

Management & Organizations 535
International Management
Summer 2007
Instructor: Brent Chrite
Room 127

Overview

This course will focus on some of the economic, political and competitive factors and conditions impacting national and industrial sector performance in an increasingly global and volatile marketplace. We will consider concepts and examples that will assist you in understanding the complexities and dynamism of the global business environment. These concepts will include among other things, the consideration of commercial and non commercial risk premiums; foreign market entry strategies; the politics of trade; the role, if any, of the multinational can or should assume in economic development in transition and emerging markets.

This course seeks to globalize the lens through which you view business. We will consider a variety of perspectives and will focus on regions including Africa, Central Asia and Latin America for example, that don't often get much attention and about which we suspect there's much for you to learn. We want to challenge you to think differently – and critically – about the economic and non-economic divergences between western OECD countries and those that are considered transition or emerging markets. Some variations are more evident like the fact that incomes are generally lower and government regulations in business decisions and currency volatility are generally higher in newer or developing markets. Some differences, however, are much more subtle and yet their consequences are often significant. The trend toward economic liberalization has created huge business opportunities around the world. The World Bank projects that over the next 25 years, emerging markets will increase their share of global GDP from 22% to 38% and that they will account for nearly half of the total GDP growth. However, as evidenced by the low expectations associated with the continuing (WTO) talks of the final Doha round, there remains no universal consensus as to how, or if at all, globalization should be embraced.

Format

This will be a 3 unit course and will be comprised of two distinct but highly integrated components. During the first half of the semester there will be four (4) traditional lecture periods with the usual requirements (case analyses, readings, discussions, etc.) lead by Brent Chrite. At the end of the lectures, there will be a recommended trip, for which leadership will be provided by local businessman, Kenneth Li, to China that will add considerable perspective and depth into many of the issues that we will have recently considered in class. The international trip is an integral though not mandatory component of the course.

Grading:

Case Analyses	40%
Research Paper	40%
Class Participation	20%

The classes will be based on teaching cases, journal, newspaper and magazine articles and current events. Each session will include one case and lecture discussion.

Assignments

Assignments include two written case analyses and a research paper that will be submitted by each of you individually.

A) Written Case Analysis: You may choose any **two** of the three teaching cases identified in the syllabus to analyze. Each case is to be completed in a memo format, double spaced with 1” margins and should be five pages in length. The analyses are due at the beginning of the corresponding class. Please address the following elements in your written analysis:

- 1) *Identify major problems/themes* – Identify the various problems/themes outlined in the case and discuss how they are or are not linked to one another. If you believe there is a theme that dominates the case, you should identify it as such. This is critical. The value of your remaining analysis is largely determined by this step.
- 2) *Identify potential solutions* – Develop a set of feasible solutions to help limit your analysis to a finite set of choices.
- 3) *Develop criteria for addressing/solving the problem* – State your approach to addressing/solving the problem. What are your relevant considerations? What are alternative solutions and how did you select among them? You should critically analyze the situation given the constraint of information and or resources available to you as indicated in the case.
- 4) *Make a final recommendation.*

B) Research Paper

For this assignment, you are to select an entry strategy for a real or fictitious company’s product or service into one or more emerging or transition markets. The strategy may or may not include a joint venture or other strategic alliance as an entry mode. You are to presume that the organization has only nominal knowledge about developing markets, but that it believes that the majority of population – consumer – growth is bound to occur in one of these regions and therefore warrants serious consideration. Your research paper is aimed at strengthening that consideration.

You are to write a report aimed at a company’s Board of Directors in an effort to support your position. As such, you need to provide context on issues including the **political environment** (stability, transparency, market-openness, trade liberalization, etc) and **economic indicators** (how might you interpret some key macroeconomic indicators as

they relate to your investment decision). In addition, you should also consider **competitive issues** (degree of rivalry for this product or service) as well as **non-commercial risks** associated with entering this market. You will also need to justify why you have chosen this particular country.

Based on materials and discussions from class, how might you gain a foothold in the marketplace? You will need to have some understanding of consumer purchasing power parity in the country, distributions channels options, infrastructure, access to ports and railways if necessary as well as human capital issues (is there sufficient local human capital resource to employ in this venture)?

The reports should be 12-15 pages long. You may include up to three appendices in your report. We are interested in knowing how well you understand key concepts and ideas as they relate to emerging markets and international competitiveness. I don't want merely a description of ideas and concepts. As graduate students, you're well past perfunctory descriptive surveys. We're looking for analytical rigor and application (even if it's a counter intuitive one) of the ideals and concepts to your business enterprise. What's the convergence? Why this model/framework? How would you best leverage it in this context? You will gain unusual insight into these ideas during your trip (for those of you planning to participate). The papers are due to me by June 21st.

Class 1 – May 10

Topic: Globalization: Context/Dimensions and the New Competition

Study Questions

- What are the primary dimensions of globalization in the 21st century?
- What do you consider to be the primary drivers of this phenomenon?
- Fifteen years ago geopolitical proclivities were contextualized around a cold war (and more recently) a post cold-war world? What's the framework for global interaction and priorities in this new environment?

Case Analysis: The Globalization of Cemex

Harvard Business School

READINGS

The New World Disorder

Nicolas Checa, John Maguire and Jonathan Barney

HBR, August 2003

The New Titans

The Economist. September, 2006.

Prospects for the Global Economy

Global Economic Perspectives: Managing the Next Wave of Globalization

IBRD, The World Bank Group, 2007

Class 2 – May 17

Topic: Managing Risks in Global Business & The Politics of Trade

Study Questions:

- What obligations, if any, does the West have to ensure the equitable *creation* of wealth around the world? What are the salient issues for developing markets at the intersection of investment and competition?
- What endogenous and exogenous variables are at work here to influence, positively and negatively the incorporation of market principles in TEMs in different parts of the world?
- Do you believe that the primary issue viz. growth and development in the poorer parts of the world is fundamentally one of economics or politics? Why?

READINGS

Case Analysis: The Chad-Cameroon Petroleum Development & Pipeline Project (A)

Harvard Business School

Globalization & Patterns of Economic Growth

Sachs, Jeffrey D.

Managing Risk in an Unstable World
HBR, June 2005.

In the Twilight of Doha. *The Economist*. July, 2006.

Class 3 – May 14th

Topic: Is There Really a Market at the Bottom of the Pyramid? Should your Company Pursue It?

Study Questions:

- Is maximizing shareholder returns fundamentally at odds with practicing *corporate social responsibility*?
- What role, if any, should US based multinational organizations have in advocating for US policies around the world? Is this within their purview? Should these organizations ever be an “extension of the US government?”
- Why do the *anti-globalists* oppose free trade? Is their position valid?

READINGS

The Fortune at the Bottom of the Pyramid – Eradicating Poverty through Profits
Prahalad, C.K. (Chapter 1, The Market at the Bottom of the Pyramid)
Wharton School Publishing (2005)

The Fortune at the Bottom of the Pyramid: A Mirage
Aneel Karnani. Ross School of Business at the University of Michigan Working Paper #1035. September, 2006.

Serving the World’s Poor, Profitably
HBR, September 2002.

Video: The New Heroes

Class 4 – June 7

The Dark Side of Globalization

- If there is an under-belly of globalization, does it impact rich western countries or does it only matter if you’re poor?
- Are there incentives for the society to grapple with these negative externalities?
- Do you believe that business or government or other entities are most responsible for managing such issues?

READINGS

Case Analysis: IKEA’s Global Sourcing Challenge: Indian Rugs and Child Labor
Harvard Business School

The Five Wars of Globalization.
Foreign Policy. January/February. 2003.

The New Global Slave Trade
Foreign Affairs, November-December 2006

How to Help Poor Countries
Foreign Affairs, July-August, 2005