

**SCHOOL OF BUSINESS AND ECONOMICS
BUSINESS**

Syllabus

A. General Information

- Course:	International Business: Environment and Strategy
- Prof	: Pablo Traverso
- Code	: EEI343
- Pre – requisites	: Non
- Co – requisites	: Non
- Credits	: 10
- Number of sessions per week	: 2
- Academic hours per semester	: 64
- Teaching assistant hours per semester	: 0

B. Course expectations

This course introduces the students into the international business with a particular scope that mixes the scientific available literature with practical and real case studies of now a day's business world. The module will develop a better understanding of the environment and strategy for transnational corporations, business globalization, theories for the internationalization and the difference between markets in different countries. On the practical side, the teacher will share with the students his personal experience working in different countries around the world and apply the theory to real situations.

C. Course general objectives

Objective:

Understand how firms strategically manage globalisation, through creativity and innovation, in order to generate new international opportunities.

Benefits:

Students will be able to demonstrate an understanding of the key issues and key drivers of globalisation; demonstrate the ability to apply key concepts and theoretical frameworks to the analysis of global business problems; and understand the main issues related to globalisation and critically analyse strategic thinking using the ideas and models introduced in this course.

D. Contents

1. - Theories of Regional Advantage

We examine theories of regional competitive advantage and international trade. The goal is to clearly identify location specific advantages, and the ability of TNCs to tap into these.

Specific focus is given to the theory of comparative advantage, Linder's 'Overlapping Product Range' theory, Posner's 'Technology Gap' theory, and Porter's 'Competitive Advantage of Nations'

Reading:

Daniels, J., Radebaugh, L., and Sullivan, D., 2009, *International Business: Environments and Operations*, 12th edition, New Jersey: Pearson-Prentice Hall.

Lipsey, R. and Chrystal, A., 1995, *An Introduction to Positive Economics*, 8th edition, Oxford: Oxford University Press.

Linder, S., 1961, *An Essay on Trade and Transformation*, Uppsala: Almqvist & Wicksells

Posner, M.V., 'International trade and technical change', *Oxford Economic Papers*, 13, pp.323-341.

Porter, M.E., 1998, *The Competitive Advantage of Nations*, 2nd edition, Macmillan: London.

Critique of Porter:

Davies, H. and Ellis, P., 2000, 'Porter's competitive advantage of nations: time for the final judgment?', *Journal of Management Studies*, 37 (8), pp.1189–1213.

'Double Diamond' Models:

Hodgetts, R.M., 1993, Porter's diamond framework in a Mexican context, *Management International Review*, 33(2), pp.41-54.

Rugman, AM. and D'Cruz, J.R. (1993) The 'double diamond' model of international competitiveness: the Canadian experience, *Management International Review*, 33 (2), pp.73-93.

2. - Globalization of the world economy

Drivers of globalization, Globalization of markets and production, The pros and cons of globalization, Overview of IB

Reading:

Daniels, J.D., Radebaugh, L.H. and Sullivan, D. P. (2009). *International Business: Environments and Operations*, Twelfth Edition, Ch 1, Pearson International Edition.

Hill, W. L. Charles. (2009). *International Business: Competing in the Global Marketplace*, Seventh Edition, Ch1, McGraw.

Mellahi, Kamel., Frynas, J. Gorge and Finlay, Paul. (2005). *Global Strategic Management*, Second edition, Ch1, Oxford University Press.

Shenkar, Oded and Luo Yadong. (2008). *International Business*, second edition, Ch1, Wiley.

3. - The Role of Transnational Corporations (TNCs) in Globalization

Here we consider 3 key issues: why TNCs exist, the way in which TNCs operate, and the impact of foreign direct investment (FDI) by TNCs on host and home regions.

Reading:

Dunning, J.H. and Lundan, S.M., 2008 *Multinational Enterprises and the Global Economy*, 2nd edition, Cheltenham: Edward Elgar.

Jones, G., 2005, *Multinationals and Global Capitalism: From the Nineteenth Century to the Twenty-First Century*, Oxford: Oxford University Press.

4. - Internationalization of emerging market enterprises

Unique characteristics of emerging market enterprises, Motives of internationalization by emerging market enterprises, The role of home-country factors especially government policy in driving internationalization of these firms , Applicability of traditional FDI theory to emerging market MNEs.

Reading:

- Hofstede, G., 2005, *Cultures and Organizations: Software of the Mind*, 2nd edition, London: McGraw Hill.
- Johanson, J., & Vahlne, J. E. (2009). "The Uppsala internationalization process model revisited: from liability of foreignness to liability of outsidership", *Journal of International Business Studies*, 40(9): 1411-1431.
- Lu J.W., Beamish P.W. (2004). "International Diversification and Firm Performance: The S-Curve Hypothesis," *Academy of Management Journal*, 47(4), pp. 598-609.
- McDougall, P., Shane, S., and Oviatt, B. M. (1994). "Explaining the format of international new ventures: the limits of theories from international business research," *Journal of Business Venturing*, 9(6), pp. 469-87.

5. - Foundations: the Industry Life Cycle (ILC)

In this set of lectures we examine the industrial dynamics associated with the Industry Life Cycle (ILC). This is the foundation for many other theories of innovation management.

We will consider the key 'stylized facts of ILC's, and the different theoretical explanations for ILCs provided by Vernon, Abernathy-Utterback, Klepper, and Windrum-Birchenhall.

We also look at key concepts of innovation built on the ILC: shake-outs, technological paradigms, exploration – exploitation, and architectural – modular innovation.

Reading:

- Abernathy, W.J. and Utterback, J.M., 1975, 'A dynamic model of product and process innovation', *Omega*, 3 (6), pp.639-656.
- Dosi, G., 1982, 'Technological paradigms and technological trajectories', *Research Policy*, 11, pp.147-62.
- Gort, M. and Klepper, S., 1982, 'Time paths in the diffusion of product innovations', *Economic Journal*, 92 (367), pp.630-653.
- Henderson, R., and Clark, K., 1990, 'Architectural innovation', *Administrative Science Quarterly* 35, pp. 9-30.
- Klepper, S., 1996, 'Entry, exit, growth and innovation over the product lifecycle', *American Economic Review*, 86 (3), pp.562 – 583.
- Klepper, S., and Simons, K.L., 2000, 'The making of an oligopoly: firm survival and technological change in the evolution of the U.S. tire industry', *Journal of Political Economy*, 108 (4), pp.728-760.
- March, J.G., 1991, 'Exploration and exploitation in organizational learning', *Organization Science*, 2, pp.71-87.
- Vernon, R., 1966, 'International investment and international trade in the product cycle', *Quarterly Journal of Economics*, 2 (May), pp.190-207.
- Windrum, P. and Birchenhall, C., 1998, 'Is product life cycle theory a special case? Dominant designs and the emergence of market niches through coevolutionary learning', *Structural Change and Economic Dynamics*, 9 (1), pp.109-134.

6. - Managing internationalization process

Different types of motives for internationalization, Process of internationalization – Uppsala model

Reading:

- Axinn, C. N. and Matthyssens, P. (2001). "Limits of Internationalization Theories in an Unlimited World," *International Marketing Review*, 19(5): 436-449.
- Buckley, J. Peter and Pervez Ghauri (eds) (1999). *The Internationalization of the Firm: A Reader*, second edition, International Thomson Business Press.
- Child, J. and Faulkner, D. (1998). *Strategies of Cooperation*, Oxford University Press.
- Dunning J. (1992). *Multinational Enterprises and the Global Economy*, Addison Wesley. Ch3 'the motives for foreign production' .
- Forsgren, M. (2002). "The Concept of Learning in the Uppsala Internationalization Process Model: A Critical Review," *International Business Review*, 11(3), pp. 257-277.
- Gil, A. Nakos, G. Brouthers, L. E. (2006). "Country-specific Strategy and New Venture Formation in Central and East Europe," *International Business Review*, 15(1), pp. 1-13.

7. - International Mergers and Acquisitions

This part of the course examines international mergers & acquisitions (IMA) in the context of corporate strategy. The objective is to develop an understanding of main conceptual frameworks for mergers and acquisitions, their motivation and benefits, potential advantages and disadvantages as well as their performance aspects. It concludes by considering the particular costs and benefits of IMAs.

Reading:

- Buckley, P. and Ghauri P. N, 2002, *International Mergers and Acquisitions: A Reader*, London: International Thomson Press.
- Caves, R. E., 2007, *Multinational Enterprise and Economic Analysis*, 3rd edition, Cambridge: Cambridge University Press.
- Couerdacier, N. De Santis R. and Aviat A., 2009, *Cross Border Mergers and Acquisitions*, European Central Bank working paper, March 2009.
- Hay, D. and Morris, D., 1991, *Industrial Economics and Organization: Theory and Evidence*, 2nd edition, Oxford: Oxford University Press. Ch 14.

8. - International entry strategy

Advantages and disadvantage of each entry strategy: exporting, licensing, franchising, joint venture, wholly-owned subsidiary , Factors that influence the choice of the various entry modes and factors that influence the choice between equity joint venture and wholly-owned subsidiary

Reading

- Daniels, J.D., Radebaugh, L.H. and Sullivan, D. P. (2009) *International Business: Environments and Operations*, Twelfth Edition, Ch 13, 14, Pearson International Edition.
- Hill, W. L. Charles. (2009). *International Business: Competing in the Global Marketplace*, Seventh Edition, Ch14, McGraw.
- Mellahi, Kamel., Frynas, J. Gorge and Finlay, Paul. (2005) *Global Strategic Management*, second edition, Ch7, Oxford University Press.
- Shenkar, Oded and Luo Yadong. (2008). *International Business*, second edition, Ch10,

9. - Consumer Demand and Technology Lock-in with Contemporaneous Competitions

This section of the course focuses on the role played by the demand side in the innovation process. It reviews the literature on increasing returns, network effects, learning and information diffusion for firm strategies. These affect which technology variant wins in contemporaneous competitions that occur in stage 1 of the ILC.

Reading:

- Arthur, W.B., 1989, 'Competing technologies, increasing returns and lock-in by historical events', *Economic Journal*, 99 (394), pp.116-131.
- Cowan, R., 1990, 'Nuclear power reactors: a study in technological lock-in', *Journal of Economic History*, 50 (3), pp.541-56.
- Farrell, J., and Saloner, G., 1985, 'Standardization, compatibility and innovation', *Rand Journal of Economics*, 16 (1), pp.70-83.
- Katz, M.L., and Shapiro, C., 1985, 'Network externalities, competition, and compatibility', *American Economic Review*, 75 (3), pp.424-440.
- Liebowitz, S.J. and Margolis, S.E., 1990, 'Fable of the keys', *Journal of Law and Economics*, 33, pp.1-25.
- Shapiro, C. and Varian, H.R., 1999, *Information Rules – A Strategic Guide to the Network Economy*, Cambridge, MA: Harvard Business School Press.
- Varian, H.R., Farrell, J., and Shapiro, C., 2004, *The Economics of Information Technology: An Introduction*, Cambridge: Cambridge University Press.

10. - Global production and sourcing

Factors that determine where to produce, Factors that influence firms' choice between vertical integration and global sourcing

Reading:

- Hill, W. L. Charles. (2009). *International Business: Competing in the Global Marketplace*, Seventh Edition, Ch16, McGraw.
- Daniels, J.D., Radebaugh, L.H. and Sullivan, D. P. (2009). *International Business: Environments and Operations*, Twelfth Edition, Ch 13, Pearson International Edition.
- Mellahi, Kamel., Frynas, J. Gorge and Finlay, Paul. (2005). *Global Strategic Management*, second edition, Ch9, Oxford University Press.
- Morrison, J. (2009). *International Business: Challenges in a Changing World*, Ch2, Palgrave Macmillan.
- Rugman, M. Alan and Collinson, Simon. (2006) *International Business*, the 4th Edition, Ch10, 16, Prentice Hall.

11. - First Mover Advantages and Sequential Technology Competitions

We examine the strategic management literature on how firms can create and sustain 'first mover advantages' (FMAs). As well as examining the basis of FMAs that can provide early entrants with a dominant market position, the lecture critically considers the long-term sustainability these FMAs. We will link this discussion to sequential technology competitions and the conditions under which new technology entrants can overcome the initial advantages of established firms.

Reading:

- Bower, J.L., and Christensen, C.M., 1995, 'Disruptive technologies: catching the wave', *Harvard Business Review*, 73(1), pp.43-53.
- David, P.A., 1985, 'Clio and the economics of QWERTY', *American Economic Review*, 75 (2), pp.332-336.
- Lambkin, M., 1988, 'Order of entry and performance in new markets', *Strategic Management Journal*, Summer 1988, pp.127-140.
- Lieberman, M. B. and Montgomery, D. B., 1988, 'First-mover advantages', *Strategic Management Journal*, Summer, 9, pp.41-58.
- Rogers, E.M., 2003, *Diffusion of Innovations*, 5th edition, London: Simon & Schuster.
- Shy, O., 1996, 'Technology revolutions in the presence of network externalities', *International Journal of Industrial Organisation*, 14, pp.785-800.
- van der Werf, P. and Mahon, J. F., 1997, 'Meta-analysis of the impact of research methods on findings of first-mover advantage', *Management Science*, 43(11), pp.1510-1519.

****Global social enterprise and base-of-the-pyramid investment****

Special lecture by Margaret Lengerich (**CEO & Founder at HMSolution , Industrial Civil Engineer , MSc. Innovation Management and Entrepreneurship en Brown University**)

In this class we will consider global social enterprises and base-of-the-pyramid investments.

Homework:

1. Read study case "Mountain Hazelnuts: Social Entrepreneurship in Bhutan", Stanford Graduate School of Business case number GS-78, May 23, 2011.
2. 1 paragraph answer to the following question relative to Mountain Hazelnuts: Consider the stakeholders in this case; what are the farmer's and the company's economics from this venture?

Readings:

1. Making Better Investments at the Base of the Pyramid by Ted London, *Harvard Business Review*, May 2009.
2. A New Approach to Funding Social Enterprises by Antony Bugg-Levine, Bruce Kogut, Nalin Kulatilaka, *Harvard Business Review*, January-February 2012.
3. Bottom-of-the-Pyramid: Organizational Barriers to Implementation by Mette Losen and Eva Boxenbaum, *California Management Review*, Vol 51, No 4, Summer 2009.
4. Marketing Technological Innovation to LDCs: Lessons from One Laptop Per Child by Emmanuel Yujuico and Betsy DuBois Gelb, *California Management Review*, Vol 53, No 2, Winter 2011.

12. - Global strategic alliances

Motives of forming strategic alliances, Managing alliances: (1) partner selection (2) alliance structure and reduction of opportunism

Reading:

- Hill, W. L. Charles. (2009). *International Business: Competing in the Global Marketplace*, Seventh Edition, Ch14, McGraw.
- Daniels, J.D., Radebaugh, L.H. and Sullivan, D. P. (2009) *International Business: Environments and Operations*, Twelfth Edition, Ch 14, Pearson International Edition.
- Shenkar, Oded and Luo Yadong. (2008). *International Business*, second edition, Ch12, Wiley.

13. - Services and services innovation

This section of the course examines services and services innovation. We address the key issue of whether and how services innovation differs from innovation in manufacturing. What are the strategic implications for innovation and globalisation by service firms? What relationships need to be established in supply chains? We consider these issues for both public and private sector service organisations.

Reading:

Barras, R., 1986, 'Towards a theory of innovation in services', *Research Policy*, 15, pp.161-173.
Barras, R., 1990, 'Interactive innovation in financial and business services: the vanguard of the service revolution', *Research Policy*, 19, pp.215-237.
Gallouj, F. and Weinstein, O., 1997, 'Innovation in services', *Research Policy*, 26, pp.537-556.
Pavitt, K., 1984, 'Sectoral patterns of technological change: towards a taxonomy and a theory'. *Research Policy*, 13, pp.343-373.
Miozzo, M. and Soete, L., 2001, 'Internationalisation of services: a technological perspective', *Technological Forecasting and Social Change*, 67 (2), pp.159-185.

14. - The strategy of international business: strategic choice

Two asymmetric forces that international business faces: pressures for cost reduction and pressures for local responsiveness , Key differences between the four strategies and conditions each works best.

Reading:

Hill, W. L. Charles. (2009). *International Business: Competing in the Global Marketplace*, Seventh Edition, Ch12, McGraw.
Hill, W. L. Charles. (2008). *Global Business Today*, Chapter 11, Fifth edition, McGraw-Hill Irwin.
Mellahi, Kamel., Frynas, J. Gorge and Finlay, Paul. (2005) *Global Strategic Management*, second edition, Ch10, Oxford University Press.
Shenkar, Oded and Luo Yadong. (2008). *International Business*, second edition, Ch11, Wiley.

15. - Strategic choice and organizational structure

Advantages and disadvantages of centralized and decentralized decision systems, Basic organizational forms of MNEs , The fit between strategies and structures

Reading:

Daniels, J.D., Radebaugh, L.H. and Sullivan, D. P. (2009) *International Business: Environments and Operations*, Twelfth Edition, Ch 15, Pearson International Edition.
Hill, W. L. Charles. (2009). *International Business: Competing in the Global Marketplace*, Seventh Edition, Ch13, McGraw.
Mellahi, Kamel., Frynas, J. Gorge and Finlay, Paul. (2005). *Global Strategic Management*, second edition, Ch10, Oxford University Press.
Shenkar, Oded and Luo Yadong. (2008). *International Business*, second edition, Ch11, Wiley.

16. - Multinational enterprises and knowledge transfer

Why and how multinational firms transfer knowledge, The determinants of knowledge transfer

Reading:

Buckley, P.J. (2003). *The Changing Global Context of International Business*, Palgrave.

Buckley, P.J., Clegg, J. and Tan, H. (2004). "Knowledge transfer to China: Policy lessons from foreign invested firms", *Transnational Corporations*, 2004, 13 (1): 31-72.

Inkpen, A. C. (1995a). 'The management of knowledge in international alliances'. Carnegie Bosch Institute Working Paper, No. 95-1.

Inkpen, A. C. and Corssan, M. (1995). "Believing is seeing: Joint ventures and organisational learning". *Journal of Management Studies*, 32 (5): 595-618.

Kogut, B. and Zander, U. (1993). "Knowledge of the firm and the evolutionary theory of the multinational corporation", *Journal of International Business Studies*, 24 (4): 625-645.

E. Instructional Methodology

Instructional methodology will include a combination of lectures, class discussion, presentations and case studies. The lecturers will argue specific topics in the assigned text. Supplementary materials will be passed out by the lecturer as deemed necessary. Students are encouraged to share relevant articles, experiences, etc. Your participation in class discussions is imperative. Students are expected to do all readings assignments before class. Whether or not you are in class you are responsible for all assignments and no exceptions will be made.

F. Assessment

This course will use several assessment procedures, as follows:

- Midterm 1: 25%
- Midterm 2: 25%
- Essay : 10%
- Tests : 10%
- Exam: 30%

Minimum class attendance: 80% of formal sessions. Students with less attendance are not allowed to give the exam. The 20% of margin does not require any kind of justification. Justified reasons such as illness, travel, or any other are included in the 20% margin. Minimum exam grade to approve: 4.0

G. Bibliography

Supporting texts

There are dedicated readings for each section of the course. All journal papers are available electronically through the library, and all books are available in hardcopy in the library.

Additional Texts

Daniels, J., Radebaugh, L., and Sullivan, D., 2009, *International Business: Environments and Operations*, 12th edition, New Jersey: Pearson-Prentice Hall.

Dicken P., 2007, *Global Shift: Mapping the Changing Contours of the World Economy*, 5th edition, London: Sage.

Ietto-Gillies, G., 2005, *Transnational Corporations and International Production: Concepts, Theories and Effects*, Cheltenham: Edward Elgar

Swann, G.M.P., 2009, *The Economics of Innovation*, Cheltenham: Edward Elgar.

Tidd, J., and Bessant, J., 2009, *Managing Innovation: Integrating Technological, Market and Organizational Change*, 4th edition, Chichester: John Wiley & Sons

Trott, P., 2008 *Innovation Management and New Product Development*, 4th edition, New York & London: Prentice Hall/Financial Times Press.

Utterback, J.M., 1996, *Mastering the Dynamics of Innovation*, 2nd edition, Cambridge, MA: Harvard Business School Press.

++ Varian, H.R., Farrell, J., and Shapiro, C., 2004, *The Economics of Information Technology: An Introduction*, Cambridge: Cambridge University Press.

++ Windrum, P. and Koch, P. (eds.), 2008, *Innovation in Public Services: Management, Creativity, and Entrepreneurship*, Cheltenham: Edward Elgar.

Note: Some changes in Cases may occur through the semester.