

Northwestern University

Kellogg School of Management

SYLLABUS and ASSIGNMENTS

**International Business Strategy
INTL 460**

SECTIONS 61 and 81

Fall 2008

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International Business Strategy

Course Description

The course defines the objectives and strategies of international business. The course emphasizes economic analysis of international business strategy formulation.

Topics covered include gains from trade, costs of trade, and the competitive strategy of the international business. The course considers alternative modes of market entry, including import and export through intermediaries, contracting with suppliers and distributors, strategic alliances and foreign direct investment (FDI). Case studies are used to illustrate the basic principles of multinational business management and strategy. The course introduces the “Strategy Star” analysis.

The first week of the course is dedicated to introducing international business strategy and providing a review of the micro-economics concepts that will be employed during the course.

The course then introduces the concept of the ‘Global Value Connection.’ This concept is used to develop global competitive strategies that depend on doing business between countries. Weeks 2 and 3 present strategies for providing global added value. The course highlights the economic aspects of gains and costs of trade that are relevant to the international business manager.

Weeks 4, 5, and 6 develop the different sets of country features around the “Global Strategy Star Analysis.” This provides a framework for understanding and building an international business, and achieving competitive advantage in the global marketplace. 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.

In Week 7, we examine the role of the costs of trade in the formation of global strategy. In Weeks 8 and 9, we discuss broad categories of competitive strategies one can identify in international business, known as the “G5” strategies. In Week 8, the course examines the platform, network, intermediary, and entrepreneur strategies. In Week 9, the course introduces global investment strategy. This 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 examines the organizational structure of the international business and presents an overview of the key learnings of the course.

Format of the course

The format of the course is as follows. In the first session of each week, new course material is covered. In the second session of each week, a case discussion illustrates the material covered in the first session of that week (with the exception of the first and last weeks, where the second session is devoted to further introducing and reviewing the course, respectively).

Required Readings

1. Global Competitive Strategy, Daniel F Spulber, 2007, Cambridge: Cambridge University Press.
2. CASE Packet: Materials in the case packet including readings and cases are required for the lectures, exams and the case discussions. Readings listed in the course syllabus are required for the lectures, exams and the case discussions.
3. Online materials Some optional course materials will be provided online.
4. Homework problems and solutions
5. Copies of the Power Point presentations are provided online.

Copyrighted materials

The course notes, lectures, overheads, handouts and other printed materials written by the instructor are privileged work product. They have been copyrighted by the instructor who reserves 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, Internet sites, or individuals outside the course, including those that are seeking access to course materials for commercial use. Students will not disseminate course materials or their course notes beyond other members of the course. This understanding between the instructor and students is protected by the Kellogg Honor Code.

Grading

Your final course grade will be determined as follows:

1)	Case Analysis I	25%
2)	Take-home Midterm	25%
3)	Case Analysis II	25%
4)	In-class Final	25%

		100%

Kellogg Honor Code

All Kellogg honor code restrictions apply to any and all class assignments, class participation and tests.

Kellogg Code of Classroom Etiquette

Students will abide by the Kellogg Code of Classroom Etiquette in interaction with their fellow students and with the instructor. Laptops can be used during class for note taking, display of the instructor's presentation slides, and course-related work.

Each class session will cover a specific topic. For those sessions that cover a case study, there are questions for discussion that apply to the case.

Class participation is encouraged. Active class participation and interaction will enhance the learning experience of the members of the class. In addition, the presentation of convincing arguments and opinions is an important managerial skill. Class members will present their views on the topic and case to be covered in a particular class session. Preparation for class discussion and attendance will be a component of the final grade. Class members must bring nameplates to class and display them.

Attendance is encouraged. Class participation counts as part of the final grade. Exams will include material covered in class. Students can be absent for medical reasons. In the case of a medical reason, students should wait to inform the instructor after their return to class not before. Attendance means coming to class on time at the start of the class.

Assignments and Grading

1. Case analysis I: SAMSUNG

The case analysis of Samsung should apply the concepts of gains from trade (scale/variety, comparative advantage) presented in the course and in the textbook. How do these two concepts help to understand Samsung's strategic decision? The case analysis should be 5 to 7 pages double spaced, in 12-point font. The case analysis should be in complete sentences (not bullet points). Emphasis should be on application of the concepts. Do not obtain information outside the case. **The case analysis is due at the start of the first session of week 5.**

2. Take-home midterm

There will be a take-home midterm. The midterm is subject to the Kellogg Honor code. You have one hour and a half to complete the exam. The exam will be based on the material covered in class lectures and discussions, on case materials and discussions, and on required readings. There will also be homework exercises that are useful in preparing for the tests. The exam will be closed-book, closed-notes tests. The exam will have some multiple choice questions and essay questions. **The midterm is due at the start of the first session of week 6.**

3. Case Analysis II: EMBRAER

Use the "Star Analysis" to analyze the EMBRAER case, which is given in the case pack. The case analysis should be 5 to 7 pages double spaced, in 12-point font. The case analysis should be in complete sentences (not bullet points). The case analysis must apply the international business strategy framework presented in the course and in the textbook. The case analysis should cover home country, supplier country, partner country, customer country and competitor countries. The details from the case should be used in your discussion. Do not obtain information outside the case. **The case analysis is due at the start of the first session of week 8.**

4. Final exam

Taking the test on the scheduled time and date is mandatory. The final exam will be given at the time scheduled by the school. An early exam date will be arranged with student affairs. The early exam will be during finals week only without any exceptions. There will also be homework exercises that are useful in preparing for the tests. The exam will be based on the material covered in class lectures and discussions, on case materials and discussions, and on required readings. The exam will be a closed-book test. The exam will have some multiple choice questions and essay questions.

Microeconomics Content

While “MECN-430 Microeconomic Analysis” is not a prerequisite for this course, we do build on some microeconomics concepts that are essential for designing strategy and understanding developments 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 flow of trade between countries, and design strategy accordingly? To cite yet another example, how does the potential for cross-border arbitrage affect market strategies and outcomes?

For the benefit of students who have not taken Microeconomic Analysis, we review the key microeconomics as needed. The microeconomics that is required to follow the course will thus be provided by the instructor. That said, those students who feel they would like to strengthen their understanding of microeconomics in its application to strategy, should consult the instructor, or refer to the online microeconomics review. They can also review the following reading:

OPTIONAL READING: Primer: Economic Concepts for Strategy, in Besanko, Dranove, Shanley and Schaefer, Economics of Strategy, 3rd Edition, 2004, New York: Wiley.

Students are expected to be familiar with economic concepts such as the market demand function, the market supply function, market equilibrium, the production function, and marginal and average costs.

It is important to emphasize 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.

SCHEDULE OF CASES AND ASSIGNMENTS

Week 1	Session A	INTRODUCTION
Week 1	Session B	INTERNATIONAL BUSINESS STRATEGY
Week 2	Session A	STRATEGIES FOR GLOBAL COMPETITIVE ADVANTAGE: GAINS FROM TRADE
Week 2	Session B	RENAULT-NISSAN
Week 3	Session A	STRATEGIES FOR GLOBAL COMPETITIVE ADVANTAGE: GAINS FROM TRADE
Week 3	Session B	LI & FUNG
Week 4	Session A	HOME COUNTRY FEATURES
Week 4	Session B	LENOVO
Week 5	Session A	SUPPLIER COUNTRY AND PARTNER COUNTRY FEATURES
Week 5	Session B	Case analysis I is due: Samsung BP AND THE OIL INDUSTRY Take-home midterm
Week 6	Session A	CUSTOMER COUNTRY AND COMPETITOR COUNTRY FEATURES
Week 6	Session B	Take-home midterm is due P&G JAPAN
Week 7	Session A	STRATEGIES FOR GLOBAL COMPETITIVE ADVANTAGE: COSTS OF TRADE
Week 7	Session B	CEMEX
Week 8	Session A	GLOBAL COMPETITIVE STRATEGIES: THE “G5”
Week 8	Session B	ZARA Case analysis II is due: Embraer
Week 9	Session A	GLOBAL COMPETITIVE STRATEGIES: MODES OF ENTRY & FDI
Week 9	Session B	FLEXTRONICS IN INDIA
Week 10	Session A	ORGANIZATION OF THE INTL BUSINESS
Week 10	Session B	COURSE SUMMARY
FINALS WEEK:		FINAL EXAM

Week 1. INTRODUCTION

Session A: Introduction and outline of the course

Readings: Global Competitive Strategy: Introduction.

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, pp. 45-61.

Session B: Introduction to International Business Strategy

Readings: Global Competitive Strategy: Chapter 1.

Week 2. STRATEGIES FOR GLOBAL COMPETITIVE ADVANTAGE: GAINS FROM TRADE

Session A. Strategies for Global Competitive Advantage: Variety and scale

Readings: Global Competitive Strategy: Chapter 3

Session B. Strategies for Global Competitive Advantage: Variety and scale

Readings: RENAULT-NISSAN

Week 3. STRATEGIES FOR GLOBAL COMPETITIVE ADVANTAGE: GAINS FROM TRADE

Session A. Strategies for Global Competitive Advantage: Comparative advantage

Session B. Strategies for Global Competitive Advantage: Global Added Value

CASE: LI & FUNG

Questions for discussion:

1. Who are Li & Fung's suppliers and customers?
2. What determines the countries in which Li & Fung contracts with manufacturers and the countries in which Li & Fung contracts with retailers?
3. How would you characterize Li & Fung's competitive strategy? Where does Li & Fung add value, both for suppliers and for customers?
4. How well does the company illustrate the gains to the international business deriving from comparative advantage?
5. 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 4. HOME COUNTRY FEATURES

Session A: Home country features

Readings: Global Competitive Strategy: Chapter 2.

Session B: Home country features

CASE: LENOVO Chapter 7 in Global Competitive Strategy

Questions for discussion:

development

1. How has Lenovo's home country affected its initial and management strategy?
2. Did Lenovo derive any advantages/disadvantages from its home country?
3. (Prior to the IBM PC acquisition) What threats does Lenovo face, and for how long can it sustain its competitive advantage?
4. What are the strategic reasons behind Lenovo's decision to expand internationally? Given this decision, what are the strategic reasons behind Lenovo's chosen mode of expansion, the acquisition of IBM's PC unit?
5. Following the IBM PC unit acquisition, what challenges lie ahead for Lenovo? How would you advise the company?

Week 5. SUPPLIER COUNTRY AND PARTNER COUNTRY FEATURES

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

Readings: “Who Captures Value in a Global Innovation System?: The Case of Apple’s iPod,” Greg Linden, Kenneth Kraemer, and Jason Dedrick, Personal Computing Industry Center, University of CA, Irvine, June, 2007.

CASE ANALYSIS I IS DUE (SAMSUNG)

TAKE HOME MIDTERM POSTED: Due Week 6, at the start of Session A.

Session B. Supplier country features and the international oil industry

CASE: BP and the Consolidation of the Oil Industry

Questions for discussion:

1. What considerations drive the location of upstream production and downstream production in the international oil industry?
2. What may be driving consolidation and restructuring of the oil industry?
3. How has the consolidation of the oil industry affected BP’s strategy?
4. Why do major oil companies such as BP have such extensive vertical integration?
5. How might BP’s changing strategy affect its organizational structure in the future?

Week 6. CUSTOMER COUNTRY AND COMPETITOR COUNTRY FEATURES

Session A. Customer country and competitor country features

Readings: SPLASH CORPORATION (B)

TAKE HOME MIDTERM IS DUE

Session B. Customer country and competitor country features

CASE: P&G JAPAN

Questions for discussion:

1. How do international business considerations affect the P&G strategy and organization?
2. What were P&G's strategic objectives in Japan?
3. What is it about Japan that has made SKII such a success?
4. What competitive considerations drove P&G's international expansion plans?
5. In light of the differences in the features of countries where P&G seeks customers, what strategy for global expansion of SKII sales would you recommend to the company? How might the organizational changes the company is undergoing affect this strategy?

COSTS OF TRADE – The “4 Ts”

Session A. Strategies for Global Competitive Advantage: Costs of trade

Session B. Strategies for Global Competitive Advantage: Costs of trade

CASE: CEMEX Chapter 8 in Global Competitive Strategy:

Questions for discussion:

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?
4. Why was international trading important to Cemex? What does the CEO mean by “standard portfolio theory”?
5. What are Cemex’s sources of competitive advantage?
6. What should the company do next to sustain these sources of competitive advantage?

Week 8. COMPETITIVE STRATEGIES: THE “G5” STRATEGIES

Session A. Competitive strategies: The “G5” Strategies

Readings: Global Competitive Strategy: Chapter 4

CASE ANALYSIS II IS DUE (EMBRAER)

Session B. Global Competitive strategies: Global vs. local

CASE: ZARA

Questions for discussion:

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

Week 9. COMPETITIVE STRATEGIES: MODES OF ENTRY AND FOREIGN DIRECT INVESTMENT (FDI)

Session A. Competitive investment strategies: Modes of Entry and FDI

Readings: Global Competitive Strategy: Chapter 5.

Session B. Competitive investment strategies: Modes of Entry and FDI

CASE: FLEXTRONICS IN INDIA

Questions for discussion:

1. What are the gains to an Original Equipment Manufacturer (“OEM”) from outsourcing the design and manufacture of a device to an Original Design and Manufacturer (“ODM”)? What are the risks?
2. Characterize Flextronics’ international mode of entry strategy along the geographic dimension. Can you rationalize this international business strategy? (Take the upstream operation as being design and the downstream operation as being manufacturing.)
3. Characterize Flextronics’ international mode of entry strategy along the ownership-outsourcing dimension. Can you rationalize this international business strategy? (Take the upstream operation as being design and the downstream operation as being manufacturing.)
4. Why has Flextronics singled out India as the location for its sourcing of software design?
5. What strategy for entering into Indian software design would you recommend to the company? You may consider acquisitions, setting up a facility from scratch, forming an alliance or joint venture, or contracting. You should also consider the different companies with which Flextronics can make a deal.

Week 10. CONCLUSION AND COURSE OVERVIEW

Session A. Organization of the International Business

Readings: Global Competitive Strategy: Chapter 6

Session B. Course overview

FINALS WEEK: FINAL EXAM