BA 857
INTERNATIONAL BUSINESS POLICY AND STRATEGY
Spring 2008

Professor Mona Makhija

Contact Information: Office: 724 Fisher Hall
Tele: 292-8692
Fax: 292-7062
email: makhija_2@cob.osu.edu

Office Hours: Tuesday 1-3 pm.
Other times by appointment.

Prerequisite:
There are no prerequisites for this course currently, although the following is highly recommended: MBA 856 Introduction to Multinational Business or equivalent, and second-year standing in the MBA program.

Required: Coursepack by Zip Publishing (www.zippublishing.com)

Overview of the Course

In this course, we will study two important aspects of international business. The first is the environment of international business. We consider the basic background to the conduct of international business, including such issues as differences in political economy across national contexts (i.e., market, planned, transitional and emerging economies). While we will touch upon international trade theories and the role of trading and investment-related regimes such as the WTO, NAFTA and the European Union, and the workings of international monetary system and the role of the IMF and World Bank; however, these issues are dealt with in greater depth in BA 856.

The second purpose of this course is to help students understand the issues relating to the strategic management of firms involved in international business. In this regard, we consider how firms identify, develop and execute different types of international strategies. In this regard, we have three primary objectives. One is to have an enhanced understanding of a fundamental question in international business and strategic management: What influences the success and failure of firms in the international context? In the global economy of the 21st century, competition is increasingly shaped by the presence of firms from a variety of national contexts. The nature of competition
faced by firms is therefore not only more fierce, but also more diverse. In this course, we will develop a systematic approach to assessing the international structure of competition faced by a firm. We will also examine national differences in the structure of firms, and how these can provide valuable competitive advantages in competing internationally.

Two, we consider in depth four "generic" international business-level strategies for engaging in international business, and the conditions under which each are appropriate. In reality, of course, firms can devise endless variations on these basic strategies. We set the stage for this by examining how firms conceptualize the appropriate strategy for a given industry structure and national context. We also discuss how firms implement their strategy through organizational structure and control mechanisms in order to derive its benefits.

Three, we examine in depth some of the more difficult ways in which a firm enters foreign markets. Firms enter foreign markets through such means as exporting, licensing, franchising, and turnkey contracts, as well as through strategic alliances, acquisitions and greenfield investments. In this course, we consider all of these, but put particular emphasis on the latter three modes of market entry due to their relative complexity. We examine the advantages and disadvantages of each, and the managerial challenges associated with them.

The backdrop for the discussion of topics associated with each of the three objectives above will of course be the national and international economies in which strategies are created and implemented. In this regard, the course takes particular pains to provide a variety of national institutional contexts in which to examine each topic. We begin by considering the state of the global economy, variations in models of political economy, and sources of tension, uncertainty and risk in the international economy. We then consider the structure of markets in a variety of advanced, intermediate, transitional and emerging economies. The countries we examine in depth through readings and cases include Ireland, Sweden, Japan, Great Britain, Germany, Italy, South Korea, Brazil, Argentina, India, China, Malaysia, South Africa and Nigeria, among others.

Course Methodology and Requirements

The readings for this course consist of journal articles and business cases from a variety of sources. The pedagogy will draw heavily from case readings and their analysis. For a given topic, we will typically examine a set of readings and cases from which we draw conclusions. I expect students to come prepared to discuss all readings and cases that have been assigned for that day. Questions are provided in the schedule to help you to anticipate the role of the readings in relation to the topic. The breakdown of course requirements are given below.

Case analyses: You will submit 4 case analyses, each no more than three typed and double-spaced pages (not including exhibits). Each is worth 10 points. Your writeup
will focus only the asterisked question. Please do not waste space describing the case or answering the other (unasterisked) questions, as you will receive no points for this.

**International Industry Research Project:** This is a group project with individual components. The purpose of this project is to assess the global competitive environment of an industry (or industry segment) using the market analysis principles and techniques that you have learned from the readings, cases and discussions/lectures in class. In addition, each individual in your group will choose a firm from a different country to study in particular depth. You will analyze their international strategy, industry context, performance to date, and provide recommendations for the future. The group should have cleared the industry that you are working on with me by the end of the third week.

Note that this project involves (a) country analysis, (b) industry analysis, and (c) analysis of the firm’s international strategy. In this regard, this is a complex project, and you should get started on it as early as you can. Elements of a well-done analysis include:

1. A clearly defined industry and analytical domain. Evidence of research throughout to support your analysis.
2. Application of class concepts at the country, industry and firm level.
3. Analysis of firm-specific information to assess firm strategies, including organizational, market, financial and operational data.
4. A well organized format that has a clear and systematic progression of thought. Exhibits used to present data in a concise manner.
5. Recommendations for a future course of action for each firm.

Each international industry project will be presented by the group members in the last week of class. Your presence is absolutely mandatory in this week.

The written project will constitute 30 percent of your grade. The presentation will constitute an additional 10% of your grade.

**Class Participation:** Class participation will contribute 20% of the grade, and will be graded based on my subjective assessment for each class. It is also affected by the input from your peer evaluation.

Keep in mind that the *quality* of your participation, rather than the quantity (or “air time”), that will lead to my perception of high performance in class discussion. The following criteria are employed:

- **Excellent** class participation: You always attend class, always contribute high-quality insights to case discussions, and suggest new ideas.
- **Good** class participation: You consistently attend class (not missing more than two classes), usually contribute to case discussions, and often assist in superior understanding and insights.
- **Average** class participation: You miss more than two classes, sometimes contribute to case discussions but not always, and sometimes help the class consider interesting new ideas and insights.
• **Poor** class participation: You inconsistently attend class, typically do not contribute to case discussions, and typically do not assist in superior understanding and insights.

In all, the course grade consists of the following elements:

1. 4 case analyses: 40%
2. International industry project: 40%
3. Class participation: 20%
SCHEDULE

Week 1
March 24 Introduction to the Course
The Evolving Global Economy

March 26 The National Context of International Business: Country Analysis

Readings:


Week 2
Questions to prepare:
1. Is the Sweden model successful? On what criteria?
2. Does the welfare state prompt or hinder innovation and business dynamism?
3. Why has Sweden chosen to address the risks of capitalism in the ways that it has rather than direct intervention in capital markets?
4. Can the Swedish model survive in the context of globalization and European integration?*

Case: Korea: On the Back of the Tiger #700-097
Questions to prepare:
1. How did Korea achieve its miracle?
2. What role did chaebols play in Korea’s development strategy?
3. What led to up to the Korean economic crisis? Was this inevitable?*

April 2 Case: 1-800 Buy Ireland
Questions to prepare:
1. What historical factors explain the development of the Irish economy?
2. What role has the Irish government and foreign direct investment played in changing the economy?
3. Based on the principles of the Diamond Model (see Porter, above), does Ireland have competitive advantages over other countries? What steps should it take in going forward? *

Week 3
April 7    Industry Analysis

Reading:
Lehrer, M. Has Germany Finally Fixed its High-Tech Problem? 

Case: Hoechst and the German Chemical Industry #390-146
Questions to Prepare:
1. How have differences in institutional contexts affected the development of the chemical industry in Germany versus the United States?  
2. Compare Germany’s chemical and high tech industries. What accounts for the differences you see?  
3. Apply the Diamond Model to assess Germany’s competitiveness of the chemical industry and its high tech industries.*

April 9    Recommended Reading:

Case: The Indian Software Industry at the Millennium #700-036

1. What factors account for the rapid development of the Indian software industry?  
2. What are its competitive advantages vis-à-vis firms in other industries?  
3. Apply the Diamond model to this industry. What are the insights from this analysis?*

Week 4
April 14    International Strategies

Readings:   Hill, Strategy of International Business (in Carmen)  
Hill, Organization of International Business (in Carmen)

April 16    Case: Benetton Group, 1994 (HBS 396-177)  
Questions to prepare:
1. What conditions led to the development of Benetton’s business model?
2. Why is Benetton having difficulties in the US and Japan?
3. What type of international strategy does Benetton currently use? Should it continue to use this strategy in the future? Explain.*

Week 5
April 21
Case: Natura: Global Beauty #807-029
Questions to prepare:
1. What are the sources of Natura’s competitive advantages?
2. What problems has Natura faced in international markets? Why has it experienced such challenges?
3. What international strategy does Natura have? What suggestions do you have for Natura for the future?*

April 23
Case: British Airways in Latin America (Ivey 9A99C015)
Questions to prepare:
1. Why didn’t British Airways’ Latin American operations perform very well?
2. What is the role of country managers in each country?
3. What international strategy does British Airways have?*
4. What should Dunkerley do with regard to the sales agent system and human resources system?*

Week 6
April 28
Market Entry: Economic and Political Risks
Reading:


April 30
Reading:

Minicase: Enron and the Dabhol Project (in Carmen) Prepare the questions at the end.
Minicase: Royal Dutch/Shell in Nigeria (in Carmen)  
Prepare questions at the end.


Week 7
May 5  Market Entry: Greenfield, Acquisition and Alliances

Reading:

Case: Toyota: The Rise of a Global Corporation (in Carmen)  
Prepare questions at the end.

May 7  Case: Haier: Taking a Chinese Company Global
Questions to prepare:
1. Why was Haier so successful in China?
2. Was Haier’s decision to enter into developed markets early on a good strategy?
3. Can Haier build on its success in niche markets to become a dominant global brand in high-end white goods? Why or why not?*

Week 8
May 12  Market Entry: Managing International Strategic Alliances

Reading:


Case: Apple Computer in the Portable Computer Market (A) #smla

1. What are the reasons Apple is considering partnering with Sony? In your opinion, are these good reasons?
2. What long- and short-term problems do you foresee with this alliance?
3. What specific steps should Apple take to reduce the potentially adverse effects of this partnership and ensure a successful relationship? *

Week 9
May 19  Strategic Alliances: Negotiating the Relationship

Reading:

Case: Nora-Sakari: A Proposed JV in Malaysia #905M06 Ivey

1. Why have the negotiations failed so far to result in an agreement? Is the formation of the JV between Nora and Sakari the best option for both companies?
2. As Zainal, what would you do to ensure that Nora fulfills the TMB contract? *
3. If Zainal decides to renegotiate (and assuming that Kuusisto agreed), how should he restructure the terms of the deal? *

May 21  Strategic Alliances: Managing the Relationship

Case: Honda-Rover (A): Crafting an Alliance

1. How well do you think the partners are matched in this alliance? Is it an “asymmetric relationship,” as suggested in the case?
2. What are the risks in this alliance?
3. If BAe sells its stake in Rover to BMW, how should Honda react? Explain in detail.*

Week 10
May 26  Memorial Day holiday: No class

May 28  Presentations: All projects due by the beginning of class period.
1. Overall Assessment of the Industry (Due: beginning of 5th week)
   a. How many firms compete in this industry?
   b. How profitable in this industry?
   c. What fast is it growing?
   d. What is the international structure of this industry (across countries)?
   e. What is the source of competitive advantage for firms in the industry?
   f. Which countries excel in this industry?

2. Firm Analysis: Each member of the group will focus on a specific firm (Due beginning of 8th week):
   a. general description/history
   b. identify its international strategy by diagnosing its value chain in detail.
   c. what role does national context play in its strategy?
   d. how successful is the firm? (use data to support your assessment)
   e. what issues does it face?

   Use financial, operational and market data to support your analysis of the firm’s strategy.

3. Expectations for the Future in this Industry (support this with facts, data, research). How would this affect each firm?

4. Recommendations for Each Firm: In light of the above, what do you suggest each firm should do?

   a. New markets to enter? Assess political and economic risks.
   b. Mode of entry? Alliance, greenfield or acquisition (should be consistent with its international strategy and value chain configuration
   c. First mover or late mover?
### Background Survey

**Name:**

**Home town/state/country:**

**Program:**
- [ ] 1st year MBA
- [ ] 2nd year MBA
- [ ] Other OSU graduate program (specify)
- [ ] Non-OSU degree student (specify home institution)

**Major/Concentration:**

**Prerequisites:**
- [ ] MBA 856 Introduction to Multinational Business (MBA)
- [ ] BA 555 Introduction to International Business (undergraduate)
- [ ] Equivalent (specify)

_______________________________________________

Have you taken a case-based course before? If so, when and where?

Have you taken an International Business course before? If so, when, where, at what level?

Briefly describe your work experience:

Why do you want to take this course?

Do you have experience with other countries? If so, which ones?

Anything else you would like me to know?