

 **Conference “The New Paradigm of Engaging Asia Pacific Universities for Exchange and Cooperation”**
Session: Enhancing Global Engagement Competence [Room 305AB, 3/F]

University internationalisation revisited: How to revamp your IR operations with a business angle

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 **Background**

- Personal and research background: International business strategy.
- Survey along research question of:
 - Organisation and structure of International and IR offices in Australia
 - Underlying Motivations & strategies
 - The link between international knowledge and organizational structure and renewal

Do not copy or quote without prior written consent from author. Special thanks to M. Riviere. Based on co-publication Riviere & Suder, 2015, Exploring the role of internationalization knowledge in the process of strategic renewal; under review.

 **Internationalisation from the international business perspective**

- Internationalization process provides for benefits including
 - sales development and local profitability encapsulates
 - Structural organisation and its change that unfolds and refreshes over time along with a series of strategic opportunities that arise or are created both at the organisational level and at local units (Tushman et al., 2013)
 - path-dependent process of opportunity development and venturing abroad activities (Chandra, Styles & Wilkinson, 2012; Vahlne & Johanson, 2013),
 - inward entrepreneurial motivation wherein decisions are initiated to anticipate possible future performance gaps
 - Goal: **the two processes of internationalization and capability renewal are coordinated to inform each other and co-develop**
 - builds on managerial competency to lead creative searching and strategic sense making (Pandza & Thorpe, 2009).


 THE UNIVERSITY OF MELBOURNE | **positioning through internationalization (e.g., Lessard et**

- Strategy and organization literature suggests that organisations need to **balance efficiency and the need for change to achieve optimal long-term performance** (Badden-Fuller & Volberda, 1997; Uotila, Maula, Keil & Zahra, 2009) - concurrent with **resources that are not unlimited to the organisation** (March, 1991)


 THE UNIVERSITY OF MELBOURNE | **Market entry experiential knowledge**

- international knowledge as a driver (Johanson & Vahlne, 1977, 1990; Eriksson et al. 1997) and as a success factor (Fletcher et al., 2013) of the internationalization process
 - uncertainty reducing effects (Hilmersson & Jansson, 2012)
 - transaction cost theory: entry strategies based on the tradeoff between the control and cost of resource commitment (Anderson & Gatignon, 1986).
- IK plays a moderator role in this trade-off -- the more **experienced the organisation is with internationalization**, the less the perceived cost.
- **Acquisition/partnership experience** leads to the development of routines (Haleblian et al. 2006), which sometimes serves as a substitute for formal strategic decision-making processes (March, 1999)


 THE UNIVERSITY OF MELBOURNE | **The strategy-environment alignment**

- Localization knowledge ((Fletcher et al. 2013) :
 - important to develop strategies that yield a sustainable competitive position foreign market entry (Prashantham & Young, 2011)
- Such strategies reflect local market conditions (Cui, Griffith, & Cavusgil, 2005) and focus on matching a organisations' capabilities to such conditions
- Localization strategies that were previously effective can be applied to different market locations (Roth, Jayachandran, Dakhli, & Colton, 2009).

 THE UNIVERSITY OF MELBOURNE | **Coordinating resources**

- How to manage internationally dispersed operations
 - managing divergent partnership behavior or spatially distant internal relationships
 - coordinating a firm's resources through experience sharing between people and units in different territories
 - cost-efficiency approach to a firm's global capabilities application

The **dynamic** organisation will know how to make sense of external knowledge, assimilate it, and integrate it with the rest of the organization on a perpetual basis

- ✓ To gathering knowledge about institutions and businesses abroad is supposed to handle, and sometimes change, mental models and processes that lead to inferior performance

 THE UNIVERSITY OF MELBOURNE | **The right balance....**

- Overemphasis on experimentation and renewal processes may result in the waste of resources on activities with very limited return.
- Conversely, overemphasizing efficiency may hinder the firm's learning and capability refreshment, leading to outdated business practices that are detrimental to its long-term performance: success from current activities brings inertia and conservatism into an organization (Tushman & O'Reilly III, 1996: 28)

 THE UNIVERSITY OF MELBOURNE | **One solution:**

- Focus on activities that allow the organisation to sense and seize new opportunities (O'Reilly III & Tushman, 2013:7), thus to develop its **dynamic capabilities**:
 - shake up the organization's status quo and "set off a new round of upgrading of capabilities"(Lessard et al. 2013:66)
 - **International expansion** encourages such exploratory search (Miller, 2008)

 THE UNIVERSITY OF MELBOURNE | International Performance correlation to organisation's renewal capacity

- Experiential knowledge about how to engage and benefit from global operations may contribute to an organisations' renewal process
 - in that sensing, seizing, and adapting knowledge and capabilities abroad leads to knowledge-related advantages via internationalization (Pitelis & Teece, 2010)
- leads to **changes in routines** to search (Eriksson et al., 1997), which allow the organization to sense and seize new opportunities at corporate level (O'Reilly III & Tushman, 2013).
- Some opportunities have the potential to substantially affect long-term prospects (Agarwal & Helfat, 2009).

 THE UNIVERSITY OF MELBOURNE | The importance of international engagement

- The knowledge accrued from internationalization is
 - not merely gained by leading the **search for experience in foreign markets and institutions** (Eriksson et al., 1997), but also plays the role of informant to the organisations' decision process
 - Internationalisation Knowledge (IK) plays a crucial role beyond enhancing international market performance, or in HE, recruitment.

 THE UNIVERSITY OF MELBOURNE | Sensing opportunity

- While know-how is important in assessing the risk of partner opportunism and evaluating local strategic partners and distributors (Fletcher et al., 2013) to "sell a product" ,
 - **opportunity development** is central to driving the process of an organisation's progress (Chandra, Styles & Wilkinson, 2012; Pitelis & Teece, 2010)
 - **relationships** with local actors has co-evolution potential (Belderbos et al. 2013)

Hence, the importance of International Relations well beyond student recruitment, mobility or agreements formalisation.

THE UNIVERSITY OF MELBOURNE | Strategic renewal

- Under a dynamic view, such global management experiential knowledge
 - informs global strategies and
 - local adaptation processes
 - to improve performance sustainability at global level (Sapienza et al, 2006; Fletcher et al, 2013). :
 - Developing and aligning a systemic and dynamic strategy rather than localising repeatedly a collection of potentially transferable experiences and processes : 'strategic renewal'

THE UNIVERSITY OF MELBOURNE | Risks

- in an internationalization context, having the opportunity to open up new geographic markets potentially increase the risk of inertia against strategic renewal initiatives :
 - counterbalance by hiring fresh talent internationally or acquiring new capabilities with other organisations/partners (entrepreneurial, variety of skills & talents)
- over-focusing on efficiency: counterbalanced via solid understanding of the potential and direction of the markets, communicating and analyzing market information in a systemic way

THE UNIVERSITY OF MELBOURNE | Developing opportunity

- Whilst localization knowledge assists the firm in developing a sustainable competitive position in new markets (Fletcher et al., 2013), **market potential knowledge** helps the firm to design long-term market strategies.
- **Accept** short or medium term location-related **risks** for the immense long-term potential
- **Feedback ideas** to develop the organization along with the development of the market

 THE UNIVERSITY OF MELBOURNE | **Seizing opportunity**

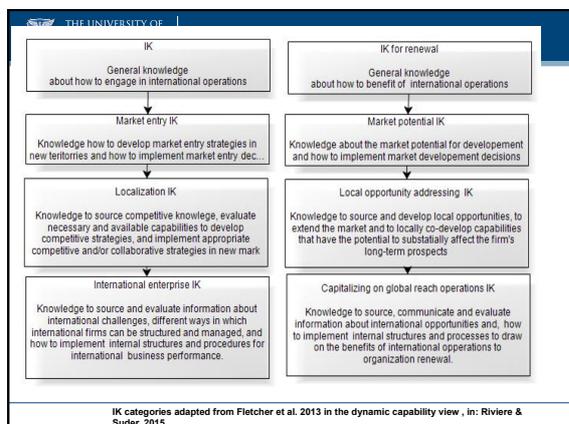
- **market potential for development complements knowledge about how to enter and develop strategies in foreign markets**
- Consider internationalization beyond a cost-efficiency perspective (Teece, 2014)
 - IR is a cost-centre with sometimes hidden long-term benefits - that feed into the entire organisation due to its renewal potential.

 THE UNIVERSITY OF MELBOURNE | **Political resources**

- Political resources play a critical role in managing institutional environments and in co-developing with the market , **counterbalancing the “liability of foreignness”**
 - Risk: Henisz (2003) notes that “the evolution of such learning processes is particularly important as in the absence of such learning international investors’ advantage over their domestic counterparts could well prove transitory” (p. 182).

 THE UNIVERSITY OF MELBOURNE | **Seizing opportunity transfer in IR**

- accumulation of knowledge through market embeddedness fosters strong relationships that ultimately increase the seizing ability
 - Mechanisms
 - **socialization and relational approaches** should complement centralized and hierarchical based knowledge transfer procedures (Anderson, et al., 2005), and organisations who emphasize worldwide learning need to invest in knowledge-sharing routines with host country networks (Hada et al., 2013).
 - **Organisation of IR teams: adapt to sensing and seizing opportunity needs**



THE UNIVERSITY OF MELBOURNE | **Renewing capabilities- Organisational conditions need to ensure that:**

- The knowledge that is, most often, linked with the persons involved in an experience in local markets, and therefore tacit (Brawn & Duguid, 1998), is transformed in explicit knowledge (externalization).
- The explicit knowledge is transformed into organizational knowledge (internalization) (Nonaka, 1994)
 - socialization and relational, rather than centralized and hierarchical, approaches to knowledge transfer lead to **effective knowledge sharing** (Anderson, Björkman & Forsgren, 2005).

THE UNIVERSITY OF MELBOURNE | **A clear objective: linking IK and organisational renewal**

- Knowledge flows in **feedback loops** between those designing the strategy and leading the business by geographies and those that are involved with the organisational strategy and renewal perspectives
 - Ideally, formalized knowledge transfer processes at the two steps, both informal and structured knowledge transfers, i.e. socialization and relational approaches are largely used.

THE UNIVERSITY OF MELBOURNE | What IK to foster dynamic capability ?

- IK about the potential of the market, the potential of market opportunity, IK about how to address local opportunities, and IK about how to operationalize and benefit from global reach.

Global/international development is the management of global markets according to their maturity, while at the same time managing the same market(s) for different strategies (exploit existing capabilities and create new capabilities).

THE UNIVERSITY OF MELBOURNE | Conclusion: How to use internationalisation knowledge (IK)

to best enhance organisational structure and performance?

THE UNIVERSITY OF MELBOURNE | A taxonomy for long-term competitiveness

The diagram is a 2D plot with 'Firm level/organisational IK integration' on the vertical axis and 'Internationalisation orientation' on the horizontal axis. Four blue boxes are arranged in a staircase pattern from bottom-left to top-right:

- MP-IK**: "market potential"
- LOA- IK**: "local opportunity addressing IK"
- CGRO- IK**: "contribution to global reach operations IK"
- ISSR**: "IK for strategic renewal"

 THE UNIVERSITY OF MELBOURNE | **How to revamp your International/International Relations along business principles?**

- Dynamic assessments, rather than static snapshots, encapsulate the rapid rate of change of markets. Organisations need to be able to adapt.
- Demonstrate, in your context, the ability to conceptualize and coordinate both efficiency and renewal activities simultaneously, both globally and locally, that challenge inertia.
- Create synergy between
 - the process of leveraging capabilities and
 - the process of acquiring capabilities, refreshing organizational heuristics.

 THE UNIVERSITY OF MELBOURNE | **Resulting Business Improvement – International Relations project, UoM**

- Introduction, design and operationalization of use of Key Performance Indicators and other tools of performance measurement borrowed from international business, for International Relations:
- Promotion of best practices in the measurement of performance
 - of bi- and multilateral (Σ peer agreements or higher divided by overall agreements; reputation or opportunity sought)
 - Multi-lateral international engagement, strategic alliances (Σ peer alliances/ collaboration or higher divided by overall multilateral engagement)
 - the impact of hosting international delegations for a university (Σ peer hosting or higher divided by overall hosting; regular value- assessment and review along criteria of short- and long-term collaborations, research projects, research grants, joint publications, student and staff mobility et al.)
 - and that of international diplomatic relations as part of international relations portfolios (Σ value –assessment of short- and long-term contribution to university internationalization along research, teaching & learning esp. mobility, engagement incl. high-level hosting divided by cost).


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