

MGMT 111: Multinational Management
The Wharton School
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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 rise of multinational corporations from emerging markets and its implications for global business.

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

- Homework assignments and class participation (30%).
- In-class midterm exam (20%), **Tuesday, February 16, 2010**, 25 minutes.
- Group project (50%).

A Note on Homework Assignments and Class Participation

Each student will be graded based upon the frequency and quality of his or her contribution to class discussion, as well as on his/her homework submissions 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.

There will be a homework assignment for most sessions. Before every case discussion session, a question will be posted in the "assessment" section of webCafé. 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 9:00am on the day of the class. On the sessions where there is no case discussion, students will be required to submit a 1-page critique of the reading(s) assigned to that session to the electronic submission folder on WebCafé no later than 9:00am 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 be on time) 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. Please remember to turn off your cell phones and Blackberries before the start of class. We enforce concert rules and request that no laptops should be open during class. Please bring your name tent to each class. Class participation will be affected by any class that you miss beyond two.

Group Project

The group project consists of a mini-report and a presentation on a key decision made by a multinational firm. It is worth 50 points (i.e. 50% of the total grade). Groups should have 5-6 members. The final report should provide: (1) a description of the company and industry background; (2) a description of the decision; and (3) a critique of the decision. The decision should be directly related to one or more of the ten key themes below:

1. The Global Environment and the Motivations for Foreign Direct Investment
2. Industry Characteristics & Global Strategy
3. Home-Country Effects
4. Distance & Global Strategy
5. Organization of the MNC: Dispersion & Coordination of Activities
6. Administrative Heritage and Organizational Changes in the MNC
7. Innovation in MNC Subsidiaries
8. Open Innovation and Global Knowledge Sourcing
9. Market Entry Strategies & Sequence and Pace of International Expansion
10. The Emergence of New Multinationals

The decision analyzed in the project could be one that helped the company become more competitive or profitable, or just the opposite. The specifications, distribution of points, and deadlines are:

- Deliverable #1: Deadline March 04, 2010 by 9:00am. A one-page, single-spaced, 12 point Times New Roman Font, with 1 inch margins all around, description of the project due. Please submit it to the electronic submission folder on WebCafé. (5 points)
- Deliverable #2: Deadline March 04, 2010. A 5-minute presentation of your project proposal. A hard-copy of the slides is due at the end of the class (5 points)
- Deliverable #3: Deadline April 22, 2010 by 9:00am. Final report due. Please submit it to the electronic submission folder on WebCafé. The final report should be no more than 10 pages, single-spaced, 12 point Times New Roman Font, with 1 inch margins all around, excluding tables or exhibits. (25 points)
- Deliverable #4: Deadline April 22, 2010. A 8-10-minute presentation of your final project. A hard copy of the slides is due at the end of the class (15 points)

We will have sessions in the course exclusively dedicated to the discussion and presentation of the project. In those instances, I will provide more details about the project and answer specific questions students may have. While the goal is for everyone in the group to receive the same grade, I have mechanisms to deal with group process issues that will punish free riders, and groups with concerns to this effect should contact me as soon as they become aware of the issues. Any student who misses his/her group presentations due to an unexcused absence will forfeit 50% of the oral presentation points earned by the group

READING MATERIALS

- All readings are available from Wharton Reprographics.

ABOUT THE INSTRUCTOR

L. Felipe Monteiro is an Assistant Professor of Management at the Wharton School, University of Pennsylvania. He obtained his Ph.D. in Strategic and International Management at the London Business School. He also has a LL.B. (JD equivalent) degree, *cum laude*, from the Federal University of Rio de Janeiro, a M.Sc. in Business Administration from COPPEAD/UFRJ, Brazil and a MRes in Business Studies from London Business School.

Before joining The Wharton School, Felipe was a Fellow, and an award-winning teacher, at the London School of Economics and Political Science (LSE). Prior to that, he was a Senior Researcher at the Harvard Business School's Latin American Research Center where he published several case studies on multinational corporations headquartered in Latin America. Felipe was also an Adjunct Professor at IBMEC Business School in Rio de Janeiro, Brazil, where he won seven teaching awards between 1998 and 2002. Prior to joining academia, Felipe was a Senior Analyst at Banco do Brasil acting as an advisor to foreign companies investing in Brazil.

His research focuses on knowledge processes within multinational corporations (MNCs), in particular, on how MNCs access external knowledge across organizational, technological and geographic boundaries. Felipe is also leading a research project on foreign direct investment strategies of MNCs headquartered in the BRIC (Brazil, Russia, India and China) countries. His research has been published in top academic and managerial journals and nominated to prestigious awards at the Academy of International Business and at the Academy of Management. He is an active member of the Academy of International Business, of the Strategic Management Society and of the Academy of Management.

His personal website is at: <http://www-management.wharton.upenn.edu/monteiro/>

INTRODUCTION TO MULTINATIONAL MANAGEMENT

Theme 1 – The Global Environment and the Motivations for Foreign Direct Investment

Session 1 - Thursday, January 14

Video: Watch Thomas Friedman summarize his book, *The World is Flat*, at <http://mitworld.mit.edu/video/266>

Readings

1. Pankaj Ghemawat, “Why the World Isn’t Flat,” *Foreign Policy*, March-April 2007, pp. 54-60.
2. Richard Florida, “The World is Spiky,” *The Atlantic Monthly*, October 2005, pp. 48-50.

Session 2 - Tuesday, January 19

Readings:

1. Walter Kuemmerle, Go Global-or No?, Harvard Business Review, June 2001, pp. 37-41
2. Stephen Tallman and Georges Yip, Strategy and the Multinational Enterprise, in *The Oxford Handbook of International Business*, 2nd edition, ed. Alan Rugman, Oxford University Press, 2009, pp. 308-340.

FORMULATING GLOBAL STRATEGY

Theme 2 - Industry Characteristics & Global Strategy

Session 3 - Thursday, January 21

Reading: 1. George S. Yip, “Diagnosing Industry Globalization Potential” in *Total Global Strategy II*, Prentice Hall, 2003, pp. 15-49.

Session 4 - Tuesday, January 26

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?

LOCATION & GLOBAL STRATEGY:

Theme 3 - Home-Country Effects

Session 5 – Thursday, January 28

Reading: 1. Michael E. Porter, “The Competitive Advantage of Nations”, *Harvard Business Review*, March-April 1990, pp. 73-91.

Session 6 - Tuesday, February 02

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?

Theme 4 - Distance & Global Strategy

Session 7 – Thursday, February 04

Readings: 1. Pankaj Ghemawat, “Distance Still Matters: The Hard Reality of Global Expansion” *Harvard Business Review* Sept. (2001), pp. 137-147.

Session 8 - Tuesday, February 09

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?

Session 9 – Thursday, February 11

Review Session

Session 10 – Tuesday, February 16

In-class mid-term exam. Group sign-ups due.

DESIGNING GLOBAL ORGANIZATIONS

Theme 5 – Organization of the MNC: Dispersion & Coordination of Activities

Session 11 – Thursday, February 18

- Readings:
1. D.Eleanor Westney and Srilata Zaheer, The Multinational Enterprise as an Organization, in *The Oxford Handbook of International Business*, 2nd edition, ed. Alan Rugman, Oxford University Press, 2009, pp.341-366.
 2. Julian Birkinshaw, “The Structures behind Global Companies,” *Financial Times*, 12/4/2000

Session 12 – Tuesday, February 23

- 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?

Theme 6 – Administrative Heritage and Organizational Changes in the MNC

Session 13 – Thursday, February 25

- 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?

Session 14 – Tuesday, March 02

Group project preparation

Session 15 – Thursday, March 04

Presentation of project proposals

SPRING BREAK: March 06 – March 14

MNC SUBSIDIARIES AND GLOBAL INNOVATION

Theme 7 – Innovation in MNC Subsidiaries

Session 16 – Tuesday, March 16

- Reading:**
1. Julian Birkinshaw and Torben Pedersen, Strategy and Management in MNE Subsidiaries in *The Oxford Handbook of International Business*, 2nd edition, ed. Alan Rugman, Oxford University Press, 2009, pp.367-388.
 2. Walter Kuemmerle, Building effective R&D capabilities abroad. *Harvard Business Review*, 75 (2), 1997, pp. 61 – 71.

Session 17 – Thursday, March 18

- 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?

Theme 8 – Open Innovation and Global Knowledge Sourcing

Session 18 – Tuesday, March 23

- Reading:**
1. José Santos, Yvez Doz and Peter Williamson, "Is Your Innovation Process Global?" *MIT Sloan Management Review*, Summer 2004, pp. 31-37
 2. Larry Huston and Nabil Sakkab, Connect and Develop, Inside Procter & Gamble's New Model for Innovation, *Harvard Business Review*, March 2006, pp. 2-9.
 3. Henry Chesbrough, H.. The era of open innovation. *MIT Sloan Management Review*, 44 (3), 2003, pp. 35 – 43.

Session 19 – Thursday, March 25

- Case: BT Group: Bringing External Technology Inside, ECCH 307-045-1
- Questions: (1) How do you compare BT's technology scouting units with a typical subsidiary in a multinational corporation? What makes their mandate distinctive?
- (2) What are the main challenges involved in this global technology scouting *process*?
- (3) Among the three growth avenues being considered by Frangos, which one would you recommend to him? Why?

ENTERING FOREIGN MARKETS

Theme 9 - Market Entry Strategies & Sequence and Pace of International Expansion

Session 20 – Tuesday, March 30

- Reading: 1. Franklin R. Root, "Designing Entry Strategies for International Markets." In *Entry Strategies for International Markets*. New York: Lexington Books, 1990, pp. 1-23.
2. Johanson, J., & Vahlne, J.-E. (1977). The Internationalization Process of the Firm -- A Model of Knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies*, 8, 23-32.
3. Vernon, R. (1966). International Investment and International Trade in the Product Cycle. *Quarterly Journal of Economics*, 80, 190-207.

Session 21 – Thursday, April 01

- Case: Häagen-Dazs' Entry in to Europe, Wharton case study
- 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.

Session 22 – Tuesday, April 06

- 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 MULTINATIONAL MANAGEMENT

Theme 10 - The Emergence of New Multinationals

Session 23 – Thursday, April 08

- Readings:
1. Mauro Guillen and Esteban Garcia-Canal, The American Model of the Multinational Firm and the “New” Multinationals from Emerging Economies, *Academy of Management Perspectives*, May 2009, pp. 23-35.
 2. Karl Sauvant, The rise of TNCs from emerging markets: the issues, in *The Rise of Transnational Corporations from Emerging Markets: Threat or Opportunity?*, Northampton: Edward Elgar, 2008, pp. 3-14
 3. Ravi Ramamurti, Why study emerging-market multinationals?, in *Emerging Multinationals in Emerging Markets*, Cambridge: Cambridge University Press, 2009, pp. 3-23.

Session 24 – Tuesday, April 13

Case: Grupo Elektra. HBS 9-502-039

- Questions:**
- (1) What are the respective roles of the retail offer and the consumer credit offer in the Elektra business model? How important is each to the group’s performance?
 - (2) Is Elektra’s business model transferable to other countries, or is it Mexico-specific?
 - (3) Where are the greatest expansion opportunities for Elektra: Latin America or the Hispanic market in the US?

Session 25 – Thursday, April 15

- Readings:
1. Afonso Fleury and M.T. Fleury, Brazilian Multinationals: Surfing the waves of internationalization, in *Emerging Multinationals in Emerging Markets*, Cambridge: Cambridge University Press, 2009, pp. 200-243.

2. Daniel McCarthy, Sheila Puffer and Oleg Vikhansi, Russian Multinationals: Natural resource champions, in *Emerging Multinationals in Emerging Markets*, Cambridge: Cambridge University Press, 2009, pp. 167-199.

3. Ravi Ramamurti and Jitendra Singh, Indian multinationals: Generic internationalization strategies, in *Emerging Multinationals in Emerging Markets*, Cambridge: Cambridge University Press, 2009, pp. 110-165.

Session 26 – Tuesday, April 20

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?

CONCLUSION TO MULTINATIONAL MANAGEMENT

Session 27- Thursday, April 22

Group project preparation

Session 28 – Tuesday, April 27

Final project presentations