

**University of Pennsylvania**  
**The Wharton School**  
**MGMT955:**  
**Foundations for Multinational Management**

**Spring, 2010**  
**Quarter 3, Mondays, 3-6**

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**Course Description:**

This course is intended for doctoral students who have a research interest in the field of international management. MGMT955 serves as a prerequisite for MGMT959. The goal of the course is to provide you with a foundation in some of the major research areas that underpin the study of Multinational Management. International Business (and the study of MNCs) is an interdisciplinary field. As such, we will focus on a number of different theoretical and empirical approaches to this field (including economic, managerial, organizational and institutional approaches). Much of our seminar discussions will focus on identifying and developing interesting research questions raised by this interdisciplinary literature, which offers many opportunities for systematic empirical study. In addition, this seminar has been designed to give students an awareness and appreciation for the different approaches that underlie the research of the faculty members within the Multinational Management Group at Wharton.

**Course Requirements**

The course grade will be based on class participation, a class presentation and a final paper proposal (8-10 double spaced pages that offer at least one hypothesis). Students will also write summaries and analyses of articles that will be shared and distributed in class; these are intended to be used by students when they take their second year MM exams.

**Participation**

Regular attendance and participation are critical to your successful completion of this course. You should complete the assigned readings and written assignments prior to each class. You are encouraged to prepare for class with your colleagues; however, each member of the class should be fully conversant in the material—expect to participate in every class.

**Written summaries and analysis**

Each week, students (or sometimes pairs of students) will be given responsibility for writing a summary and critical analysis of one or two of the assigned readings for that class, or a question that relates to the readings (approximately 2 pages in length). Students will lead the

discussion of those readings. These assignments will be made at least one week prior to the relevant class session. For each of the papers assigned to you, your written report should outline the following: (a) the dominant research question; (b) the logical and empirical support presented; (c) the contribution of the research to our understanding of relevant phenomena in international business; (d) limitations of the research and; and *most importantly* (e) feasible refinements or extensions to the empirical study and related research questions that are prompted by your reading of the paper. These reports should be distributed to all participants at the beginning of the class session (and posted on webCafe prior to class)

### **Paper**

I would like for you to develop the theory section of a paper and I expect to see at least one hypothesis in this theory section. This paper can be based either on one of the foundational areas we cover, on a combination of the foundational areas, or on an international business issue that interests you. Given the six week time frame of this course, you will need to begin thinking about this paper early in the course. We will discuss this paper on the first day of class. In brief, I expect you to turn in a theory section that is between 8-10 pages that would be at the level of development that is suitable for submission to an academic conference (like AOM or AIM). I do not expect you to have any data, but I expect you to develop one testable prediction in these 8-10 pages. Please feel free to discuss your ideas with me whenever you are ready to do so.

### **Policy on Auditors**

Advanced students who do not wish to enrol as full participants are welcome to audit the course, under the following conditions: (1) you commit to attend at least 75% of the class sessions, and inform me in advance which sessions you will attend; (2) you participate fully in the sessions that you attend, including doing a “fair share” of summary writing and leading class discussion. Auditing students are excused from assignments related to the class paper.

### **READING MATERIALS:**

It is highly recommended that you buy the following book:

Caves, Richard, 1996. Multinational Enterprise and Economic Analysis, Second Edition (New York: Cambridge University Press). ISBN 0-521-47858-8. (A copy will also be placed on reserve in the Lippincott library.)

There is no bulkpack for this class. PDF versions of the readings will be put on webcafe.

**MGMT 955A:      TOPIC OUTLINE**

No Class on 1/18/10 – Martin Luther King Day

Class One: 1/25/10

Introduction Class and Definition of the Field

Class Two: 2/1/10

Economic Perspective I – Oligopolistic Theories and Product Life Cycle

Class Three: 2/8/10

Economic Perspective II – Transaction Cost Analysis and Internalization Theory

Class Four: 2/15/10

Managerial Perspective – Strategy and Structure

Class Five: 2/22/10

Organizational Perspective – Strategy, Structure and the Environment

Class Six: 3/1/10

Institutional Perspective – The Institutional Environment of the MNC

I will also meet with each student individually after s/he turns in the course paper to discuss ideas in the paper and extensions to the paper.

## **OUTLINE WITH READING LIST:**

Below is a list of related readings for each topic. There are more readings than will be assigned during any one session. The purpose of the list below is to give you additional resources that may be useful as you pursue your own research in this field.

### **Class One:**

**TOPIC:                   International Management: Introduction and Overview of the Field**

### **Readings:**

#### **A. Anchors in the Field:**

Buckley, Peter J. and Mark Casson. 1976. The future of the multinational enterprise. New York : Holmes & Meier Publishers.

Caves, Richard E. 1996 Multinational Enterprise and Economic Analysis, Second Edition. New York: Cambridge University Press.

Chandler, Alfred, 1986. *The Evolution of the Modern Corporation*, in Porter (ed.) Competition in Global Industries, Boston: Harvard University Press.

Dunning, John H. 1993. Multinational enterprises and the global economy. Wokingham, England : Addison-Wesley.

Kindleberger, Charles (Ed.). 1970. The International Corporation, Cambridge MA: MIT.

Penrose, Edith, 1968, The Large International Firm in Developing Countries: The International Petroleum Industry, London: Allen and Unwin.

Porter, Michael E. 1990. The Competitive Advantage of Nations. New York: Free Press.

Stopford, J. and L. T. Wells, Jr. 1972. Managing the Multinational Enterprise: Organization of the Firm and Ownership of Subsidiaries. New York: Basic Books.

Wilkins, Mira, 1970. The Emergence of Multinational Enterprise, Cambridge, MA: Harvard University Press.

#### **B. More Recent Articles on the Field:**

Buckley, P., 2002. Is the International Business Agenda Running out of Steam? *Journal of International Business Studies*, 33(2): 365-373.

Dunning, J.H. 1989. "The Study of International Business: A Plea for a More Interdisciplinary Approach," *Journal of International Business Studies* 20-3: 411-436.

Ghoshal, S., and D. Eleanor Westney. 1993. "Introduction and Overview." In Sumantra Ghoshal and Eleanor Westney, eds., *Organization Theory and the Multinational Corporation*. New York: St. Martin's Press: 1-23.

JIBS Symposium: Multinational Enterprise and Economic Analysis. 1988. *Journal of International Business Studies* 29(1).

Rugman, A., and Brewer, T., 2003. The Oxford Handbook of International Business, Oxford University Press (Oxford, UK).

Vernon, R. 1994. Contributing to an International Business Curriculum: An Approach from the Flank. *Journal of International Business Studies*. 25(2): 215-227.

**Class Two:**

**TOPIC: Economic Perspective I:  
Oligopolistic and Product Cycle Views of Int'l Expansion**

**Readings:**

Alcacer, J. 2006. Location Choices Across the Value Chain: How Activity and Capability Influence Agglomeration and Competition Effects, *Management Science* 52(10): 1457-1471.

Calvet, A.L., 1981. A Synthesis of Foreign Direct Investment Theories and Theories of the Multinational Firm, *Journal of International Business Studies* (12) 1: 43-59.

Caves, 1996, Multinational Enterprise and Economic Analysis, Chapter 4

Gimeno, J. R. Hoskisson, B. Beal and W. Wan, 2005. Explaining the Clustering of International Expansion Moves: A Critical Test in the US Telecommunications Industry. *Academy of Management Journal* 84(2): 297-319.

Kindleberger, C., 1969. The Theory of Direct Investment and The International Corporation, American Business Abroad, MA: MIT Press.

Knickerbocker, F, 1974. Introduction, Oligopolistic Reaction and Multinational Enterprise, Division of Research, Harvard Business School, Boston.

Flowers, Edward B. 1976. Oligopolistic Reactions in European and Canadian Direct Investment in the United States. *Journal of International Business Studies* 7(Fall/Winter): 43-55.

Giddy, I. 1978. The Demise of the Product Life Cycle Model in International Business Theory, *Columbia Journal of World Business*, Vol. 13: 90-97.

Wells, L.T., 1972. International Trade: The Product Life Cycle Approach, in Wells, ed., The Product Life Cycle and International Trade, Division of Research, Graduate School of Business Administration, Harvard University: 3-33.

Vernon, R., 1966. International Investment and International Trade in the Product Life Cycle, *Quarterly Journal of Economics*, 80: 190-207.

Vernon, R., 1979. The Product Cycle Hypothesis in a New International Environment, *Oxford Bulletin of Economics and Statistics*, 41(4): 255-267.

**Class Three:**

**TOPIC: Economic Perspective II:  
Transaction Cost Analysis and Internalization Theory**

**Readings:**

Buckley, P. and M. Casson, 1976. A Long Run Theory of the Multinational Enterprise” and “Alternative Theories of the Multinational Enterprise, The Theory of the Multinational Corporation, London: MacMillan.

Buckley, P. 1988. The Limits of Explanation: Testing the Internalization Theory of the Multinational Enterprise, *Journal of International Business Studies*, Summer: 181-193.

Caves, 1996. Multinational Enterprise and Economic Analysis, Chapter. 3.

Dunning, J.H., 2003. Some Antecedents of Internalization Theory. *Journal of International Business Studies*, 34: 108-115.

Dunning, J.H. 1979. Explaining Changing Patterns of International Production: In Defence of the Eclectic Theory, *Oxford Bulletin of Economics and Statistics*, 41: 269-95.

Dunning, J., 1980. Towards an Eclectic Theory of international production: some empirical tests. *Journal of International Business Studies* 11: 9-29.

Dunning, J.H. and A. Rugman, 1985 The Influence of Hymer’s Dissertation on the Theory of Foreign Direct Investment, *American Economic Review* (75) 2: 228-232.

Anderson E. and H. Gatignon, 1986. Modes of Foreign Entry: A Transaction Cost Analysis and Propositions, *Journal of International Business Studies*, Vol. 17(3): 1-26

Hill, and Kim, 1988. Searching for a Dynamic Theory of the Multinational Enterprise: A Transaction Cost Model, *Strategic Management Journal*, Vol. 9: 93-104.

Horaguchi H., and Toyne, B., 1990. Setting the Record Straight: Hymer, Internationalization Theory and Transaction Cost Economics,” *Journal of International Business Studies*, Vol. 21: 487-494.

- Hymer, S. A Comparison of Direct and Portfolio Investment” and “The Theory of International Operations, The International Operations of National Firms. Cambridge, MA: MIT Press.
- Kogut, B., & Zander, U. 1993. Knowledge of the Firm and the Evolutionary Theory of the Multinational Corporation. *Journal of International Business Studies*, 24 (4): 625-45.
- Kogut, B. and Zander, U., 2003. A Memoir and Reflection: Knowledge and an Evolutionary Theory of the Multinational Firm 10 Years Later. *Journal of International Business Studies*, 34: 505-515.
- Oxley, J., 1996. Appropriability Hazards and Governance in Strategic Alliances: A Transaction Cost Approach. *Journal of Law, Economics and Organization* 13(2): 387-409.
- Rugman, A., 1986. New Theories of the Multinational Enterprise: An Assessment of Internalization Theory, *Bulletin of Economic Research* 4, 38(2): 101-117.
- Sampson, R., The Cost of Inappropriate Governance in R&D Alliances, ([http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=265994](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=265994))
- Teece, D., 1985. Multinational Enterprises, Internal Governance and Industrial Organization, *American Economic Review*, Vol, 75, May: 233-238.
- Teece, D., 1986. Transaction Cost Economics and the Multinational Enterprise: An Assessment, *Journal of Economic Behavior and Organization*, Vol. 7, March: 21-46.

**Class Four:**

**TOPIC:                   Managerial Perspective – Strategy and Structure**

**Readings:**

- Bartlett, C. A. and Ghoshal, S. 1989. Managing Across Borders: The Transnational Solution. Harvard Business School Press, Boston, MA. Chapter 1. (also a Sloan Management Review article from Summer, 1987, pp. 7-17)
- Berry, H., 2009. The Strategies and Structures of Multinational Corporations, working paper
- Berry, H., 2009. Product Integration in Multinational Corporations, working paper
- Birkinshaw, J. and N. Hood. 1998. Multinational Subsidiary Evolution: Capability and Charter Change in Foreign-Owned Subsidiary Companies. *Academy of Management Review*. 23(4): 773-795.
- Birkinshaw, J., Morrison, R. and Hulland, 1995. Structural and Competitive Determinants of a Global Integration Strategy, *Strategic Management Journal*, Vol., 16, pp. 637-655.
- Doz, Y., 1980. Strategic Management in Multinational Companies, *Sloan Management Review*, Winter, pp. 27-46.

- Egelhoff, W., 1988. Strategy and Structure in Multinational Corporations: A Revision of the Stopford and Wells Model, *Strategic Management Journal*, 9(1); 1-14.
- Egelhoff, W. G. 1982. Strategy and Structure in Multinational Corporations: An Information-Processing Approach. *Administrative Science Quarterly*, 27: 435-458.
- Ghoshal, S. and C.A. Bartlett. 1990. The Multinational Corporation as an Interorganizational Network, *Academy of Management Review*, 15 (4): 603-625.
- Ghoshal, S. 1987. Global Strategy: An Organizing Framework. *Strategic Management Journal*, 8: 425-440.
- Johanson, J., Vahlne, J., 1977. The internationalization process of the firm. *Journal of International Business Studies* 8: 23–32.
- Johansson, J, and G. Yip, 1994. Exploiting Globalization Potential: US and Japanese Strategies, *Strategic Management Journal*, Vol. 15: 579-601.
- Kogut, B. 1989. A Note on Global Strategies. *Strategic Management Journal*, 10: 383-389.
- Kogut, B., Designing Global Strategies: Comparative and Competitive Value-Added Chains, *Sloan Management Review*, Summer, 1985.
- Kogut, B., 1983, Designing Global Strategies: Profiting from Operational Flexibility, *Sloan Management Review*, Fall: 27-38.
- Kogut, B., 1983. Foreign direct investment as a sequential process. In Kindleberger, C., Audresch, D., (Eds) The Multinational Corporation in the 1980s. Cambridge: MIT Press.
- Kogut, B., and N. Kulatilaka, 1993. Operating Flexibility, Global Manufacturing and the Option Value of a Multinational Network, *Management Science* 39(11): 123-139.
- Melin, L., 1992. Internationalization as a Strategy Process, *Strategic Management Journal* 13:99-118.
- Morrison, A., and K. Roth, 1992. A Taxonomy of Business-Level Strategies in Global Industries, *Strategic Management Journal*, Vol. 13, pp. 399-418.
- Perlmutter, H. 1969. The Tortuous Evolution of the Multinational Corporation, *Columbia Journal of World Business*.
- Porter, M., 1998, Competing Across Locations: Enhancing Competitive Advantage Through a Global Strategy, (from On Competition, HBS Press).
- Porter, M., 1986. Competition in global Industries, Harvard Business School, Boston, MA.

- Porter, M., 1987. Changing Patterns of International Competition. In Teece, Ed., The Competitive Challenge, Cambridge: Ballinger: 27-57.
- Roth, K., and A. Morrison, 1990. An Empirical Analysis of the Integration-Responsiveness Framework in Global Industries, *Journal of International Business Studies*, Vol. 21, No.4: 541-564.
- Rugman, A. and A. Verbeke, 2004, A perspective on Regional and Global Strategies of Multinational Enterprises, *Journal of International Business Studies*, 35(1): 3-18.
- Tallman, S., 1991, Strategic Management Models and Resource-Based Strategies Among MNEs in Host Market, *Strategic Management Journal*, Vol. 12: 69-82.
- Tallman, S., and Yip., Strategy and the Multinational Enterprise, in Rugman and Brewer, The Oxford Handbook of International Business, Oxford University Press, 2003
- Vahlne, J.E., Johanson, J., 2002. New technology, new companies, new business environments and new internationalization processes? In Havila, V., Forsgren, V., Hakansson H., (eds) Critical Perspectives on Internationalization. Amsterdam: Pergamon Elsevier.
- Yip, G., 1989. Global Strategy ...In a World of Nations? *Sloan Management Review*, Vol. 31, No 1: 29-41.
- Zaheer, S., 1995. Overcoming the liability of foreignness. *Academy of Management Journal*, 38, 341-63.

**Class Five:**

**TOPIC: Organizational Perspective – Strategy, Structure and the Environment**

**Readings:**

- Delacroix, J., 1993. The European Subsidiaries of American Multinationals: An Exercise in Ecological Analysis. In Ghoshal and Westney, eds., *Organization Theory and the Multinational Corporation*. New York: St. Martin's Press, pp. 105-135.
- Doz Y., and C.K. Prahalad, 1993. Managing DMNCs: A Search for a New Paradigm, in Ghoshal and Westney, Organization Theory and Multinational Corporation.
- Doz Y., and C.K. Prahalad, 1987. The Multinational Mission: Balancing Local Demands and Global Vision, NY, The Free Press, Chs 2,3 and 12.
- Guillén, M., 2002 “Structural Inertia, Imitation, and Foreign Expansion: South Korean Firms and Business Groups in China, 1987-1995, *Academy of Management Journal*(3): 509-525.

- Guler, I., Guillén, M. and J.M. Macpherson, 2002. Global Competition, Institutions, and the Diffusion of Organizational Practices: The International Spread of ISO 9000 Quality Certificates. *Administrative Science Quarterly*, 47: 207-32.
- Hedlund, G., 1986. The Hypermodern MNC: A Heterarchy? *Human Resource Management*, 25(1).
- Malnight, T., 2001. Emerging Structural Patterns Within Multinational Corporations: Toward Process Based Structures. *Academy of Management Journal*, 44(6): 1187-1210.
- Martin, X., A. Swaminathan, and W. Mitchell, 1998. Organizational Evolution in the Interorganizational Environment: Incentives and Constraints on International Expansion Strategy. *Administrative Science Quarterly* 43 (1998):566-601.
- Martinez, J., and J. Jarillo, 1989. The Evolution of Research on Coordination Mechanisms in Multinational Corporations, *Journal of International Business Studies* 20: 489-514.
- Stopford, J., and Wells, 1972. Managing the Multinational Enterprise: Organization of the Firm and Ownership of the Subsidiaries, NY, Basic Books, Chs 1-6.
- Westney, D.E., 1993. Institutionalization Theory and the Multinational Corporation. In S. Ghoshal and E. Westney, eds., *Organization Theory and the Multinational Corporation*. pp. 53-76.

**Class Six:**

**TOPIC: Institutional Perspectives on Multinational Enterprises**

**Readings:**

- de la Torre, J., and Neckar, 1988. "Forecasting Political Risk for International Operations," *International Journal of Forecasting*.
- Delios, A. & Henisz, W. J. 2000. Japanese firms' investment strategies in emerging economies. *Academy of Management Journal*, 43(3):305-323.
- Fagre, N. & Wells, L.T. 1982. Bargaining Power of Multinational and Host Governments. *Journal of International Business Studies*, 13(2): 9-23.
- Guillén, M., and S. Suárez, 2001 The Institutional Environment of Multinational Activity. In S. Ghoshal and E. Westney, eds., *Organization Theory and the Multinational Corporation*, second edition. New York: St. Martin's Press.
- Henisz, W. and B. Zelner, 2005. Legitimacy, Interest Group Pressures and Change in Emergent Institutions: The Case of Foreign Investors and Host Country Governments, *Academy of Management Review*, forthcoming.
- Henisz, W. and B. Zelner, 2005. Resistance to Illegitimate Multilateral Influence on Reform: The Political Backlash Against Private Infrastructure Investors, working paper.

- Henisz, W., and A. Delios. 2001. Uncertainty, Imitation and Plant Location: Japanese Multinational Corporations, 1990-96, (with A. Delios), *Administrative Science Quarterly*, 2001.
- Henisz, W. J. & Williamson, O. E. 1999. Comparative Economic Organization -- Within and Between Countries. *Business and Politics*, 1(3): 261-277.
- Henisz, W. J. 2000. The Institutional Environment for Multinational Investment. *Journal of Law, Economics & Organization*, 16(2).
- Kobrin, S., 1979. Political Risk: A Review and Reconsideration, *Journal of International Business Studies*, 10: 67-80.
- Kobrin, S. J. 1987. Testing the Bargaining Hypothesis in the Manufacturing Sector in Developing Countries. *International Organization*, 41(1): 609-638.
- Kobrin, S.J. 1976. The Environmental Determinants of Foreign Direct Investment: An Ex Post Empirical Analysis. *Journal of International Business Studies*, 7: 29-42.
- LeCraw, D. 1984. Bargaining Power, Ownership and Profitability of Transnational Corporations in Developing Countries. *Journal of International Business Studies*, 15(1): 27-42.
- Levy, B. and P. Spiller 1994. The Institutional Foundations of Regulatory Commitment. *Journal of Law, Economics and Organization*, 9: 201-46.
- Murtha, T. and S. Lenway, 1994. Country Capabilities and the Strategic State: How National Political Institutions Affect Multinational Corporations' Strategies, *Strategic Management Journal*, Vol. 15: 113-129.
- North, D. C. 1986. The New Institutional Economics. *Journal of Institutional and Theoretical Economics*, Vol. 142: 230-237.
- Oxley, J.E. 1999. Institutional Environment and the Mechanisms of Governance: The Impact of Intellectual Property Protection on the Structure of Inter-Firm Alliances. *Journal of Economic Behavior and Organization*, Vol. 38: 283-309.