

International business strategy hill

[Business](#), [Strategy](#)



International Business Strategy FALL 2010 Course Outline

1. motivation and description of the course Companies today confront an increasing array of choices regarding markets, locations for key activities, outsourcing and ownership modes, and organization and processes for managing across international borders. This course focuses on the international dimensions of strategy and organization, and provides a framework for formulating strategies in an increasingly complex world. The goal of this course is to provide the foundations for taking effective action in the multi-faceted world of international business.

2. course structure The structure of this course follows a logical sequence where first the international environment is analysed in relation to the international strategies of firms. Next, we study the optimal scope of the firm across geographic markets, and whether a firm should diversify – or expand its scope across different geographic markets. Such a scope economy can either be demand side, when the firm can replicate a strategy that works well domestically in a country that was previously missing that product or service, or supply side, when a firm seeks to exploit a valuable resource from within a new market.

In the first case, a firm arbitrages a product or a strategic capability into a new market whereas, in the second case, it arbitrages the factor cost advantage of a new market. We will also see that in order for the firm to extend the scope of activities under its own management to a foreign country, there has to be some market failure present preventing that firm from simply licensing or selling its valuable resource to an indigenous firm – or buy it from an indigenous firm in the case of supply-side scope economies. As most cross-border expansion of significance currently occurs through M&A

or alliances, we look at the particular challenges such operations entail for the firm. Finally, we examine how the off-shoring of activities may help firms to better compete in the global economy. Method The course proceeds through a combination of lectures, readings, and making use of the case method. You should have completed the set readings prior to a class and be prepared to answer the case questions in class. This means that you should have read the assigned case for a class and be prepared to answer the questions on that case. Some classes have Optional Readings, which are simply listed in case you have particular interest in reading further on a topic.

Case analysis involves an enhanced role for class discussion, supplemented by lecture material. Generally, the goal of class discussion is to arrive at a collective analysis of the issues presented by the materials. Analysis of international strategy issues is not accomplished through the routine application of formulas, but rather through reasoned analysis under conditions of limited information, uncertainty, by individuals and groups from different backgrounds and with particular schemas and ways and structures of organizing knowledge.

With a case, you should be able to identify the key issues, problems, and opportunities facing the central protagonists, to articulate and evaluate alternative approaches to tackling the problems, and to describe the course of action that you recommend and the reasons for your recommendation. Case selection criteria in part includes variation across contexts and you should be able to port and apply the frameworks, concepts and tools from

one case, context and part of the course to another. Course Readings The principal textbook for the Course is:

Hill, Charles W. L. 2011. International Business: Competing in the Global Marketplace. NY: McGraw-Hill International Edition (Eighth Edition). Readings from this textbook are supplemented by cases and other readings. 3.

assessment Individual grades for this course have two components: - Class attendance + assignments(25%) - Written exam (75%) 4. course overview and materials 27 September Introduction and course

structure Globalization and regional integration Learning Objectives: • Explain the phenomenon of globalization; Explain why managers today need a global perspective; • Describe the effects of globalization on markets and production; • Explain how technology and innovation support globalization; • Globalization versus regional economic integration; • Business strategies and regional integration. Reading: Hill, Chapter 1. Globalization Chapter 8.

Regional Economic Integration. Optional Reading: P. Dicken. 2007. Global Shift mapping the changing contours of the World economy, 5th edition, London: Sage Publications. October What makes countries and regions different? The role of culture, institutions and political and economic systems.

Learning Objectives: • Identify the business and economic implications of differences in culture; • Understand differences in political and economic systems of countries; • Discuss the role of public policies in relation to the competitiveness of a country; • Explain how indicators of a country's competitiveness can help firms decide where to locate production activities.

Reading: Hill, Chapter 2: National Differences in Political Economy. Chapter 3: Differences in Culture. Optional Reading: E. Thompson, National Competitiveness: A Question of Cost Conditions or Institutional Circumstances, *British Journal of Management*, Vol. 15, 197–218 (2004). 11 October International trade theory, foreign direct investment and competitiveness Learning Objectives: • Explain the evolution of different trade theories; Discuss the relevance of the New trade theory and Porters diamond; • Discuss the importance of foreign direct investment (FDI) in the world economy, and the changing patterns of FDI over time; • Present different theories that explain why a company would undertake an acquisition rather than a Greenfield investment; • Explain horizontal FDI, and suggest the conditions under which it may be most applicable; • Explain vertical FDI, and suggest the conditions under which it may be most applicable. Reading: Hill, Ch. 5, International Trade Theory, Ch. 6. The Political Economy of International Trade Ch. 7. Foreign Direct Investment . Optional Reading: Dunning, John. 2009. Location and the multinational enterprise: A neglected factor? (+ Comments). *Journal of International Business Studies*, vol. 40, No. 1, 5-41 The Global Competitiveness Report, 2010-2011, World Economic Forum, Geneva 18 October Successful FDI promotion: how regions seek to influence corporate FDI For corporate FDI to be successful, it should pre-empt or be aligned with the FDI priorities of the host country and region.

International businesses cannot achieve durable advantages if it is out of sync with the aspirations of policy makers in the ' go-to' locations. Hence

executives should seek to understand such aspirations and the related strategies. This module explores how policy makers seek to make their constituencies more attractive for FDI. It addresses the challenges that both National Investment Promotion Agencies (IPAs) and Regional Development Agencies (RDAs) face to develop successful strategies and to see these through to implementation.

In this context, the module will cover both the offer that IPAs and RDAs can provide to corporate FDI decision makers, as well as the delivery thereof.

Real life examples will be used to understand what works and what doesn't work today - both for mature economies (e. g. Western Europe),

transforming economies (e. g. Central Europe) and emerging economies (e.

g. Asia). Learning Objectives: • Understand the prevailing economic

development concepts and FDI promotion strategies; • Explore the pro's and

con's of the strategies; • Understand the prevailing incentive schemes that

regions use to attract corporate FDI; Understand the EU's policies towards

incentives; • Distil common guidelines for policy makers; • Understand what

corporations can and should do to capitalize on local economic; development

concepts and FDI promotion strategies. Optional Reading: Michael E. Porter,

1990. The Competitive Advantage of Nations, Free Press 25 October The

Strategy of International Business: Creating value from internationalisation

Learning Objectives: • Understand how internationalisation can create value;

• Measure the contribution of an internationalisation strategy; • Assess the

business model of the firm in an international context. Discuss how firms

should handle the complex international environment; • Suggest the reasons

why firms may decide to enter international business, and identify the

benefits from international strategies; Case: CEMEX Reading: Hill, Ch. 12, The Strategy of International Business, pp 419- 447 Extra note: “ The value of a global strategy: the ADDING framework”. Extra note: “ Adapting the business model to international markets”. Discussion Questions: 1) What benefits have CEMEX and the other global competitors in cement derived from globalization?

Use the ADDING framework in answering this question. 2) What explains the better than average performance of CEMEX? How does this relate to industry specific factors and the competition within the industry? 3) What makes CEMEX’s internationalization process so effective? What procedures and techniques are used? 4) In what other countries could CEMEX profitably expand its business? What are important factors to be considered for entering new markets. 1 November Holiday 8 November The Strategy of International Business: Design and implementation

Learning Objectives: • Outline the basic strategies undertaken by MNEs, and specifically focus on how they relate to the needs for local responsiveness and cost minimization; • What are the advantages and disadvantages of using a global strategy? • Discuss how firms should handle the complex international environment. Reading: Ghemawat , P. “ redefining Global Strategy, Crossing Borders in a World Where Differences Matter”, HarvardBusiness School press, Cambridge, MA, 2007. Chapter 3 – Global Value Creation. Case: BRL Hardy Discussion Questions:) What are the driving forces behind BRL Hardy to become a global company? 2) What is the source of tension between Stephen Davies and Christopher Carson? How

effectively has Steve Millar handled the differences? 3) Should Millar approve Carson's proposal to launch D'istinto? Why or why not? 4) What recommendations would you make to the organization concerning the conflicting proposals for Kelly's revenge and Banrock Station? What would you decide to do as Carson? As Millar? 15 November

The Organization of International Business: Organizational architecture of the International firm.

Learning Objectives: Identify the different kinds of organizational structures and internal control mechanisms that international businesses can use to manage global operations; • Discuss the advantages and disadvantages of centralized and decentralized decision systems; • Present the basic types of organizational forms that multinational firms use; • Describe the control systems and integrating mechanisms available to multinational firms; • Show how the organizational architecture, control systems, integrating systems, and decision making choices multinational firms have available must be consistent with their strategy and industry environment.

Case: BRL Hardy Reading: Hill, chapter 13, The Organization of International Business, pp 449-484. Optional Reading: Verbeke, Alain, Kenworthy,.

Thomas. 2008 . Multidivisional vs metanational governance of the multinational enterprise, Journal of International Business Studies, 39(6) : 940-956 22 November Growing internationally to become a world leader. The case of AB InBev. Invited lecture by Mr. Beni Roos, former executive director Interbrew 29 November Entering foreign markets

Learning Objectives: • Present the advantages and disadvantages of six different modes of entering new countries and markets; • Bring together the

issues of FDI theory and the issues of strategy and organization to better understand why different firms may make different decisions regarding the best modes of entry; Case: Lincoln Electric Reading: Hill, chapter 14, Entry Strategy and Strategic Alliances, pp. 487-518 Optional Reading: Kim, W. Cha, Hwang, peter. 1992.

Global Strategy and Multinationals' entry mode, Journal of International Business Studies, 23, 29-53. Discussion Questions: 1. Put yourself in CEO John Stropki's shoes. Should Lincoln Electric expand into India by investing in a major production facility there? 2. If you were to expand into India, would you enter through acquisition, a greenfield site, or some type of joint venture? Which factors would inform your decision among these entry mode choices? 3. In which countries is Lincoln Electric likely to be most successful or least successful? Why?

How would this guide your own choice of where to place Lincoln Electric's production facilities abroad? 4. When Lincoln Electric goes to India and other countries, what factors should determine how much it adapts its core incentive pay-for-performance management practices to local labour market norms? Should Lincoln Electric follow the adage “when in Rome, do as the Romans do,” or should it seek to always replicate the recipe behind its success in the home plant in Cleveland? 6 December Cross-Border Arbitrage and Outsourcing Learning Objectives: Understand cost, resource, and market-based advantages of on-shore, near-shore and off-shore locations and their implications for “roles” of operating units, and how to exploit differences across countries to directly create value; • Present the

phenomenon of outsourcing jobs from “ advanced nations,” such as the United States or Western Europe; • Understand that while much attention is paid to the economic differences across countries – such as through offshoring and outsourcing – there may be important arbitrage differences based on cultural, administrative, and geographic differences.

Reading: Hill, chapter 16, Global Production, Outsourcing and Logistics, pp 562-586 Optional Reading: Ferdows, Kasra, 1997. Making the most of foreign factories. Harvard Business Review (March): 73-88. AT Kearney, 2009. The shifting geography of offshoring Lewin, Arie Y. e. a. , 2009. Getting Serious About Offshoring in a Struggling Economy, Shared Services News (February): 19-23 Discussion Questions: 1) What are corporate risks associated with outsourcing, and what can be done to mitigate these risks? 2) Are wage arbitration based outsourcing tactics soon to become redundant as result of global wage cost escalations? 3 December Setting up international strategic alliances Learning Objectives: • Discuss the role of strategic alliances, their advantages and disadvantages, • Highlight the factors critical to making alliances work Reading: Hill, chapter 14, Entry, Strategy and Strategic alliances, pp 487-518 Optional Reading: Reuer, Jeffrey. (2004). Strategic alliances: Theory and evidence. New York: Oxford University Press. Case: Lasserre, P. ; Flament, A. ; Fujimura, S. ; Nilles, P. , Renault and Nissan – A marriage of reason. INSEAD (2001) 20 December Review session