

Business Strategy in the Global Economy (MN 30409)

4th Year, BA/BSc degrees
University of Bath
Term 2, 2008/9

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Office: Room 8W – 3.11
Office hours: usually Wednesdays 11:30-13:00
Sign up at the door – if noone has signed up there will be an ‘open door’

Class: Tuesdays 5:15 – 7:00 pm
Room 1W - 2.7

Contents

The world is the stage where businesses develop their strategies. Interdependencies across countries and continents require businesses to think in global dimensions, even if their actual activities are confined to narrower geographic sphere. The course introduces students to the core issues, themes and perspectives facing businesses in the real world of strategy and to explore the opportunities and challenges that arise for businesses in this era of global competition and the global interdependence of supply chains, innovation, and social movements.

Building on students’ prior understanding of strategic management, the course covers a range of issue pertinent to companies operating on the global stage, including:

- Managing institutional differences and supra-national institutions
- Developing and maintaining strategic capabilities through global operations
- Developing foreign entry and growth strategies
- Managing global supply chains
- Managing in an expatriate role
- Evaluating ethical challenges in international business.

The course uses primarily case study discussion as a means of learning. In addition, lectures and group discussions will be used to teach the concepts and practice of strategy formulation and implementation.

Learning Objectives

By the end of this unit, the student should be able to:

- display a sound understanding of theories of strategic management as they apply to international contexts, and be able to appraise models and evidence critically;

- determine how the international environment (economic, legal, social, political) conditions the strategies of an organization;
- evaluate and interpret new information and theory, and engage in problem solving, thereby demonstrating a capacity to think clearly, logically and practically about a range of international business issues;
- identify feasible strategic responses in a given situation;
- assess strategic responses for suitability;
- advocate a strategic option after assessment.

Readings

The main basis for the concepts and cases used in this course is the textbook:

Peng, Mike W. (2006): *Global Strategy*, 1st ed., Thomson-Southwestern.

This book is recommended for acquisition, and copies are available at the bookshop. Selected articles are assigned on specific topics as specified in this outline. In addition to the main text, you may consider a number of complementary books:

- Adler, N. with Gundersen A. (2008): *International Dimensions of Organizational Behavior*, 5th edition, Southwestern. [Advanced level textbook exploring culture and its implications for business, e.g. cross-cultural teams, negotiations and expatriates]
- Bartlett, C.A., Ghoshal, S. and Birkinshaw, J. (2007): *Transnational Management : Texts, Cases and Readings in Cross-Border Management*, 5th edition, McGraw-Hill. [From the leading thinkers on MNEs]
- Dicken, P. (2007): *Global Shift: Mapping the Changing Contours of the World Economy*, 5th edition, Sage. [A textbook exploring the global context of business]
- Ghemawat, P. (2007): *Redefining Global Strategy*, Harvard Business School Press. [a practitioner oriented work by one of Harvard's up and coming scholars, accessible yet grounded solidly in empirical research]
- Grant, Robert M. (2008): *Contemporary Strategy Analysis*, 5th or 6th edition, Blackwell Publishing.
- Spulber, D.F. (2007): *Global Competitive Strategy*, New York: Cambridge University Press. [The main focus is on competition in the global context, contains cases of Cemex, Lenovo and Danone]
- Verbeke, A. (2008): *International Business Strategy*, Cambridge: Cambridge University Press. [A new textbook similar in coverage as the book by Peng]
- Yip, G.S. (2003): *Total Global Strategy II*, Prentice Hall. [A concise textbook targeted at MBA students]

You may also find it useful to consult any of the following textbooks on International Business, which may be less deep but provide a good overview of the pertinent issues. They have been published in multiple editions, and any edition would do:

- Beamish, P.W., Morrison, A., Inkpen, A.C. and Rosenzweig, P.M. (2003): *International Management: Text and Cases*, 5th edition, Irwin.
- Gooderham, P.N. and Nordhaug, O. (2003): *International Management: Cross-Boundary Challenges*, Blackwell.

- Hill, C.W.L. (2005): *International Business*, 5th edition, McGraw-Hill Irwin.
- Hodgetts, R.M., Luthans, F. and Doh, J.P. (2006): *International Management: Culture, Strategy and Behavior*, 6th edition, McGraw-Hill Irwin.
- Rugman, A.M., Collinson. S. and Hodgetts, R.M. (2006): *International Business*, 4th edition, FT Prentice Hall.
- Shenkar, O. and Luo, Y. (2004): *International Business*, 1st edition, Wiley.

Additional recommended readings are provided on specific topics in the detailed outlines of themes and sessions. Further additions will be made to the recommended readings throughout the course.

In addition to scholarly writings, you should aim to follow the **news** about businesses. In particular, stay up-to-date by reading newspapers such as *Financial Times* or *Wall Street Journal*, and magazines such as *The Economist*. Suggested articles from *The Economist* are included in the recommended readings.

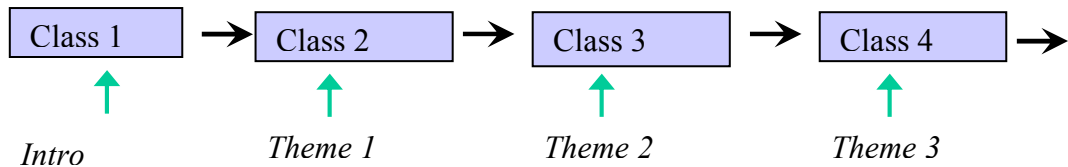
Case preparation

The key requirement for class sessions in a case-based course is active participation. This participation should be based on the thorough preparation (including analysis) of the assigned case in light of your accumulated knowledge and the readings assigned for that day. The cases are used both as a mechanism for you to exercise your new analysis tools and as motivation for discussing key competitive issues facing businesses today. Do not approach the cases from the outside as a critical observer as you might with book sections or articles. In most assignments, you are expected to take on the role of an active decision-maker within the case and focus questions have been provided for you that will often help you to do this. How would you manage the strategy formulation and implementation dilemmas of an operating manager? Sometimes you will find it most effective to assume several roles in sequence (e.g. first as the sales manager who finds out about the need for a new product, the R&D manager who must decide on the viability of developing it, etc.) Whether you use one role or many to focus your analysis, it is essential that you get "inside" the case. In class, you will be expected to share your ideas so that we can jointly work through to a resolution to current management challenges.

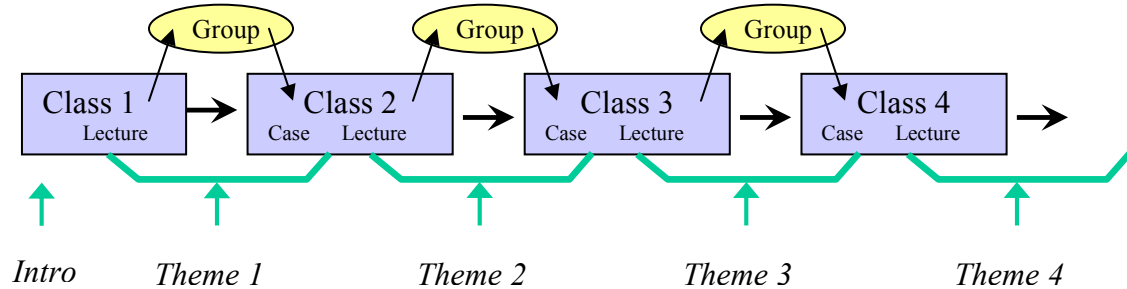
Some of the readings have been selected not because they tie into a specific case but because they are a necessary part of the total framework you will need to formulate and evaluate strategy in a variety of management settings. Thus, you should always reflect on the ties between the reading and the cases but don't panic if the ties are not obvious. Normally, preparation of a case would occur both individually, and then in your working group.

The structure of the course is adapted to the case method. In each class session, a new theme is introduced with a lecture. Then, participants shall study the theme by reading the assigned text, preparing the case, and discussing in their group. The next class session then starts with discussing the case that builds on the previous lecture.

A conventional course



A case-based course



Each group is expected to produce a short briefing on each case or assignment as part of the preparation process. The briefings should be a text of no more than 800 words or a PowerPoint presentation of no more than 6 slides. It should be sent to the course convener via Moodle (or to k.meyer@bath.ac.uk) by 3 pm on the day before class, i.e. Monday. This is to enable the teacher to build the actual class on your prior knowledge and preparation. It also contributes to the assessment of the class.

January 27

- Lecture:** **Introduction: Global Business Environment**
- Core Reading:** Peng, chapter 1
- Recommended:** Ghemawat, chapter 1 and 2
Bartlett et al., Reading 1-2 and 2-1
The Economist (2007): Who are the Champions? A special report on European business, supplement, February 10th.

February 3

- Case:** **Flextronics**
Peng, p. 32-33; www.flextronics.com
- Assignment:
1. What is the essence of Flextronics' business model? How can they make money out of standard kinds of production activities?
 2. Why has SARS been so disruptive to companies such as Flextronics?
 3. What are the lessons of the SARS epidemic for Flextronics and other MNEs?

- Lecture:** **Global Resources and Capabilities**
- Core Reading:** Peng, chapter 3
- Recommended:** Ghemawat, chapter 3
Grant, chapters 5-9
Bartlett et al., Readings 3-2
The Economist (2009): Briefing: Rolls-Royce: Britain's Lonely High Flier, January 10th.

February 10

- Case:** **GN Netcom China (A)**
By K.E. Meyer
Peng, p. 149-157.
Case will also be uploaded on Moodle
- Assignment: What kind of business activities should GN Netcom establish in Asia? How would it fit into the global operation? How should GN Netcom develop business in South-East Asia in line with its global strategy?

1. Analyse GN Netcom's structure, resources, and competitive strategy, and point out potential weaknesses and opportunities!
2. Analyse business opportunities in South-East Asia! For this purpose obtain secondary information for the economies of the region, for late 2000.

Lecture: **National and International Institutions shaping Business**

Core Reading: Peng, chapter 4

Recommended: Dicken, chapters 6 to 8
Rugman et al., chapters 4 to 7

Ingram, P. and Silverman, B., eds. (2002), *The New Institutionalism in Strategic Management*: 1-30. Amsterdam: Elsevier.

Kogut, B., Walker, D. and Anand, J. 2002. 'Agency and Institutions: National Divergence in Diversification Behavior', *Organization Science*, **13**: 162-178.

North, Douglass C. (1991): Institutions, *Journal of Economic Perspectives* 5(1): 97-112.

Peng, M. W. (2003) 'Institutional transitions and strategic choices', *Academy of Management Review* **28** (2): 275-296.

Porter, Michael E. (1990): The Competitive Advantage of Nations, *Harvard Business Review* 68 (2): 73-94.

The Economist (2008): Briefing: Economics and the rule of law: Order in the jungle, March 15th

February 17

Case: **Bookoff, Amazon Japan and the Japanese Bookselling Industry**

By C.E. Stevens
Peng, p. 158-164.

Assignment:

1. Why is the profitability of large Japanese book-sellers relatively poor and their scale relatively small?
2. What are the benefits for individual companies in the industry to participate in the "Saihan" system? What are the costs and benefits for consumers?
3. Why has the business model of 'bookoff' been successful? Can this business model be transferred to other countries?
4. If you were a board member of Blackwells or Waterstones, would you approve a proposal to open a series of bookstores in Japan now? What changes in the local industry would make an entry more attractive?

Lecture: **Adaptation: Foreign Entry**

- Core Reading:** Peng, chapter 6
Meyer, Klaus E. & Tran, Yen Thi Thu (2006): Market Penetration and Acquisition Strategies for Emerging Economies, *Long Range Planning*, 39 (2), 177-197. – to be uploaded on Moodle
Meyer, Klaus E. (2008): Foreign Market Entry, in: *The Princeton Encyclopedia of the World Economy*, Princeton University Press, forthcoming. – to be uploaded on Moodle.
- Recommended:** Verbeke, chapter 10 to 13
Young, Stephen et al. (1989): *International Market Entry and Development*, Hemel Hempstead: Harvest Wheatsheaf (A classic, specialized textbook).
Welch, L.S., Benito, G.R.G. & Petersen, B. (2007). *Foreign Operation Methods: Analysis, Strategy, and Dynamics*. London: Edward Elgar (A new textbook).
The Economist (2008): Briefing: Unilever and Emerging Markets: The Legacy the got left on the Shelf, February 2nd.

February 24

- Case:** **Carlsberg**
To be uploaded on Moodle. Find complementary information via the internet, e.g. (www.carlsberggroup.com/INVESTOR) and revisit the discussion of February 12.
- Assignment 5: (in the written document answer Q1, plus Q2 or Q3)
1. Why does Carlsberg consider it necessary to adapt to local context, and how do they do that?
 2. How do you propose Carlsberg may advance its position in Vietnam?
 3. In 2007, Carlsberg joined up with its rival Heineken to jointly take over and then split up Scottish&Newcastle? Considering their global strategy and rivalry, do you think this was a smart idea?

Lecture: **Arbitrage: Offshoring and Supply Chains**

Core Reading: Beamish et al., chapter 5 (by Kotabe)

Recommended: Dicken, chapters 5 and 14
Ghemawat, chapter 6
Verbeke, chapter 7
The Economist (2007): Face Value: Krishnan Ganesh: The Outsourcer, June 23rd.

March 3

Case: **Zara**

By K. Ferdows, J.A.D. Machuca and M. Lewis
Package of Cases (ECCH: 603-002-1)

Assignment:

1. How did Zara achieve its successful growth? What distinguishes Zara's strategy from that of its key competitors?
2. How does Zara coordinate activities across business units and along the supply chain, and how does this coordination relate to their competitive advantages?
3. Looking forward, how do you suggest that Zara develops in the near future?

Lecture: **Aggregation: Global integration**

Core Reading: Peng, chapters 10 (p. 402-415 only)

Recommended: Ghemawat, chapter 5
Yip, especially chapters 4 to 8
Bartlett, Ghoshal and Birkinshaw, part 4
The Economist (2007): Briefing IBM and Globalisation: Hungry Tiger, Dancing Elephant, April 7th.

March 10

Case: **Elscint and the Worldwide Medical Imaging Industry**
By M. Makhija, U. Ben-Zion, and G. Harel
Peng, p. 533-539

Assignment:

1. Evaluate Elscint's global strategy. Has Elscint developed a competitive advantage in its industry? Is such a strategy appropriate for this particular industry?
2. If you were a top executive at Elscint, how would you answer the strategic questions raised at the end of the case?

Lecture: **Dynamics of global cooperation and competition**

Core Reading: Peng, chapter 7 & 8

Recommended: Bartlett, Ghoshal and Birkinshaw, part 6
Spulber, chapters 1-4
The Economist: Business: Diamonds: Changing Facets, February 24th

March 17

Lecturer: Dr Sarah Dixon

Case: **Centralized and Decentralized Planning at the Oil Majors**
Peng Ch 10, p.432-433 plus materials uploaded to Moodle

Assignment:

1. What are the advantages and disadvantages of centralized and decentralized strategic planning in the Oil Majors?
2. What are the industry-, resource-, and institutional-based factors making the Oil majors believe that the benefits of decentralized planning outweigh its drawbacks recently?
3. What are the potential problems if all divisions and subsidiaries pursue their own initiative and merely 'inform' the corporate headquarters of their actions?
4. What are the challenges for knowledge management in such decentralized organizations and how would you, as managers, address these?

Lecture: **Organizational Learning and Innovation**

Core Reading: Peng, chapter 10 (p.406 – 411 and 415-433 only)
Peng, chapter 5 (p.187-200 only)

Recommended: Verbeke, chapter 6
Bartlett, Ghoshal and Birkinshaw, part 5
Ft.com Nov 10 2005 Quick-fire lessons in globalisation
The Economist (2007): Briefing: Toyota: A wobble on the road to the top, November 10th

March 24

Case: **Are Diamonds forever? Behind the longevity of the De Beers cartel**
By Mike Peng
Peng, p. 327-328 & 352-356.

Assignment:

1. Most cartels fail within a short period of time due to organizational and incentive problems. Why is the diamond cartel so long lasting?
2. Drawing on industry-, resource-, and institution-based views, explain why De Beers has been phenomenally successful.
3. How should De Beers address the multidimensional challenges that it current (in 2004) faces? In particular, how should it address the emerging competition from Levee and other companies?

Lecture: **International Growth: Diversification, M&As**

Core Reading: Peng, chapter 9
Meyer, K.E. (2009): Corporate Strategies under Pressures of Globalization: Globalfocusing, unpublished manuscript.

Recommended: Grant, chapters 15 & 16
The Economist (2006): Special report: BASF and the chemical industry: Molecular weight, November 4th.

/// **EASTER BREAK** ///

April 24

Case: **Spanish Banks in Latin America**
By Mauro F. Guillén and Adrian Tschoegl
Peng, p. 527-532.

Assignment (optional):

1. Drawing on industry-, resource-, and institution-based perspectives, explain why banks like Santander were so keen to enter Latin American markets. Why weren't banks from other countries as aggressive as the Spanish banks? What capabilities or knowhow enabled banks like Santander to succeed in the region, at least thus far?
2. Which market – Argentina, Chile, Mexico – was most attractive from the point of view of a Spanish bank? What entry modes did they choose for each market, and why?
3. Subsequent to its growth in Latin America, Santander aggressively entered the British retail banking sector. Please trace the history in news reports following the links given below. Why did they enter when they did? What mode did they choose? Did they – overall – succeed, and if so why?

January 1999: <http://news.bbc.co.uk/2/hi/business/256198.stm>
February 2002: <http://news.bbc.co.uk/2/hi/business/1818544.stm>
July 2004: <http://news.bbc.co.uk/2/hi/business/3925489.stm>
August 2004: <http://news.bbc.co.uk/2/hi/business/3611176.stm>
September 2004: <http://news.bbc.co.uk/2/hi/business/3630342.stm>
October 2004: <http://news.bbc.co.uk/2/hi/business/3957813.stm>
November 2004: <http://news.bbc.co.uk/2/hi/business/3984729.stm>
May 2006: <http://news.bbc.co.uk/2/hi/business/4976026.stm>
May 2007: <http://news.bbc.co.uk/2/hi/business/6699561.stm>
October 2007: <http://news.bbc.co.uk/2/hi/business/7033176.stm>
January 2008: <http://news.bbc.co.uk/2/hi/business/7167467.stm>
August 2008: <http://news.bbc.co.uk/2/hi/business/7536573.stm>
September 2008: <http://news.bbc.co.uk/2/hi/business/7641055.stm>
October 2008: <http://news.bbc.co.uk/2/hi/business/7647167.stm>
December 2008: <http://news.bbc.co.uk/2/hi/business/7780069.stm>

Lecture: Corporate Strategy and Social Responsibility

Core Reading: Peng, chapter 12

Recommended: Gooderham and Nordhaug, chapter 9
Hodgetts et al., chapter 3
Verbeke, chapter 15

Auger, Pat, Paul Burke, Timothy M. Devinney and Jordan J. Louviere (2003): What will consumers pay for social product features? *Journal of Business Ethics* 42: 281-304. [estimates how much consumers would be willing to pay extra for ethical features of consumer goods].

Donaldson, T. (2001): The Ethical Wealth of Nations, *Journal of Business Ethics* 31:25-36. [discusses whether high ethical standards are good for a nation].

Donaldson, T. and T. Dunfee (1999): *Ties that bind: A social contracts approach to business ethics*, Cambridge, MA: Harvard Business School Press. [One of the most influential books on business ethics, acknowledges the international variation of cultures and ethics, and discussed concepts such as 'hypernorms', and 'moral free space']

Hartman, Laura P., Bill Shaw and Rodney Stevenson (2003): Exploring the Ethics and Economics of Global Labor Standards: A Challenge to Integrated Social Contract Theory, *Business Ethics Quarterly* 13, p. 193-220. [reviews ethical issues affecting labor standards issues, and discusses usefulness of social contracts theory]

Moran, T.H. 2002. Beyond sweatshops: Foreign direct investment and globalization in developing countries, *Washington DC: Brookings Institution*. [assesses the impact of MNE on development and comes to overwhelmingly favorable conclusions].

Puffer, Sheila M and Daniel J. McCarthy (1995): Finding the Common Ground in Russian and American Business Ethics, *California Management Review* 37: 29-46.

Spar, D. 1998. The Spotlight and the Bottom Line, *Foreign Affairs* 77 (2): 7-12. [argues that NGO have a positive role in creating a link between ethical business practices and profits]

Spar, D. and D. Yoffie (1999): Multinational Enterprises and the Prospect for Justice, *Journal of International Affairs* 52: 557-581.

The Economist (2007): Face value: Jim Goodnight, December 1st.

The Economist (2008): Face value: Yossi Vardi, January 5th.

The Economist (2008): Face value: Larry Brilliant, January 19th.

April 28

Case: Ethics of Offshoring: Novo Nordisk and Clinical Trials in Emerging Economies

By Klaus Meyer

Package of Cases (Ivey 9B09M001)

Assignment:

1. Briefly summarize the strategy of Novo Nordisk
2. Considering both economic and ethical aspects, is it appropriate for companies like Novo Nordisk to conduct clinical trials in, for example, India, and if so under what conditions? What exactly are the principles that should guide such a decision?
3. What interest groups are joining the public debate, and why? How should businesses handle them?
4. How should Anders Deijgaard react when the journalist calls to discuss their practices with them? What is the most effective way to communicate with the public?

Lecture: Culture and Expatriate Management

Core Reading: Peng, p. 118-123.
Hofstede, G. (1993): Cultural Constraints in Management Theories, *Academy of Management Executive* 7(1): 81-94.

Recommended: Adler, especially chapters 2, 4, 7, 8
Barsoux and Schneider, especially chapters 2, 3, 5, 7
Gooderham & Nordhaug, especially chapters 4 and 8
Hodgetts et al., chapters 4 to 7

Hooker, John (2003): *Working Across Cultures*, Stanford: Stanford Business Books.

May 5

Case: Expatriation Experiences
No assignment

Lecture: None. Questions for Revision
Please submit your question for revision discussion before class

Core Reading: Peng, entire book