experience with other institutional environments</li><li>• Re-active internationalisation approach</li></ul>
<b>Opportunities</b> <ul style="list-style-type: none"><li>• Strong home market (Germany's PR market is nowadays considered to be the 5th biggest in the world)</li><li>• Internationalisation with the clients</li></ul>	<b>Threats</b> <ul style="list-style-type: none"><li>• Recruiting and retaining skilled and competent personnel is already difficult</li><li>• Already strong competition in home market</li><li>• Other PR agencies have already internationalised</li><li>• For UK: Brexit uncertainties</li></ul>

Strategies:

- SO Strategies:
  - According to Porters Diamond: Only internationalise if you have a strong competitive position in the home market. → seems to be a given
  - Loyal clients, that want to internationalise with Nixed → does not need to find new client base in new country + profits "guaranteed"
- ST Strategies
  - Nixed Group + variety of services → diversification + strong structures and processes in the back to fight competition
  - Experience and strong client base might be helpful to recruit new personnel
- WO Strategies
  - As you have strong home market and internationalise with client, this can help to counter missing networks abroad
- WT Strategies
  - Low motivation/experience to internationalise + difficulty in hiring new staff → defence: make yourself more attractive to hire new international experienced staff
  - Low experience in internationalisation + competition is already international → defence: bad combination

- Situation is not too beneficial for internationalisation
  - Should have internationalised earlier
  - Should hire experienced staff
  - Focus on one or two markets first
  - Make sure to stick with the clients

**Question 2: Which alternative strategy should Nixed follow? Please explain.**

**Approach:**

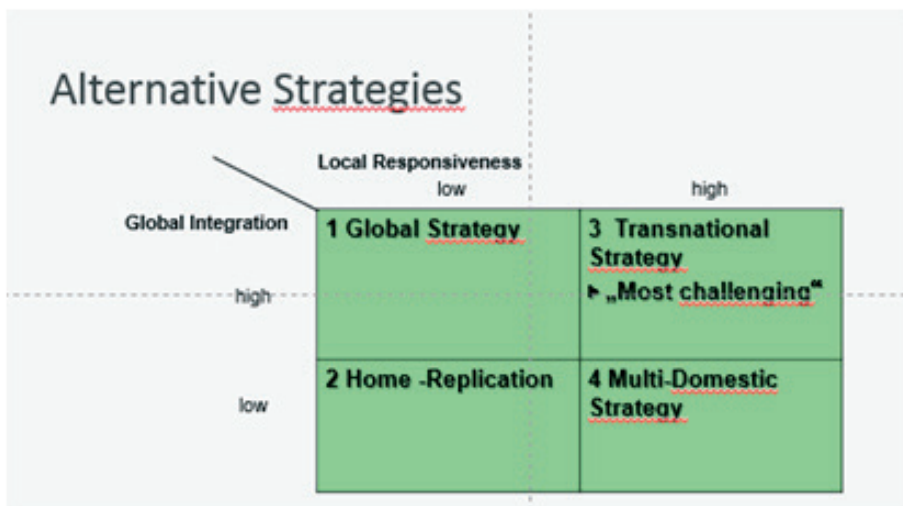
Jigsaw/world café method: students discuss in their teams for ca. 10 min. Afterwards some (2-3) students from each group move (“travel”) to another group, whereas at least two students stay seated and receive “visitors” from other groups. The two staying students summarise the previous discussion and solution really short to the new visitors. Then the visitors add input from their previous discussion. The “staying” students try to incorporate that into their strategy or have to find opposing arguments.

The “visiting” portion should just last five min and be repeated 3-4 times to make sure that all students are really confronted with other ideas than their original group.

The student teams might use a flipchart or a metaplan to visualise the discussions.

Afterwards I only summarise for about 2 -3 min. that way everyone should have understood by now that transnational or multi-domestic are the strategies to go for and both are possible to argue, depending on the internationalisation approach and entry mode.

**Solution:**



- The pressure for local responsiveness is clearly high. Hence, transnational or multidomestic strategies are both arguable.

## Epilogue

After many meetings and weeks of planning, Nixed decided to meet the last time with Aswell IT. In the meeting there was Ms. Geber, Shannon, and Mr. Müller the CEO of Aswell IT. The meeting went on and they decided to start internationalisation together with Aswell IT to the USA and United Kingdom, since those countries offer the most opportunities for IT start-ups. In the beginning, Nixed hired freelancers in both countries to handle the PR related issues for Aswell IT.

Aswell IT launched its product on the USA market in early 2018 and the app it had developed did average on sales in the first quarter of 2018 but this was not the success it were hoping for. Several institutions for helping people to gain their hearing back adopted this new app as part of their services, but this was a niche market for Aswell IT. The success came later when one of the employees, John Hickens, a captain from the United States Homeland Army Division visited his friend in HLAA, Hearing Loss Association of America. His friend was suffering from post-war loss of hearing and they were testing out new solutions to restore his hearing. After Mr. Hickens' visit, he immediately contacted Aswell IT to start negotiations to make deal with them so that the United States Army could use this technology to help its soldiers. The deal was made in the end of 2018 and Nixed handled all the PR-related announcements for this. The internationalisation was a financial success for both Nixed and Aswell IT and after this Nixed decided to form a partnership with a local agency to meet the demands of growing business of Aswell IT there. Both continued their growth in the US markets successfully.

In the United Kingdom Nixed hired a freelancer to promote Aswell IT products. The success in UK was good and the sales continued in steady growth and both made an increasing amount of money but only until the Brexit happened. After the Brexit, fear was spread to companies of all kind in the UK and many were moving out. This affected Aswell IT and Nixed to lose their market share that they had gained and forced them to exit from UK markets. In the end, they both gained valuable experience and agreed to wait it out until the influence of Brexit and UK was more stable.

## Additional Teaching questions that can be discussed:

The following questions were developed in order to assist students in learning about the different aspects of the case study:

1. Explain benefits of different methods of internationalisation for Nixed (freelancer, press release, partner).
2. Describe the overview of PR industry in the selected countries (USA, UK, France, Spain, and Italy) and recommend the best method for Nixed to internationalise there.
3. What if Aswell IT does not succeed in the new country they are expanding to and how this could affect Nixed?
4. Is it in Nixed's interests to internationalise and continue to work with Aswell IT?
5. Any other strategies for Nixed to use in internationalisation of its services?



## **1. Explain benefits of different methods of internationalisation for Nixed (Freelancer, press release, partner).**

### Internationalisation of PR Agencies

For PR companies, there are numerous methods of internationalisation. All methods can be applied to a strategy of supporting Nixed's clients with PR services abroad. The ways of internationalisation are influenced by the size, ambitions in the international markets, and budget. The PR industries in countries around the world are developed differently.

### Use of PR Press Distribution Service

PR news wire services are one of the oldest marketing methods in the PR industry. These ways to distribute press releases to different news media started to be developed in the 1950s and 1960s by PR companies, such as PR Newswire and Business Wire. Today, it could be clearly seen that the wire services increasingly overlap with other solutions in PR industry, including campaign analytics, content publishing services, and media contact databases.

Currently, there are eight PR distribution services to be considered as the top in the industry. There are PR Underground and PRWeb. Other service distributors such as Marketwired, Newswire, Cision and Business Wire are considered as leaders in the PR services. In some countries, the use of software may vary.

The PR software services are comparatively easy to use, as press releases or news are sent simultaneously across thousands of sites on the web. Moreover, some platforms have their own in-house editorial teams, which could edit press releases, and support the use of the software. Important to note, that many of the wire sites have been on the market for quite some time and have an established brand and reputation. Sites also provide flexible pricing policy to suit different needs of the clients.

### Freelancers

In the Internet era, specialists who are ready to work from abroad can be easily found. The PR industry is no exception. In different countries, specialists in PR are either part-time or full-time freelance workers. Considering this, it could be possible to hire a PR freelancer who specializes in the specific industry. Usually, such people have an established network in PR.

Hiring a freelancer is has no agency overhead costs, which are incurred when contracting with a PR partner agency. These freelancers can be found on the Internet, which offers options for hiring and switching between various freelancers. For this, freelance databases can be employed, where the community reviews their work on a regular basis.

It is possible to hire a team of freelancers, or the freelancer could use their own network of freelancers or subcontract the project to someone else.

### Partner Agency

Signing a contract with another PR agency that is operating abroad could be considered as another method of internationalisation. Access to benefits of having a full

house of senior, mid-level, and junior consultants available to work on a project, the partner agency offers numerous options for the internationalisation of a company. Those numbers of consultants allow allocating PR resources according to budget and tasks required. Moreover, it makes it possible to provide PR services over the whole country or even several countries.

PR agencies exist in almost every country, with an established brand awareness, and a wide network of other agencies, journalists, PR freelancer, and other specialists. These services usually cost the company an unpredictable amount of money, as services are flexible and might need to be adjusted which creates more costs.

## **2. Describe overview of PR industry in the selected countries (USA, UK, France, Spain, and Italy) and recommend the best method for Nixed to internationalise there.**

Background information about country profiles.

### The United States of America

USA is the largest industry in the world with high level of innovation. Doing business there allows having benefits of pool of workers and access to capital.

Additionally, the PR industry is benefiting from increasing marketing budgets. In 2016, 8,7 billion dollars were spent, and the expansion of niche and social networking services and the continued development of mobile media are expected to contribute to a strong future growth.

The PR industry, however, has many sole operators and a low level of market concentration, indicating that new players are entering the industry regularly and do not experience significant barriers to entry.

USA is an interesting location for tech-companies and therefore a high demand is shown. In order of being able to cope with that, a partner agency is recommended. Since the partner agency knows how the market works, there is much to learn from them. Nevertheless, this opportunity might be too costly and, in this case, an experienced freelancer might be a better choice.

### United Kingdom

UK's business environment is very competitive, especially within the IT sector, a high amount of new IT start-ups are founded every year. However, the PR sector is also competitive, especially in the area of London, it's highly concentrated with PR agencies offering a vast amount of services to all company types and sizes. The UK offers access to large markets as well as developed technological environment for Nixed's IT clients. The UK is highly advanced in software development and in IT. Software companies overall are becoming more popular, especially around London which will create competition for customers of Nixed to expand into this market. The UK will be leaving the EU in the near future, which will create new chances or unforeseen issues to companies operating there.

Since the future of the UK as well as the businesses within is insecure, hiring a freelancer would be the best choice. However, if UK's Brexit should turn out to be a good

move, this freelancer could be part of a new business location of Nixed there. However due to high competition a partnership agreement could also be considered.

## France

In France, the Government supports start-ups of every kind. This makes France become an attractive location for newly established businesses. For that reason, 'LeCargo', is one of the biggest start-up centres in the world. Since it was established the newspapers are already calling it Europe's "Silicon Valley". This makes the location of Paris, and France, an interesting location for IT/technology start-ups to operate in.

For this reason, hiring freelancers or working with a partner agency will be the best choice for successful market entry in France.

## Spain

The Spanish economy has started to stabilise and have growth again, and therefore the country becomes more attractive. In Spain, most companies hire big marketing agencies and book "all-inclusive" packages to handle their public relations. PR is seen as an essential part of the business. Consumerism is growing, so corporate identity and transparency has become increasingly more important. There are numerous freelancers available and it is not unusual that one would have multiple jobs and works for different companies while working as a journalist as well. Since the industry is slowly recovering and Spain is not considered that innovative for tech companies, the best choice is to hire one of the many freelancers at a low cost.

## Italy

Italy is very similar to Spain when considering their PR markets. Milan has become more popular among start-ups and it's offering opportunities for IT companies as well. The recommendation is to hire freelancers and if the project/company shows vast growth, a partnership with PR agency would be considered.

### **3. What if Aswell IT doesn't succeed in the new country it is expanding to and how this could affect Nixed?**

In the case of Aswell IT's failure to enter the foreign markets and stop internationalisation process, Nixed would also have to quit its operations in those countries, given the reasons that its plan was to internationalise together. Since Nixed hasn't had experience in international markets before, the whole process would give it highly valuable experience for the future. And it would take years to see the success or failure of Aswell IT, and that would give time to gain new knowledge. In the end, the whole process would give Nixed something positive and they can continue working together in local German markets.

### **4. Is it in Nixed interests to internationalise and continue to work with Aswell IT?**

Aswell IT has been very important client for Nixed for many years. It has had its PR services with Nixed since the day one. This has created close relationship with the two

companies and considering the history between the two and the success of Aswell IT within the German markets it would be in Nixed's interest to continue their customer relationship with Aswell IT. Main benefits of continuing working together for Nixed would be the experience gained and use of already established contracts and company specific data, which would help Nixed to tailor its services even further when entering foreign markets.

## **5. Any other strategies for Nixed to use in internationalisation for their services?**

### *Global Networks*

Joining a PR network opens several possibilities for the exchange of information. These networks organise meetings and conferences in different member countries each year. At conferences, the forum decides upon the development of the network organisation, approves strategies and shares knowledge, business contacts, and communication achievements. Through the private area of the website of the network, agencies may contact each other in order to establish further connections via either a long-term partnership or a one-time international PR service. Furthermore, PR Networks consult the members in terms of PR in certain countries/industries by addressing the questions to the other members of the network, working as an intermediary. A global network can be joined for an annual fee.

### *Hiring Additional Employees*

An additional employee will be responsible for working with clients, who want to internationalise their businesses. These employees can be used to create an own international department inside the company. This method allows keeping all operations within the company and avoids sharing confidential information with other people from abroad. It is possible to train and later monitor all employees, so that the company is in control of all company operations. This leads to costs over the time of trainings and for salaries.

## Teaching Note for Ortostep: Improving Logistics Case Study

### Instructions to give the students

This assignment accompanies the case study on Ortostep d.o.o for Belgian market.

- Start working on the assignment after carefully going through the case and grasping the significant aspects of the case.
- Write your answers in as much detail as possible. Do not write cryptic or too brief answers in telegraphic language.
- Attempt to answer all questions in all sections;
- For a few questions, there may neither be one answer nor a correct answer. Therefore, give your analysis. Develop your answers in an integrated manner drawing from your complete understanding of the case.

#### 1. ASSIGNMENT

The first question requires a SWOT analysis. The analysis should be detailed with at least four points on each part of the analysis. The students should make two tables for SWOT analysis, One for Croatian market and another for Belgian market. The point of the first assignment is to get to know both markets and get the general idea of the opportunity for export.

#### 2. ASSIGNMENT

The students should explain his/her opinion in great detail. They should support their opinion with facts and quotations from the case study or some other sources of information. The expected answer is: Ortostep is exporting out of necessity. Of course, students have to provide enough facts to support the answer.

#### 3. ASSIGNMENT

The question should be answer in great detail. The student should provide couple of facts from the case study and outside the case study. Their knowledge should be enough to fill in and compliment the facts mentioned in the case.

#### 4. ASSIGNMENT

Is Belgium a good market to export? The students should provide their own opinion based on valid arguments. This final question should summarise the whole case study.

## Teaching Note for Ortostep goes to Finland Case Study

### Synopsis

International experience, knowledge of new technological and medical achievements, other languages and cultures, new products and services, and global strategies of companies that represent competition, improve business operations. Increasing exports contributes to improving product and earn competitiveness as a prerequisite for successful functioning within a single EU market. So, it is important to know that exports represent the optimal model for internationalisation for small and medium-sized enterprises like Ortostep in this specific case. In this case study it is important for students to recognise the advantages and disadvantages of Ortostep's entry into a foreign, i.e. Finnish market, and to spot a possible expanding strategy on other market.

### Teaching Audience

This case study is intended for 3rd year students of undergraduate courses in Entrepreneurship and Management. But it can also be adjusted to the 1st year of graduate student in the course in Entrepreneurship and Management. This case study is intended for these groups of students because they have acquired adequate knowledge and the ability to conclude and make the decisions, they can apply in solving this case.

During the reading and solving of this case, students will encounter a large majority of the explained situations that companies are struggling when entering a foreign market. Students will find out more about Ortostep and about products that Ortostep wants to export to foreign markets, but also information about the Finnish market. Everything that a company has to know before entering a foreign market is written and explained here. Every country has a slightly different culture, language, religion, etc. People are different, they have different habits and different needs. Social, economic and legal differences are of great importance and influence when we are placing our products in the foreign market. The existence of potential demand in the foreign market, for which the company believes that it can successfully meet can represent success but also a disaster if a company does not research these segments. Through all this information gathered on the Finnish market, students should be able to offer the best strategy for entering the market. The main purpose of this case is for students to understand the importance of internationalisation.

# Instructor's Notes

## Learning Objectives

It is necessary to explore the market through several guidelines, once research has been done it is important to choose the right strategy and to enter the market in right time (window of opportunity). Students can use the PEST(EL) analysis for this case study, with which we easily explored the market in which Ortostep wants to operate. We used it to analyse the environment and to get an overview of external situations that can have an impact on the industry in general, or for companies within the observed industry. It was also necessary to track trends in this particular case (economic, technological, social, and political-legal trends) in Finland and analyse how they affected the industry in which Ortostep wants to do business. We chose the SWOT analysis as the most important analysis in this case because it is an incredibly simple, yet powerful tool to help develop business strategy for entering on foreign market. The purpose of this case study is to help students use the analysis after theoretical learning, which will help them better understand the learning tool.

At the beginning of the lesson students should get familiar with the basic information and purpose of the case study, and after a brief introduction they should be divided in groups of three. Students should analyse, discuss, and explore their own ideas of Ortostep entering strategy on Finland market. They should also determine the advantages and disadvantages of entering the foreign market. To process this case for Ortostep (introduction, group work, concluding discussion) two school hours are required, namely 90 minutes.

## Solutions

1. What are the obstacles to Ortostep entry into the Finnish market?

Find through a SWOT and PEST (EL) analysis the required data.

PESTEL

<b>POLITICAL</b> <ul style="list-style-type: none"><li>Stable political situation</li><li>Well-regulated laws and rules</li></ul>	<b>ECONOMIC</b> <ul style="list-style-type: none"><li>Deposit Interest Rate in Finland averaged 1,94 percent from 1998 until 2019</li><li>Inflation rate in 2019 is 1,1%</li><li>GDP growth rate for 2019 is 0,7%</li></ul>
<b>SOCIAL</b> <ul style="list-style-type: none"><li>Population of 5,5 million in 2019</li><li>The total fertility rate of 1,77 children per mother (low)</li><li>The average age of the inhabitants is 42,5 years</li></ul>	<b>TEHNOLOGICAL</b> <ul style="list-style-type: none"><li>New technological knowledge is on the rise</li><li>New ways of communication and cooperation with customers are being developed</li></ul>
<b>ENVIRONMENT</b> <ul style="list-style-type: none"><li>More and more customers are ecologically aware and are interested in the origin of the product</li><li>For them it is very important to buy domestic brands or brands that are already on the market and already used to them</li></ul>	<b>LEGAL</b> <ul style="list-style-type: none"><li>Although their healthcare is developed, because of higher standards of living, they are paying for certain medical products such as diabetic shoes</li></ul>

SWOT

STRENGTH	WEAKNESS
<ul style="list-style-type: none"> <li>• A large and varied offer of diabetic shoes</li> <li>• High quality products used in manufacturing</li> <li>• High quality and proven finished products</li> </ul>	<ul style="list-style-type: none"> <li>• The company Ortostep is unknown on Finnish market</li> <li>• Most competitors have a wider product range</li> </ul>
OPPORTUNITY	THREAT
<ul style="list-style-type: none"> <li>• More and more people want to wear shoes that help them improve their health and make it easier to move</li> <li>• There is a greater desire to prevent more serious injuries</li> </ul>	<ul style="list-style-type: none"> <li>• There are a large number of competitors in the market</li> <li>• The market requires sustainability</li> <li>• Delivery time is very important because the competition in this area is fast</li> </ul>

Is there any chance for Ortostep on the Finnish market?

**If you agree, which entry strategy you would recommend for them to use, B2B (business to business) or B2C (business to customer) and why?**

We would recommend an entry strategy that would actually be B2B and B2C. We recommend Ortostep to collaborate with a diabetes association, which would actually help in marketing and recommend Ortostep to people with diabetes, but it should improve its website. Then Ortostep is ready to sell its products to people in Finland.

**1. Describe the Ortostep competition for diabetic shoes in Finnish market.**

From the previous text and the accompanying table, we can see that competition on the Finnish market is very weak, i.e. there are not too many competitors, so Finland is still a good opportunity for all new manufacturers.

**2. Do you think Ortostep should decide to enter this market? Explain the answer.**

We believe that Ortostep has great potential and, of course, is an excellent product that gives it a great competitive advantage, but it faces the problem of choosing the right entry strategy. If the right strategy is chosen, Ortostep has a great chance of success in the Finnish market, but if it chooses the wrong strategy, it will cause great financial losses.



## Teaching Note for A Dream of Safe Railway Systems Case Study

### Synopsis

The case study discusses the internationalisation of Grüne Industry Electronics, a company producing and selling safety devices that prevent corrosion of the railways by controlling the electronic potential to avoid stray current to railway companies. The company has already taken part in international projects, however limited to Austria and Switzerland. This case study discusses the further internationalisation process of the company within the scope of the European Union, limited to five selected countries United Kingdom, Spain, France, Poland, and the Czech Republic. The first step in this business problem would be to understand and evaluate the internationalisation objectives as well as the criteria to be able to make a reasonable decision based on this later on. The second step would be to decide on the suitable countries to enter from the five provided countries. This should be done according to the previously established criteria. A crucial step in this process is the decision on the most suitable country for the company. Therefore, the countries in question should be analysed, evaluated, and ideally ranked from best to worst in terms of their fit to the company's criteria. For the countries that are considered to be the best ones, an entry strategy should be defined.

### Target Audience

This case study is designed to be utilised in the study programme of business students at the bachelor level. It is recommended that the students have passed all introductory business courses. The teaching case encourages students to learn about realising business opportunities across international borders and deciding on promising markets.

### Purpose

This case study is related to the topic of internationalisation; therefore it aims at:

- Ensuring students understand why companies seek internationalisation and establish an analysis about the external environment on foreign markets
- Helping students to appraise and filter the information provided (e.g. market situation, company strengths and weaknesses, etc.) according to its importance and making critical decision according to their evaluation (e.g. on the right destination, appropriate entry strategy, etc.)

- Engaging students in a discussion where they can express their own opinions on the business problem, evaluating the different countries, and giving adequate arguments on prospect of success and the strategy

## Instructor's Notes

### Learning Objectives

- Be able to conduct an external analysis
- Critically reflect on criteria and weights in external analysis
- Critically reflect on the impact of current political developments on internationalisation strategies

### Critical Issues

1. Analysing the country according to the criteria
  - I. Investment plans
  - II. Overall network size
  - III. Entry barriers
  - IV. Railway safety
1. Ranking the countries according to criteria
  - I. Array from most- to least-promising market

All of the points mentioned under the first step, e.g. investment plans, overall network size, entry barriers, and railway safety are very important for the case study. For example, knowing that the UK has a very large railway network and many on-going and planned investment programs for expansion, maintenance and capacity improvements for its trains, subways, and trams are valuable insights in favour of the UK as a very interesting market for the company. The analysis and evaluation of the countries in question is a crucial step in the process of finding an appropriate market and is mandatory to conduct the second step.

In the second step, the countries should be ranked according to the criteria to filter out the best option for the company. It is important for students to discuss their opinions on the ranking and look at the advantages as well as the disadvantages of the countries for the company. For instance, one could consider the large railway network in France to outweigh the investment programs in Poland in terms of the ranking, which should be discussed, finding out what is more important for the company. Last but not least, it should be debated which market entry strategy, e.g. exporting, licensing, or foreign direct investment, would be the most suitable to enter the chosen market.

### Plan for the Teaching Case

#### **How should the instructor prepare the class prior to working with the case study?**

The class should be made aware what the use of this case study is, how they can apply previously acquired skills from other courses and what to take away after working with a real-life case study.

## How should the case be introduced?

This teaching case was created from a real consulting project for a company based in Berlin. In 2018, the five students conducted the project. These students were mostly new to consulting and had this opportunity for the first time. The role of the consulting team is to help the company to analyse possible target countries and suggest a suitable internationalisation strategy based on its business knowledge to the company that has only limited experience in doing business across borders.

Grüne Industry Electronics is a Berlin-based company that produces safety systems for the railway industry. The main products are used to prevent corrosion of the railways by controlling the electronic potential to avoid stray current. The company offers individual solutions as well as standard solutions. Due to its eco-friendliness, railways are seen as the way of transportation of the future and Grüne Industry Electronics aims at insuring the safety of millions of people and goods that travel on the railway daily. Nevertheless, for a business it is also important to seek out new opportunities and potential in new markets that will generate revenue. Therefore, it is important to be able to allocate resources and investment most efficiently.

The company has provided criteria, e.g. overall network size, entry barriers, investment plans, and railway safety, it considers very important for its decision. Hence, it will be important to analyse and evaluate these criteria.

## Discussion Questions

**1. Can you support Peter Grüne's decision making and help him to identify the right market? Choose two of the five countries that are relevant and conduct an external analysis on both markets to come up with a priority.**

### **Approach:**

My main target here is that students learn to conduct a macro screening (country analysis). In doing so they should understand how difficult it is to find the right tool, the right criteria, and how to justify the weighing of the criteria. Therefore, I split the class into 2 groups and let each group choose a country. Each group has 30 minutes to conduct a macro screening and prepare their arguments. Obviously, 30 minutes are not enough; hence, the group needs to split into smaller subgroups for the research of the facts to support the criteria.

After that, the groups engage in a pro-contra discussion. Meaning, they have to decide on a speaker beforehand, then the speakers need to engage in a discussion of why their country is better suitable as a new market. In the end, the team that had the stronger arguments to convince me wins. For the discussion I give them 15 – 20 minutes.

### **Solution:**

#### **Choice of suitable market**

A. United Kingdom

The UK has a very large overall railway network, as well as a very good relationship with Germany. The effects of a possible Brexit will be discussed later. Furthermore, the UK is undertaking large investments on its railway system for maintenance, extension, and capacity improvement.

## B. Poland

The country has a very good relationship with Germany and is investing largely into its railway system, e.g. maintenance, improvements, and extension.

For all remaining countries, it can be argued that they have a good relationship with Germany, low entry barriers and a large overall network. However, they did not score as high as the UK or Poland in terms of their investment plans on their railway network safety. Students can still argue that those countries can be ranked higher or considered a favourite due to the limited market insights. Yet, it should be argued and supported by the criteria.

Ranking by the students: s. Table below.

	Investment Plans	Overall network size	Entry barriers	Subway	Railway safety (BCG)	Total Score
<b>Weight</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	
<b>Country</b>						
Sweden	3	4	4	2	5	52
UK	3	4	1	5	5	49
Poland	3	5	3	1	1	47
Romania	5	4	1	1	1	47
Belgium	4	2	4	1	3	45
Netherlands	3	2	5	1	5	45
Denmark	3	2	5	1	5	45
Spain	2	4	3	3	3	44
France	1	5	3	3	4	44
Czech Rep.	3	4	3	1	2	44
Finland	3	3	2	1	4	39
Hungary	3	3	3	1	1	39
Italy	3	2	3	1	3	37
Portugal	2	2	4	1	1	37
Luxembourg	3	1	4	0	5	36
Norway	2	2	4	1	3	35
Bulgaria	3	2	2	1	1	33
Ireland	2	2	3	0	5	32
Latvia	1	3	3	0	1	27
Slovakia	2	2	2	1	1	27
Greece	2	1	2	1	1	23
Croatia	1	2	2	0	0	19
Estonia	1	1	2	0	0	15
Lithuania	0	10	0	1	0	6

Disadvantage of the ranking done by the students in the real case that could be discussed in class: they did not follow a PESTLE or similar external analysis framework. Hence, maybe they "forgot" certain factors?!

**2. The list of countries Grüne Industry Electronics is interested in also includes the United Kingdom, which is currently in negotiations to leave the European Union. This is commonly known as Brexit and could have severe consequences for doing business with UK companies. Should the UK still be considered a very good target market for the company?**

**Approach:**

As there is no definite solution here, this one merely serves to get students to discuss current political developments. I simply do this in an open discussion with the students. To engage them I might take strong opposing opinions, just to tackle their statements.

**“Solution”**

The consulting team believes that the United Kingdom still represents a very attractive market for the company due to the large size of its railway network and the investment into its infrastructure. At the time the case study was written, the outcomes of Brexit were still unclear. Therefore, the assumption of the authors is that the UK will remain in the European single market but will agree on tariffs with the EU that still allow trade efficiency. Furthermore, considering that the company mostly undertakes larger one-time projects, those possible tariffs won't hurt the company as much as a company constantly trading with the UK.

However, with a different outcome of the Brexit talks that worsens trade relations between the UK and the EU, it can be argued differently, and UK should not be considered as a very attractive market for the company due to the possibly high market entry barriers.

Further Information:

European Commission (2018). Mobility and transport – Rail. Available online: [https://ec.europa.eu/transport/modes/rail\\_en](https://ec.europa.eu/transport/modes/rail_en) (last visited on Feb. 28<sup>th</sup> 2019).

<https://www.railalliance.co.uk/brexit-rail/>

<https://www.railway-technology.com/features/eurostar-after-brexit/>

Further Potential Discussion Questions:

**1. The company so far has sold its products into German speaking countries. Should the company engage in any language adaptation for its products regarding, for example, the manual or packaging?**

If the company would not adapt a new language, it will always be solely reliable for the installation and maintenance of the products. This is very resource consuming in terms of labour, time, and capital. Therefore, the company should adapt English as a language for the description of its products to lower the resources needed to install and maintain the devices. Surely it is convenient to have an expert from Grüne Industry Electronics that supervises the process and explains the details to the people in charge of the product, but it would consume less human resources, time, and capital. However, English should be the only language that should be adapted because it would be very resource consuming to translate and adapt it for every language where the company is selling.

**2. The contracts for the installation of new safety systems for the railway are usually given via tender. Looking at the company background, what are the company's selling points?**

The company has the ability to offer its customers specialised, as well as, standardised solutions for its problems. Additionally, it has a lot of experience and thus very advanced, high-quality technology within the products.



## Teaching Note for Shovel Bike Parts Case Study

### Target Audience

This case study is designed to be utilised in the study programme of business students at bachelor level. It is recommended that the students have passed all introductory business courses. The teaching case encourages students to learn about realising business opportunities across international borders and deciding on promising markets.

### Purpose

This case study is related to the topic of internationalisation, therefore it aims at:

- Ensuring students understand why companies seek international markets
- Helping students to appraise and filter the information provided (e.g. market situation, company strengths and weaknesses, etc.) according to its importance and making critical decision according to their evaluation (e.g. on the right destination, appropriate entry strategy, etc.)
- Engaging students in a discussion where they can express their own opinion on the business problem, evaluating the different countries and giving adequate arguments on prospect of success and the strategy

### Learning Objectives

- Being able to conduct an external analysis
- Critically reflect on criteria and weights in external analysis
- Critically reflect on the impact of current political developments on internationalisation strategies

## Discussion Questions

**Question 1:** What are the key characteristics that make the Finnish market a favourable one for the entrance with Shovel's products? What are the biggest obstacles for Shovel's entrance to Finland? Please help Marko to understand all aspects of the Finnish market and create a SWOT analysis of Shovel's market entry to Finland.

**Approach:**

Students work in their teams to develop a SWOT, 20 min. Afterwards one team presents its SWOT, other teams discuss/add.

**Solution:**

Strengths	Weaknesses
<ul style="list-style-type: none"><li>• Good quality of products with recognition from customers (best innovating entrepreneur and first place at entrepreneurial accelerator camp);</li><li>• Advanced design, all products are developed and produced in Croatia. Customers value the ease of installing products.</li><li>• Shovel has several international partners already (Giant, Maxxis and Nightfox) as well as dealers and distributors all around the world.</li></ul>	<ul style="list-style-type: none"><li>• Compared to other competitors, Shovel is a rather young company and customers value experience.</li><li>• No experience in particular in the Croatian market. When producing for Finland, the products are under different weather conditions as well;</li><li>• Because of high variable and fix costs for distribution in Finland, having an own sales channel may end up being unprofitable.</li></ul>



## Opportunities

- Many Finnish people use their bike to commute and 28% of the population cycles daily (Cycling UK 2018). People also use their MTB also in the Urban Terrain.
- Visualisation of Finnish bike cities in 2015 are tremendous; easier bike ownership, dedicated routes for cyclists (yle uutiset 2018). This will increase the demand in bike parts and make up a good company future for Shovel.
- With several bilateral agreements of Croatia and Finland being in the EU, Shovel could benefit from these: agreement of international road transport (all products can be exported without further checks), agreement of avoidance of double taxation (Shovel will not lose price competitiveness against competition in Finland because of taxes).
- Finnish MTB Needs & Market Characteristics
  - The **terrains of Finland are good for mountain biking** and good places to go biking are various national parks, nature trails and bike parks across the country;
  - In the high season, there are many different **mountain biking events** organised. The season for mountain biking in Finland is between April and October, which is also the **period when most mountain biking products are being sold**.
  - Furthermore, about this market, **average prices of mountain bikes sold in professional bike stores have increased**.
  - Price range of bikes: 200€ – 10,000€ (depending on quality, purpose, etc.);
  - Price range of a new quality mountain bike: 800€ - 1000€.
- Finnish MTB Consumers Characteristics:
  - Finns appreciate **high quality** (purchases are considered to be long-term); Shovel produces high end products, and everything is being produced in Croatia.
  - Finns consider **weight**; Shovel resulted in champion lightweight.
- Two opportunities of ways of distribution: web shop and retail shops;
- Partnership Options: bike or sport boutiques;
- Shovel could send samples to cycling clubs so the bikers could get in touch with Shovel in the future and initiate word of mouth marketing.
- Also, biking events (GoExpo or Tahko MTB) could be a place to introduce Shovel's products.

## Threats

- Many Finns prefer domestic goods. Croatia is, at least geographically, far away.
- Mountain bikers cannot be reached as a group, because it is a sport of individuals. It is hard to reach bikers which are not member of any cycling union or society.
- Market and economic conditions in Croatia and Finland are different. Based on business transfer ecosystem comparison, Croatian business transfer ecosystem is still in development, while Finland is already one step ahead (Alpeza, Tall & Juric 2018).
- In Croatia, there is a lack of public financing agents, matching platforms and SME business support organisation (Alpeza, Tall & Juric 2018); Shovel would need to invest time and money to first of all investigate the Finnish market.

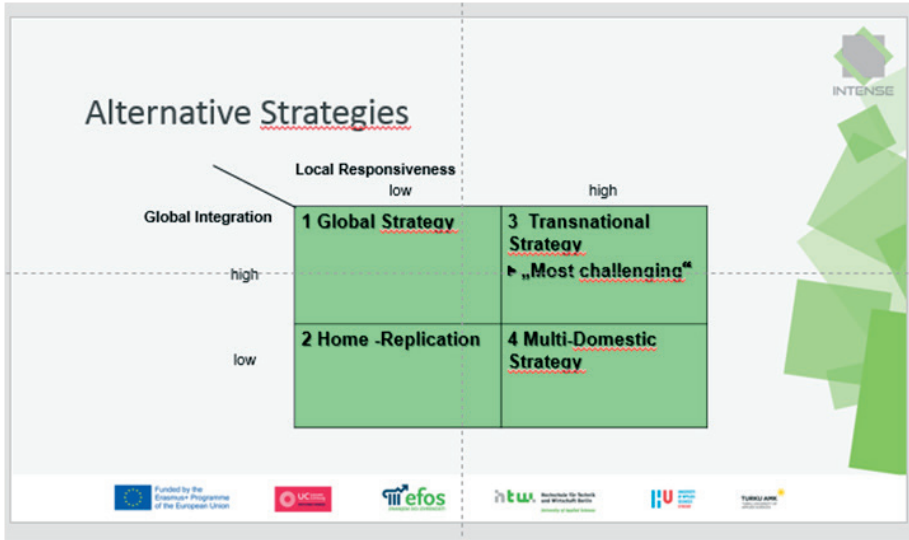
### Competitors:

- Shaman Racing – lower prices but heavier products, experience since 1998;
- E\*thirteen – products are more expensive but experience since 2001;
- Praxis – its chain guides are cheaper (but supposing worse quality), experience since 2007.

**Question 2: Develop an internationalisation Strategy for Shovel.**

**Approach:** I develop this in an open class discussion jointly with the students. 15 min

**Solution:**



Local responsiveness is rather low. Its product is a bike component. There is not much need to adapt it to the local market.

Global integration: not much global integration planned on up-or downstream side of value chain

→ Home replication strategy

<u>Advantages</u>	<u>Disadvantages</u>
<ul style="list-style-type: none"> <li>- Easy</li> <li>- Cheap</li> <li>- Focus energy on home market</li> </ul>	<ul style="list-style-type: none"> <li>- Does not focus on generating economies of scale</li> <li>- Market adaption difficult</li> <li>- Does not generate much market knowledge</li> <li>- Access to customers is more difficult</li> <li>- Higher risk of cultural difficulties</li> </ul>

## Teaching Note for Superbottles: Internationalisation into BeNeLux Case Study

### Synopsis

The case study discusses the internationalisation process of the company Superbottles, which is currently focusing its internationalisation efforts on three countries, namely Belgium, the Netherlands and Luxembourg (BeNeLux). The main business of the company in question is producing and selling sustainable and fashionable glass drinking bottles. The first step for the company would be to decide whether all of the countries it is currently interested in are suitable for their products and have good prospects. Should that not be the case, a decision should be made on which countries to enter and in what order. Afterwards, an important and critical step is to decide on the best entry mode, which fits well with the company's strategy, resources and capacity.

### Target Audience

This case is ideal for bachelor students/professionals who have taken basic courses in Business Administration, Marketing, or Management, and have an understanding of the fundamentals of international business. It is most suitable for classes related to consulting in the field of project management and strategic marketing, where the class content encourages learning of the basics of consulting, making internationalisation decisions, and assessing market entry strategies and business opportunities. Apart from the aforementioned business students, this case study could be suitable for the following groups: young interns, PM workshop participants, employees on a training program or a consulting case competition (most suitable for first rounds).

### Purpose

This case study is based on the topic of internationalisation; hence it has the following aims:

- Engaging students to consider different market entry modes, such as exporting, foreign direct investment, etc. and decide which option would be most suitable, taking into consideration the current size of the company as well as the domestic and foreign market conditions, regulations and costs
- Helping students learn how to filter and evaluate important information and make a critical decision based on the available information (e.g. company values, market saturation of destination market, etc.)

- Ensuring that students have the ability to make decisions based on the low-hanging fruit principle
- Encouraging students to evaluate different countries of interest and give adequate opinions on each one of them in terms of ease of entering the market and prospects of success

## Instructor's Notes

### Learning Objectives

- Adopt a better understanding of the different aspects of the internationalisation process
- Improve analytical thinking
- Learn how to weigh opportunities and threats in a market environment and base decisions on the results
- Understand and be able to apply and follow the principle of the low-hanging fruit in the most effective and useful manner

## Critical Issues

1. Analysing the countries and the foreign market prospects
  - a. Responsiveness to foreign markets
    - i. Sustainability and environmental awareness and demand
    - ii. Purchasing power
    - iii. Consumer preferences
    - iv. Tap water quality
  - b. Evaluating local competitors
    - i. Presence of a major competitors, especially those that are constantly expanding their customer base
2. Deciding on an entry mode as a way to internationalise
  - a. Export
  - b. Contractual
  - c. Foreign Direct Investment

All of the points listed in the first step, i.e. the suitability of each country, the level of difficulty of entering the market, and the future success that could be expected from it are very important. For instance, knowing that consumers in Luxembourg prefer bottled water to tap water, due to the poor water quality, gives us a valuable insight, which suggests that it could be challenging to find a large customer base for a sustainable water bottle, as consumers would usually have to refill the water bottle using tap water. On the other hand, regarding the entry mode, it has to be considered that Superbottles follows the low hanging fruit principle. Therefore, when deciding on this matter, the best entry mode would be the method that is the easiest, least costly and

requires the least effort to implement, namely export. However, when solving the case, it is important that the students discuss the different entry modes and compare the advantages and disadvantages for Superbottles in each case before they decide on one entry mode.

## Plan for Teaching the Case:

### → How should the instructor prepare the class prior to working with case study?

The instructor cannot take for granted that the class has previously worked with case studies or is familiar with the concept of consulting. First, it would be appropriate to explain to the class how case studies are usually put together. The class should be aware what the aims of working with the case study are to put previous knowledge from other courses into practise and to learn from analysing the complex real-life situations in the case.

### → How to introduce the case (first 5-10 minutes)?

This case is based on circumstances faced by a real company based in Berlin towards the end of 2017. The case study is conducted by 7 consultants, many of whom are relatively new in this field and have never consulted a company. The team's role is to offer their knowledge as specialists from the business area for the company, which does not have a strong strategic plan for internationalisation.

Superbottles is a Berlin-based start-up which produces plastic-free glass bottles with a designer touch. The main aim is to reduce the plastic waste and its impact on the environment by using an attractive bottle design which is not only sustainable in its essence but stylish at the same time. Superbottles is a company with flat hierarchy and could be described as a social entrepreneur, stakeholders are set on doing business with a cause, keeping the firm's mission of promoting sustainability in mind rather than thinking about how to raise as much revenue as possible through every means possible. Nevertheless, as a business, it is also important for the stakeholders to allocate the investment in a way that will generate profit and use the resources most efficiently. It is also important to decide between targeting all the different types of end customers in the new market or to just take one target group as the ideal target group. The company has two different target groups: sustainability- and design-oriented customers.

### → How to structure the working/discussion phase?

The important thing to mention is that case study does not have just one right answer. After analysing the facts of the case, it is important to justify one's choice and explain how the company should implement the option in practice. Everyone should be able to share the reasons in class after analysing the case, so the instructor should prepare students for the discussion in the following class.

### → How to summarise the case and wrap up the discussion?

The instructor should reveal which entry mode Superbottles' stakeholders should implement in the end, and why. The key factor to consider in decision-making is the

company's low-hanging fruit principle<sup>1</sup>, and it is important that this reasoning is used when justifying the chosen strategies and implementations.

## Discussion Questions:

**Question 1: Which market entry strategy would you, as a consulting team, recommend to Superbottles? Explain your decision.**

**Solution:** Forecast of the Most Desirable Outcome: What Would the Stakeholders Hope for the Most?

There are several benefits Superbottles could gain by entering BeNeLux, including:

- Foreign market attractiveness,
- Expanding sales volume,
- Better customer proximity, and
- Risk diversification: increasing the number of markets in which the company operates reduces the overall risk of the business.

In-depth desk research leads the consulting team to the conclusion that Luxembourg might be the most difficult to enter among the three countries, taking into account the size of the market and the relatively poor quality of tap water in comparison to its neighbouring countries. Hence, the stakeholders of the company would be more interested to reallocate resources and focus more on the Netherlands and Belgium.

After a detailed analysis and weighing of the different options for market entry, the stakeholders would support the principle of low hanging fruit and follow the easiest, most cost-efficient entry mode, i.e. direct exporting through an agent or distributor. This is the market entry mode which involves the least amount of risk and investment, as there is no need to transfer resources, capital, technology or human capital into BeNeLux, because the bottles will continue to be produced inside Germany and dispatched from the current distribution centre.

Since Superbottles already works with distributors outside of Germany, this internationalisation strategy is mainly an extension and improvement of what they have already been doing. Their aim is to become more present in the BeNeLux market by utilising distribution methods similar to those they currently utilise. Therefore, doing extensive research on the government regulations, legal requirements, tax systems, tariff barriers, exit barriers, and other external factors that usually affect internationalisation would not be necessary, because given their choice of market entry mode, these factors will not affect Superbottles. The company should continue pursuing its current strategy in a more aggressive manner by contacting as many suitable retailers and wholesalers as possible and actively establishing itself on the market as a brand with a strong presence in several stores.

## Entry Mode Assessment:

- A. Direct exporting: no intermediaries.

<sup>1</sup> *Principle of Low Hanging Fruit* - the low hanging fruit is considered to be something, which can be "obtained with little effort". It means going after the things, which are the easiest to reach first, before going after the ones with more barriers. This strategy provides mostly short-term success and is hence used by companies aiming to boost sales within a short period of time.

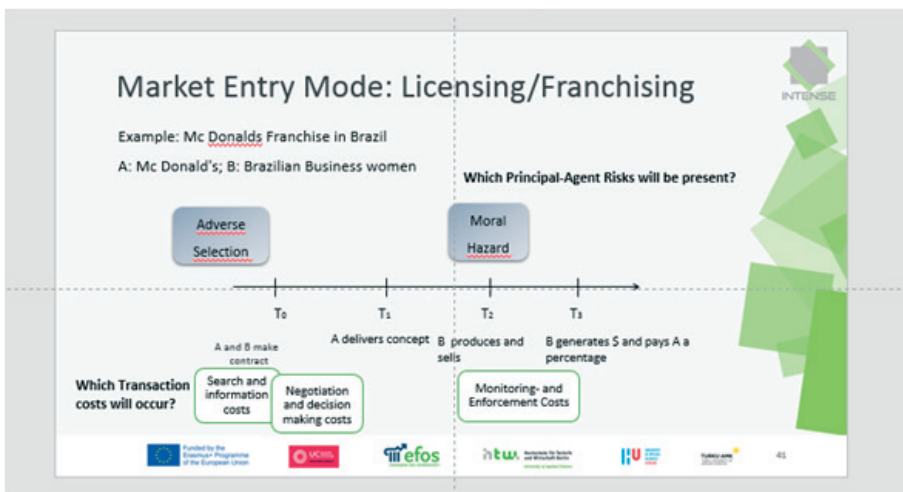
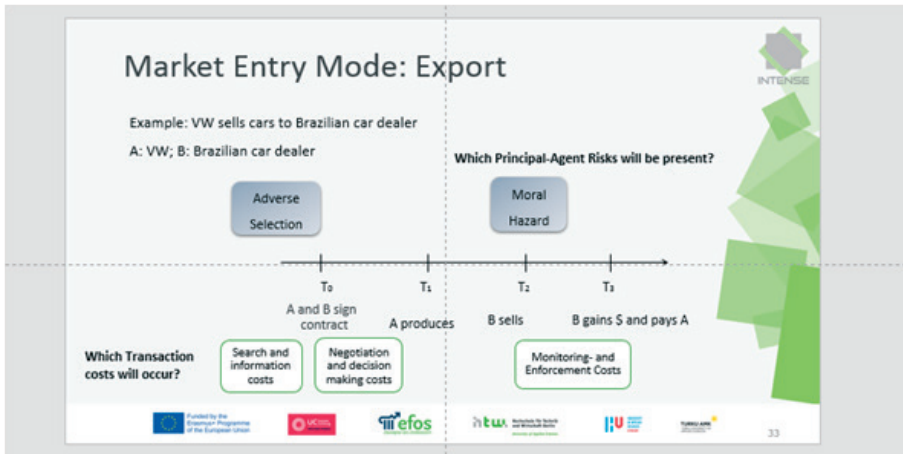
- a. Advantages:  
Control over the selection of markets and representative companies, easy relationship with the target market (communication, feedback), potentially greater sales and profit without any intermediaries.
- b. Disadvantages:  
Requires investment of time, resources and personnel, and potentially even organisational changes, risks and costs; great amount of information needed.

B. Licensing: foreign manufacturer

- a. Advantages:  
Reach new markets which could not be accessible with current resources, quick expansion with not much risk or capital investment, less political risk as the licensee is usually local in the targeted market; this mode is highly attractive for companies that are new in international business.
- b. Disadvantages:  
Lower income compared to other entry modes, risk of choosing an incompetent partner - loss of reputation, loss of control, a foreign licensee might become a competitor by selling its products to places that the licensor is already trading.

**Question 2: No entry strategy is without costs and risks. Please analyse and inform Superbottles about potential transaction costs and principal agent risks of your chosen (in question 1) market entry strategy.**

**Solution:**



Further Discussion questions

**1. Currently, Superbottles is distributing its products mainly to German-speaking markets. This can be seen from its social media channels, where the majority of posts are in German. When entering the BeNeLux market, what would be the social media strategy recommended after analysing the facts in the case, and why? How should Superbottles implement the new strategy?**

There are a few points which Superbottles should improve when it comes to establishing the brand on the BeNeLux market via social media:

In terms of marketing and social media strategy development, Superbottles is currently inactive on Pinterest and Youtube as well as Whatsapp and LinkedIn.

Why?

These channels could add great value to the company's image and could be utilised



to inform the subscribers of the importance of the company's message, as well as any new and further developments and possible future projects. Despite the fact that German is spoken to some extent in all three countries, Superbottles could not expect the best outcome (sales-wise) without adapting the marketing language. Although posting in three to four different languages in social media could be extremely time-consuming and could create both mixed messages and a confusing brand image to the customer, it is important for it to consider a solution, as opposed to leaving all messages in German and neglecting the consumers in these markets who do not speak German.

How?

Firstly, in order for the product information to be easily accessible, the consulting team suggests changing of the language used in social media from German to English, which is much more international. This would be the more efficient and most effortless way to establish a cohesive brand communication to all consumer groups, regardless where they come from. Secondly, since all social media channels could be difficult and, especially, time-consuming to control separately, the consulting team suggests an investment in an online tool, such as Buzzsumo, to control them all at the same time. This tool will allow Superbottles also to monitor its online environment, competitors and connect to potential influencers to reach the best potential brand visibility in the market with, again, the least possible effort.

To sum it up, the main points Superbottles should direct focus on are the following:

- a) Discovering its target group in order to be clearer on its strategies when entering the new markets;
- b) Involving different online tools in its day-to-day business; and
- c) Making it easier for the customer to get to know the brand Superbottles by thinking about changing the communication language and increasing social media presence and activity.

## **2. Should Superbottles engage in any actions when it comes to language adaptation for packaging?**

In terms of the language and packaging, the consulting team would suggest considering either shipping its products in packages with an English description or adapting the description to the local languages of each market. By using sticker labels with a localised description, Superbottles would save costs and it would be the easiest option. However, adapting the language for the whole package would appear more professional and personalised for the target group in each of the market. Even though the latter would be the more costly option in the short run, it could pay off in the long run.

## **3. The company has two different target groups, i.e. sustainability- and design-oriented customers. When thinking of internationalising to BeNeLux, is it worth it to target both kinds of end customers in the new market, or should Superbottles just take one target group as the ideal target group?**

When it comes to selling sustainable water bottles in the Netherlands, it is important to keep in mind that there is a very popular brand called Dopper (2017), which has flooded the market and also conveys the sustainability message. Dutch consumers consider Dopper to be one of the main threats to Superbottles, because even though

the product is made out of plastic, it is also sustainable. Students should take this into account, and suggest possible solutions such as a specific market positioning strategy of Superbottles that can help it enter the market, e.g. positioning it as a stylish product more than a sustainable one.



## Teaching Note for Sweet Amsterdam's Internationalisation to Finland Case Study

### Synopsis

The Dutch brand Sweet Amsterdam is seeking to export its product to countries other than the USA. However, the brand as of today is only present in the USA with little brand recognition; based on the fact that the brand has only started operating in the market at a few locations and via Amazon.com. The company depends solely on owners' equity, which is a challenge as the steps towards the attainment of the mission can be costly. Nevertheless, the brand seeks to attain its mission as stated and for that reason an increase in scale is necessary. The European continent is a starting point. The brand seeks to operate in the Finnish market, which has proven to be attractive for the brand.

The firm however has little-to-no experience in entering a Northern European market; hence market research is vital. The research is to help the firm to choose a starting point within the country. Additionally, to aid the firm in finding the right people, as the firm has several options such as forming close partnership with potential distributors or offering its product online. The firm needs to find out where the most growth potential is and where its chances to succeed are the highest. All the options such as wholesalers, retailers, coffee shops, gift items, airline companies, and the Internet must be evaluated.

### Target Audience

The target group of our case study is students. Students should be in their second or third year of study so that they have some basic knowledge of the following subject areas: international marketing, import/export of products, international business, marketing entry strategies, analysing data and graphs, business administration and conducting research.

### Instructor's Notes

#### Learning Objectives

In this case study, the students should use analytical skills to evaluate the given data, and they should also look closely at the company's problem and how best to solve it in order to get the company closer to its goals. In addition, at the end of the case

study, the students should make a decision on what the correct marketing entry strategy should look like. The students should also apply the skills in decision-making in a meaningful way.

In order to achieve these goals, a SWOT analysis should be carried out to show the students the opportunities and risks for the company. In addition, the students should decide between different marketing entry strategies and weigh them up in order to finally choose the right strategy for the company.

Students should also apply their knowledge of the European market, marketing knowledge, research knowledge, how to do proper research, analytical thinking, as well as analysing data and graphs and applying PR strategies to provide the company with the optimal solution to the problem.

## Teaching Note for VandeStreek Internationalisation into Croatia Case Study

### Synopsis

The issue consists of several parts. First, VandeStreek is a fast-growing craft beer brewery with 19 different types of beers nowadays. Ronald, one of the owners, wants to export their products and become more international due to the extra volume their company has now. Secondly, Ronald heard that Croatia offers a opportunity due to Croatian beer consumption and a strong beer culture. However, the market is new and still a lot of research is needed to create a plan for entering the market and at least decide if they should do it. The third issue facing VandeStreek is that the company does not do the logistics from the brewery to the buyer. It is usually done by third parties. Whoever will buy the beer in Croatia, must be able to take care of transport, or have a logistics partner. Fourthly, and this is the main one, to choose the most suitable market entry strategy with fair costs but great opportunities.

### Target Audiences

The main target group for the case study is considered to be students on the 3rd – 4th years of their undergraduate studies accomplishing programme of international business, commerce and marketing or related studies in a university of applied sciences. The case study is more preferable to use as part of a programme for students from different faculties and with different backgrounds, which allows creating groups of students with particular roles during the solving process of a case study. Moreover, the case study is in the English language; thereby creating opportunities for international students to participate together with local students.

### Purpose

- Describe an individual situation of the rather new beer company in detail;
- Identify the key issues of the case and main issues to solve;
- Analyse the case using relevant theoretical concepts from the INTENSE teaching materials or relevant business studies;
- Recommend a course of action for a particular case in VandeStreek company in order to find the best solution

## Instructor's Notes

### Learning Objectives

#### **Consulting Skills**

A case study will be a great opportunity to practice the whole consulting process with real customers. It will help students to test themselves as consulting experts, it will develop their communication skills with the costumers, understand their main desires and struggles, as well as to build trust and rapport.

#### **Research Skills**

This project requires a lot of time spent on reading and highlighting and selecting the right information. Students can start researching from provided supporting literature.

#### **Analytical Skills**

Students are required to make their own assumptions from the researched data and come up with the entry market strategy based on the theory and additional resources.

#### **Communication Skills**

Students work preferably in a team of 3, which makes this case study also collaborative teamwork. Students should plan their own milestones, meeting, deadlines, dealing with internal communication in the team to make the atmosphere pleasant and productive.

## Critical Issues

During the case study, students will have a lot of doubts and struggles which can divert the team from the right path. Here are issues students should keep in mind listed in the order of the most important to the least:

- Understand the business process; it is important to know the detailed brewing process itself. Moreover, students need to find out the differences in types of beer VandeStreek is producing and which types are existing on the market.
- The brewing process should be analysed from the very beginning, where the company takes raw materials and ingredients, how it is delivered, how much time is required to produce one bottle of beer, etc. All these steps will help to calculate the exact amount of beer in litres VandeStreek has to export.
- Regarding the Croatian beer market analysis, the students should be aware of all EU legal issues. Does the company need particular certificates to deliver alcoholic products? What is the percentage of non-alcohol products?
- While analysing wholesalers, students should think of the best partner for the long-term perspective, the wholesalers should be trustful and support the story of VandeStreek. Besides, Ronald mentioned that wholesalers should not only have extensive market experience, but also making deals with SMEs.
- Some wholesalers operate only in one region of Croatia. Students should take a look at Croatian regions to understand which are the most favourable ones for this case.
- VandeStreek makes more than 50% of its profit from selling non-alcoholic beer. Students should analyse the trend of non-alcoholic beer in Croatia in

comparison to craft beer consumption overall.

- Croatia recently entered the EU. Does it influence the development of the market? How? Additionally, the marketing strategy also has a lot of legal regulations, especially concerning promoting beer on TV.
- An important issue is that in Croatia most of the population speak only its own language, so to build a marketing campaign, the cultural aspect should be considered.

## The Most Desirable Outcome

The biggest success is to make VandeStreek and its stakeholders happy by meeting their expectations with extras. It can be achieved via the following steps:

1. Answer the main question of if VandeStreek should to enter the Croatian craft beer market or not;  
This question should be supported by strong facts and additional arguments answering why Croatia is/isn't a huge opportunity for VandeStreek.
2. If yes, make several possible ways of entering the market with a ranking of the most suitable one for VandeStreek.
3. Understand customer's wish to enter the market through wholesalers due to the successful previous experience in the UK market. Therefore, make a detailed analysis of Croatian beer wholesalers, rank them according to VandeStreek missions and visions, contact them and analyse their willingness to cooperate, prices, volumes, and logistics issues.
4. Make a financial prediction for the next 3 years for VandeStreek with regards to risk calculations;
5. Analyse the tourism sector in Croatia, where, how, how many people consume beer there;
6. Provide market research, including information about taxes, logistics policies, legal issues, e.g. what percentage is nonalcoholic beer in Croatia and what are the marketing requirements to promote alcohol.
7. Create marketing campaigns including social media, festivals, posters, franchising with showing possible designs customised specially for the Croatian customers.

## A Plan for Teaching the Case:

A basic framework for a case-based discussion can be broken down into six steps:

1. Give students ample time to read and think about the case. If the case is long, assign it as homework with a set of questions for students to consider.
2. Introduce the case briefly and provide some guidelines for how to approach it. Clarify how you want students to think about the case. Break down the steps you want students to take in analysing the case. If you would like students to disregard or focus on certain information, specify that as well. The first question is important for setting the right tone for the rest of the discussion. Start with an open-ended inquiry.
3. Create groups and monitor them to make sure everyone is involved. Small groups

can drift off track if you do not provide structure. You may want to designate roles within each group. Alternatively, group members could be assigned broad perspectives to represent or asked to speak for the various stakeholders in the case study.

4. Have groups regularly present their findings/solutions/reasoning.
5. Ask questions for clarification and to move the discussion to another level.
6. Synthesize issues raised.

## Questions

Questions to discuss in class:

1. Make a short summary of the company. Who is the owner? What does it produce? Which products are the most successful and make the biggest profit?
2. Why does VandeStreek want to export? Does it already have experience in that?
3. Let's have a look at Croatia. Is it a touristic place? Why? How it can influence the entry strategy?
4. If you were an owner of VandeStreek where would you start your research concerning company expansion to another country?

## Key Analytical Tools/Theories

Theoretical approaches and methods which can help during the case study analysis:

1. PESTLE

### PESTLE Analysis Cheat Sheet

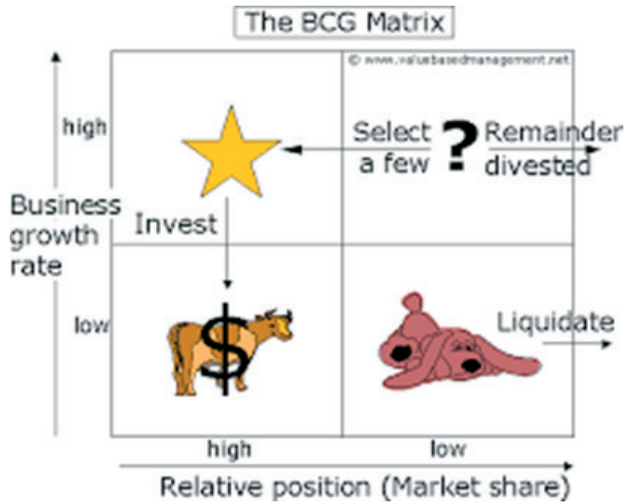
<b>P</b>	<b>E</b>	<b>S</b>	<b>T</b>	<b>L</b>	<b>E</b>
Political	Economical	Social	Technological	Legal	Environmental
<b>Explore:</b> <ul style="list-style-type: none"><li>• Current taxation policy</li><li>• Future taxation policy</li><li>• The current and future political</li></ul>	<b>Explore:</b> <ul style="list-style-type: none"><li>• Overall economic situation</li><li>• Strength of consumer spending</li></ul>	<b>Explore:</b> <ul style="list-style-type: none"><li>• lifestyle trends</li><li>• demographics</li><li>• consumer attitudes and opinions</li><li>• media views</li></ul>	<b>Explore:</b> <ul style="list-style-type: none"><li>• Relevant current and future technology innovations</li><li>• The level of research funding</li></ul>	<b>Explore:</b> <ul style="list-style-type: none"><li>• Legislation in areas such as employment, competition and health &amp; safety</li><li>• Future</li></ul>	<b>Explore:</b> <ul style="list-style-type: none"><li>• The level of pollution created by the product or service</li><li>• Recycling considerations</li></ul>



## 2. SWOT MATRIX






## 3. The BCG MATRIX



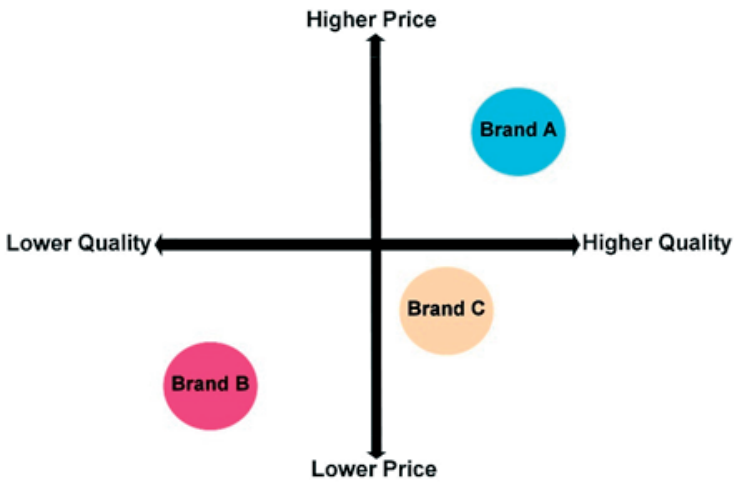
4. Market Targeting Strategies

# Market Targeting Strategies

Undifferentiated (Mass) Marketing	Differentiated (Segmented) Marketing	Concentrated (Niche) Marketing	Micromarketing	
			Local Marketing	Individual Marketing
Whole market with one offer → Ignore segments	Decide to target several different market segments, separate offers for each	Concentrate on one or a few segments or niches	→ cities, neighbourhoods, specific stores	→ 1 person

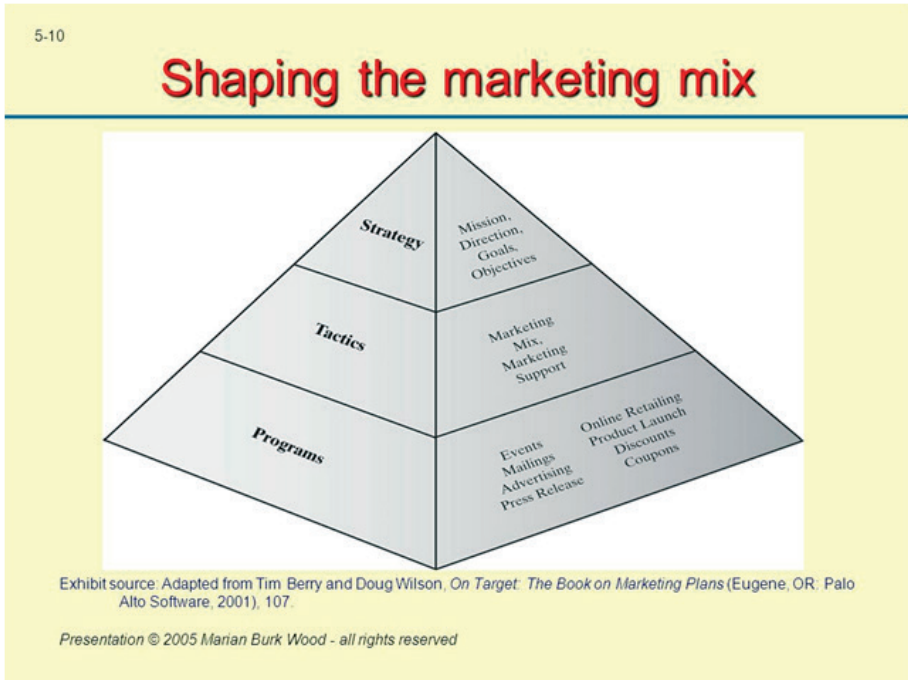
Targeting broadly
Targeting narrowly

5. Perceptual Map

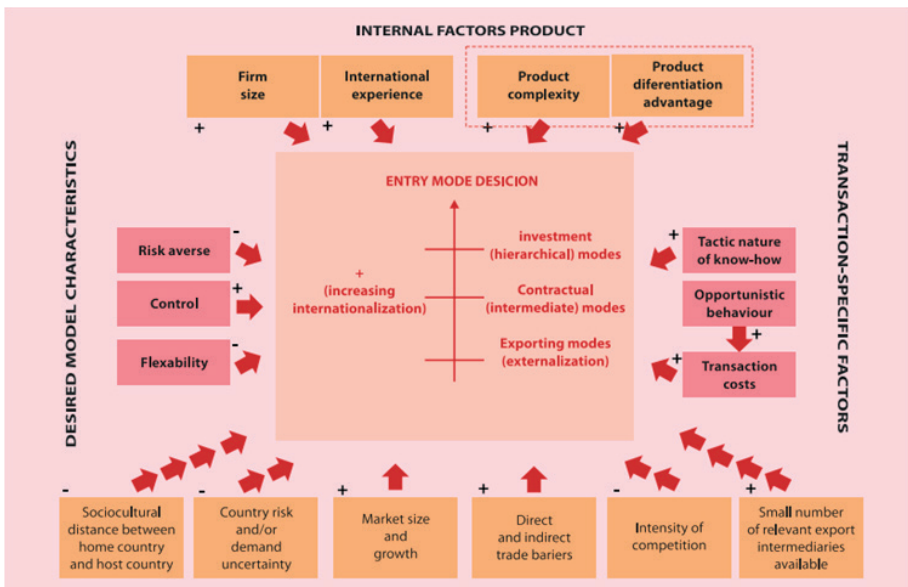


Perceptual Map of Price vs Quality

## 6. Shaping Marketing MIX



## 7. Factors Affecting Market Entry Choice





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