



MGMT 205: Multinational Corporate Strategies

The Wharton School

Fall 2012

Tue, Thu 1:30-3

JMHH 255

Professor Ann Harrison

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Office Hours: Tue: 3:30-4:30 pm.

Send an email for an appointment outside of office hours

PURPOSE OF THE COURSE

This course is designed to immerse you in the challenges faced in operating via trade or multinational firms in international markets. Through a combination of case discussions, readings, and lectures, we will outline the evolving global business environment, and the often-conflicting demands of multiple stakeholders such as local and overseas customers, joint venture partners, or governmental organizations. We will conclude the course with a discussion of entrepreneurship in global markets.

We will explore the key activities undertaken by managers to evaluate international business opportunities, develop market entry strategies and effectively manage expansion in international markets. We will consider emerging global firms as well, with a particular emphasis on operations in India and China, but also covering Latin America and Africa.

This syllabus is a plan, not a contract. I reserve the right to change it without notice.

REQUIREMENTS

- Class participation (25%).
- In-class midterm exam (25%)
- Group Project (50 %)

CLASS PARTICIPATION

Class participation includes three components: (a) class attendance; (b) frequency of class participation; (c) quality of class participation.

I 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. Your class participation grade will be affected by any class that you miss beyond one. Please inform me in advance by email (annh@wharton.upenn.edu) if you are going to miss a class.

For each case, you will be asked to come to class prepared to discuss your views on the questions included on this syllabus. High quality class participation, in response to these questions and

others during class, is accomplished by focused comments that demonstrate mastery of the readings and the cases and develop insights that are not always obvious from a quick look at the materials. I especially encourage class participation that applies conceptual frameworks to case materials and that enriches the learning experience of the class.

CONCERT RULES:

We enforce concert rules and request that no laptops should be open during class. Please remember to turn off your cell phones and Blackberries before the start of class.

READING MATERIALS

All readings are available from Study.Net

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 no more than 5 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 six key themes below:

1. The Global Environment
2. Comparative Advantage and Global Strategy
3. Trade costs: tariffs and the cost of increasing distance between corporate headquarters and host country
4. Organization of the MNC (managing the multinational, ethics, corporate social responsibility)
5. Market Entry Strategies & Sequence and Pace of International Expansion
6. Multinationals in Emerging Markets

Deliverable #1: Deadline Thursday, November 1, 2012. A project proposal. Maximum 5 double spaced papers due at the beginning of the class (10 points)

Deliverable #2: Deadline Thursday, December 6, 2012 by 9:00am. Final report due. Please submit it to the electronic submission folder. After 9:05 am the project is considered "late" and Canvas will no longer accept the report. 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. (20 points)

Deliverable #3: Deadline Thursday, December 6, 2012. A 10-minute presentation of your final project. Hard copy of the slides is due at the end of the class (20 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. 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

ABOUT THE INSTRUCTOR

Ann E. Harrison is Professor of Multinational Management at the Wharton School, University of Pennsylvania. She has also taught at the MBA, PhD, and undergraduate levels at various other universities, including Columbia Business School, the University of California, Berkeley, the Kennedy School of Government at Harvard University, and the University of Paris. At Columbia Business School, she taught courses to MBA students in International Business and Emerging Markets.

Before joining the Wharton School, Professor Harrison spent two years in Washington D.C. as the Director of Development Policy at the World Bank. In that role, she worked closely with the chief economist World Bank President. Prior to that, she served as the head of the research team at the World Bank on international trade and investment. Between 2001 and 2009, she was a professor at the University of California, Berkeley. Professor Harrison received her PhD in Economics from Princeton University and graduated with highest distinction in Economics and History from the University of California, Berkeley. She also has a history degree from the University of Paris.

Professor Harrison is a Research Associate at the National Bureau of Economic Research in Cambridge, and an affiliate of the International Growth Centre in London. She is on the editorial boards of the *Journal of Asian Economics*, the *World Bank Research Observer*, and on various other advisory committees at the World Bank, the United Nations and elsewhere.

Her research is in the areas of emerging markets, multinational firms, international trade, productivity, and labor markets. Professor Harrison has published in the top journals in her areas of research. Her book, *Globalization and Poverty*, was published by the University of Chicago Press. She has lectured widely, including at most major US universities and in India, China, Latin America, Europe, the Philippines, and North Africa.

MULTINATIONAL CORPORATE STRATEGIES

Theme 1 – The Global ENVIRONMENT

Session 1 - Thursday, September 6

Reading: Thomas L. Friedman, “It’s a Flat World, After All” *NYT Magazine* April 3, 2005.

Reading: Pankaj Ghemawat, “Why the World Isn’t Flat,” *Foreign Policy*, March-April 2007, pp. 54-60.

Session 2 - Tuesday, September 11

Mini Case: Walter Chu, “Play it Safe at Home, or Take a Risk Abroad?” *Harvard Business Review* January/February 2012

Question: Should Coe’s expand internationally? Why or why not?

Illustration of gains from trade

Theme 2 – COMPARATIVE ADVANTAGE and Global Strategy: Trade

Session 3 - Thursday, September 13

Comparative Advantage and the Ricardian Framework (I)

Reading: Chapter 2 in “International Economics: Theory and Policy”, Paul Krugman, Maury Obstfeld, and Marc Melitz, 9th Edition.
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.

Session 4 - Tuesday, September 18

Comparative Advantage and the Ricardian Framework (II)

Reading: Chapter 3 in Paul Krugman, Maury Obstfeld, and Marc Melitz, 9th Edition.

Session 5 – Thursday, September 20

Reading: George S. Yip, “Diagnosing Industry Globalization Potential” in *Total Global Strategy II*, Prentice Hall, 2003, pp. 15-49. 6

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 global strategies of Mondavi’s global competitors.
(3) Do you think that Mondavi should compete head-to-head with the Australian wine producers?

Session 6 - Tuesday, September 25

Trade, National Clusters, and Innovation

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

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) Do you think the wrist watch could become an obsolete product?

Theme 3 – TRADE COSTS

Session 7 – Thursday, September 27

Man-made costs of trade: Tariffs in small and large countries

Reading: "The Instruments of Trade Policy", Chapter 9 in Krugman, Obstfeld, Melitz, ninth edition.

Session 8 - Tuesday, October 2

Other trade costs: Distance and gravity models

Reading: Keith Head, "Trade Costs", Chapter 4 in *Elements of Multinational Strategy*, 2007.

Session 9 – Thursday, October 4

Case: The Globalization of CEMEX, HBS 9-701-017

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

- Questions:
- (1) Is cement a global industry? What benefits has CEMEX derived from expanding across borders?
 - (2) What accounts for CEMEX's success in the period leading up to 1999?
 - (3) Do you think that CEMEX is making the right strategic move in expanding into developed countries?

Session 10 – Tuesday, October 9

Trade blocs and global strategy

Reading: “Trade Liberalization: Why so much controversy?” Ann Harrison and Helena Tang, in *Economic Growth in the 1990s: Learning from a Decade of Reform*, World Bank, Washington, D.C., April 2005.

Session 11 – Thursday, October 11

Midterm Review

Session 12 – Tuesday, October 16

Midterm preparation time (no lecture)

Session 13 – Thursday, October 18

Midterm

Theme 4 – ORGANIZATION of the Multinational Firm: Globalization via foreign investment

Session 14 – Thursday, October 25

Direct Foreign Investment as Global Strategy

Reading: “Firms in the Global Economy: Export Decisions, Outsourcing and Multinational Enterprises”, Chapter 8 in Krugman, Obstfeld, Melitz.

Session 15 – Tuesday, October 30

Entering International Markets

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: The Huffington Post, HBS 9-810-086

Questions: (1) What are the HuffPost’s distinctive competitive advantages?
(2) Do you agree with the decision to sell the HuffPost to AOL?
(3) Should the HuffPost accelerate its international expansion?

Theme 5: MANAGING the Multinational Firm

Session 16 – Thursday, November 1

Project Proposal Due at BEGINNING of class

Management Styles across Multinationals

Reading: 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: Philips versus Matsushita: The Competitive Battle Continues. HBS 9-910-410.

- 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?
 - (4) Which company (Philips or Matsushita) would you prefer to run?

Session 17 – Tuesday, November 6

Doing Well while Doing Good in International Business

Reading: Jenny C. Aker, and Isaac M. Mbiti, “Mobile Phones and Economic Development in Africa.” *Journal of Economic Perspectives* 24(3):207-232.

Case: Mobile Banking for the Unbanked, HBS 9-511-049

- Questions:
- (1) Why did m-pesa succeed?
 - (2) Is its success replicable elsewhere?
 - (3) What recommendations would you make to Wizzit?

Session 18 – Thursday, November 8

Managing the multinational in emerging markets: China

Case: Haier: Taking a Chinese Company Global, HBS, 9-712-408

- 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?

Session 19 – Tuesday, November 13

Managing the multinational in emerging markets: Agro-industry in Africa

Readings: Mauro F. Guillén and Esteban García-Canal, “The Rise of Emerging Market Multinationals”, *IESE Insight*, Issue 10 Third Quarter 2011, pages 13-19.
Ann Harrison and Claudia Sepulveda, “Learning from Developing Country Experience”, *Comparative Economic Studies*, 2011, 53, pages 431-440.

Case: Olam International, HBS 509002.

Questions: (1) What lessons could a would-be entrepreneur learn from the early successes of Olam?
(2) How would you appraise the promise of the three growth pillars (page 9)?
(3) How do you answer Sunny’s questions at the end of the case?

Session 20 – Thursday, November 15

Managing the Multinational in Emerging Markets: India

Case: Biocon: from Generics Manufacturing to Biopharmaceutical Innovation”, Asia Case Research Center, the University of Hong Kong KHU-657

Questions: (1) What role has the global framework on trade and the WTO played in Biocon’s strategic shift beyond a focus on generic drugs?
(2) Identify other global trends that feed into Biocon’s strategy.
(3) Do you agree with Biocon’s shift from generics to innovative drugs? What do you recommend to help Biocon make this shift?

Session 21 – Tuesday, November 20

Local Concerns for Multinational Companies

Case: Apple Suppliers in China. “In China, the Human Costs That are Built Into an iPad”, *New York Times*, January 26, 2012, pages 1, B10 and B11.

Reading: Ann Harrison and Jason Scorse, “Improving the Conditions of Workers? Minimum Wage Legislation and Anti-Sweatshop Activism”, *California Management Review*.

Questions: (1) Should Apple be responsible for the behavior of its suppliers? Why or why not?
(2) Propose a strategy for ensuring that the company’s suppliers conform to Apple’s code of conduct.
(3) Would it be wise to terminate a supplier relationship on the basis of violations of labor or environmental standards in industrial countries? Why or why not?

Theme 6 - SPECIAL TOPIC: Entrepreneurship (22 and 23)

Session 22 – Tuesday, November 27

Creating and Leveraging Entrepreneurial Ecosystems

Reading: Daniel J. Isenberg, “How to Start an Entrepreneurial Revolution.” *Harvard Business Review* (2010), reprint R1006A.
Kenneth W. Harris, “Bike to the Future.” *The Futurist* (March-April 2011):25-28.
John Pucher and Ralph Buehler, “Cycling for Everyone: Lessons from Europe.” *Transportation Research Record* 2075(2008):58-65.

Questions: (1) What are the key elements of the bicycle ecosystem from the point of view of fostering entrepreneurship?
(2) What types of subsidies or cross-subsidies do you believe would be most effective to foster bicycle use?
(3) What new business ideas do you envision in this space?

Session 23 – Thursday, November 29

The Creation of Comparative Advantage and entrepreneurship

Reading: “To Conquer Wind Power, China Writes the Rules.” *The New York Times* (December 15, 2010), p. 1.
Pankaj Ghemawat, “Differences Across Countries: The CAGE Distance Framework.” *Harvard Business School Publishing Reprint 2919BC*.

Case: The Suzlon Edge, HBS 9-708-051

Questions: (1) What do you think are some of the key drivers of profitability in the wind industry?
(2) Does vertical integration make sense ?
(3) Does Suzlon have a comparative advantage in this sector?
(4) What will be Suzlon’s major challenges going forward? Would you buy its stock?

Session 24 – Tuesday, December 4

Course Wrap-up

Session 25 – Thursday, December 6

Final project presentations