

# **INTERNATIONAL BUSINESS STRATEGY**

## **(IBS 9769)**

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### **Course Description**

Analysis of strategy in international business with specific reference to multinational companies, adaptation to foreign cultures, management of multinational acquisition companies, value creation from international activity.

### **Course 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.

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 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 those aspects of strategy that are particularly salient in international competition. 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.

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 21<sup>st</sup> 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](mailto:bbhelp@baruch.cuny.edu) or the general helpdesk: [helpdesk@baruch.cuny.edu](mailto:helpdesk@baruch.cuny.edu). Alternatively call (646) 312-1010. Class overheads are posted on Blackboard before classes, under ‘Course Documents’.

### **Course Material:**

There is no textbook for this course. The reading material (carefully selected extracts of articles and book chapters) is distributed during the course and is posted on Blackboard. You have to purchase several cases (**in bold below – can be purchased on-line**). *I strongly recommend purchasing the cases in advance to avoid last-minute complications.*

### **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%15% of the grades of the group assignments will be based on the average peer evaluation of your contribution to the group’s work. However, if all your group members evaluate your contribution as nil, you will not receive any grade for the assignment.
- Final exam: 30%

Zicklin School of Business students are requested by the School to read the *Written and Oral Communication Assessment Criteria*. Students are also expected to adhere to writing standards described in of *The Little, Brown Writing Handbook*, (10<sup>th</sup> edition) by Fowler and Aaron.

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!

**Academic Integrity**

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](http://www.baruch.cuny.edu/academic/academic_honesty.html).

I trust there will be no need for such actions in our class.

**Office Hours:** I do not maintain formal office hours, as I find meetings according to a previously agreed appointment more convenient for my students. I encourage you to get in touch whenever you feel I can help you, 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:**

Class/Date	Topic	Preparatory readings (posted on Blackboard)	Cases/assignments <sup>1</sup>
<b>Part I: Introduction</b>			
1 Aug 28	International Business and Multinational Enterprises (MNEs); International Business Strategy	M. Porter, What is strategy? Harvard Business Review, November/December 1996; Montgomery, Cynthia A., Putting leadership back into strategy. Harvard Business Review, Jan2008, Vol. 86, Issue 1; C.A. Bartlett, S. Ghoshal and J. Beamish, Expanding abroad, Transnational Management. 5th edition, McGraw-Hill 2008, Chapter 1; M. Porter. Competition in Global Industries: A Conceptual Framework. In M. E. Porter (Ed.), Competition in Global Industries, Harvard Business School Press, 1986, Chapter 1; A.K. Sundaram and J.S. Black, The environment and internal organization of multinational enterprises. Academy of Management Review 1992, 17(4)	Company Assignment given (for class 4)
<b>Part II: Strategic Objectives of MNEs</b>			
2 – Sep 4	Strategic Objectives of Multinational Companies	C.A. Bartlett, S. Ghoshal and J. Beamish, Motivations, means and mentalities, <i>Transnational Management</i> . 5th edition, McGraw-Hill 2008, Chapter 1; R. Morck and B. Yeung, Foreign acquisitions: When do they make sense? <i>Managerial Finance</i> 1991, 17(6); W. Kuemmerle, The drivers of foreign direct investment into research and development, <i>Journal of International Business Studies</i> , 1999, 30(1); L. Nachum & S. Zaheer, The persistence of distance? The impact of technology on MNE motivations for foreign investment. <i>Strategic Management Journal</i> 2005	<b>Globalization of CEMEX.</b> <b>Harvard Business School case # 701017-PDF-ENG</b> Amazon.com
3 – Sep 11	<b>no class</b>		
<b>Part III– Internal Evaluation: The Competitive Advantages and Disadvantages of MNEs</b>			
4 – Sep 25	Becoming the Corporate Globalization	Camillus J.C., Strategy as a Wicked Problem. Harvard Business Review May 2008	Starbucks and Toyota

<sup>1</sup> Cases in bold should be purchased in the links provided; Discussion questions for these cases appear at the bottom of the syllabus. Other cases will be posted on Blackboard with the reading material.

	Officer (CGO) of your company; Generic Advantages and their Value in International Competition	S. Hymer, The International Operations of National Firms: A Study of Direct Foreign Investment. MIT Press 1960/1976; Y.S. Hu, The international transferability of the firm's advantages. California Management Review Summer 1995	
5 – Oct 2	Multinationality Advantages and disadvantages	Creating and leveraging knowledge: The worldwide learning challenge. C.A. Bartlett, S. Ghoshal and J. Beamish, <i>Transnational Management</i> . 5th edition, McGraw-Hill 2008, (extracts Chapters 3 & 5); Connect and develop: Inside P&G's new model for innovation. <i>Harvard Business Review</i> 2006 S. Zaheer, The liability of foreignness, <i>Academy of Management Review</i> 1995; <i>Strategic Management Journal</i> 1997 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. <i>Journal of Accounting Research</i> , April 2004	<b>Innovation and Collaboration at Merrill Lynch, Harvard Business School case 406081-PDF-ENG, 2007</b>  Assignment #1 given: China's Beer Wars (readings + questions will be distributed).
6 – Oct 9	MNEs and Countries; Wrap up evaluation of Internal Capabilities: China's Beer War	Borders are so 20 <sup>th</sup> century, <i>Business Week</i> , September 22, 2003; Hu S.Y. Global or stateless corporations are national firms with international operations. <i>California Management Review</i> Winter 1992; Jones, G. G. The Rise of Corporate Nationality. <i>Harvard Business Review</i> , 2006, Vol. 84, Issue 10; M. Desai, The decentralizing of the global firm. HBS working paper 09-054, 2009; At Home in the World, <i>New York Times</i> , February 14, 2008	1 <sup>st</sup> round of the China beer case due 2 <sup>nd</sup> round of the China beer case distributed
<b>Part IV– External Evaluation: The Environment of Multinational Companies</b>			
7 – Oct 16	Industry Analysis and the Nature of International Competition	R. Caves, Patterns of market competition, <i>Multinational Enterprise and Economic Analysis</i> , 1996, ch. 4; M. Porter, 'Competition in global industries: A conceptual framework', In M. Porter (Ed.), <i>Competition in Global Industries</i> Harvard Business School Press 1986	The Cola War case: A. Marcus, 'Pepsi vs. Coke', <i>Winning Moves</i> , Marsh Publications 2006; F. Yoffie, Cola war continue: Coke and Pepsi in the twenty-first century, HBR case

		I.C. MacMillan, A.B. van Putten and R.G. McGrath, Global gamesmanship. <i>Harvard Business Review</i> May 2003.	#9-702-442  2 <sup>nd</sup> round of the China beer case due
<b>Part V: Strategic Options &amp; Choices</b>			
8 – Oct 23	Selection of Countries; Selection of Entry Modes		Taking Wal-Mart global. V. Govindarajan and A.K. Gupta, <i>The Quest for Global Dominance</i> , 2 <sup>nd</sup> edition, 2008. <b>eBay strategy in China: Alliance or acquisition. Asia Case Research Center, The University of Hong-Kong, HKU701.</b> <a href="http://harvardbusinessonline.hbsp.harvard.edu">http://harvardbusinessonline.hbsp.harvard.edu</a> Assignment #2 given: Strategic Plan for your company (instructions will be distributed).
9 – Oct 30	Selection of Strategic Orientation	T. Levitt, The globalization of markets, <i>Harvard Business Review</i> May/June 1983 (extract); R. Tomkins, Happy Birthday Globalization, <i>Financial Times</i> May 6th, 2003; P. Ghemawat. The forgotten strategy. <i>Harvard Business Review</i> November 2003; R. Darrel K., V. Vishwanath. Localization: The revolution in consumer markets, <i>Harvard Business Review</i> , April 2006	
<b>Part VI: Strategy in Action: From Strategic Analysis to Strategic Implementation</b>			
10 – Nov 6	MNE Organizational Structure; In-class work - assignment #2	Nadler D.A. and M.L. Tushman, <i>Competing by Design: the Power of Organizational Architecture</i> . Oxford University Press 1997, Chapter 1	Organizational challenges of BNP Paribas
11 – Nov 13	Affiliates-HQs	Developing coordination and control: The organizational	<b>Philips versus Matsushita: The</b>

	relationships; Selecting and Changing Organizational Structures	challenge, C.A. Bartlett, S. Ghoshal and J. Beamish, <i>Transnational Management</i> . 5th edition, McGraw-Hill 2008, Chapter 4; Chilton K.W. Lincoln Electric's incentive system: Can it be transferred overseas? <i>Compensation Benefits Review</i> , 1993 + 1994	<b>competitive battle continues (Harvard Business School case #9-910-410, 2009).</b> <a href="http://hbsp.harvard.edu/product/cases">http://hbsp.harvard.edu/product/cases</a>
12 – Nov 20	Presentations of assignment #2 <sup>2</sup>	Davies R., Making strategy happens: common patterns of strategic success and failure. <i>European Management Review</i> 1993; Christensen, C. M. and Raynor, M. E., Why hard-nosed executives should care about management theory, <i>Harvard Business Review</i> , Sep2003	
13 – Dec 4	Presentations of assignment #2; Guest Speaker	Guest speaker: Ms. Ellen Yost, Partner, Fragomen <a href="http://www.whoswholegal.com/profiles/26898/0/Yost/ellen-g-yost/">http://www.whoswholegal.com/profiles/26898/0/Yost/ellen-g-yost/</a>	Evaluating your strategies – exercise distributed
<b>Closure</b>			
14 – Dec 11	Assessment of International Business Strategy; Career in International Business	S.C. Schnider and J.L. Barsoux, The international manager, <i>Managing Across Cultures</i> , 2 <sup>nd</sup> edition, Prentice Hall 2003, chapter 7; Gupta, A. K. and Govindarajan, V., Cultivating a global mindset, <i>Academy of Management Executive</i> , Feb 2002; C. Bartlett and S. Ghoshal, What is a global manager? <i>Harvard Business Review</i> , August 2003; In search of global leaders, <i>Harvard Business Review</i> , August 2003 <i>Provisional readings:</i> Drucker, Peter F., Managing oneself, <i>Harvard Business Review</i> , Jan2005, 83(1): 100-109 (This is an excellent article. Those 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. <i>Harvard Business Review</i> September 2007: 62-72 (As the title suggests, this article will be of particular interest to women, thriving to break through the ceiling glass); Earley C., Ang S. and Tan J.S. 2010. <i>CQ: Developing Cultural Intelligence at Work</i> . Stanford University Press.	

<sup>2</sup> Material covered in these presentations will be included in the final exam!

Exam week	Final exam		
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## *Guiding Questions for the Cases (that should be purchased on-line)*

### *The Globalization of CEMEX.*

- Identify the various reasons for the international expansion of CEMEX? Do they differ across countries? if so what explains the differences?
- Compare and contrast the reasons for the international expansion of CEMEX with those of its major competitors Lafarge and Holderbank. What explains the differences?
- Compare and contrast the reasons for the international expansion of CEMEX with those of the Taiwanese PC producer ACER. Relate them to the characteristics of the industries in which these companies operate.

### *Innovation and Collaboration at Merrill Lynch*

- What are the additional advantages of cross-border collaboration entail, above those awarded by collaborations taking place within a single country?
- Two of the three Capital Structure reports that Merrill Lynch prepared were implemented only by analysts in New York while the third involved analysts in New York and London. What explains this difference? What can we learn from it regarding the nature of collaboration and knowledge sharing?
- The case describes the challenges associated with establishing collaboration in a domestic context (practically within the same building) and in creating the incentives for individuals to collaborate. Think about these issues in an international context, when the individuals involved are separated in space and time. What actions could be taken to overcome these challenges in a global context?
- Cross-border collaboration can create value but could also destroy value. What circumstances affect the outcome of such collaborations? What are the major sources of value creation and value destruction? Refer to different industries, regions/countries and company-specific strategies
- Moving ahead, outline broad principles for the design of a cross-border knowledge sharing system in Merill Lynch. Refer to the type of projects, countries and industries that are appropriate for sharing, as distinguished from those that are better handled locally in a single country. As you make this distinction, make explicit reference to the balance between the costs and benefit of cross-border knowledge sharing.

### *eBay strategy in China: Alliance or Acquisition.*

- eBay acquired EachNet but created (via EachNet) strategic alliances with several local Chinese internet portals, including Sina, Sohu, NetEase, and Shanda. What are the advantages and disadvantages of these different entry modes? Do you think eBay made the right choices in that regard?

- eBay's expansion strategy in China is based on various forms of relationships with other firms (acquisition, joint venture). Is that strategy better than the alternative of establishing their own operations? What are the trade-offs involved with this strategy?
- Given the current situation of eBay in China, should exit be considered as an option? Why? Why not? Would it be a better alternative for the TOM EachNet joint venture which eliminates eBay brand name?

*Philips versus Matsushita: A New Century, a New Round*

- What explains the different organizational structures adopted by the two companies? Think about the product portfolios of the companies when they expanded overseas, their 'age', the timing of their international expansion and the heritage of their home countries.
- The two companies started at very different types of organizational structures and have moved away from them. What were the rationales for these changes? Can we draw any broader conclusions regarding the level at which the choice of organizational structure should be made (i.e. industry vs. company?)
- As MNEs modify their organizational structure the basis for their competitive advantage shifts. What were the implications of the organizational changes for the competitive advantages of Philips and Matsushita?
- Continuous reorganization attempts, over decades, have failed. Should Philips and Matsushita adopt a different path? Is there a way to turn the strong 'Administrative Heritage' (see readings of the last class) that appears to be the major barrier to the reorganization, into an asset? What would you advice Philips and Matsushita to do in order to improve their competitive position?

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. (Baruch's computers are not compatible with Word2007 and Vista OS – please save your file in Word2003).

I begin by briefly introducing myself.

### **BIO**

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 Austria, China, Israel, Italy, Poland, Sweden, Switzerland, 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*.

I hold a BA and an MBA from Tel-Aviv University, Israel (both completed with distinction), and a PhD from Copenhagen Business School, Denmark. Prior to joining academia, I held managerial positions in a number of companies in Israel.