



MGMT 871  
Multinational Management

Fall 2009  
Tuesdays & Thursdays  
10:30 – 11:50 am  
Room: 355 JMHH

Professor Mauro F. Guillén  
Lauder Institute & Management Department  
Office: 212 Lauder-Fischer Hall  
Office Hours: By appointment (send an email to schedule)  
[guillen@wharton.upenn.edu](mailto:guillen@wharton.upenn.edu)

Multinational management deals with the decisions made by multinational firms when it comes to pursuing market opportunities, managing global brands, organizing for cross-border operations, transferring knowledge, motivating human resources, and dealing with governments. The approach to the topic is both conceptually grounded and based on the analysis of specific cases of companies from around the world, both large and small.

PART I of the class is devoted to Background and Fundamentals, which serves as a review of some of the basic concepts covered in MGMT 655 (Global Strategic Management), including dispersion-coordination, integration-responsiveness, and dynamic models of internationalization. It also discusses the financial and economic crisis and its impact on multinational firms.

PART II covers the basic functions of the multinational firm, namely, managing brands & distribution channels, restructuring & reorganization, international managerial careers, R&D offshoring, alliances, acquisitions, and tax regimes across borders. The emphasis will be placed on how to manage functions in such a way that they support the overall strategy of the firm.

PART III deals with new trends and opportunities for multinational firms, especially related to population ageing, leisure, and education. Opportunities in Africa, the forgotten continent, women entrepreneurs, and emerging-market multinationals will also be discussed.

### **Grading**

30 points: Class participation.

10 points: Description of project (5 points deducted if submitted late).

30 points: Final project (10 points deducted if submitted late).

30 points: Final take-home exam (10 points deducted if submitted late).

### **A Note on Class Participation**

Each student will be graded based upon his or her contribution to class discussion. Effective participation is accomplished by focused comments or questions that develop insights that are not immediately discernible from the materials on the syllabus, and demonstrate mastery of readings and case materials. We especially encourage class participation that applies conceptual frameworks to case materials and that enriches the learning experience of the class. We expect students both to attend class and to be prepared to participate in each and every discussion. Class participation includes three components: (a) class attendance; (b) frequency of class participation; and (c) quality of class participation.

### **Final Project**

The final project consists of a mini-report on a key decision made by a multinational firm. The report should provide: (1) a description of the company and industry background, including details about the people involved in the decision; (2) a description of the decision; and (3) a critique of the decision. The decision could be an international acquisition, the formation of an alliance, a foreign market entry, the firing of a key manager, the launching of a new product or service, a reorganization of the firm's brand portfolio, and so on. The decision could be one that helped the company become more competitive or profitable, or just the opposite. The specifications and deadlines are:

- The final report should be about 5-7 pages, single-spaced, excluding tables or exhibits.
- Deadline #1: November 12, 2009. One-page description of the project due. Please submit it to the electronic submission folder on WebCafé.
- Deadline #2: December 10, 2009. Final report due. Please submit it to the electronic submission folder on WebCafé.

### **Final Take-Home Exam**

It will consist of a series of questions on a case. The exam is an individual exercise, and open-book.

- Deadline #3: December 18, 2009. Final take-home exam due. Please submit it to the electronic submission folder on WebCafé.

### **About the Instructor**

Mauro F. Guillén is the Dr. Felix Zandman Professor of International Management at the Wharton School, with a secondary appointment in the Department of Sociology, University of Pennsylvania, and the Director of the Joseph H. Lauder Institute for Management & International Studies. He received a PhD in sociology from Yale University and a Doctorate in political economy from the University of Oviedo in his native Spain. His current research deals with international management, the impact of globalization on cross-national patterns of organization and innovation, and with the international expansion of venture capital firms. His most recent books are: *Building a Global Bank: The Transformation of Banco Santander* (Princeton University Press), *The Rise of Spanish Multinationals* (Cambridge), and *The Taylorized Beauty of the Mechanical* (Princeton). He is also the author of *The Limits of Convergence: Globalization and Organizational Change in Argentina, South Korea, and Spain* (Princeton), *Models of Management* (Chicago), and, with Charles Perrow, *The AIDS Disaster* (Yale). In Spanish, he has published *La Profesión de Economista* (Ariel), and *Análisis de Regresión Múltiple* (CIS). He is a former Guggenheim Fellow and Member in the Institute for Advanced Study in Princeton. He advises financial institutions with their process of internationalization.

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

## 1. Introduction

Thu 9/10

## PART I: BACKGROUND AND FUNDAMENTALS

### 2. Fundamentals: Key Concepts

Tue 9/15

Reading: Mauro F. Guillén, “Understanding and Managing the Multinational Firm.” The Wharton School (2007).

Reading: George S. Yip, “Global Strategy... in a World of Nations?” *Sloan Management Review* (Fall 1989), pp. 29-41.

### 3. Dynamic Models of Internationalization

Thu 9/17

Read again: Mauro F. Guillén, “Understanding and Managing the Multinational Firm.” The Wharton School (2007).

### 4. The Economic & Financial Crisis

Tue 9/21

Reading: Mauro F. Guillén and Sandra L. Suárez, “The Global Crisis of 2007-2009: Markets, Politics, and Organizations.” Working Paper (2009).

### 5. The Crisis and the Multinationals

Thu 9/23

Reading: “The Fallen: Lorenzo Zambrano: Hard Times for Cement Man.” *The Wall Street Journal* (11 December 2008).

Reading: “Trade-Finance Pinch Hurts the Healthy.” *The Wall Street Journal* (22 December 2008).

Reading: S.H. Lee and M. Makhija, “Flexibility in Internationalization: Is it Valuable during an Economic Crisis?” *Strategic Management Journal* 30 (5) (2009):537-555.

## PART II: MANAGING MULTINATIONAL FUNCTIONS

### 6. Managing Brands & Distribution Channels Globally

Tue 9/29

Reading: Janell D. Townsend et al., “Getting to Global” *Journal of International Business Studies* 40 (2009):539-558.

Case: BMW’s Project Switch (A): Importers vs. National Sales Companies. HBS 9-509-023.

Questions:

- (1) What are BMW’s priorities for the Greek market?
- (2) Should Yallouridis work with Maniatopoulos or come up with his own plan?

- (3) Should he make quick changes or move gradually?

### **7. Exploring Growth Opportunities Abroad**

Thu 10/1

Case: Grupo Elektra. HBS 9-502-039.

### **8. Managing Restructuring & Reorganization**

Tue 10/6

Case: 3i Group plc. HBS 9-803-020.

Questions:

- (1) What are 3i's unique capabilities as a private equity firm?
- (2) What is your assessment of the firm's process of internationalization?
- (3) What should Brian Larcombe do in order to ensure 3i's long-term profitability?

### **9. Preparing for the Project (I)**

Thu 10/8

### **10. Managing International Careers**

Tue 10/13

Case: Solvay Group: International Mobility and Managing Expatriates. HBS 9-409-079.

Questions:

- (1) How would you characterize Solvay's mobility policies?
- (2) Do you agree with the Triple-Two Rule? Why? Why not?
- (3) What would be your recommendation regarding the four mobility dossiers discussed in the case?

### **11. The Offshoring of R&D**

Thu 10/15

Reading: Arie Y. Lewin, Silvia Massini, and Carine Peeters, "Why are Companies Offshoring Innovation?" *Journal of International Business Studies* (2009):1-25.

Questions:

- (1) What are the 'push' and the 'pull' factors driving the increasing offshoring of R&D?
- (2) What are the strategic considerations a company should keep in mind when deciding whether to offshore R&D or not?
- (3) What should companies ask their home government to do in order to maximize their innovation potential?

### **Tue 10/20: Focused Interview Period—No Class**

### **12. Managing across Tax Regimes**

Thu 10/22

Reading: Special Economic Zones (SEZs) and Tax Havens. Ivey School of Business 9B06M076.

Questions:

- (1) Could you identify the advantages and disadvantages of locating in a SEZ from the point of view of (a) the company, and (b) the host government?

- (2) In an SEZ, which party has the upper hand in negotiations, the investing firm or the government? Why?
- (3) Which types of *activities* and which types of *assets* should a company locate in tax havens in order to minimize its overall tax burden?

### **13. Managing Strategic Alliances: Theory**

Tue 10/27

Reading: J. Peter Killing, "Understanding Alliances: The Role of Task and Organizational Complexity." In Farok J. Contractor and Peter Lorange, eds., *Cooperative Strategies in International Business* (Lexington, MA: Lexington Books, 1988), pp. 56-67.

### **14. Managing Strategic Alliances: An Illustration**

Thu 10/29

Case: Star Alliance (A): A Global Network. London Business School CS-02-039.

Questions:

- (1) Why are alliances so prevalent in the airline industry?
- (2) What benefits do alliances bring to the airlines participating in it?
- (3) How does Star Alliance compare to other alliances in terms of task complexity and organizational complexity? Would you change the way in which the alliance is structured?

### **15. Managing International Acquisitions**

Tue 11/3

Reading: Laurence Capron and Mauro F. Guillén, "Fighting Economic Nationalism in Deals." *Financial Times* (13 October 2006).

Case: Nestlé: Divesting Perrier? Radboud Universiteit Nijmegen 308-063-1.

Questions:

- (1) What are Nestlé's core capabilities?
- (2) What is Nestlé's strategy in the bottled water market?
- (3) What should Nestlé do in order to extract the most value from the Perrier acquisition?

### **16. Managing Political Risk**

Thu 11/5

Reading: Ilan Alon and Theodore T. Herbert, "A Stranger in a Strange Land: Micro Political Risk and the Multinational Firm." *Business Horizons* 52 (2009):127-137.

Case: Ferrovia's Trials and Tribulations in Canada (2009).

### **17. Managing Stakeholder Relations**

Tue 11/10

Case: Richardson Hindustan Ltd. (Abridged). HBS 9-394-025.

Questions:

- (1) What were Gurcharan Das's main options and how do you think he should evaluate them?
- (2) Which groups within and without RHL would favor or oppose each of the options?
- (3) What should Mr. Das do?

## **PART III: EMERGING TRENDS AND OPPORTUNITIES**

### **18. New Approaches to Funding Education**

Thu 11/12

Case: Felipe Vergara and Lumni. Darden UVA-ENT-0083.

Questions:

- (1) Do you like the idea of treating investments in education as an equity stake in an individual's future income? Can it help poor people gain access to high-quality education?
- (2) What pluses and minuses do you identify in Felipe Vergara's income-contingent financial instruments? Do you think securitization overcomes some of the ethical issues with Friedman's original idea?
- (3) In what ways was Chile a good market in which to launch Lumni's products? Should Lumni prioritize growth within countries or across many markets?

### **19. Population Ageing**

Tue 11/17

Case: General Electric Healthcare, 2006. HBS 9-706-478.

Questions:

- (1) What's the global potential of the diagnostic imaging systems industry? Please refer to the reading by from the second day of class.
- (2) Does GE Healthcare have a coherent strategy-structure configuration?
- (3) What should GE Healthcare do in order to compete in China against its rivals?

### **20. Preparing for the Project (II)**

Thu 11/19

### **21. Leisure and Entertainment**

Tue 11/24

Case: BBC Worldwide. HBS 9-507-034.

Questions:

- (1) Do you agree with the BBC WW's three groupings of foreign markets?
- (2) Why does the BBC brand have high awareness among U.S. consumers?
- (3) What should BBC WW do in order to improve its business in the U.S.?

### **Tue 11/26: Thanksgiving—No Class**

### **22. Women Entrepreneurs**

Tue 12/1

Reading: "The 12 Most Common Mistakes and Pitfalls Awaiting New Exporters." *Business America* (7 December 1987).

Case: Azza Fahmy: Egyptian Jewelry (2009).

Case: Martha Debayle's bbmundo (2009).

Questions:

- (1) What are the unique capabilities of each of these two firms?
- (2) Should Azza Fahmy change its internationalization strategy?

(3) Should bbmundo enter the U.S. market?

### **23. The 'Forgotten' Continent: Africa**

Thu 12/3

Video: Chinatown Africa (to be shown in class).

Case: China in Africa: The Case of Sudan. HBS 9-308-060.

Questions:

- (1) Is the multinational firm supposed to make decisions in a way that furthers the foreign-policy goals of its home country?
- (2) Should multinational firms be asked to adhere to an ethics code regarding foreign investments or simply follow the law?
- (3) What arguments would you use to defend China's investment policies in the Sudan?

### **24. The New Multinationals**

Tue 12/8

Reading: Mauro F. Guillén and Esteban García-Canal, "The American Model of the Multinational Firm and the 'New' Multinationals from Emerging Economies." *Academy of Management Perspectives* 23(2) (May 2009):23-35.

Reading: Accenture, *Emerging-Market Multinationals* (2008).

### **25. Conclusion & Final Take-Home Exam**

Thu 12/10

Case: Grupo Bimbo. HBS 9-707-521.

Note: This case will be the subject of the final take-home exam.