

MGMT 655: Global Strategic Management
The Wharton School
Spring 2009 (Q4)

Mgmt 655 020 MW 9.00-10:30 JMHH 355
Mgmt 655 022 MW 10:30-12.00 JMHH 355
Mgmt 655 024 MW 1.30-3.00 JMHH 345

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PURPOSE OF THE COURSE

The course provides future managers with a clear conceptual understanding of:

- The fundamental economic and political factors affecting the international expansion of the firm, as distinct from purely domestic factors.
- The persistence of deep and momentous cross-national differences in the world that affect the strategy, performance, and value of the multinational firm.
- The models for organizing and managing a multinational network of subsidiaries, including how to coordinate and to transfer useful knowledge across borders.
- The sequence and mode of international expansion depending on the characteristics of the industry, the firm, and the host country.

The Wharton School is the world's preeminent center for international management research and education. The course intends to demonstrate that decisions affecting the international expansion of the firm are neither obvious nor totally determined by the technological or economic forces generally associated with globalization. Detailed case studies are used to illustrate that the internationalization of the firm is a sequential decision-making process operating at the country, industry, corporate, business, and subsidiary levels of analysis. Firms manage knowledge accumulation and transfer as they grow international through a mixture of planning and trial-and-error. Students will experience in the classroom the most important decisions that multinational firms face in the course of conducting business across borders.

Course takeaways:

- A set of conceptual tools to navigate through the often contradictory and ambiguous mass of information about how international competition takes place.
- A set of criteria for evaluating exactly which global strategy will help enhance the firm's long-term profitability and value.
- A clear understanding of how to evaluate and interpret the effects of economic, financial, political, and social factors on international management decisions.

REQUIREMENTS

- Class participation (25%).
- In-class midterm exam (15%), **Wednesday, April 1st, 2009**, 15 minutes.
- Take-home final exam (60%). The exam will be made available on **Tuesday, May 12, 2009 at 9 am and answers will be due on Wednesday, May 13, 2009 by 4.30 pm.**

A Note on Class Participation

Each student will be graded based upon his or her contribution to class discussion, as well as on his or her responses to the questions posted about each case before class. Effective participation is accomplished by focused comments or questions that demonstrate mastery of readings and cases and develop insights that are not immediately discernible from these materials. We especially encourage class participation that applies conceptual frameworks to case materials and that enriches the learning experience of the class.

A question will be posted in the "assessment" section of WebCafé before each class session. It will require you to make a decision based on the case material (and readings if relevant) (e.g. should Mondavi compete head-to-head with the Australian wine producers?) and to state the main reasons for your answer (bullet points are fine). Responding to this question will take little time in addition to your normal class preparation. You must respond to the poll no later than 6:00am on the day of the class. We will not accept any answers that are submitted to us by email.

We expect students to prepare for class, to attend class, and to be willing and ready to participate in each and every class discussion. Please inform the instructor in advance by email if you are going to miss a class.

READING MATERIALS

- All readings are available from Wharton Reprographics.

ABOUT THE INSTRUCTOR

Mary O'Sullivan is an Associate Professor of Management in the Wharton School of the University of Pennsylvania. Her research is on comparative systems of capitalism, with a particular focus on corporate governance and financial systems. She has written many articles on the subject and a book entitled Contests for Corporate Control: Corporate Governance and Economic Performance in the United States and Germany which was published by Oxford University Press in 2000. She is currently working on another book, Bonding and Sharing Corporate America: The US Securities Markets, Industrial Dynamics and Corporate Development, 1885-1930, which analyses the evolving relationship between financial markets and enterprise and industrial dynamics.

O'Sullivan completed her undergraduate education at University College Dublin (B. Comm.) and then worked at McKinsey in London for a couple of years. She went from there to do an MBA at Harvard Business School and then a PhD in Business Economics at Harvard University. Prior to moving to Wharton in the summer of 2005, she was employed as an Associate Professor in the Department of Strategy at INSEAD where she had worked since January 1997. O'Sullivan developed and taught the elective on "Innovation, Strategy, and Corporate Governance" at INSEAD and she was awarded the prize for the Best MBA Elective Teacher at INSEAD in 1997 and 2000. At Wharton, O'Sullivan has taught "Global Strategic Management" for the last three years and, in 2007, she was awarded the 2007 Helen Kardon Moss Anvil Award for teaching excellence in the MBA classroom.

1. Introduction to Global Strategic Management **[Monday, March 16]**

- Video: Watch Thomas Friedman summarize his book, *The World is Flat*, at <http://mitworld.mit.edu/video/266>
- Readings: Pankaj Ghemawat, "Why the World Isn't Flat," *Foreign Policy*, March-April 2007, pp. 54-60.
Richard Florida, "The World is Spiky," *The Atlantic Monthly*, October 2005, pp. 48-50.

FORMULATING GLOBAL STRATEGY

2. Industry Characteristics & Global Strategy **[Wednesday, March 18]**

- Reading: George S. Yip, "Diagnosing Industry Globalization Potential" in *Total Global Strategy II*, Prentice Hall, 2003.
- Case: Robert Mondavi and the Wine Industry, HBS 9-302-102.
- Questions: (1) What is the global potential of the wine industry?
(2) Characterize and evaluate the strategies of Mondavi's global competitors.
(3) Do you think that Mondavi should compete head-to-head with the Australian wine producers?

3. Location & Global Strategy: Home-Country Effects **[Monday, March 23]**

- Reading: Michael E. Porter, "Why Nations Triumph." *Fortune* March 12, 1990), pp. 94-108.
- Case: Swatch and the Global Watch Industry, Ivey School of Business 9A99M023.
- Questions: (1) How do you explain the shifting global leadership in the watch industry, from Swiss to American to Japanese and back to Swiss firms?
(2) How do you explain the success of Swatch as a company in this industry?
(3) Do you think that Swatch should continue to rely on Switzerland as the location for most of its activities?

4. Distance & Global Strategy: How Far is Too Far? **[Wednesday, March 25]**

- Reading: Pankaj Ghemawat, "Distance Still Matters: The Hard Reality of Global Expansion" *Harvard Business Review* Sept. (2001), pp. 137-147.
- Case: The Globalization of CEMEX, HBS 9-701-017
- Questions: (1) Is cement a global industry?
(2) What accounts for CEMEX's success to date? In particular, what are the benefits that CEMEX has derived from expanding across borders?
(3) How far can Cemex's competitive advantage travel?

- (4) Do you think that CEMEX is making the right strategic move in expanding into developed countries?

DESIGNING GLOBAL ORGANIZATION

5. Dispersion & Coordination of Activities

[Monday, March 30]

Readings: **The readings below are for the next two sessions. Please read them in advance of Session 5.**

Julian Birkinshaw, "The Structures behind Global Companies," *Financial Times*, 12/4/2000

Yves L. Doz, Christopher A. Bartlett, & C. K. Prahalad, "Global Competitive Pressures and Host Country Demands: Managing Tensions in Multinational Corporations." *California Management Review* 23(3) (Spring 1981), pp. 63-74.

Case: Acer Inc.: Taiwan's Rampaging Dragon. HBS 9-399-010.

- Questions: (1) Describe Acer's culture and organizational structure. Can Acer's early culture and practices be sustained as the company grows?
 (2) How responsive is Acer to local environments? How coordinated or integrated is it?
 (3) Analyze the advantages and disadvantages of allowing Acer America to design and market the Aspire.
 (4) If you were Stan Shih, would you give the Aspire project the green light? Is the organizational structure appropriate?

6. The Organization of the Multinational Enterprise

[Wednesday, April 1]

In-class midterm exam.

Readings: **See Session 5 above.**

Case: Philips versus Matsushita: A New Century, A New Round. HBS 9-302-049.

- Questions: (1) How did Philips become a leader in the industry? How did Matsushita overtake Philips? What distinctive capabilities did each firm possess?
 (2) What are the major problems currently facing each firm?
 (3) What specific organizational changes would you say each firm should implement?

7. Organizing for Global Innovation

[Monday, April 6]

Reading: José Santos, Yves Doz and Peter Williamson, "Is Your Innovation Process Global?" 45(4), pp. 31-37

Case: P&G Japan: The SK-II Globalization Project, HBS 9-303-003

- Questions: (1) Does SK-II have the potential to become a global brand within Procter & Gamble's worldwide operations? Why or why not?
- (2) Which of the three market options should Paulo DeCesare recommend to the GLT? What benefits do you expect to gain? What risks do you see?
- (3) How should he implement your recommended option? What are the implications for P&G's new post-O2005 organization? What support and/or resistance do you expect? How will you manage it?

ENTERING FOREIGN MARKETS

8. Market Entry Strategies

[Wednesday, April 8]

Reading: Franklin R. Root, "Designing Entry Strategies for International Markets." In *Entry Strategies for International Markets*. New York: Lexington Books, 1990, pp. 1-23.

Case: Häagen-Dazs and the European Ice Cream Industry in 1994, ECCH 396-009-1.

- Questions: (1) Why has Häagen-Dazs been so successful in its home country?
- (2) Why did Häagen-Dazs decide to expand internationally? Did it learn how to succeed globally as it entered new markets?
- (3) Do you like the second European entry plan? Please provide reasons for your answer.

9. Sequence & Pace of International Expansion

[Monday, April 13]

Case: "Wal-Mart Stores, Inc." Credit Suisse, March 25, 2006.
 "Special Report: Wal-Mart." *The Economist*, April 17, 2004, pp. 67-69.
 "Leahy's lead: A mixture of understatement and quiet confidence has turned Tesco from a domestic grocery chain...", *The Economist*, August 11, 2001.
 "Tesco: Fresh, but far from easy", *The Economist*, June 23, 2007.

- Questions: (1) Do you think there is a good strategic rationale for Wal-Mart &/ or Tesco to expand internationally?
- (2) Explain what you believe to be the rationale for the sequence in which, and the pace at which, Wal-Mart & Tesco have entered different markets.
- (3) Do you think Tesco's strategy to enter the United States makes sense?

NEW DEVELOPMENTS IN GLOBAL STRATEGIC MANAGEMENT

10. The Emergence of New Multinationals

[Wednesday, April 15]

- Readings: “A bigger world,” *The Economist*, September 18, 2008.
 “The empire strikes back,” *The Economist*, September 18, 2008.
- Case: Haier: Taking a Chinese Company Global, HBS, 9-706-401
- Questions: (1) What do the characteristics of the global large appliances industry tell you about the design of an effective competitive strategy?
 (2) Was there a good rationale for Haier to make global expansion its top strategic priority?
 (3) Do you think Haier is right to shun the conventional wisdom by focusing on markets in developed countries before turning to those in developing countries?

11. Local Concerns for Multinational Companies

[Monday, April 20]

- Case: Starbucks and Conservation International, HBS 9-303-055
- Questions: (1) How would you explain Starbucks’ success in the global coffee business?
 (2) Evaluate the strengths and weaknesses of the relationship between Starbucks and Conservation International?
 (3) Should Starbucks give in to the demands of Global Exchange and TransFair to purchase more fair trade coffee?

12. Conclusion to Global Strategic Management

[Wednesday, April 22]

Course wrap-up, class evaluations, and discussion of final take-home exam.