

Practical Class #04

International Management Spring 2025

February, 27/28



- * Used to identify and prioritize the differences between countries that companies must address when developing cross-border strategies:
 - Culture
 - Administrative
 - Geographic
 - Economic differences
- * Bilateral not just unilateral elements

Pankaj Ghemawat on the CAGE framework



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C

- Beliefs, values and social norms that shape behaviour of individuals and organizations: religious, race / ethnicity, language and social norms
- Traditionalism

- Walmart's profitable markets share linguistic, religious and ethnic similarities (e.g., Canada, UK)
- Consumer behaviour ARA (Colombia): different preferences

Α

- Historical and political associations: colonial links, free trade agreements
- Corruption
- Common regional blocs, common currency
- Political hostility
- Nonmarket / closed economy
- Weak institutions

G

- How far two countries are from each other, contiguity (land border), physical size, access to the ocean, topography and time zones
- Differences in climate
- Geographic size and remoteness
- Weak transportation or communication links

Ε

- Consumer income, cost of labour, availability of resources, infrastructure, organizational capabilities
- Differences in cost or quality of natural resources, financial resources, HR



- Walmart's 2 profitable markets, Canada and Mexico, partner with the US in a regional free trade agreement (USMCA)
- Walmart's most profitable markets are geographically closer to Walmart's headquarters (Canada, Mexico, Puerto Rico)
- Walmart is profitable in China because of labour costs



❖ Different types of distance matters to different extents in different industries!

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 Beliefs, values and social norms that shape behaviour of individuals and organizations: religious, race / ethnicity, language and social norms

Traditionalism

- Products with high linguistic content (TV) or national identity (food)
- Products features vary in terms of size (cars) or standards (electrical equipment)
- Products carry countryspecific quality associations (wine)

Α

- Historical and political associations: colonial links, free trade agreements
- Corruption
- Common regional blocs, common currency
- Political hostility
- Nonmarket / closed economy
- Weak institutions
- Regulated products and services (electricity, drugs)
- Large employers (farming)
- Vital to national security (telecommunications)
- Exploiters of natural resources (oil, mining)

G

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- Products that have a low value-weight or bulk ratio (cement)
- Products that are fragile or perishable (glass, fruit)
- Nature of demand varies with income (cars)
- Economies of standardization are limited (cement)
- Labour and other costs
- Companies need to be agile (home appliances)

Exercise – CAGE framework



- 1. Based on the topic selected for your group project, compare the countries of your home country and host country using the CAGE framework
- 2. Identify which type of distance will have a higher influence in your case

(20 minutes)

3. Presentations (5 minutes)