

INTERNATIONAL BUSINESS STRATEGY (IBS 9769)

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Class meetings: Mondays/Wednesdays 6.00-7.15pm

Learning Objectives

Companies are increasingly expanding their horizons from local to global markets and resources, and the playing field in a growing number of industries is becoming global. This course will equip you with tools to understand the challenges and opportunities that these changes open up for companies operating internationally. A combination of case studies, readings and class discussions will enable you to gain an understanding of the managerial tasks confronting the international manager in a protected classroom environment. After all, where else can you go bankrupt and lose billions with no penalty? Make the most out of it!

By the end of the course, you can expect to:

- Have a better understanding of a range of opportunities available for companies to create value worldwide, as well as the complexities associated with managing international operations
- Acquire tools and frameworks to craft strategies and create value from international activity
- Gain basic knowledge of the specific challenges and opportunities that activities in major global markets (e.g., China, India, Japan) represent
- Have the ability to deal with cultural and personal career issues in international business.

Structure and Underlying Principles

The course is built around the strategic process and focuses on the aspects of strategy that are specific to the international context. We begin by identifying the distinctive characteristics of Multinational Enterprises (MNEs) and the unique aspects of international business strategy. We proceed with the identification of the objectives of MNEs, followed by the evaluation of their competitive advantages and the environments in which they operate. We then go on to evaluate the strategic options and choices facing MNEs and conclude by addressing a number of issues associated with the implementation of international strategy and the organizational structure of MNEs. In each of these stages, the emphasis is on those aspects of strategy that are particularly salient in international competition.

Much of the course work is built around analyses of individual companies of your own choosing. As future managers, you will need to have a good understanding of the company you choose to work for. I want you to experience the idiosyncratic elements that are required in strategic management, and be able to apply generic concepts to concrete companies and circumstances. Feedback from potential recruiters of Baruch College students suggests that one of their major concerns is our graduates' lack of industry- and company-specific knowledge.

I see the learning process in this course to be a result of mutual contributions from you and me. The learning essentially takes place through class discussions, debates and exchange of views. For such learning to be effective, you need to take active part in the discussions. I would like you to see this as a commitment, not an option. Come prepared for each class - there are preparatory readings of about 15 pages for almost every class. It is essential that you familiarize yourself with the readings for the day in order to be able to take part in class discussions and make meaningful contributions. Do not hesitate to ask questions and raise issues for debate. All constructive efforts to participate in class discussions are welcome and will be viewed favorably.

Use the class participation to assist you mastering the skills of talking in public – you must acquire this skill and the class is a low-risk place to exercise it. This is particularly important for those of you who are less gifted in this respect and to whom talking in public is more difficult. Please make it a rule to speak at least once in class. At the same time, you must find the right amount of talking – some of us have a tendency to talk too much. Please consider your classmates and understand that the ‘talking time’ in class needs to be shared between all of us. Think also on the value for the rest of the class of your talking. Studies repeatedly show that employers value communication skills, the ability to verbalize your views and opinions, very highly – class participation gives you an opportunity to practice these skills in a low-risk environment.

In addition to helping you participate in class discussions, the readings will also help you gain critical skill of reading comprehension and synthesis. Make the most out of it. You will need this skill in whatever job you take on after graduation and I am sure you will find it enormously valuable. The Nobel Prize-winning physicist Murray Gell-Mann was quoted saying that the most valued personal trait in the 21st century would be the ability to synthesize information. This implies sorting out the most critical pieces of information from the less important ones, and outlining a coherent picture of the various information pieces. The value of this skill is a result of the growing value of information in business and the increasing amount of information available for processing. Furthermore, the readings assist you familiarizing yourself with the jargon of our field. The business world has its own ‘language’. Familiarity with this language will be a big boost to your credibility.

I would also like you to acquire the habit of regularly following the business press so that you stay current on issues relevant to our topic. The most important sources of reference for this course include: *Business Week*, *Wall Street Journal*, *The Economist*, *Fortune*. In addition, the Newman library has a large collection of relevant material on international business, most of it accessible on-line.

The nature of the phenomena we study are inherently complex and constantly changing. Often there is no single ‘right’ answer. We address questions that are subject of debate, not in order to give a definite answer to them but rather in order to be aware of the issues and the various perspectives on them. However, at the end of the day, managers have to make decisions and are judged by their outcomes. Your views will be judged by your ability to present your arguments convincingly and logically, not by whether they are ‘right’ or ‘wrong’.

Much of the homework is in groups. This reflects my belief in the merit of group work as a way to share ideas and facilitate individual learning. There is growing recognition today of the need to master teamwork, because the nature of work in a knowledge-based economy requires greater cooperation and coordination. Research shows that companies are increasingly seeking candidates who possess teamwork skills and capabilities. The course will give you an opportunity to develop this skill. I trust that you will manage to overcome barriers of space and really work together as a team, so that you can make the most of this opportunity. However, group work does not mean that you have to reach a consensus on any issue. Intra-group plurality of views is welcome and encouraged.

Administrative Issues

During the course we maintain intensive communication on Blackboard, where course materials are posted regularly. Make sure that you have full access to Blackboard. Any difficulties with Blackboard should be addressed directly to Blackboard helpdesk: bbhelp@baruch.cuny.edu or the general helpdesk: helpdesk@baruch.cuny.edu. Alternatively call (646) 312-1010. Class overheads are posted on Blackboard on the mornings before classes, under 'Course Documents'.

Course Material:

There is no textbook for this course. The reading material is distributed during the course and is posted on Blackboard. You have to purchase one Harvard Business School case (instructions below).

Performance Evaluation:

- Class participation: 30%. This part of the grade reflects your meaningful contributions to class discussions, which show knowledge and understanding of the reading material required for the day.
- Two group assignments: 40%, to be split as follows:
 - *The China's Beer War case* - 15%
 - *Strategic Plan for your company* - 25%
- Final essay (take-home): 30%

Note that the class environment is special and differs from the outside. Please avoid eating and drinking in class, and remember to switch off your cell phone.

I expect you to arrive in class on time. Late arrivals are disturbing for the rest of the class and may prevent you from fully grasping the essence of class discussions. Punctuality is also part of professional discipline. Here you have an opportunity to exercise it!

Remember! Plagiarism is not tolerated and our school has a very strict policy for such behavior, which I fully endorse. Baruch College's policy on Academic Honesty and the punishment of such behavior is outlined in http://www.baruch.cuny.edu/academic/academic_honesty.html. I trust there will be no need for such actions in our class.

Office Hours: Wednesdays 3.00-4.00pm (or according to a previously agreed appointment). I encourage you to get in touch, so that we can work together to ensure that you get the most out of this course and reach your highest possible potential. I will be happy to assist you with any course- or career-related issues.

Course Plan and Homework:

Part I: Introduction: What is ‘International Business Strategy’?

Class 1 – Jan 28 – International Business and Multinational Enterprises (MNEs)

- Globalization at a glance
- The defining characteristics of MNEs
- Course overview

Class 2 – Jan 30 – International Business Strategy

- What is strategy?
- Is *international* strategy different from strategy in general?
- Course overall structure

Company Assignment given (for class 5)

Readings for class 2:

D.C. Hambrick and J.W. Fredrickson, Are you sure you have a strategy? *Academy of Management Executive* 2001, 15(4) (extracts).

M. Porter, What is strategy? *Harvard Business Review*, November/December 1996 (extracts)

Jack Welch, *Winning*, 2005 (extracts)

C.A. Bartlett, S. Ghoshal and J. Birkinshaw, Expanding abroad, *Transnational Management*. 4th edition, McGraw-Hill 2003, Chapter 1 (extracts)

A.K. Sundaram and J.S. Black, The environment and internal organization of multinational enterprises. *Academy of Management Review* 1992, 17(4) (extracts)

Part II: Strategic Objectives of MNEs

Class 3 – Feb 4 - Strategic Objectives of Multinational Companies: Identification

- Why do companies invest overseas? Various strategic objectives of international activity
- Case: MNEs in the digital world? The international strategic objectives of Amazon.com

Readings for class 3:

C.A. Bartlett, S. Ghoshal and J. Birkinshaw, Motivations, means and mentalities, *Transnational Management*. 4th edition, McGraw-Hill 2003, Chapter 1 (extracts)

Case: Amazon.com

Class 4 – Feb 6 - Strategic Objectives of Multinational Companies: Classifications

- Home-based exploiting and home-based augmenting drivers of international expansion
- Vertical and horizontal investment objectives
- Strategic objectives for different value added activities and in different industries
- Case: Acer Inc.
- Beyond ACER: Emerging market MNEs – what is distinctive about them and why does it matter?

Readings for class 4:

W. Kuemmerle, The drivers of foreign direct investment into research and development, *Journal of International Business Studies*, 1999, 30(1), (extracts)

Case: Acer, Inc., Taiwan's rampaging dragon. Harvard Business School case #399-010 (extracts)

Part III– Internal Evaluation: The Competitive Advantages and Disadvantages of MNEs

Class 5 – Feb 11 - Generic Advantages and their Value in International Competition

- A profile of the international activities of your companies: Introduction and comparisons
- What is (and what is not) a competitive advantage?
- Competitive advantages at home and overseas: International transferability of competitive advantages
- Case: Starbucks and Toyota: Different bases for success at home and overseas?

Readings for class 5:

Case: Starbucks and Toyota

S. Hymer, *The International Operations of National Firms: A Study of Direct Foreign Investment*. MIT Press 1960/1976 (extracts)

Y.S. Hu, The international transferability of the firm's advantages. *California Management Review* Summer 1995 (extracts)

Class 6 – Feb 13 – Multinationality Advantages

- Competitive Advantages arising specifically from Multinationality
- The worldwide learning challenge
- The internal transfer of knowledge and learning
- Case: 'Siemens ShareNet: Knowledge management in practice'

Readings for class 6:

'Creating and leveraging knowledge: The worldwide learning challenge' C.A. Bartlett, S. Ghoshal and J. Birkinshaw, *Transnational Management*. 4th edition, McGraw-Hill 2003, (extracts Chapters 3 & 5)

Case: 'Siemens ShareNet: Knowledge management in practice' *Business Strategy Review* 2003 (extracts).

Class 7 – Feb 20 - Multinationality Disadvantages

- The liabilities of foreignness and means to overcome them
- The competitive position of MNEs relative to this of local firms

Readings for class 7:

S. Zaheer, The liability of foreignness, *Academy of Management Review* 1995; *Strategic Management Journal* 1997 (extracts)

M.T. Bradshaw, B. Bushee, and G.S. Miller, How foreign firms can attract U.S. investors: Accounting choice, home bias and U.S. investment in non-U.S. firms. *Journal of Accounting Research*, April 2004 (extracts)

Part IV– External Evaluation: The Environment of Multinational Companies

Class 8 – Feb 25 - Industry Analysis

- Defining an industry and why does it matter?
- Structural determinants of industry’s globalization potential
- The characteristics of the industries in which MNEs compete
- International competition in global vs. multi-domestic industries

Reading for class 8:

R. Caves, ‘Patterns of market competition’, *Multinational Enterprise and Economic Analysis*, 1996, ch. 4, (extracts)

M. Porter, ‘Competition in global industries: A conceptual framework’, In M. Porter (Ed.), *Competition in Global Industries* Harvard Business School Press 1986 (extracts)

Class 9 – Feb 27 - The Distinctive Nature of International Competition

- Local vs. foreign competitors
- Strategic dependence between different markets
- Market positions in different markets and their strategic implications
- The Cola War case

Readings for class 9:

I.C. MacMillan, A.B. van Putten and R.G. McGrath, Global gamesmanship. *Harvard Business Review* May 2003 (extracts).

The Cola War case: A. Marcus, ‘Pepsi vs. Coke’, *Winning Moves*, Marsh Publications 2006; F. Yoffie, Cola war continue: Coke and Pepsi in the twenty-first century, HBR case #9-702-442 (extracts)

Class 10 – Mar 3 - Inter-organizational relationships in International Business

- The role of national and corporate culture in inter-organizational relationships
- Case: Nissan/Renault and DaimlerChrysler: contrasting success and failure of cross-border inter-organizational relationships

Readings for class 10:

G. Hamel, Y. Doz and C.K. Prahalad, Collaborate with your competitors – and win. *Harvard Business Review* January/February 1989 (extracts).

C. Ghosn, Saving the business without losing the company. *Harvard Business Review*, January 2002 (extracts)

Case: Nissan/Renault and DaimlerChrysler.

Assignment #1 given: China’s Beer Wars (readings + questions will be distributed).

Class 11 – Mar 5 – MNEs and Countries

- The external environment as a source of competitive advantage: home and host countries
- Defining the national identity of companies
- The home-based advantage debate and its strategic implications

Readings for class 11:

Hu S.Y. Global or stateless corporations are national firms with international operations. *California Management Review* Winter 1992 (extracts)

Kogut B. What Makes a Company Global? *Harvard Business Review*, Jan/Feb 1999, Vol. 77, Issue 1 (extracts).

Y. Doz, J. Santos, and P. Williamson, *From Global to Metanational: How Companies Win in the Knowledge Economy*, Harvard University Press, Harvard, 2001 (extracts)

Borders are so 20th century, *Business Week*, September 22, 2003 (extracts)

Have Advice, Will Travel, *Wall Street Journal* 5 June 2006 (extracts)

Class 12 – Mar 10 - Wrap up evaluation of Internal Capabilities and the External Environment: China's Beer War – 1st round

- Competitive advantages and disadvantages of Beer producing MNEs
- The beer industry: Potential for globalization? Nature of the competition
- China's beer market: Estimating market potential

Class 13 – March 12 - Wrap up evaluation of Internal Capabilities and the External Environment: China's Beer War – 2nd round

- China and beyond: What is unique about the business context of emerging markets?

Part V: Strategic Options & Choices

Class 14 – March 17 - Strategic Options & Choices: Selection of Countries

- Selection of countries: generic criteria
- Case: The country selection of Wal-Mart

Readings for class 14:

Case Wal-Mart: V. Govindarajan/A.K. Gupta, Taking Wal-Mart global: Lessons from retailing giant: Part I.

Class 15 – March 19 - Strategic Options & Choices: Selection of Strategic Orientation

- Local adaptation vs. global standardization: advantages and disadvantages and criteria for selection
- Case: The local adaptation dilemma in emerging markets - 'Tech's future', *Business Week*

Readings for class 15:

T. Levitt, 'The globalization of markets', *Harvard Business Review* May/June 1983 (extract)

R. Tomkins, Happy Birthday Globalization, *Financial Times* May 6th, 2003 (extracts)

P. Ghemawat. The forgotten strategy. *Harvard Business Review* November 2003 (extracts)

R. Darrel K., V. Vishwanath. Localization: The revolution in consumer markets, *Harvard Business Review*, April 2006 (extracts)

Case: 'Tech's future', *Business Week*, September 27th, 2004 (extracts)

Part VI: Strategy in Action

Class 16 – March 26 - From Strategic Analysis to Strategic Implementation: Prescriptive approach

- Different organizational structures of MNEs
- Organizational structure indicators: HQs size, location of R&D, internal communication and employment of expatriates
- Case: Affiliate-headquarter relationships in BNP Paribas

Readings for class 16:

Developing coordination and control: The organizational challenge, C.A. Bartlett, S. Ghoshal and J. Birkinshaw, *Transnational Management*. 4th edition, McGraw-Hill 2003, Chapter 4 (extracts)

Case: Organizational challenges of BNP Paribas

Assignment #2 given: Strategic Plan for your company (instructions will be distributed).

Classes 17 & 18 – March 31 and April 2nd – no classes

Class 19 – Apr 7 - From Strategic Analysis to Strategic Implementation: Normative approach

- Industry and firm criteria for selecting an organizational structure
- Case: Philips and Matsushita
- Video case: Philips of Holland – the voice of CEO Kleisterlee

Wrap up: the strategic analysis process in international business – the end of our journey

Reading for class 19:

Case: Philips versus Matsushita: A new century, a new round (Harvard Business School case #9-302-049). Purchase the case on-line:

<http://www.hbsp.harvard.edu/b02/en/home/index.jhtml?requestid=13694>

Discussion questions will be distributed.

Class 20 – Apr 9 – The organizational structure of BNP, Moderated by Mr. Baupal, Managing Director, Soft Commodities, BNP Paribas Futures

**Classes 21-22-24 – Apr 14, 16, 30 - Presentations of assignment #2
(Class 23 – April 28 – no class)**

Reading for classes 21, 22, 24:

Davies R., 'Making strategy happen: common patterns of strategic success and failure', *European Management Journal* 1993, 11(2) (extracts);

**Class 25 – May 5 – Guest Speakers: International Business Strategy in practice
David Krell, Founder and CEO, International Security Exchange (ISE)**

Class 26 – May 7 - Assessment of International Business Strategy

- Evaluating your strategies: class exercise
- Comparative discussion of assignments #2
- Generic criteria for evaluating strategy

Reading for class 26:

P. Rosenzweig, The halo effect and other managerial dilution. *McKinsey Quarterly* 2007 (1) (extract).

Christensen, C. M. and Raynor, M. E., 'Why Hard-Nosed Executives Should Care About Management Theory', *Harvard Business Review*, Sep2003, (extracts);

Evaluating your strategies - exercise

Part VII: Closure

Class 27 – May 12 – Career in International Business

- Different career paths in international business
- Distinctive capabilities of the international manager
- Selecting your own career path: self-evaluation

Readings for class 27:

- S.C. Schneider and J.L. Barsoux, The international manager, *Managing Across Cultures*, 2nd edition, Prentice Hall 2003, chapter 7 (extracts)

- Gupta, A. K. and Govindarajan, V., Cultivating a global mindset, *Academy of Management Executive*, Feb 2002 (extracts)

- C. Bartlett and S. Ghoshal, What is a global manager? *Harvard Business Review*, August 2003 (extracts)

- In search of global leaders, *Harvard Business Review*, August 2003 (extracts)

Provisional readings:

Drucker, Peter F., Managing oneself, *Harvard Business Review*, Jan2005, 83(1): 100-109.

(This is an excellent article. Those of you selecting their career paths, as well as those seeking assurance for choices they have made, will find it particularly helpful).

Eagly A and Carli L. Women and the labyrinth of leadership. *Harvard Business Review* September 2007: 62-72

(As the title suggests, this article will be of particular interest to women, thriving to break through the ceiling glass)

Instructions for final essay (take home) given. Due May 23.

Class 28 – May 14 – Alternative ways to think about international business strategy

- Envision the future in strategy
- Intuition vs. analytical thinking in the strategic analysis

Provisional readings for class 28:

G. Hamel and C.K. Prahalad, Competing for the future, *Harvard Business Review*, July/August 1994 (extracts)

A. Kleiner, The man who saw the future. *Strategy + Business* Spring 2003 (extract).

E. Bonabeau. Don't trust your gut. *Harvard Business Review* May 2003 (extracts).

A.M. Hayashi, When to trust your gut. *Harvard Business Review* February 2001 (extracts).

Mintzberg H., 'Coupling analysis and intuition' (extracts from *The Rise and Fall of Strategic Planning*, Prentice Hall 1994)

SAMPLE

As we start the semester I will be most interested in getting to know you. Please e-mail me (or bring a hard copy to class) a short BIO of yourself, stating your academic and professional qualifications, as well as any other information you wish to share with me. I am particularly interested in your career plans and the ways by which you believe this course can advance them. I would also like to know what you expect to get out of this course. Please also include a picture of yourself.

I begin by briefly introducing myself.

BIO

I hold a BA and an MBA from Tel-Aviv University, Israel (both completed with distinction), and a PhD from Copenhagen Business School, Denmark. My major professional interests and expertise are in issues related to international business and Multinational Corporations, topics I have been teaching, consulting and publishing on intensively.

Prior to joining Baruch College in 2002, I was a Senior Research Fellow at Cambridge University, UK, where I was involved in a number of research projects on the activities of foreign firms in London. Earlier, I held a Senior Member position in the Research Division on Foreign Investment and Transnational Corporations at the United Nations in Geneva, Switzerland.

In conjunction with these positions, I have been acting as consultant to a number of national and international organizations - including the United Nations, the World Bank, the European Union, London's Westminster City Council - on issues related to Multinational Corporations and international competitiveness. I have been holding visiting research and teaching positions at universities in Sweden, Switzerland, Austria, China, Poland, Israel, and the UK, and have been teaching on Baruch College's Executive Education programs in New-York, Taiwan, Singapore and Hong-Kong. I am listed in the *Marquis Who's Who in the World* and the *Marquis Who's Who in America*.

Prior to joining academia, I held managerial positions in a number of companies in Israel.