

AGSM MBA



AUSTRALIAN
SCHOOL OF BUSINESS™

THE UNIVERSITY OF NEW SOUTH WALES

AGSM MBA PROGRAMS
School of Strategy and Entrepreneurship

MGT 5383
INTERNATIONAL BUSINESS STRATEGY

COURSE OUTLINE
SESSION 4, 2009

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1. COURSE STAFF

1.1 Communication with Staff

The best method to establish contact with me is either through direct email (T.Devinney@agsm.edu.au) or via the School of Strategy (avis.wong@unsw.edu.au). Appointments should be made in advance. However I will generally be available in the AGSM building before and after the class. In emergencies or otherwise I can be contacted at 0412 276 467.

2. INFORMATION ABOUT THE COURSE

2.1 Teaching Times and Locations

With the exception of Week 1, the course will meet from 2:30 PM – 5:20 PM in Boral. There may be changes in the timing due to the need to link with external speakers.

2.2 Units of Credit

2.3 Parallel Teaching in the Course

There is no parallel teaching involved with this course.

2.4 Relationship of This Course to Other Course Offerings

This course builds on concepts developed in the entire curriculum and is designed as a “capstone” course. The material covered in your courses on competitive strategy, managerial and organizational processes and the global economy constitute an essential background to the issues of corporate strategy and organization that we shall tackle here. Equally, we will build on the functional knowledge and experience you have gained from all other courses as well as from your industry background. If you need a review of basic corporate strategy issues, I suggest looking at J. Davis and T. Devinney, *The Essence of Corporate Strategy*, Sydney: Allen-Unwin, 1997.

3. COURSE AIMS AND LEARNING OUTCOMES

3.1 Course Aims

The study of international business is concerned with the challenges, opportunities and problems that corporations face in the context of a global economy. The growing interdependence of the world economies in the last 50 years has rendered an understanding of international competition an essential element of any firm's strategic and operational planning. Whether directly involved in foreign markets or not, all business today is exposed to international competitive forces that can have serious consequences for their performance and their survival.

This course focuses on the definition and implementation of corporate strategy for worldwide operations. It explores the unique competitive, socio-cultural and political environments in which international business takes place, and develops skills to deal with these challenges. As such, we shall cover three major areas, clearly interrelated:

- the definition of **alternative strategic configurations** to deploy and defend global competitive advantage;
- the design of **structural and administrative solutions** for maintaining control in the midst of extreme diversity; and
- the evaluation of **different market entry modes** that best suit business and market conditions in specific countries and at specific points in time.

International Business: A Rationale

International management requires a conceptual understanding that goes beyond that applicable within a purely domestic setting. The additional complexity is both one of degree as well as one of context. It is true, for example, that operating in countries with different levels of economic development is not intrinsically different than operating within a national environment that

encompasses regional variations in industries, skills or income levels. North/South differences in many countries (e.g., Italy or China) are evidence of this domestic dichotomy. Similarly, any large country such as the United States, Brazil, Russia or India, exhibits a multitude of ethnic, religious or racial elements which often translate into differences in regional consumption patterns and behaviour. Even small countries—Belgium, Iraq, or any number of African nations—show similar differences, particularly when their territories represent a compendium of ethnic or tribal groups joined by political circumstances which had little regard for the homogeneity of the resulting national entity. Finally, differences in business regulation or taxation can also be found among states or provinces within countries, as is the case in Canada or in Germany.

Multinational firms can take advantage of these differences in economic and social conditions in ways which go beyond the capabilities any national firm has to exploit, for example, variations in labour rates between two regions. In fact, as we shall see, one of the major competitive advantages of multinational companies is their ability to optimize operations on a global scale so as to maximize revenues and minimize costs by emphasizing national differences in price elasticities or factor costs, and to do so selectively.

Of critical importance are differences in context of such magnitude as to require drastically different responses. These contextual differences can be traced to five principal areas:

1. *Institutions* evolve in distinctive national patterns which are rooted in history and often in accidental circumstances. Thus, governments, their administrative agencies and their policy formation processes differ widely among countries which might otherwise share a common heritage or level of economic development. The structure of labor unions and the prevalence of bargaining and grievance resolution processes, for example, are seldom similar across boundaries. Significant national differences also exist in legal systems, in property rights, in the enforceability of contracts, and even in the possibility of recourse to judicial remedies. The banking system, the availability and regulation of media or distribution channels, etc., also vary in non-negligible ways among countries with similar economic structures. A comparison of these institutions and political processes between the United Kingdom and three modern developed economies that have a significant British heritage—Australia, Canada and the United States—illustrates this point.
2. *Culture* also represents a major discontinuity in operating across countries. Differences in values and social attitudes, in behavior and responses to interpersonal stimuli, and in religion and personal priorities, all call for care in the application of marketing and management policies. While there is no denying that cultural diversity exists in many nations (particularly within the United States), research has shown that national differences in attitudes towards authority or responsibility, for example, are significant and must be incorporated into any international business plan.
3. *Competition* and competitive behaviour also differ in significant ways across nations. Not only is the identity of competitors likely to vary, but so are the structure of industry, attitudes toward business cooperation, the willingness to accommodate or retaliate in the event of new entry, and the degree of innovation and change fostered or permitted by industry leaders or government regulators. The role of the *keiretsu* in governing supply relationships in Japan illustrates the importance of these differences.
4. The *nature of the risks* incurred, and not just their variance, is probably one the most distinguishing characteristics of international operations. First, political risk, that is, the probability of discriminatory intervention by host country governments or clandestine groups, may seriously affect the value of foreign assets or, more often, the expected value of the returns to these assets. Second, financial risks, particularly fluctuations in the relative value of currencies, exposes the international firm to economic events drastically different to those experienced by a domestic corporation. The Asian crisis in the Fall of 1997 and the Russian and Brazilian crises of 1998 have brought this lesson home to many companies engaged in international operations.
5. Finally, the issues of *organisation and control* are much more complex for the global firm. While any domestic firm wrestles with issues of product and functional balance,

international operations add one more dimension to the puzzle: geography. Lines of coordination and responsibility must now be drawn in a spacial network which raises the number of necessary linkages in a geometric fashion, while simultaneously adding the barriers of distance, time and language to any attempts at integration. How to master this diversity, respond to genuine demands for local differentiation and, yet, maintain strategic control over far-flung affiliates, is the most demanding managerial task in any large multiproduct, multinational firm.

3.2 Student Learning Outcomes

Much has been said and written recently about the need for companies to think “globally,” that is, to have a global strategy and the ability to implement worldwide policies. It is often the case that the magnitude of the risks involved or the front-end investments required to launch a new product or enter a new business area are too big to be amortized over a single national market. Alternatively, economies of scale (or scope) in design, production or marketing may exceed those attainable in purely domestic operations. Global customers may impose on their suppliers a requirement that they satisfy their needs on a global basis. Perhaps certain competitors, by their own actions, force a global view on their industry as they pursue multiple markets and build advantages and capabilities that threaten the survival of domestic or regional firms. When most of these factors are present, global responses are a necessity. In other industries, however, their absence results in fragmented, mainly domestic competitors.

The basis for these differences and the dynamic forces that propel fragmented economic sectors into globally interdependent industries are issues that we will examine in this course. Since the choice of strategy, operating tactics and organizational structure for international operations is intimately dependent on our diagnosis of the level of globalization of competition, current and potential, we need to understand this process as it applies to different sectors. This is, therefore, **the agenda for this course:**

- *First*, to understand and appreciate the differences that make international management the challenge it is.
- *Second*, to assess the degree of geographic interdependence that characterizes an industry as well as the evolution in the factors that determine such global interdependence so as to prescribe action and not just reaction.
- *Third*, to help define and put in place structural, administrative and human resource systems that fit the strategic imperative of global operations while retaining the necessary flexibility for dealing with diversity and change.

3.3 Approach to Learning and Teaching

The course will employ a mixture of lectures, cases and outside speakers.

3.4 Teaching Strategies

The course is divided into four broad modules. The first module concerns the most primary dilemma that international firms face, cultural integration and its organizational implications. The second module deals with the issues of entry strategy, ownership form, the choice between competitive and collaborative strategies, and the political ramifications of these choices. The third module tackles the complexities of international operations, organization and control. The fourth module deals with the choice between globally integrative strategies and a more “federal” approach consisting of loosely linked affiliates. The dates for the individual activities are shown in the table below.

DATE	TOPIC	LECTURE/CASES
12 January	Introduction and Overview of the Course	Lecture, 1/2 Session
20 January	<i>The Environmental Context</i> —The Basics of International Economics and Trade [Section 0]	Lecture
27 January	<i>The Environmental Context</i> —Exporting and the Australian Context (Tim Harcourt, Chief Economist Austrade) [Section 0]	Lecture & Discussion
3 February	<i>The Environmental Context</i> —Understanding Culture (Joost Thissen, Intercultural Resource Centre) [Section I]	Lecture, Discussion, & Workshop
10 February	<i>The Environmental Context</i> —Politics and Political Reality (Peter Eigen, TI (Berlin)) [Section III]	Videoconference; <i>ExxonMobil and the Chad/Cameroon Pipeline</i> †
17 February	<i>The Basics of International Business</i> [Section IV]	Lecture
17 February	<i>The Firm in the Global Context</i> —FDI (Manufacturing) [Section V]	<i>CEMEX (A) & (B)</i>
24 February	<i>The Firm in the Global Context</i> —FDI (Services)	<i>McKinsey and the Globalization of Consultancy</i> †
	Panel on Internationalization of Consulting Services	
3 March	<i>The Firm in the Global Context</i> —JV & Alliances [Section VI]	<i>Eli Lilly in India</i> †
10 March	<i>Global Operations</i> —Organization Design and Conflicts [Section VII]	<i>GE Medical Systems, 2002</i> †
17 March	<i>Global Operations</i> —Global Marketing [Section VIII]	<i>Procter & Gamble Ariel</i>
24 March	<i>Global Operations</i> —Global HRM	<i>Global Talent Management at Novartis</i> †
TBA	<i>Global Structure and Governance</i> —Jamie Allen, DG Asia Corporate Governance Assn (HK)	Videoconference, 1/2 Session
31 March	<i>General Discussion, Course Summary</i>	

† Case not in book but available separately

Note that this schedule is subject to some change (although sufficient notice will be given) based on tentatively scheduled visitors and special events (many of whom are overseas and unavailable at our class time due to time zone differences). We may also have available several guest speakers whose schedule requires that we move the timing of specific lectures or cases. Currently the plan is that we will add two videoconferences or meetings in addition or in replacement of the above: Ron Haddock, the head of Booz & Co. Global Supply Chain Practice (Zurich) and PV Kannan, the CEO of 24/7, a global outsourcing company based in the US. All of this will be kept to a minimum.

4. CONTINUAL COURSE EVALUATION AND IMPROVEMENT

5. LEARNING ASSESSMENT

5.1 Formal Requirements

In order to pass this course, you must achieve a composite mark of at least 50; and make a satisfactory attempt at all assessment tasks.

5.2 Assessment Details

There are three assessable components:

- Discussion and class participation (20%)

- One page case powerpoint slides required for each case session (including when you hand in a full case write-up) (30%)
- Two full case write-ups as specified in §5.3 (50%). You have the following choices (only) in terms of the pairs of cases that you can choose:
 - ❖ A: ExxonMobil and the Chad/Cameroon Pipeline; GE Medical Systems
 - ❖ B: CEMEX (A) & (B); Eli Lilly in India
 - ❖ C: McKinsey and the Globalization of Consultancy; Procter & Gamble Ariel
 - ❖ D: CEMEX (A) & (B); Global Talent Management at Novartis
 - ❖ E: ExxonMobil and the Chad; Procter & Gamble Ariel
 - ❖ F: McKinsey and the Globalization of Consultancy; Global Talent Management at Novartis
 - ❖ G: Eli Lilly in India; GE Medical Systems

5.3 Assignment Format

Complete Case Write-ups: By now everyone should have had some experience writing cases. However, in spite of this experience, many students don't recognize that case formats do differ between classes, based on what the instructor is trying to communicate through the case material. In this course, it is important to note that the format of the syllabus has a curious consistency; i.e., **readings are associated with cases!** You should, therefore, focus your case write-ups on the material in the lecture(s) and reading(s) preceding the case assignment. However, knowledge is cumulative and, to the extent that it is important, you should not ignore prior class material. For example, in writing the BMW case, it may be important to look at some of the issues associated with exporting and FDI, the material covered by the Cemex cases. In writing your analyses a few guiding principles should be kept in mind:

- Do not needlessly or mindlessly repeat case facts. They are in the case to be read and should be used as supporting evidence in your analysis. They aren't there just to be bounced off the instructor to prove that you have looked at the case!
- Use figures and tables creatively. Figures and tables allow you to quickly encapsulate information that might take a page to explain. Make sure that all tables and figures are clear, referred to in the text, and relevant to the discussion.
- Have a structure for your analysis. Remember that the purpose of the case is to apply theoretical frameworks to reality. Don't just randomly discuss facts or ideas. Try and make them part of a coherent whole.
- Have a clear beginning and end. Don't just start up casually and end like you were stopping on a dime. You should have some type of executive summary as well.

Cases must be **double-spaced** with **12-pitch fonts**. The written text should be a maximum of **five pages**. You are permitted an additional **two pages for tables** and figures. This gives you a maximum of seven pages, up to five of which can be text.

PPT Hand In for Each Case: For each case you must provide a single summary slide that presents your analysis of that case. The slide should present a complete and quick overview that encapsulates what it is that you would recommend and why. Note that this is actually quite difficult as you need to present both an analysis and recommendation in a manner that is visually appealing but quickly understandable. You should have this available in both an electronic and paper form (hand in the paper copy and email the electronic copy but have it available in class on a memory stick). Students will be required to speak to their slide when called upon in class. I will give you an example of what a good slide looks like on the first day of class.

Remember to include your name on the slide and the font should be readable when presented in class.

5.4 Assignment Submission Procedure

Assignments are to be handed in at class. Otherwise they may be handed into the AGSM MBA Programs Assessment box. **Note that simply handing in the assignment at the MBA by the required time IS NOT evidence that it has been handed in on time.** It must be recorded as having been received on time (see 5.5).

5.5 Late Submission

Because the cases will be discussed and debriefed late assignments will not be accepted except in the most extreme circumstances. Written assignments are due at the beginning of the class and a penalty of 10 points per quarter-hour will be assessed on assignments missing that target. **Assignments handed in after the class has finished will be given no credit.** (Note that if you hand them in to the MBA Office there must be an ABSOLUTE guarantee as to the time they were handed in—do not rely on the MBA office to time stamp them; you should verify the time stamp yourself!). There is a description of the requirements for cases at the end of the syllabus. Papers that exceed these limits will be penalized 5 points per line for length violations and a general 25 point penalty for failure to follow the font size and spacing requirements.

Cheating is frowned upon and any instance of cheating—which includes unattributed material or use of materials received from students in prior IBS classes (either here or overseas), plagiarism from other students, or use of web-based paper sourcing sites (e.g., duenow.com)—will lead to an immediate invalidation of that assignment (i.e., a mark of zero) and may lead to other disciplinary actions. Case materials will not be accepted after

5.6 Special Consideration and Supplementary Examinations

AGSM MBA Program Policy and information on special consideration, including supplementary exams can be found at: <http://www2.agsm.edu.au/agsm/web.nsf/Content/MBA-PoliciesandProcedures-Assessment-Examination>

6. ACADEMIC HONESTY AND PLAGIARISM

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For full information regarding policies, penalties and information to help you avoid plagiarism see: <http://www.lc.unsw.edu.au/plagiarism/index.html>

Plagiarism is the presentation of the thoughts or work of another as one's own.* Examples include:

- direct duplication of the thoughts or work of another, including by copying work, or knowingly permitting it to be copied. This includes copying material, ideas or concepts from a book, article, report or other written document (whether published or unpublished), composition, artwork, design, drawing, circuitry, computer program or software, web site, Internet, other electronic resource, or another person's assignment without appropriate acknowledgement;
- paraphrasing another person's work with very minor changes keeping the meaning, form and/or progression of ideas of the original;
- piecing together sections of the work of others into a new whole;
- presenting an assessment item as independent work when it has been produced in whole or part in collusion with other people, for example, another student or a tutor; and,
- claiming credit for a proportion a work contributed to a group assessment item that is greater than that actually contributed.†

Submitting an assessment item that has already been submitted for academic credit elsewhere may also be considered plagiarism.

The inclusion of the thoughts or work of another with attribution appropriate to the academic discipline does *not* amount to plagiarism.

Students are reminded of their Rights and Responsibilities in respect of plagiarism, as set out in the University Undergraduate and Postgraduate Handbooks, and are encouraged to seek advice from academic staff whenever necessary to ensure they avoid plagiarism in all its forms.

The Learning Centre website is the central University online resource for staff and student information on plagiarism and academic honesty. It can be located at: www.lc.unsw.edu.au/plagiarism

The Learning Centre also provides substantial educational written materials, workshops, and tutorials to aid students, for example, in:

- correct referencing practices;
- paraphrasing, summarising, essay writing, and time management;
- appropriate use of, and attribution for, a range of materials including text, images, formulae and concepts.

Individual assistance is available on request from The Learning Centre.

Students are also reminded that careful time management is an important part of study and one of the identified causes of plagiarism is poor time management. Students should allow sufficient time for research, drafting, and the proper referencing of sources in preparing all assessment items.

* Based on that proposed to the University of Newcastle by the St James Ethics Centre. Used with kind permission from the University of Newcastle

† Adapted with kind permission from the University of Melbourne.

7. STUDENT RESPONSIBILITIES AND CONDUCT

All students are expected to adhere to university policies in relation to class attendance and general conduct and behaviour. In addition, students are expected to understand their obligations in relation to workload and keeping informed. Information and policies on these topics can be found at: www.my.unsw.edu.au.

7.1 Workload

It is expected that you will spend at least **ten to fifteen hours** per week studying this course. This time should be made up of reading, research, working on exercises and problems, and attending classes. In periods where you need to complete assignments or prepare for examinations, the workload may be greater.

Over-commitment has been a cause of failure for many students. You should take the required workload into account when planning how to balance study with other activities.

7.2 Attendance

Your regular and punctual attendance at lectures and seminars is expected in this course. University regulations indicate that if students attend less than eighty per cent of scheduled classes they may be refused final assessment.

7.3 General Conduct and Behaviour

You are expected to conduct yourself with consideration and respect for the needs of your fellow students and teaching staff. Conduct which unduly disrupts or interferes with a class, such as ringing or talking on mobile phones, is not acceptable and students may be asked to leave the class. More information on student conduct is available at:

<http://www2.agsm.edu.au/agsm/web.nsf/Content/MBA-PoliciesandProcedures-StudentsRights#AGSMsexpectationsofconduct>

7.4 Keeping Informed

You should take note of all announcements made in lectures, tutorials or on the course web site. From time to time, the AGSM MBA Programs Office will send important announcements to your AGSM e-mail address without providing you with a paper copy. You will be deemed to have received this information.

8. STUDENT RESOURCES

8.1 Course Resources

Some of the cases used in the course are from J. de la Torre, Y. Doz, and T. Devinney, *Managing the Global Corporation, 2nd Edition*, New York: McGraw-Hill, 2000. You need not purchase this book as it is available in the library and we are only using a small number of cases from it. Readings are listed at the end of the course syllabus and are available as a packet. The readings packet is a bit of everything and, since there is no exam, you should use your discretion about what to read now or later. The cases are, at times, only loosely related to these

Disability support services: Those students who have a disability that requires some adjustment in their teaching or learning environment are encouraged to discuss their study needs with the Course Coordinator or the Equity Officer (<http://www.studentequity.unsw.edu.au/disabil.html>). Early notification is essential to enable any necessary adjustments to be made.

In addition, it is important that all students are familiar with University policies and procedures in relation to such issues as:

- **Examination procedures** and advice concerning illness or misadventure
<http://www2.agsm.edu.au/agsm/web.nsf/Content/MBA-PoliciesandProcedures-Assessment-Examination - Assessment>
- **Occupational Health and Safety** policies and student responsibilities;
<https://my.unsw.edu.au/student/atoz/OccupationalHealth.html>

9. COURSE SCHEDULE

In the schedule below, the cases refer to those in the packet. Questions outlining the major points associated with the case discussion are given and all students are expected to have read the case prior to class !!!

0. *Introduction—Economics of Globalization*

- Readings:**
- Lecture 0
 - Krugman, Paul, “Competitiveness: A Dangerous Obsession,” *Foreign Affairs*, March/April 1994.
 - Kuran, Timur, “Why the Middle East is Economically Underdeveloped: Historical Mechanisms of Economic Stagnation,” *Journal of Economic Perspectives*, 18 (3), 2004.
 - Stiglitz, Joseph, “The Way Ahead,” in *Globalization and Its Discontents*, London: Penguin 2002.
 - Stiglitz, Joseph, “The Way Ahead,” in *Globalization and Its Discontents*, London: Penguin 2002.

You might also want to view the video on Regionalisation versus Globalisation by Alan Rugman (<http://www2.agsm.edu.au/agsm/web.nsf/Content/ResearchCentres-CCC-Papers-IBS>) and listen to the documentary on “The Changing Face of Global Power” (http://news.bbc.co.uk/1/hi/programmes/documentary_archive/4287124.stm)

Questions for Discussion:

1. What are the determinants of globalization and economic growth?
2. What is the importance of such factors for international business structure and management?

II. *Understanding Cultural Differences and Their Influence on MNEs*

- Readings:**
- Hofstede, Geert, “Cultural Constraints in Management Theories,” *Academy of Management Executive*, 7 (1), 1993.
 - Hambrick, Donald, “Fragmentation and the Other Problems CEOs Have With Their Top Management Teams,” *California Management Review*, 37 (3), 1995.
-

III. Political Reality

Case: EXXONMOBIL AND THE CHAD/CAMEROON PIPELINE (UVA 0100)

- Readings:**
- Lectures 1, 2, 4 & 7
 - Saner, Raymond, Lichia Yiu and Mikael Søndergaard, "Business Diplomacy Management: A Core Competence for Global Companies." *Academy of Management Executive*, 14 (1), 2000.
 - Kobrin, Stephen, "Political Risk: A Review and Reconsideration," *Journal of International Business Studies*, Spring/Summer 1979.
 - Ring, Peter, Stephanie Lenway and Michele Govekar, "Management of the Political Imperative in International Business," *Strategic Management Journal*, February 1990.

Assignment: In November 1999, ExxonMobil CEO Lee Raymond faced the potential collapse of the Chad/Cameroon Oil Pipeline project on which the company was about to embark. Both Royal Dutch/Shell and France's TotalFinaElf, ExxonMobil's partners in the Pipeline Consortium, had just withdrawn, citing environmental concerns among other things and leaving its future temporarily in doubt. This withdrawal delighted many environmental groups long opposed to the pipeline.

1. What are the issues that ExxonMobil needs to consider?
2. What do they need to know to make a reasonable decision?
3. What would you recommend and why?

IV. The Basics of International Business

- Readings:**
- Kogut, Bruce, "Designing Global Strategies: Comparative and Competitive Value-Added Chains", and "...: Profiting from Operational Flexibility", *Sloan Management Review*, Summer and Fall 1985.
 - Bartlett, Christopher., and Sumantra Ghoshal, "Managing Across Borders: New Strategic Requirements", and "...:New Organizational Responses", *Sloan Management Review*, Summer and Fall 1987.
 - Ghoshal, Sumantra, "Global Strategy: An Organising Framework", *Strategic Management Journal*, 8, 1987.
 - Ghoshal, Sumantra, and Nitin Nohria, "Horses for Courses: Organizational Forms for Multinational Corporations", *Sloan Management Review*, Winter 1993.
 - Dawar, Niraj and Tony Frost, "Competing with Giants: Survival Strategies of Local Companies in Emerging Markets, *Harvard Business Review*, March/April, 1999.
 - Bhattacharya, Arindam and David Michael, "How Local Companies Keep Multinationals at Bay?" *Harvard Business Review*, March, 2008.

Questions for Discussion:

1. What is the difference between 'business' and 'international business'?
2. Do our traditional methods of strategic analysis change in this context?
3. Is this changing with the rise of emerging markets?

V. The Firm in the Global Context—FDI

Case: CEMEX (A) & (B) in DDD

- Readings:**
- Lectures 1 & 2
 - Dunning, John, "An Evolving Paradigm of the Economic Determinants of International Business Activity," in Cheng and Hitt (eds.), *Managing Multinationals in a Knowledge Economy*, Amsterdam: Elsevier 2004.
 - Tolentino, Paz Estrella, "From a Theory to a Paradigm," in Cantwell & Narula, *International Business and the Eclectic Paradigm*, London: Routledge, 2004.

- Dunning, John, “The Electric Paradigm of International Production: A Restatement and Some Possible Extensions,” and “Reappraising the Eclectic Paradigm in an Age of Alliance Capitalism,” *Journal of International Business Studies*, 21 (3), 1990 and 26 (3), 1995. (Recommended Only)

Assignment: Cemex, the largest cement company in North America, had the dubious problem of a lot of cash on its hands. This predicament leads to the obvious question of what to do with it. The options are:

1. Reduce its debt level;
2. Increase its dividend payout;
3. Diversify outside the cement industry (but remain in Mexico); and/or,
4. Expand its position within the cement industry internationally.

Provide an analysis of these options (with emphasis on 3 & 4) within the larger context of the industry structure facing Cemex (both locally and globally). Where are its sources of advantage? What does this analysis imply about Cemex’s international forays?

Case: MCKINSEY & THE GLOBALIZATION OF CONSULTANCY (HBS 9–806–035)

- Readings:**
- Presentation 9
 - Hofstede, Geert, “Motivation, Leadership, and Organization: Do American Theories Apply Abroad?” *Organizational Dynamics*, Summer 1980.
 - Campbell, Alexandra and Alain Verbeke, “The Globalization of Service Multinationals,” *Long Range Planning*, 27 (2), 1994.

Assignment:

1. What are the characteristics of the markets for management consulting services? In MNEs? In local companies? What are the key success factors associated with operating management consulting services in Asian markets? LDC markets? Developing country markets?
2. What competencies are transferable to new markets? Which are not?
3. Is the value proposition worth the price to the client (and which client)?
4. Can multinational consultancies compete against local boutique operations?

VI. *The Firm in the Global Context—Joint Ventures and Alliances*

Case: ELI LILLY IN INDIA: RETHINKING THE JV STRATEGY (Ivey 904M16)

- Readings:**
- Lecture 6
 - Hennart, Jean-Francois, “A Transaction Costs Theory of Equity Joint Ventures”, *Strategic Management Journal*, July–August 1988.
 - Kogut, Bruce, “Designing Global Strategies: Comparative and Competitive Value-Added Chains”, and “...: Profiting from Operational Flexibility”, *Sloan Management Review*, Summer and Fall 1985.

Assignment: Did Eli Lilly pursue the right strategy to enter the Indian market?

1. Examining the evolution of the JV, evaluate the three JV leaders? What were their unique challenges? Where did they meet the challenges and where did they fail?
2. Overall, how successful has the experience been? What should the partners have learned? What did they learn?
3. What is your recommendation regarding the Ranbaxy partnership? How would you implement you recommendation?

VII. *Global Strategy and Organization Structure*

Case: GE MEDICAL SYSTEMS, 2002 (HBS 9–702–428)

- Readings:**
- Lecture 5
 - Bartlett, Christopher, and Sumantra Ghoshal, “Managing Across Borders: New Strategic Requirements,” and “...: New Organizational Responses,” *Sloan Management Review*, Summer and Fall 1987.
 - Ghemawat, Pankaj and Fariborz Ghadar, “The Dubious Logic of Global Megamergers,” *Harvard Business Review*, July/August, 2000.
 - Ghoshal, Sumantra, “Global Strategy: An Organising Framework,” *Strategic Management Journal*, 8, 1987.
 - Vanhonacker, Wilfried, Entering China: An Unconventional Approach, *Harvard Business Review*, March/April 1997.

You might also want to view the presentation of Pankaj Ghemawat (<http://www.ccc.agsm.edu.au/web/resources/globalMerger.htm>)

Assignment:

1. What is the logic of the global product company structure?
2. Should this logic be altered to deal with the reality of the Chinese medical market?
3. Should GE Medical be pursuing genomics and health care IT in addition to, or instead of, the China opportunity?

VIII. *Operations and Control Issues in Multinational Enterprises*

Case: P&G EUROPE: ARIEL ULTRA’S EUROBRAND STRATEGY in DDD

- Readings:**
- Levitt, Theodore, “The Globalization of Markets,” *Harvard Business Review*, May/June 1983.
 - Quelch, John, and Edward J. Hoff, “Customising Global Marketing,” *Harvard Business Review*, May/June 1986.
 - Douglas, Susan, and Yoram Wind, “The Myth of Globalization,” *Columbia Journal of World Business*, Winter 1987.

Assignment: P&G is facing a number of tensions that are common in attempting to integrate their strategy across Europe:

1. What are the pros and cons of a pan-European strategy and organization for P&G? Do you agree with P&G’s approach?
2. Given the expected reaction of Unilever in France, how would you react? Why?

Case: GLOBAL TALENT MANAGEMENT AT NOVARTIS (HBS 9–708-486)

Assignment: To what extent should and can a multinational standardize talent management? Under what conditions should it more or less globalize or localize its HR practices? How does that thinking apply to Novartis and what would you recommend to its CEO?

READING LIST (in alphabetical order)

1. Bartlett, Christopher and Sumantra Ghoshal, “Managing Across Borders: New Strategic Requirements,” and “...: New Organizational Responses,” *Sloan Management Review*, Summer and Fall 1987.

2. Bartlett, Christopher and Sumantra Ghoshal, "Going Global: Lessons from Late Movers," *Harvard Business Review*, March/April 2000.
3. Bhattacharya, Arindam and David Michael, "How Local Companies Keep Multinationals at Bay?" *Harvard Business Review*, March, 2008.
4. Birkinshaw, Julian and Neil Hood, "Unleash Innovation in Foreign Subsidiaries," *Harvard Business Review*, March/April, 2001.
5. Campbell, Alexandra and Alain Verbeke, "The Globalization of Service Multinationals," *Long Range Planning*, 27 (2) 1994.
6. Dawar, Niraj and Tony Frost, "Competing with Giants: Survival Strategies of Local Companies in Emerging Markets," *Harvard Business Review*, March/April, 1999.
7. de Meyer, Arnoud and Atsuo Mizushima, "Global R & D Management," *R & D Management*, 19 (2), 1989.
8. Douglas, Susan, and Yoram Wind, "The Myth of Globalization," *Columbia Journal of World Business*, Winter 1987.
9. Doz, Yves, "International Industries: Fragmentation versus Globalization," in B. Guile and H. Brooks (ed.) *Technology and Global Industry*, Washington: National Academy Press, 1987.
10. Doz, Yves, "The Evolution of Cooperation in Strategic Alliances: Initial Conditions or Learning Processes?" *Strategic Management Journal*, 17, 1996.
11. Dunning, John, "The Electric Paradigm of International Production: A Restatement and Some Possible Extensions," and "Reappraising the Eclectic Paradigm in an Age of Alliance Capitalism," *Journal of International Business Studies*, 21 (3), 1990 and 26 (3), 1995.
12. Dunning, John, "An Evolving Paradigm of the Economic Determinants of International Business Activity," in Cheng and Hitt (eds.), *Managing Multinationals in a Knowledge Economy*, Amsterdam: Elsevier 2004.
13. Ferdows, Kasra, "Making the Most of Foreign Factories," *Harvard Business Review*, March/April 1997.
14. Ghemawat, Pankaj and Fariborz Ghadar, "The Dubious Logic of Global Megamergers," *Harvard Business Review*, July/August, 2000.
15. Ghoshal, Sumantra, "Global Strategy: An Organising Framework," *Strategic Management Journal*, 8, 1987.
16. Ghoshal, Sumantra, and Nitin Nohria, "Horses for Courses: Organizational Forms for Multinational Corporations," *Sloan Management Review*, Winter 1993.
17. Grinblatt, Mark, and Sheridan Titman, Selected Sections from *Financial Markets and Corporate Strategy*, Boston: Irwin, 1998.
18. Hamel, Gary, and C.K. Prahalad, "Do You Really Have a Global Strategy?" *Harvard Business Review*, July/August 1985.
19. Hambrick, Donald, "Fragmentation and the Other Problems CEOs Have With Their Top Management Teams," *California Management Review*, Vol. 37, No. 3, 1995.
20. Hennart, Jean-Francois, "A Transaction Costs Theory of Equity Joint Ventures," *Strategic Management Journal*, July-August 1988.
21. Hofstede, Geert, "Cultural Constraints in Management Theories," *Academy of Management Executive*, 7 (1), 1993.
22. Kobrin, Stephen, "Political Risk: A Review and Reconsideration," *Journal of International Business Studies*, Spring/Summer 1979.
23. Kogut, Bruce, "Designing Global Strategies: Comparative and Competitive Value-Added Chains," and "...: Profiting from Operational Flexibility," *Sloan Management Review*, Summer and Fall 1985.
24. Kogut, Bruce, and Udo Zander, "Knowledge of the Firm and the Evolutionary Theory of the Multinational Corporation," *Journal of International Business Studies*, 24 (4), 1993.
25. Krugman, Paul, "Competitiveness: A Dangerous Obsession," *Foreign Affairs*, March/April 1994.

26. Kuran, Timur, "Why the Middle East is Economically Underdeveloped: Historical Mechanisms of Economic Stagnation," *Journal of Economic Perspectives*, 18 (3), 2004.
27. Lessard, Donald, "Finance and Global Competition: Exploiting Financial Scope and Coping with Volatile Exchange Rates," in M. Porter (ed.), *Competition in Global Industries*, Boston: Harvard, 1985.
28. Levitt, Theodore, "The Globalization of Markets," *Harvard Business Review*, May/June 1983.
29. Markides, Constantinos, and Norman Berg, "Manufacturing Offshore is Bad Business," *Harvard Business Review*, September/October 1988.
30. Ohmae, Kenichi, "Managing in a Borderless World," *Harvard Business Review*, May/June 1989.
31. Quelch, John, and Edward Hoff, "Customising Global Marketing," *Harvard Business Review*, May/June 1986.
32. Ring, Peter, Stephanie Lenway and Michele Govekar, "Management of the Political Imperative in International Business," *Strategic Management Journal*, February 1990.
33. Saner, Raymond, Lichia Yiu and Mikael Søndergaard, "Business Diplomacy Management: A Core Competence for Global Companies." *Academy of Management Executive*, 14 (1), 2000.
34. Santos, Jose, Doz, Yves and Peter Williamson, "Is Your Innovation Process Global?" *MIT Sloan Management Review*, 45 (4), 2004.
35. Stiglitz, Joseph, "The Way Ahead," in *Globalization and Its Discontents*, London: Penguin 2002.
36. Tolentino, Paz Estrella, "From a Theory to a Paradigm," in Cantwell & Narula (Eds.), *International Business and the Eclectic Paradigm*, London: Routledge, 2004.
37. Vanhonacker, Wilfried, Entering China: An Unconventional Approach, *Harvard Business Review*, March/April 1997.

SOME RECOMMENDED TEXTS AND BOOKS

(for those desiring more)

A. General Surveys and Theory

- Aliber, Robert, *The New International Money Game*, 6th Edition. Chicago, IL: University of Chicago Press, 2000.
- Bartlett, Charles, Sumantra Ghoshal and Paul Beamish, *Transnational Management: Text, Cases & Readings in Cross-Border Management* 5th Edition. . New York: McGraw-Hill, 2006.
- Daniels, John, Radebaugh, Lee and John Sullivan, *International Business*, 10th Edition. Reading, MA: Addison-Wesley, 2003.
- Dunning, John (ed.), *Multinational Enterprise, Economic Structure and International Competitiveness*. New York: Wiley, 1985.
- Dunning, John, *Alliance Capitalism and Global Business*. London: Taylor & Francis, 1997.
- Hennart, Jean-Francois, *A Theory of Multinational Enterprise*. Ann Arbor: University of Michigan Press, 1982.
- Porter, Michael, *The Competitive Advantage of Nations*. New York: Free Press, 1990.
- Rugman, Alan, *The Regional Multinationals*. Cambridge: Cambridge University Press, 2004.
- Shenkar, Oded and Yadong Luo, *International Business*. New York, Wiley, 2003.

B. Economic and Political Environment

- Friedman, Thomas L., *The World is Flat*. New York: Farrar, Straus and Giroux, 2005.
- Bhagwati, Jagdish, *In Defense of Globalization*. Oxford: Oxford University Press, 2005.

- Gladwin, Thomas and Ingo Walter, *Multinationals Under Fire: Lessons in the Management of Conflict*. New York: Wiley, 1980.
- Reich, Robert, *The Work of Nations*. New York: Knopf, 1991.
- Stiglitz, Joseph, *Globalization and Its Discontents*. London: Penguin 2002.
- Stopford, John and Susan Strange, *Rival States, Rival Firms*. Cambridge: Cambridge University Press, 1991.
- Vernon, Raymond, *Storm Over the Multinationals: The Real Issues*. Cambridge, MA: Harvard University Press, 1977.

C. Strategy, Structure and Operations

- Bartlett, Charles and Sumantra Ghoshal, *Managing Across Borders*. Boston: Harvard Business School Press, 2002.
- Cateora, Philip and John Graham, *International Marketing, 12th Edition*. Homewood: 2004.
- Eiteman, David, Moffett, Michael and Arthur Stonehill, *Multinational Business Finance, 10th Edition*. Reading: Addison Wesley, 2004.
- Hood, Neil, *The Multinational Subsidiary: Management, Economic Development and Public Policy*. London: Palgrave, 2004.
- Ohmae, Kenichi, *Triad Power: The Coming Shape of Global Competition*. New York: Free Press, 1985.
- Porter, Michael (ed.), *Competition in Global Industries*. Boston: Harvard Business School Press, 1986.
- Prahalad, C.K. and Yves Doz, *The Multinational Mission: Balancing Local Demands and Global Vision*. New York: Free Press, 1988.
- Shapiro, Alan, *Foundations of Multinational Financial Management, 5th Edition*. New York: Wiley, 2004.
- Yip, George S., *Total Global Strategy II*. New York: Prentice Hall, 2001.