

Volume 5

International Business

**Business Administration
Reading Lists and Course Outlines**

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Compiled by Richard Schwindt, *Simon Fraser University*,
August 1990

NOTE TO THE USER

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These volumes will be useful to both individual teachers and curriculum committees when revising existing courses and creating new ones. They will also be helpful for librarians responsible for acquisitions in the business area. But, as before, there is a less modest goal. Between publication in academic journals and integration into mainstream textbooks, scholarly research passes through the transition stage of classroom exposure. Hopefully, these volumes will facilitate that transition.

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Richard Schwindt, *Simon Fraser University*

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BA 344 International Strategy
Spring 1990
Tuesday & Friday
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OBJECTIVE

The basic objective of this course is to develop competence relevant to strategy formulation and implementation in a multinational enterprise and in an international context. It builds on the conceptual foundations laid in the first year's and the International Environment courses. It aims to provide students with the theoretical knowledge, skills and sensitivities that will help them deal effectively with the strategic and managerial problems of managing in a global environment. To achieve this objective, we shall rely on:

- 1) readings and lectures to provide concepts, ideas and facts. Some of the readings are from Jagdish Sheth and Golpira Eshghi, Global Strategic Management Perspectives (Southwestern, 1989). Other readings are on reserve in the library.
- 2) case analyses of real life firms to develop analytical, diagnostic and behavioral skills.

COURSE BACKGROUND

The world economy has become increasingly integrated. Traded goods, money, information, and services have all leaped over national boundaries and markets for more and more goods and services are now global in structure. The changing global pattern of international division of labor makes labor increasingly globally integrated. The new information technologies allow instantaneous communication worldwide, thus facilitating coordination among all parts of global enterprises. All of these forces of change created a more complex international business environment. Multinational enterprises (MNEs) have become the most important single element in creating and shaping global production system. National boundaries vary in their degree of permeability to the flow of factors of production and of traded goods, but all of them are affected by the growing importance of MNEs. The 500 largest MNEs control over half of the world's exchange of manufacturing goods and services. The growing interdependence of the global economic system and the important role of the MNEs create the need to study the strategic issues, operating problems and management challenges associated with operations across national boundaries.

Until the end of the 1960s MNEs typically operated fairly autonomous national subsidiaries, each catering to its own national market. Since then, the strategy of a national responsiveness to each nation-state market has been altered and replaced, at least in some cases, integration of operations on a world scale to enable the firm to pursue a global strategy. The degree of integration has been related to the underlying economic and technical characteristics of the business, but also to the particular set of host government policies and strengths. To the extent that MNEs did become more globally integrated, they added many more organizational complexities and control problems. Domestic firms, in particular in mature industries, have

faced stronger foreign competition and had to alter their strategies in response to these challenges.

We shall focus on the management challenges associated with the design of international strategy, problems of competition in the global environment. We shall also explore the differences in strategy, behavior and performance among Japanese, U.S. and European MNEs. Finally, we shall analyze the organizational relations between country managers, regional managers and the MNE headquarters.

The course is composed of 5 modules: Strategy Design and Changing International Patterns of Business; Changing Industry's Structure in the Global Arena; Global Strategy, Technology and Government Policy, Shifting Comparative Advantage; and Strategic Implementation.

COURSE REQUIREMENTS

Grade: The final grade will be a weighted average of:
class participation 20%
written case analyses 36%
mid-term report 24%
final exam 20%.

Class Participation: Students are required to arrive at each and every class prepared to discuss the day's material. Class participation comprises attendance and effective verbal discussion of materials. Participation is encouraged because it is important to learning. A student can receive about 50% of his or her class participation grade simply by attending each and every class. The rest of the grade is based on the student's contribution to class discussion.

Case Analyses or Essays: You are expected to submit in writing six case analyses or essays out of seven (7) assigned. Each written submission is worth 6% of the grade or a total 36% of final grade. Written assignments are marked with an (*). Written assignments are always due on the day they are discussed in class, and they should be turned in before class discussion.

Written Assignments should be

- typewritten (preferably)
- properly structured, written, spelled and proofread
- with your name written on the back of the paper (last side) so that you may remain anonymous when being graded.

The essence of a first-rate written analysis rests on the following: (a) the questions have been answered on the basis of the available facts (please repeat the questions throughout your paper in order to be sure that you did not leave any of them out); (b) the readings have been creatively used to interpret the facts and/or to discuss alternatives (the point is not to repeat the facts or to summarize the readings but rather to answer the questions as asked); and (c) imagination is used in devising solutions.

Mid-term Report: In lieu of a midterm, each student is asked to prepare, present and turn in a 3-page (plus appendices) position paper analyzing the current corporate strategy of a multinational corporation. Information can be collected by pursuing annual reports, Form 10-K (Securities & Exchange Commission), the Business International Corporation Master Key Index, personal interviews, and/or by writing to the Public Relations/Corporate Affairs officer of the company to request a copy of their recent annual reports, other relevant documents, names of people to contact (do that later: first get the materials), and if available - a bibliography of articles written about the company in recent years.

This paper should not be a description of how many countries the company operates in, the size of personnel and assets overseas, etc., but should focus on its international strategy.

The paper should be done individually, but the presentation may be done by more than one student.

The position paper will be presented and the strategy proposed defended orally before an outside board of directors.

Final exam: The final exam will be based on the readings and on data to be given before the written exam but may be substituted by a written assignment with the prior approval of the teacher.

MODULE I STRATEGY DESIGN AND CHANGING INTERNATIONAL PATTERNS OF BUSINESS

1/16 Session #1 Introduction and Course Overview

The purpose of this introductory session is to allow you to understand the course contents and requirements. We shall identify the key issues that need to be explored and provide a general road map of how these issues fit into the course framework.

READINGS: Pankaj Ghemawat and A. Michael Spence "Modeling Global Competition" in Michael Porter (ed.) *Competition in Global Industries*, pp. 61-82.

1/19 Session #2 Overview of Strategic Management

In this course, the basic question is, "What is different about a global strategy?" To understand these differences, it is necessary to start with an understanding of what strategy is all about. This class will consist mainly of a lecture.

READINGS: Sheth and Eshghi: Introduction

Ira C. Magaziner and Robert B. Reich, *Minding America's Business*, New York: Harcourt Brace Janovich, 1982, ch. 11, pp. 135-142.

Quinn, Mintzberg and James, *The Strategy Process*, pp. 42-56.

1/23 Session #3

***CASE: Merloni Group**

In this case we will examine an Italian appliance manufacturer's motivations for expanding into France. We shall evaluate the viability of the strategy and attempt to determine the sources of conflict between the French subsidiary and the Italian headquarters.

Assignment Questions

1. Evaluate Merloni's internationalization strategy and its appropriateness to the industry situation and the firm's competitive position.
2. Evaluate the management systems, the decision-making processes, and the relations between the Italian headquarters and the French subsidiary. What are the sources of tension?
3. What are the major differences between Merloni's operations strategy in Italy and in France?

1/26 Session #4 Level of Analysis I: State/Society U.S. Competitiveness

READINGS: Clyde V. Prestowitz, Jr. *Trading Places*, chs. 1-2.

Geert Hostede and Michael Harris Bond, "The Confucius Connection: From Cultural Roots to Economic Growth," in *Organizational Dynamics*, Spring 1988, pp. 5-21.

Yoshi Tsurumi, "Japan's Challenge to the U.S.: Industrial Policies and Corporate Strategies," in Sheth and Eshghi, ch. 11.

1/30 Session #5 Level of Analysis II: Industry

Industry analysis is intended to help in understanding the differences in structure and dynamics of various industries in the world economy. It therefore helps to determine the attractiveness of the industry to its current and potential participants and the characteristics of the industry that affect competition. From an international strategic standpoint, it is important to classify industries along a global-domestic spectrum, to understand the nature of the variables that contribute to the differences in industry characteristics, and the dynamics of the industry: what are the forces that modify or even revolutionize an industry's structure in the international environment?

READINGS: Gary Hamel and C. K. Prahalad, "Do You Really Have a Global Strategy?" in Sheth and Eshghi, ch. 1.

J. D. Daniels, "Combining Strategic and International Business Approaches Through Growth Vector Analysis," in Sheth and Eshghi, ch. 4.

Herbert Hensler and Wilhelm Rall, "Facing Up to the Globalization Challenge," in Sheth and Eshghi, ch. 6.

- 2/2 Session #6 Level of Analysis III: The Firm: Unique Firm-Specific Advantages: Internalizing Theories.
 The economic explanation of the nature of the MNE emphasizes the internalizing process as a substitute to free trade among nations. The less the tariff and other government constructed barriers to free trade, the more firms can compete on a world market share, but not necessarily by producing in all markets. "Internalizing" provides a key source of competitive advantage over other domestic firms. However, benefits must be managed, and do not accrue automatically. For any potential to be realized, managers must make conscious decisions to achieve the benefits, and develop an effective organization capable of carrying out the tasks. In this session, we shall review the various explanations of foreign investments and pay special attention to FDI in the U.S.

READINGS: J.H. Dunning, "The Eclectic Paradigm of International Production: An Update and a Reply to Its Critics," Journal of International Business Studies, Vol. 19, No. 1, Spring.

George S. Yip, "Global Strategy ... in a World of Nations?" Sloan Management Review, 31, 1, Fall, 1989, pp. 29-42.

- *Assignment 1: Write a 3 page essay summarizing
- a) the major theoretical reasons for global operations
 - b) the major explanation of multinational advantages
 - c) the differences between domestic and global strategy

MODULE II CHANGING INDUSTRY'S STRUCTURE IN THE GLOBAL ARENA

- 2/6 Session #7 Caterpillar Tractor Co.
 In the two-part case series on Caterpillar Tractor Co. and Komatsu Limited, we will analyze the competitive interaction between an established U.S. company with a dominant world market share and a Japanese challenger. Undeterred by Cat's reputation as one of the U.S.'s most successful international companies, Komatsu appears to have found a way to build a strong competitive position. We will try to understand the source of Cat's international success over so many years, assess the viability of the Komatsu challenge, and make predictions about the competitive outcome.

Assignment Questions:

1. What are the key elements in Caterpillar's strategy? What is the source of its outstanding success in the worldwide earth-moving equipment industry?
2. What changes do you see in the industry and the competitive environment? What implications do they have for companies in the industry?

3. How well is CAT positioned for the future? What recommendations would you make to Lee Morgan at the meeting in October 1981?

READINGS: T. Hout, M.E. Porter, and E. Rudden "How Global Companies Win Out" in *Harvard Business Review*, September/October, 1986, pp. 98-108.

T. Levitt, "The Globalization of Markets" in *Harvard Business Review*, May/June, 1983, pp. 92-102.

M. E. Porter "The Changing Patterns of International Competition" in *California Management Review*, 1986, 28(2).

2/9 Session #8 Komatsu Limited

Assignment Questions:

1. What are the sources of Komatsu's success?
2. What environmental changes are critical to companies in this industry?
3. How are Komatsu (and Caterpillar) affected by these trends?

*2/13 Session #9 A Note on the World Copier Industry

By operating in an international environment, the MNE can (and often must) play a different and much more complex competitive game than its purely domestic counterpart. Some competitive advantages flow from the motivations that initially attracted companies abroad (e.g., access to lower factor costs, the drive to achieve manufacturing and R&D scale economies). However, we also observe and analyze other less benign competitive strategies that have been termed "global chess games."

Assignment Questions:

1. How has the structure of the world copier industry changed? Why did Xerox hold such a dominant position?
2. How did new entrants succeed in the 1970s?
3. Why did the industry "globalize"?

2/16 Session #10 Canon

Assignment Questions:

1. What has been Canon's strategy in copiers?
2. Why has Canon emerged as number 2 in the industry?

3. What are the major problems faced by Canon in 1983? What are alternative strategies?

*2/20 Session #11 The Oil Tanker Shipping Industry in 1983

Assignment Questions:

1. What is your structural analysis of the oil tanker shipping industry? Why are industry prices so volatile? What is the long run profit potential?
2. Why have the oil companies adopted a policy of tapered integration?
3. Why was tanker capacity so overbuilt?
4. As an independent shipowner with access to capital and long-time horizon, what are your strategic alternatives for coping with this structure? Identify several alternative positionings and evaluate their relative merits.

2/22 Session #12 CASE: Note on the Paper Machinery Industry
(Date changed to allow you to participate in International Symposium.)

Assignment Question

What were the major changes in the paper machinery industry? What were the causes of these changes?

2/27 Session #13 Dominion Engineering Work
Dominion Engineering Works is a medium size Canadian Company in an industry undergoing a major structural transformation. Despite having introduced the industry's first technological breakthrough in over a century, DEW is rapidly losing market share and profits to three emerging global giants. Our task is to analyze the source of its problem and propose strategies to help DEW defend itself against global competition.

Assignment Question:

1. Evaluate Dominion's paper machine strategy through 1980. How well are they positioned for the 1980's? What opportunities? What threats?
2. When reviewing their paper machine business, what should DEW's objective be? What strategy would you recommend to DEW to achieve that objective? (Please be prepared to give specific recommendations, including predicted results and risks.)

MODULE III GLOBAL STRATEGY, TECHNOLOGY AND GOVERNMENT POLICY

3/2 Session #14 Industrial Policy for High Technology

We shall discuss government's role in High Technology Industries. The MNE operates in an environment of nation-states. In addition to economic demands and pressures, the MNE is also exposed to a variety of national, social, and political influences that can influence its operating decisions and even its broader strategies. The issues involved are often ethical and moral as well as economic and strategic, and we are forced to struggle with questions relating to the role and responsibility of the MNE and its managers in the international environment, but also to learn how to assess and anticipate government policies and other environmental changes leading to increased risks.

READINGS: Peter B. Evans "State, Capital and the Transformation of Dependence: The Brazilian Computer Case"

Ravi Sarathi, "Living with Protectionism: The Brazilian Informatics and U.S. Multinational Response"

Joseph M. Grieco, "Between Dependency and Autonomy: India's Experience with the International Computer Industry," International Organization, Vol. 36, No. 3, Summer, 1982, pp. 609-32.

Yves L. Doz, Christopher A. Bartlett and C.K. Prahalad, "Global Competitive Pressures and Host Country Demands," in Sheth and Eshghi, ch. 2.

John C. Camillus, "Technology-Driven and Market Driven Life Cycles," in Sheth and Eshghi, ch. 3.

3/6 Session #15 EMI and the CT Scanner (A)

Assignment Questions

1. What predictions can you make about industry and competitive developments as of 1972?
2. Should EMI enter this business? Why/why not?
3. How would you implement your recommendations?

*3/9 Session #16 EMI and the CT Scanner (B)

The case series on EMI and the CT Scanner describes the strategic and organizational challenges faced by a U.K.-based company in the entertainment industry that develops the world's first brain scanner. After deciding in the board room whether this new product represents an appropriate base on which to build an international operation, we will then put ourselves on the front lines in the company's U.S. subsidiary to develop an understanding of how a broad international strategy is