INTL 466
International Business Strategy in Non-Market Environments

Sections 61 and 71
Spring 2004 Preliminary Syllabus
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Office Hours
Tuesdays 2-5pm
Or by Appointment
Course Overview

Globalization presents unique opportunities and challenges for business growth and development. Whether a firm seeks new markets for its products, new suppliers in its production process, or simply high-yield investment vehicles, managers need to think in an increasingly global manner in making strategic decisions. But many of the most attractive opportunities internationally -- high-growth markets and/or low-cost production opportunities – present special non-market risks and challenges.

Indeed, beyond traditional factors such as cost and market size, the ability to achieve competitive advantage through globalization is increasingly determined by the firm’s ability to assess non-market factors such as the stability of political regimes, the impact of corruption and the risks posed by weak legal systems that limit the enforceability of contracts. Contentious international policy issues such as labor rights, free trade and the protection of intellectual property together with international organizations such as the WTO, the IMF, and the World Bank further influence risks and opportunities in a given national environment.

This course provides tools and frameworks to incorporate non-market factors into international business strategy. The course provides a broad survey of major issues that managers are likely to face in international business, with a strong emphasis on issues germane to emerging markets. Our goal in this course is not to become experts about any one particular country or region; rather, we seek broad principles that can be applied across many countries, markets, and firms. The course will explicitly integrate cases with insights from the latest economics and political science research to provide the international business manager with a sophisticated and strategic perspective on globalization. We will consider many strategic solutions to specific problems posed by weak and/or uncertain institutional systems, where the “rules of the game” may be vague, opaque, or under constant threat of change.

In articulating the risks and considering strategies to mitigate them, we will also touch on deep issues in international development, and we will see that firms can have significant impacts – both positive and negative – in the places they operate. The opportunity to impact the local environment raises the possibility of ancillary social benefits on the one hand and possible ethical concerns on the other. This course further considers strategic choices in light of social ethics.

Course Structure

The course is divided into two major parts.

Part I: National Non-Market Issues and Business Strategy

Here we consider specific non-market issues that managers are likely to confront within many national environments. While these issues can appear all over the world, they are often acute in emerging markets.

- Poor access to information
- Weak contract enforcement
- Weak investor protections
• Weak intellectual property protections
• Corruption
• Political instability

For each issue, we will begin by characterizing the risks it poses and then analyze where and when it is likely to be important. We then consider, for each type of issue, important strategic responses that managers can take to successfully mitigate risks and realize opportunities.

Part II: International Institutions and Business Strategy

In the second part of the course we will examine the non-market roles of major international institutions. We will primarily consider:

- The WTO
- The IMF
- The World Bank Group

as they relate to
- Free trade
- Intellectual property rights
- Financial crisis
- Development aid

Large international institutions have significant effects on entire economies as well as on the performance of individual sectors within nations. With each institution, we will start by analyzing its operational mechanisms and the problems it intends to solve. We will then consider specific risks and opportunities these institutions bring to business development and discuss strategies to ensure that your firm ends up on the “right side” of the policies and activities these institutions undertake.

As with many strategy courses, the material in this course can be complicated and real-world examples can be challenging to analyze at first. For this reason, Part I of the course will rely less on case teaching and more on simple examples to elucidate a series of specific concepts. As the course progresses, we will begin integrating these building blocks to provide rigorous analysis of more complicated real-world situations. The final project will allow students to further integrate and apply the concepts learned in the course.

Class Preparation

Readings:

A course packet, which includes nearly all of the readings and cases, is required. There is no textbook for this course. For each topic, there will be a set of assigned readings, including cases, which will help develop the underlying concepts and/or provide examples. It is essential that you read these materials prior to class.

Homework assignments:

I will hand out short homework assignments both to help guide your reading and to practice analytic concepts. These assignments will be provided in class. The homework assignments will
not be graded, but students will be expected to discuss the questions in class and similar questions will reappear on the exams.

**Extra Readings:**

This course provides a broad survey of many issues, and at times you may want to read further about issues of personal interest. The reading list will therefore also point to resources where you may find more extensive analysis. These readings are entirely optional, and are meant simply to provide a reference for you now or in the future.

**Assessment and Grading**

The grade is made up of four components:

1. **Midterm Exam (25%)**: The midterm will be a closed book/closed notes in-class exam, given in regular class time on Monday, May 3rd. It will consist of short questions similar to those in the homework assignments. The midterm will cover all lectures, cases, and readings from the first five weeks of the course.

2. **Final Exam (25%)**: The final will be given in the exam period but will be of similar length and format as the midterm. It will only cover material from the second half of the course.

3. **Group Project (40%)**: The major component of the grade will be a group project. The project will give you and your group a chance to explore an area of special interest. Your group’s product will be a written report, a case, which analyzes a specific strategic question from the point of view of a particular firm or possibly some other type of organization such as an NGO or government agency. You are free to choose any firm or other entity of particular interest to your group, but of course the thrust of your analysis must integrate significant elements of non-market issues and strategies that we have discussed in the course. I will meet with all groups to discuss their choice in advance.

   A successful case will include relevant background information about the firm, the project/investment of interest, and the country or countries in which the action would take place. Analysis of the firm’s possible actions should follow, based on the strategic concepts we have developed in the course. The “theory” should be supplemented by descriptive evidence and hard data taken from the news media and internet sources. A good analysis may further involve interviews and/or other original sources. The case should be 8-10 pages in length (1.5 spaced, 12 point font size, ordinary margins) not including appendices. The project will be due on the final day of class, Thursday, June 3rd.

4. **Class Participation (10%)**: Attendance, preparation, and participation are essential. Obviously, you cannot participate if you are not present, so absences without legitimate excuses will lead to a reduced participation grade. Learning opportunities are maximized when all students are actively engaged in class discussion. The subject matter of this class should naturally stimulate a lot of discussion, and I am eager to have an active dialogue. Particularly valuable types of participation will be those that move the discussion forward, often by adding useful facts to the discussion or by providing a new insight on the issue at hand. Requests to clarify concepts being presented are also encouraged of course. If you are confused by
something, then other people are probably confused as well, and participation that seeks to clarify an idea will likely be valuable for the whole class.

Participation will also be essential as we discuss the questions in the homework assignments, which will largely consist of specific questions about the readings. If a question is in the homework assignment, then I will expect that everyone has something to say about it, and I will call on people at random on occasion.

There will be ample opportunity for each of you to participate. Do not be discouraged if, after the first few classes, you have yet to participate much. If you feel that you are preparing well but that I am not calling on you enough, please let me know so that I can address the problem. And please realize that as long as you have invested quality time in the readings and worked through the questions, you will almost certainly have valuable contributions to make during the discussion.
Course Outline

Introduction

Session 1: Welcome and Overview
Monday, March 29, 2004
Reading:

Session 2: Why are Emerging Markets Still Emerging?
Thursday, April 1, 2004
Readings:
Extra Readings:

Part I: National Non-Market Issues and Business Strategy

Session 3: Missing Institutions in Emerging Markets & Information Issues
Monday, April 5, 2004
Readings:

Session 4: Contractual Problems
Thursday, April 8, 2004
Readings:
Session 5: Property Rights I: Weak Investor Protections
Monday, April 12, 2004
Readings:
1. Case: “Gazprom and Hermitage Capital: Shareholder Activism in Russia”
Extra Reading:

Session 6: Property Rights II: Intellectual Property Issues
Thursday, April 15, 2004
Readings:
3. “Nissan may sue Chinese rival over design,” Financial Times, November 28, 2003
Extra Reading:

Session 7: Corruption I: An Introduction
Monday, April 19, 2004
Readings:
2. “India’s Corruption Blues,” The Economist, March 24, 2001
Extra Readings:
2. Rose-Ackerman, Corruption and Government: Causes, Consequences, and Reform, 1999, Chapters 2-5.

Session 8: Corruption II: Firm-level Issues
Thursday, April 23, 2004
Readings:
1. “Corruption in International Business (B)”
2. Case: “Manulife in Indonesia (A)”
3. Case: “Manulife in Indonesia (B)”

Session 9: Political Systems & Business Strategy
Monday, April 26, 2004
Readings:

Extra Readings:

Session 10: MIDTERM EXAM
Thursday, April 29, 2004

Part II: International Institutions and Business Strategy

Session 11: Trade, Comparative Advantage, and the Non-Market Perspective
Monday, May 3, 2004

Readings:

Extra Readings:

Session 12: Guest Speaker: Negotiating With Foreign Governments & Leaders
Thursday, May 6, 2004

Readings: Will be provided in previous class.

Session 13: Low Wages & Labor Issues
Monday, May 10, 2004

Readings:

Session 14: Intellectual Property & the TRIPS Agreement
Thursday, May 13, 2004

Readings:
2. “Have patent, will travel,” The Economist, June 30, 2001
4. **Case:** “Cipla”

**Session 15: Financial Crisis I: Anatomy of Financial Crises & The IMF**
Monday, May 17, 2004

**Readings:**
1. “International Institutions” [Read section about IMF only]

**Extra Readings:**

**Session 16: Financial Crisis II: Argentina**
Thursday, May 20, 2004

**Readings:**
2. **Case:** “The 2001 Crisis in Argentina (A)”

**Session 17: The World Bank Group I: An Introduction**
Monday, May 24, 2004

**Readings:**
2. “International Institutions” [Finish article]

**Extra Readings:**

**Session 18: The World Bank Group II: Business Strategy**
Thursday, May 27, 2004

**Readings:**
2. **Case:** “Financing the Mozaal Project”

**Session 19: Integrative Case**
Monday, May 31, 2004

**Readings:**
1. **Case:** “Nghe An Tate & Lyle Sugar Company”

**Session 20: Summary and Review**
Thursday, June 3, 2004
Readings: Review course materials.