11 Developing an internationalization strategy for production and sourcing

11.1 Overview of the process

In this chapter, a process is proposed for the development of the internationalization strategy for production and sourcing and its associated relocation programs. This proposal is based on the account of the evaluation and pre-selection of adequate locations in Chapter 9 and the evaluation of potential operation modes in Chapter 10.

Figure 11.1 illustrates the proposed process:

- In the preliminary step, the strategy project is planned. Here, the project organization is defined and the planning process itself is designed, including a time frame and a budget for the planning project.
- In two interdependent steps, potential sourcing countries are evaluated and, in close association with this, potential foreign operation modes are assessed.
- In Step 2 combinations of sourcing or production countries and matching operation modes are determined. This step also includes a more detailed analysis of different locations within one country together with the preliminary selection of partner(s).
- In the next step, feasibility studies are carried out for the suitable location - operation mode combinations. These then form the basis for the internationalization strategy that is crafted in Step 4.
- In Step 5, agreements with partners are signed.
- In the final step, building on the internationalization strategy, the feasibility studies and the final selection of partners, relocation programs for production and sourcing are produced.

The figure shows the usual sequence of steps in the process but it also indicates common loops. For example, if the negotiations with an intended partner fail, the company may have to modify the feasibility study for this country. It is clear that, in a heuristic process of this kind, other sequences or loops may also become necessary.

In the following sections, the steps in the process are described.
11.2 Step 0: Preparing the strategy planning project

Preparing the strategy planning project for an internationalization strategy for production and sourcing is the same as the preparation for an