

**Northwestern University**

**Kellogg School of Management**

**International Business Strategy  
INTL 460**

**SYLLABUS and ASSIGNMENTS**

**SECTIONS 61, 71 & 76**

**Spring 2011**

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## **International Business Strategy**

### **Course description**

The course considers the objectives and strategies of international business. It equips international business managers with a framework to formulate strategies that will help them win in the global marketplace. While accessible, the course emphasizes economic analysis of the forces driving international business. International business leaders need to comprehend how global competition is quickly changing the world around them. The course covers alternative modes of market entry, including import and export through intermediaries, contracting with suppliers and distributors, strategic alliances and partnerships, and foreign direct investment (FDI). Case studies are used throughout to illustrate the basic principles of multinational business management and strategy.

The course introduces the “Strategy Star” analysis (Spulber 2007). This provides a framework for understanding international business and achieving competitive advantage as a company enters into international competition. Strategic features of the international business are grouped into (i) home country features, (ii) supplier country features, (iii) customer country features, (iv) partner country features, and (v) competitor country features.

The first week of the course introduces international business strategy and reviews the microeconomic concepts that will be employed during the course. Weeks 2 through 4 develop the different sets of features around the strategy star.

We then examine the concept of the “Global Value Connection”. Global value added stems from making the right business connections between countries. These inter-country connections can be divided into sources of gains from trade and sources of costs of trade. Weeks 5 through 7 consider competitive strategies for achieving global value added. The course highlights the economic aspects of gains and costs of trade that are relevant to the international business manager.

In Week 8, we discuss broad categories of competitive strategies one can identify in international business. We analyze the challenges of price leadership, and then examine strategies based around product and process innovations. Week 9 uses building blocks from the course to discuss the strategic drivers of international entry modes, both on a geographic dimension (e.g., home country versus foreign country locations) and on an ownership-outsourcing dimension (i.e., should the business own or contract an operation). In light of these two dimensions, Foreign Direct Investment is defined as one type of entry strategy. Week 10 is dedicated to concluding, reviewing and summarizing the key learning points of the course. During Week 10, student group presentations play an integral role (as detailed below).

## **Format of a typical week, including required advance class readings**

During each week's two class sessions, we will typically:

1. Cover new material (to be led by the instructor: 100-110 minutes);
2. (In evening or Saturday sections) Have a short break (10-15 minutes);
3. Discuss a text, set as required advance class reading, that is relevant to the week's theme (to be led by a selected group of students: 10-15 minutes);
4. Discuss a case study, set as required advance class reading, that is relevant to the week's theme (with full class participation, following guided questions: 40-50 minutes).

The first and last week are exceptional in that they are devoted to either introducing or wrapping-up the course (the last week includes presentations by student groups). A detailed week-by-week schedule of class topics, required advance class readings (including cases) and assignments is provided below. Some short videos may be screened in class.

Some media articles and other material of interest may also be handed out or posted on Blackboard throughout the quarter. These readings, being optional, are not listed in the schedule below.

## **Microeconomics content**

While "MECN-430 Microeconomic Analysis" is not a prerequisite for this course, we do build on certain microeconomics concepts that are essential to understanding developments and designing strategy in international business. For example, how does the international business manager set pricing strategy to reflect diverse consumer tastes in the different countries of operation? How do the forces of globalization lead to tougher competition and industry "shakeouts", greater scale for every company surviving this process of shakeout, and more variety and lower prices for consumers? What can the manager learn from the theory of comparative advantage to understand the trade of goods, services and tasks between countries, and to design the global supply chain? To cite another example, how does the potential for cross-border arbitrage affect market strategies and outcomes?

For the benefit of students who have not completed Microeconomic Analysis, we review the key microeconomics "stepping stones" in Week 1. I will thus go through the microeconomics that is necessary to follow the course. That said, if you feel that you would like to strengthen your understanding of microeconomics in its application to strategy, please come to see me. One excellent reference is:

(OPTIONAL) Primer: Economic Concepts for Strategy, in David Besanko, David Dranove, Scott Schaefer and Mark Shanley, *Economics of Strategy*, 4<sup>th</sup> Edition, 2007, New York: Wiley

It is worth emphasizing from the outset that microeconomics is critical to understanding strategy. The Kellogg MBA program is founded on this critical link. According to Kellogg's Department of Management and Strategy, "Strategy, as defined at Kellogg, is the use of economics to help organizations meet their objectives." The faculty at the Department of Management and Strategy at Kellogg are mostly microeconomists by training. As Besanko et al write in the *Economics of Strategy*, "one can approach the study of strategy in many ways... Economic theory is distinctive, we think".

## **Group work**

Students taking the course should immediately attempt to form groups of around 6 or 7 students (specific instructions are to be provided on the first day). By the end of the first week of the course, each formed group should email me with the list of members and the name the group wishes to go by (e.g., *Global Warriors*). If you have not managed to enter into a group, you should also email me and I will enter you into a group. Members should stick with their groups throughout the course. The tasks each group is charged with are:

1. Leading a short discussion in class on a text that I will assign to the group by the second week of the course (more details are provided below); all students should have read the text in preparation for class, so the group's focus should be on developing discussion points, not on providing a summary.
2. Assessing the "Global Strategy of an International Business", to be selected by the group, that has arguably been underperforming; the group's assignment includes writing an analytical paper and presenting it in class (more details follow below).

The group's administration, including the organization of meetings, is left to you, as I understand this to be an important managerial skill. In the Final Exam, I will ask you to individually and confidentially rate the contribution of each of your group's members, on different dimensions (the usual quality of contribution, dependability and initiative) on a scale of 1 to 10. Your private evaluation of your group colleagues will then contribute to their grade—see grade component *IV* ("Individual's contribution in class and to group work"), detailed below.

A central motivation for these group assignments is to enhance the multicultural learning experience of the individual student, given the diversity of backgrounds and perspectives of class members. While the formation of groups is left primarily to students, rather than assigned by the instructor, students may wish to consider joining forces with colleagues with whom they have had minimal interaction to date.

Unfortunately, given the limited time available for presentations in class, groups will have a minimal size of around 6 students. In some cases, groups may have to accommodate a slightly larger number of students.

## **Grading**

Your final course grade (out of 100%) will be determined as follows:

$$\frac{I + II + III}{3} \times IV$$

where:

based on:

$0 \leq I \leq 100\%$  : Individual's take-home Midterm Exam

$0 \leq II \leq 100\%$  : Individual's in-class Final Exam

$0 \leq III \leq 100\%$  : Group's assessment of the Global Strategy of an Int'l Business

$0.85 \leq IV \leq 1.15$  : Individual's contribution in class and to group work

## **Participating in class**

Class participation is stressed. Effective interaction will enhance the learning experience of all class members. Students always tell me how much they learn from each other, not only during their group meetings but also in class. Carefully doing the required readings in preparation for class will not only enhance your learning but also make your participation more effective. That is, there is a strong “positive externality” to investing time ahead of class. For case discussions (these are the readings marked \*\*\* in the schedule below), some questions are provided to guide your preparation in advance of class as well as our joint delivery during class. Since we will all come to class prepared, having read the case, our focus will be on analysis, not on summarizing or regurgitating facts from the text. In addition, the concise presentation of convincing arguments and opinions is an important managerial skill.

Class members should expect to be cold-called to present their views on the particular aspect of the case or material being discussed. This will provide you with an opportunity to think and stand on their feet. This may also help me bring out the quieter ones (as well as check whether there is anyone who is falling behind on their required reading!).

To emphasize, the considerable reading load—between one to two texts per week—implies that you should not begin to prepare for class the night before. Rather, you should begin reading for the next class as each class is completed.

Preparing, attending, and effectively participating in class form an important component of the final grade, as outlined above. Further, exams may cover comments that I or colleagues make in class that are not recorded in slides.

## **Copyrighted materials**

All course materials are privileged work product. They have been copyrighted by the authors who reserve all rights to their use including print and electronic media. It is understood that students taking this course will not provide course materials or their course notes to companies, websites, or individuals outside the course, including those who are seeking access to course materials for commercial use. Students will not disseminate course materials or their course notes beyond other immediate members of the course. This understanding between the instructor and students is protected by the Kellogg Honor Code.

## **Kellogg Honor Code**

All Kellogg honor code restrictions apply to course assignments, exams and class participation. That said, there are some points that I would like to emphasize:

1. You must be entirely familiar with all work presented orally and in writing by your group;
2. You may not review material from previous offerings of INTL 460 in preparing for exams or in preparing your group assignments. The only exception to this requirement is the sample of final group projects prepared by former generations of INTL 460 students that I will post on Blackboard, by way of example;
3. Both exams are individual assignments and should be taken during the time allotted and without any collaboration with others;
4. You must cite sources for your final project, including placing in quotation marks any statement, or identifying as such any graph or table, that is taken directly from a source.

## **Kellogg Code of Classroom Etiquette**

Students will abide by the Kellogg Code of Classroom Etiquette on interacting with their fellow students and with the instructor.

Class members must bring nameplates to class and display them.

This course adopts a No Laptop policy.

Students should strive to arrive to class no later than 5 minutes *before* the class begins. Students should make their best effort to not walk in and out of the classroom while a class is in session (e.g., to buy a cup of coffee or to talk on the phone), as this can be very distracting to fellow students. (Stating this seems unnecessary but there have been complaints in the past!) All three-hour evening and Saturday classes (you do have my admiration!) will break around the middle.

### **Leading a short discussion in class on a text**

Your group will be given the opportunity, at some point during the quarter, to lead a discussion around some preset questions that concern a required advance class reading listed in the schedule below (this is a reading other than a case discussion—in the latter all class members are expected to participate equally). You should see this as an opportunity to read a text more critically and to present your own viewpoint on a topic, verbally in front of class. To emphasize, I expect all students to have read the text, so you should not spend time summarizing its context. You need not present slides and can simply talk with the aid of some handwritten notes. Whether a few or several of your group members do the talking is up to you. I am counting on you for effective time-keeping: since your text discussion is (unfortunately but) necessarily short—10-15 minutes, including comments you manage to elicit from the class—I suggest you practice beforehand. I will be suggesting possible discussion points closer to the occasion.

### **Assessing the Global Strategy of an International Business**

Over the course of the quarter, each group should select a business whose international competitive strategy can, in their view, be improved upon. Given the height of the “global challenge”, it should not prove difficult to think of companies that are struggling as they meet heightened competition, tackle new markets and redesign their supply chains. I will cite several examples during the quarter. Though many of our case discussions relate to companies whose strategies appear to be working, one can identify several examples of poor performance from case settings. For example, what prompted Wal-Mart to pull out of Germany and Korea, or Home Depot to exit Chile, and what learning points do such experiences offer these and other international retailers as they seek to further expand overseas? How would you advise Russian automaker Avtovaz as it enters into international competition? Another idea is to look for organizations which are (or should be) restructuring their businesses, or those have recently made U-turns in their international strategies, such as George Mason University shutting its Middle Eastern campus only four years after opening doors to business. Why did UK-based Vodafone struggle in Japan? What recommendations would you make to Illinois-based farming equipment maker John Deere as it attempts to grow in either the Indian subcontinent, Southeast Asia or in Southern Africa? What can Dunkin’ Donuts learn from its early failure to enter the Chinese market, McDonald’s from its Jamaican venture, Starbucks from its Australian enterprise? Other places to search are less well-known small and medium-sized enterprises (SMEs) that are defending previously shielded markets, or businesses in developing countries that are seeking to expand into new ones. How should China-based battery-cum-car maker BYD and India-based Tata Motors take on the vast and demanding Western market?

In light of the concepts we cover in the course, the group should critically assess the global competitive strategy of the selected international business, after providing some (limited) background information on the business and the industry. Alternatively, one may not be able to identify any global strategy at all. In what ways is the organization vulnerable to international

competition? How has the competitive landscape changed in recent years? How can the company better explore its home-country strengths as it ventures into new markets, redefines its supply chain, attempts to form critical partnerships, and targets international customers? Can you think of any untapped sources of global value added? Why is the industry consolidating globally? What can the company learn from the global strategies of leading competitors? How would you advise the company's top executives and line managers?

The exercise is purposefully open-ended, with the objective of stimulating the group's creativity (including the choice of organization) and critical thinking. The idea is to build on the frameworks covered over the quarter and the group's business interests and background. The exercise should hopefully provide further opportunity for multicultural interaction.

A one-page proposal, outlining the reasons for your choice of company, is due on week 8.

The final assignment is due on week 10. This will consist of a short in-class presentation and a written assessment. I will be providing specific guidance on the in-class presentation (e.g., how to allocate your time, away from facts and toward strategic analysis; a suggested number of slides) in due course. The written assessment should be 7 to 9 pages double spaced, in 12-point font, and should be in complete sentences (not bullet points). (Any exhibits and appendices, should you want to include them, need not count toward this limit.)

## **Exams**

There will be two exams during the quarter. Both exams are to be taken individually and are subject to the Kellogg Honor code. The Midterm Exam will be taken at home and is due in Week 6. The Final Exam will be taken on campus during Finals week, at a time to be scheduled by the school.

Both exams will be structured similarly. You will have two hours to complete each exam. Exams will be based on the material covered in class lectures and discussions, on case materials and discussions, and on required advance class readings. Each exam will be composed of two parts. The first part will be objective with short (including multiple-choice) questions, a considerable part of which will be quantitative. The second part will be based on essay questions.

Each exam will be taken on a closed-book, closed-notes basis, with one important exception. You are allowed to consult a "cheat sheet", prepared by you prior to the exam, consisting of a single sheet of paper with both sides containing information that is handwritten (or typed) by yourself. The objective is that you learn in the process of preparing the "cheat" sheet, i.e., photocopying handouts or copying a colleague's "cheat" sheet is strictly disallowed, as it defeats the purpose of the exercise.

On two occasions, I will set homework exercises that are useful in preparing for the exam. I strongly recommend that, after reviewing the relevant course material, you attempt these questions. Some students find it helpful to meet with their group peers to review the homework questions, particularly those of a quantitative nature.

## Schedule of Class Topics, Readings, Cases and Assignments

<b>Week 1</b>	Topics	Introduction to International Business Strategy, Spulber's "Star Analysis" framework, review of microeconomics
	Readings	<b>Session A:</b> Frankel's "Globalization", Evenett's "Crisis" (4 pages) <b>Session B:</b> Spulber's Chapter 2
<b>Week 2</b>	Topics	Home country features, group-led discussion on "Decentering", HSBC/Time quiz, class discussion on Lenovo (& IBM PCs)
	Readings	<b>Session A:</b> Desai's "Decentering" <b>Session B:</b> ***Lenovo
<b>Week 3</b>	Topics	Supplier and partner country features, group-led discussion on "Who Captures Value: The iPod", class discussion on Embraer
	Readings	<b>Session A:</b> Linden et al's "Who Captures Value: The iPod" <b>Session B:</b> ***Embraer
<b>Week 4</b>	Topics	Customer and competitor country features, group-led discussion on "The People's Car", class discussion on Wal-Mart China (× the US)
	Readings	<b>Session A:</b> Farris et al's "The People's Car" <b>Session B:</b> ***Wal-Mart China
<b>Week 5</b> <b>Take-home</b> <b>midterm</b> <b>posted</b>	Topics	Gains from trade: Variety and scale, group-led discussion on regional business (topic TBC), class discussion on Renault-Nissan and autos
	Readings	<b>Session A:</b> Spulber's Chapter 3 <b>Session B:</b> ***Renault-Nissan
<b>Week 6</b> <b>Take-home</b> <b>midterm</b> <b>is due</b>	Topics	Gains from trade: Comparative advantage, group-led discussion on regional business (topic TBC), class discussion on Li & Fung
	Readings	<b>Session A:</b> ----- <b>Session B:</b> ***Li & Fung
<b>Week 7</b>	Topics	Costs of trade, group-led discussion on "Trade Costs" (Introduction only), class discussion on Cemex (& market-making)
	Readings	<b>Session A:</b> Anderson et al's "Trade Costs" (Introduction only) <b>Session B:</b> ***Cemex
<b>Week 8</b> <b>One-page</b> <b>proposal</b> <b>is due</b>	Topics	Strategies in international competition, group-led discussion on "Apollo Hospitals"/medical tourism, class discussion on Zara
	Readings	<b>Session A:</b> Kennedy's "Apollo Hospitals" <b>Session B:</b> ***Zara
<b>Week 9</b>	Topics	Global Investmt Strategy & FDI, class discussion on the free trade debate, class discussion on SZLN-PEM and perceptions of FDI
	Readings	<b>Session A:</b> Short articles on the free trade and offshoring debate <b>Session B:</b> ***China's SZLN: Acquiring Australia's PEM
<b>Week 10</b> <b>Final</b> <b>report</b> <b>is due</b>	Topics	"The Big Picture": Overview and review, Group presentations
	Readings	<b>Session A:</b> ----- <b>Session B:</b> -----
<b>Finals Week</b>	<b>In-class final exam</b>	

## Week 1. INTRODUCTION

### Session A: Introduction to International Business Strategy

Readings: Jeffrey Frankel, Globalization of the Economy, in J. S. Nye and J. D. Donahue, *Governance in a Globalizing World*, 2000, Washington, D. C.: Brookings Institution

(READ ONLY 4 PAGES: Introduction p.1, Section 3 pp. 7-9)  
Simon J. Evenett, What Can Be Learned From Crisis-Era Protectionism? An Initial Assessment, *Business & Politics*, 11, 2009, pp. 1-26. **See Blackboard:** <https://courses.northwestern.edu/>

### Session B: Spulber's "Star Analysis" framework & Review of microeconomics

Readings: Daniel F. Spulber, Chapter 2: Global Strategic Analysis, *Global Competitive Strategy*, 2007, Cambridge: Cambridge University Press. Available in **E-book format via the Northwestern University library online** catalog:  
<http://northwestern.ebib.com/patron/FullRecord.aspx?p=321350>

## Week 2. HOME COUNTRY FEATURES

### Session A: Home country features

Readings: Mihir A. Desai, The Decentering of the Global Firm, *World Economy*, 32, 2009, pp. 1271-1290

### Session B: Home country features

Readings: \*\*\*Daniel F. Spulber, Chapter 7: Lenovo: Entering Global Competition, *Global Competitive Strategy*. Available in **E-book format via the Northwestern University library online** catalog:  
<http://northwestern.ebib.com/patron/FullRecord.aspx?p=321350>

Questions for in-class discussion of the case:

1. How has Lenovo's home country affected its initial development and strategy? What advantages and disadvantages has Lenovo derived from its home country?
2. (Prior to the IBM PC acquisition) What threats does Lenovo face, and for how long can it sustain its competitive advantage?

3. What strategic reasons drove Lenovo to expand internationally? Why did the company choose the acquisition of IBM's PC unit over alternatives to expand?
4. Can you speculate why the Lenovo-IBM deal appears to have succeeded where CNOOC-Unocal and DP World-P&O appear to have failed?
5. What challenges lie ahead for Lenovo as it integrates IBM's operations? More broadly, what challenges does the PC industry face, and how would you advise Lenovo?
6. Is Lenovo a good example of the "decentering global firm"?

### **Week 3. SUPPLIER AND PARTNER COUNTRY FEATURES**

#### Session A. Supplier and partner country features and the vertical supply chain

Readings: Greg Linden, Kenneth L. Kraemer, and Jason Dedrick, Who Captures Value in a Global Innovation System? The Case of Apple's iPod, *Communications of the ACM*, 52, 2009, pp. 140-144

#### Session B. Supplier and partner country features and the vertical supply chain

Readings: \*\*\*Pankaj Ghemawat, Gustavo A. Herrero, and Luis Felipe Monteiro, Embraer: The Global Leader in Regional Jets, 2000 (Rev. 2009) , Case 9-701-006, Harvard Business School

Questions for in-class discussion of the case:

1. How has Embraer's home country shaped its history, both positively and/or negatively? How has Embraer overcome any home country limitations to become a leading global player?
2. What critical strategic choices has Embraer made regarding its supply chain and partnerships, and why?
3. How does Embraer's strategy compare to that of its archrival, Bombardier?
4. "Embraer is a Brazilian business." Discuss.

5. Were you to write a paper entitled “Who Captures Value in a Global Innovation System? The Case of the ERJ family”, how would you compare it to the iPod case? Explain your comparison.

6. (From outside the case) What specific threats would you *predict* Embraer faces today?

#### **Week 4. CUSTOMER AND COMPETITOR COUNTRY FEATURES**

##### Session A. Customer and competitor country features

Readings: Paul W. Farris, Amy Lemley and Rajkumar Venkatesan, The Tata Nano: The People’s Car, 2009, Case UVA-M-0768, Darden School at the University of Virginia

(OPTIONAL READING, 4 PAGES: Introduction pp. 678-681)  
Alberto Salvo, Cut-throat Fringe Competition in an Emerging Country Market: Tax Evasion or the Absence of Market Power?, *Journal of Industrial Economics*, 57, 2009, pp. 677-711. See **Blackboard:** <https://courses.northwestern.edu/>

##### Session B. Customer and competitor country features

Readings: \*\*\*Ali Farhoomand, Wal-Mart Stores: “Every Day Low Prices” in China, 2006, Case HKU590, University of Hong Kong

Questions for in-class discussion of the case:

1. How did Wal-Mart grow in the United States?
2. What is different about consumers in China?
3. What is different about competition in China?
4. Wal-Mart “gets a lot of heat” from various US constituencies for its role as a major importer from China (can you think of which ones?). That is, China is a key supplier country to Wal-Mart’s US business. As Wal-Mart’s CEO, how might you exploit this fact to press for a more level playing field when it comes to access to China as a customer country for Wal-Mart?
5. What recommendations would you offer the company regarding the speed and direction of expansion of its Chinese store rollout?

**Week 5. STRATEGIES FOR GLOBAL VALUE ADDED: GAINS FROM TRADE**

**Take-home midterm exam will be posted at the end of class**

Session A. Gains from trade: Variety and scale

Readings: Daniel F. Spulber, Chapter 3: Global Competitive Advantage, *Global Competitive Strategy*. Available in **E-book format via the Northwestern University library online** catalog:  
<http://northwestern.ebib.com/patron/FullRecord.aspx?p=321350>

Session B. Gains from trade: Variety and scale

Readings: \*\*\*Michael Y. Yoshino and Perry L. Fagan, The Renault-Nissan Alliance, 2003, Case 9-303-023, Harvard Business School

Questions for in-class discussion of the case:

1. What are the *strategic* reasons for the Renault-Nissan alliance? What does Renault gain? What does Nissan gain?
2. What actions were taken on the customer market side? What actions were taken on the production and innovation side?
3. Can you tie the strategic motivation for the alliance back to the economic framework (of globalization enhancing scale and variety) seen in the lecture?
4. What challenges lie ahead for Renault-Nissan? Evaluate the value of an alliance with a third global carmaker (e.g., GM or Daimler).
5. (From outside the case) Can you contrast the Renault-Nissan experience with that of DaimlerChrysler? What are the similarities? What are the differences?
6. (From outside the case) Based on this week's lecture and case, do you think Fiat Group's CEO Sergio Marchionne was "out of his mind" on tying his company's future to that of Chrysler?

**Week 6. STRATEGIES FOR GLOBAL VALUE ADDED: GAINS FROM TRADE**

**Take-home midterm exam is due at the start of class**

Session A. Gains from trade: Comparative advantage

Readings: -----

Session B. Gains from trade: Comparative advantage

Readings: \*\*\*F. Warren McFarlan, William C. Kirby, and Tracy Yuen Manty, Li & Fung 2006, 2007, Case 9-307-077, Harvard Business School

Questions for in-class discussion of the case:

1. What determines the countries/regions in which Li & Fung contracts with manufacturers and the countries/regions in which Li & Fung contracts with retailers? In each case, what are the sources of comparative advantage?
2. How would you characterize Li & Fung's competitive strategy? Where does the Li & Fung network add value, both for suppliers and for customers?
3. How well does the company illustrate the gains to the international business deriving from comparative advantage?
4. Which elements of Li & Fung's competitive strategy do you find are more vulnerable to the threat of "bypass" competition? Which competitive advantages will prove more sustainable in the long term?

**Week 7. STRATEGIES FOR GLOBAL VALUE ADDED: COSTS OF TRADE**

Session A. Costs of trade

Readings: (READ ONLY 3 PAGES: Introduction pp. 691-693) James E. Anderson and Eric van Wincoop, Trade Costs, *Journal of Economic Literature*, 42, 2004, pp. 691-751. See **Blackboard**: <https://courses.northwestern.edu/>

Session B. Costs of trade

Readings: \*\*\*Daniel F. Spulber, Chapter 8: Cemex: Making Global Markets, *Global Competitive Strategy*. Available in **E-book format via the Northwestern University library online** catalog:  
<http://northwestern.ebib.com/patron/FullRecord.aspx?p=321350>  
Reproduced from Alberto Salvo and Daniel F. Spulber, Cemex: International Market Maker in Cement, *Journal of Strategic Management Education*, 3, 2006, pp. 1-24. **See Blackboard:**  
<https://courses.northwestern.edu/>

Questions for in-class discussion of the case:

1. How did Cemex grow in Mexico?
2. “We had to become an international company to survive.” What does CEO Lorenzo Zambrano mean?
3. Why did Cemex chose a mode of entry strategy based on acquisition rather than joint venture partnerships or internal growth?
4. Why was international trading important to Cemex? What does the CEO mean by “standard portfolio theory”?
5. In contrast to Li & Fung, why has Cemex adopted an asset-heavy strategy in building its global network?
6. “Cemex’s story illustrates the gains from correctly anticipating shifts in trade costs, and the dangers from failing to do so.” Discuss in view of the case as well as recent facts provided in class.

## **Week 8. STRATEGIES IN INTERNATIONAL COMPETITION**

**One-page proposal on Final Global Strategy Assessment is due at the start of class**

### Session A. Strategies in international competition

Readings: Kelly Janiga and Robert E. Kennedy, Going Global: Apollo Hospitals, 2010, Mini-Case 1-429-063, William Davidson Institute at the University of Michigan

(OPTIONAL READING) Alberto Salvo, Concrete Threats:

Inferring Market Power under the Threat of Entry, *Kellogg Insight*, 2008 (based on a paper published in the *RAND Journal of Economics*, 2010)

Session B. Strategies in international competition

Readings: \*\*\*Pankaj Ghemawat and José Luis Nuño, Zara: Fast Fashion, 2003 (Rev. 2006), Case 9-703-497, Harvard Business School

Questions for in-class discussion of the case:

1. Who are Zara's competitors?
2. What are the key features of Zara's international strategy? How do these compare to those of Zara's competitors?
3. "Zara has, in an innovative way, relaxed the trade-off an international business faces between achieving scale and delivering variety." What is your view?
4. What are the challenges facing Zara as it further ventures abroad? Which changes may it need to make to sustain its competitive advantage?

**Week 9. GLOBAL INVESTMENT STRATEGY & FOREIGN DIRECT INVESTMENT**

Session A. Global Investment Strategy and Foreign Direct Investment (FDI)

Readings: Short articles on both sides of the free trade and offshoring debate, to be handed out in class

Session B. Global Investment Strategy and Foreign Direct Investment (FDI)

Readings: \*\*\*Xingyun Liu, Lifan Wu and Jim Hatch, (China's) SZLN: Acquiring (Australia's) PEM, 2010, Case 9B10N007, Richard Ivey School of Business at the University of Western Ontario

Questions for in-class discussion of the case:

1. What is the Chinese government's role in the country's lead-zinc industry?
2. Do you think the SLZN-PEM merger is *strategic* to both

(private) parties? To answer this question, consider (i) why China's SLZN is favoring PEM over other horizontal mergers within China, and (ii) why Australia's PEM might favor SLZN over Australia-based CBH?

3. As an industry observer, you receive a phone call from an Australian business journalist who asks you to comment on whether SLZN's interest in PEM is driven by the Australian dollar's weakness against the Renminbi (note: this is a fact in the case). How would you comment?

4. How welcoming in general is Australia to FDI from China's (or for that matter Indonesia's) mining firms, and why? In the specific context, how would you rate SZLN's chances to obtain official approval with regard to the PEM acquisition?

**Week 10. CONCLUSION AND COURSE OVERVIEW**

**Final report on Final Global Strategy Assessment is due at the start of class**

Session A. "The Big Picture": Overview and Review

Group Presentations: Begin (To be determined)

Readings: -----

Session B. Group Presentations: End

Readings: -----