

MGMT 205: Multinational Corporate Strategies

The Wharton School

Spring 2012

Tue, Thu 1:30-3

JMHH F90

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Office Hours: Tue: 4-5pm.

Send an email for prior appointment

PURPOSE OF THE COURSE

This course is designed to immerse you in the challenges faced by managers venturing into international markets. Through a combination of case discussions, readings, lectures and a group project, you will develop the ability to pursue managerial action that is responsive to the evolving global business environment, and to the often-conflicting demands of multiple stakeholders such as local and overseas customers, joint venture partners, or governmental organizations.

We will explore the key activities undertaken by managers to evaluate international business opportunities, develop market entry strategies and effectively manage expansion in international markets. We will consider emerging global firms, identifying the circumstances in which venturing overseas makes sense, and when it may not be a wise strategy.

We will explore the essential strategic and organizational challenges encountered by international managers; for example, how to build competitive advantage in international markets, how to balance the benefits of global integration against the need to respond to local differences, and how to promote innovation in a global network. We will also consider strategic and managerial issues associated with different modes of entry. Finally, we will confront the topic of conducting business in emerging markets such as China and India.

REQUIREMENTS

- Written case Analyses (20%) – 2 out of 3

- Class participation (20%).
- In-class midterm exam (20%), **Tuesday February 14**, 25 minutes.
- Group project (40%)

A Note on Homework Assignments and Class Participation

Case Analyses – Students will have to submit written analyses for 2 cases during the course of the semester. The syllabus indicates which of the cases are eligible for this exercise. The written analysis should not exceed 1 page (single spaced, font size: 12) and should directly address the questions for the day in a clear and concise manner.

Class participation - Each student will be graded based upon the frequency as well as the quality of his or her contribution to class discussion. Effective participation is accomplished by focused comments or questions that demonstrate mastery of readings and cases. We especially encourage class participation that applies conceptual frameworks to case materials and that enriches the learning experience of the class.

I expect students to prepare for class, to attend class (and be on time) and to be willing and ready to participate in each and every class discussion. Please inform the instructor in advance by email if you are going to miss a class. Please remember to turn off your cell phones and Blackberries before the start of class. Concert rules will be enforced and no laptops should be open during class. Please bring your name tent to each class. Class participation will be affected by any class that you miss beyond two.

Group Project

The group project consists of a mini-report and a presentation on a key decision made by a multinational firm. It is worth 40 points (i.e. 40% of the total grade). Groups should have 5-6 members. The final report should provide: (1) a description of the company and industry background; (2) a description of the decision; and (3) a critique of the decision. The decision should be directly related to one or more of the nine key themes below:

1. The Global Environment

2. Industry Characteristics & Global Strategy
3. Home-Country Effects
4. Distance & Global Strategy
5. Organization of the MNC
6. Innovation in Multinationals
7. Market Entry Strategies & Sequence and Pace of International Expansion
8. Developed country multinationals in emerging markets
9. Multinationals from Emerging Markets

The decision analyzed in the project could be one that helped the company become more competitive or profitable, or just the opposite. The specifications, distribution of points, and deadlines are:

- Deliverable #1: Deadline March 01, 2011. A 5-minute presentation of your project proposal. Hard-copy of the slides is due at the end of the class (5 points)
- Deliverable #2: Deadline April 24, 2011 by 9:00am. Final report due. Please submit it to the electronic submission folder. The final report should be no more than 10 pages, single-spaced, 12 point Times New Roman Font, with 1 inch margins all around, excluding tables or exhibits. (15 points)
- Deliverable #3: Deadline April 24, 2011. An 8-10-minute presentation of your final project. Hard copy of the slides is due at the end of the class (15 points)
- Deliverable #4: Deadline April 24, 2011 by 9:00am: Evaluation of your team mates (on a Scale of 1-4 where 4 indicates being involved and helpful in the team project and 1 indicates not participating and/or not being helpful in the team project. Make an Excel sheet indicating your team number and have a column for each of your team members. Score them separately on a scale of 1-4 and submit to electronic folder (5 points)

We will have sessions in the course exclusively dedicated to the discussion and presentation of the project. In those instances, I will provide more details about the project and answer specific questions students may have. Any student who misses his/her group presentations due to an unexcused absence will forfeit 50% of the oral presentation points earned by the group

READING MATERIALS

All readings are available from Wharton Reprographics.

ABOUT THE INSTRUCTOR

Prithwiraj (Raj) Choudhury is an Assistant Professor of Management at the Wharton School, University of Pennsylvania. His research is focused on innovation in emerging markets in the context of both developed country and emerging market multinational firms. In particular he is interested in studying how firms in knowledge intensive industries manage human capital, a key yet mobile resource. He has studied the phenomenon of return migration within multinational firms and is currently studying how large firms catalyze efficient within-country migration of human capital in emerging markets. He also studies the interactions of multinational firms with government R&D labs and other government entities in emerging markets.

His work has been published in the Academy of Management Best Paper Proceedings and is forthcoming in leading academic journals such as the Review of Financial Studies and the Global Strategy Journal. In 2010, he received the Academy of International Business's Haynes Prize for the most promising scholar under the age of 40. His doctoral dissertation also received the Wyss Award for Excellence in Doctoral Research at the Harvard Business School and the Richard N. Farmer Best Doctoral Dissertation Award from the Academy of International Business.

Prior to entering academia, he worked at McKinsey & Company for five years. He was Engagement Manager and worked across the Delhi, Detroit, Moscow and Mumbai offices of McKinsey. He then incubated and managed the global accounts business unit for Microsoft Corporation in South East Asia. He also worked at the IBM Advanced Technologies Research Lab in Bangalore. Professor Choudhury holds a

Bachelor's Degree in Computer Science and Engineering from the Indian Institute of Technology Kharagpur, an MBA from the Indian Institute of Management Calcutta and earned his Doctorate from the Harvard Business School.

MULTINATIONAL CORPORATE STRATEGIES

Theme 1 – The Global ENVIRONMENT

Session 1 - Thursday, January 12

Video: Watch Thomas Friedman summarize his book, *The World is Flat*, at <http://mitworld.mit.edu/video/266>

Readings

1. Pankaj Ghemawat, "Why the World Isn't Flat," *Foreign Policy*, March-April 2007, pp. 54-60.
2. Richard Florida, "The World is Spiky," *The Atlantic Monthly*, October 2005, pp. 48-50.

Session 2 - Tuesday, January 17

Readings:

1. Walter Kuemmerle, Go Global-or No?, Harvard Business Review, June 2001, pp. 37-41
2. Stephen Tallman and Georges Yip, Strategy and the Multinational Enterprise, in *The Oxford Handbook of International Business*, 2nd edition, ed. Alan Rugman, Oxford University Press, 2009, pp. 308-340.

Theme 2 - INDUSTRY & Global Strategy

Session 3 - Thursday, January 19

Reading: 1. George S. Yip, "Diagnosing Industry Globalization Potential" in *Total Global Strategy II*, Prentice Hall, 2003, pp. 15-49.

Session 4 - Tuesday, January 24

Case: Robert Mondavi and the Wine Industry, HBS 9-302-102

(WRITTEN CASE ANALYSIS CAN BE SUBMITTED FOR THIS CASE)

- Questions: (1) What is the global potential of the wine industry?
- (2) Characterize and evaluate the strategies of Mondavi's global competitors.
- (3) Do you think that Mondavi should compete head-to-head with the Australian wine producers?

Theme 3 – LOCATION & Global Strategy: Home-Country Effects

Session 5 – Thursday, January 26

Reading: 1. Michael E. Porter, "The Competitive Advantage of Nations", *Harvard Business Review*, March-April 1990, pp. 73-91.

Session 6 - Tuesday, January 31

Case: Swatch and the Global Watch Industry, Ivey School of Business 9A99M023.

- Questions: (1) How do you explain the shifting global leadership in the watch industry, from Swiss to American to Japanese and back to Swiss firms?
- (2) How do you explain the success of Swatch as a company in this industry?
- (3) Do you think that Swatch should continue to rely on Switzerland as the location for most of its activities?

Theme 4 – LOCATION & Global Strategy - Distance & Global Strategy

Session 7 – Thursday, February 02

Readings: 1. Pankaj Ghemawat, “Distance Still Matters: The Hard Reality of Global Expansion” *Harvard Business Review* Sept. (2001), pp. 137-147.

Session 8 - Tuesday, February 07

Case: The Globalization of CEMEX, HBS 9-701-017

(WRITTEN CASE ANALYSIS CAN BE SUBMITTED FOR THIS CASE)

Questions: (1) What accounts for CEMEX’s success to date? In particular, what are the benefits that CEMEX has derived from expanding across borders?
 (2) How far can Cemex’s competitive advantage travel?
 (3) Do you think that CEMEX is making the right strategic move in expanding into developed countries?

Session 9 – Thursday, February 09

Review Session

Session 10 – Tuesday, February 14

In-class mid-term exam. Group sign-ups due.

Theme 5 – ORGANIZATION of the Multinational Firm

Session 11 – Thursday, February 16

Readings: 1. D.Eleanor Westney and Srilata Zaheer, The Multinational Enterprise as an Organization, in *The Oxford Handbook of International Business*, 2nd edition, ed. Alan Rugman, Oxford University Press, 2009, pp.341-366.

2. Julian Birkinshaw, "The Structures behind Global Companies,"
Financial Times, 12/4/2000

Session 12 – Tuesday, February 21

Case: Acer Inc.: Taiwan's Rampaging Dragon. HBS 9-399-010.

Questions: (1) Describe Acer's culture and organizational structure. Can Acer's early culture and practices be sustained as the company grows?
 (2) How responsive is Acer to local environments? How coordinated or integrated is it?
 (3) Analyze the advantages and disadvantages of allowing Acer America to design and market the Aspire.
 (4) If you were Stan Shih, would you give the Aspire project the green light?
 Is the organizational structure appropriate?

Session 13 – Thursday, February 23

Case: Philips versus Matsushita: A New Century, A New Round. HBS 9-302-049.

Questions: (1) How did Philips become a leader in the industry? How did Matsushita overtake Philips? What distinctive capabilities did each firm possess?
 (2) What are the major problems currently facing each firm?
 (3) What specific organizational changes would you say each firm should implement?

Session 14 – Tuesday, February 28

Group project preparation

Session 15 – Thursday, March 01

Presentation of project proposals

SPRING BREAK: March 03 – March 11

Theme 6 – ENTRY STRATEGIES for Multinationals – SEQUENCE AND PACE

Session 16 – Tuesday, March 13

Readings:

1. Franklin R. Root, “Designing Entry Strategies for International Markets.” In *Entry Strategies for International Markets*. New York: Lexington Books, 1990, pp. 1-23.
2. Johanson, J., & Vahlne, J.-E. (1977). The Internationalization Process of the Firm -- A Model of Knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies*, 8, 23-32.
3. Vernon, R. (1966). International Investment and International Trade in the Product Cycle. *Quarterly Journal of Economics*, 80, 190-207.

Session 17 – Thursday, March 15

Case: Häagen-Dazs’ Entry in to Europe, Wharton case study

- Questions: (1) Why has Häagen-Dazs been so successful in its home country?
- (2) Why did Häagen-Dazs decide to expand internationally? Did it learn how to succeed globally as it entered new markets?
- (3) Do you like the second European entry plan? Please provide reasons for your answer.

Session 18 – Tuesday, March 20

- Case: “Wal-Mart Stores, Inc.” Credit Suisse, March 25, 2006.
- “Special Report: Wal-Mart.” *The Economist*, April 17, 2004, pp. 67-69.
- “Leahy’s lead: A mixture of understatement and quiet confidence has turned Tesco from a domestic grocery chain...”, *The Economist*, August 11, 2001.
- “Tesco: Fresh, but far from easy”, *The Economist*, June 23, 2007.

- Questions: (1) Do you think there is a good strategic rationale for Wal-Mart &/ or Tesco to expand internationally?

- (2) Explain what you believe to be the rationale for the sequence in which, and the pace at which, Wal-Mart & Tesco have entered different markets.
- (3) Do you think Tesco's strategy to enter the United States makes sense?

Theme 7 – Multinationals and INNOVATION

Session 19 – Thursday, March 22

Readings:

1. Julian Birkinshaw and Torben Pedersen, Strategy and Management in MNE Subsidiaries in *The Oxford Handbook of International Business*, 2nd edition, ed. Alan Rugman, Oxford University Press, 2009, pp.367-388.
2. Walter Kuemmerle, Building effective R&D capabilities abroad. *Harvard Business Review*, 75 (2), 1997, pp. 61 – 71.
3. Prithwiraj Choudhury, Tarun Khanna 2011, Privatization of Innovation: Evidence from India's State Owned Laboratories, Working Paper

Session 20 – Tuesday, March 27

Case: P&G Japan: The SK-II Globalization Project, HBS 9-303-003

- Questions: (1) Does SK-II have the potential to become a global brand within Procter & Gamble's worldwide operations? Why or why not?
- (2) Which of the three market options should Paulo DeCesare recommend to the GLT? What benefits do you expect to gain? What risks do you see?
- (3) How should he implement your recommended option? What are the implications for P&G's new post-O2005 organization? What support and/or resistance do you expect? How will you manage it?

Session 21 – Thursday, March 29

Case: BT Group: Bringing External Technology Inside, ECCH 307-045-1

- Questions:
- (1) How do you compare BT's technology scouting units with a typical subsidiary in a multinational corporation? What makes their mandate distinctive?
 - (2) What are the main challenges involved in this global technology scouting *process*?
 - (3) Among the three growth avenues being considered by Frangos, which one would you recommend to him? Why?

Theme 8 – Doing business in EMERGING MARKETS

Session 22 – Tuesday, April 03

Readings:

- (1) Prithwiraj Choudhury, James Geraghty, Tarun Khanna (2011), The Corporate Government Responsibility (CGR) Framework to Navigate Host Governments - Clinical Study of a Global Biotechnology Firm, Forthcoming in Global Strategy Journal
- (2) Henisz WJ, Zelner BA. 2005. Legitimacy, interest group pressures, and change in emergent institutions: the case of foreign investors and host country governments. Academy of Management Review 30(2): 361-382.
- (3) Henisz WJ, Zelner BA. 2010. The hidden risks in emerging markets. Harvard Business Review 88(4): 88-95.

Session 23 – Thursday, April 05

Reading:

Tarun Khanna, Krishna Palepu and Jayant Sinha, Strategies that fit emerging markets, Harvard Business Review, June 2005

Case: Microsoft in China and India, 1993-2007, HBS 9-708-444

(WRITTEN CASE ANALYSIS CAN BE SUBMITTED FOR THIS CASE)

Questions:

- (1) Of the two major initiatives profiled in the case (Fone+ and Windows Starter edition), which one do you find more suitable to the context in China and India? Please list the pros and cons of both the alternatives?
- (2) Given that in 2007, China and India account for less than 5% of global revenues for MSFT, do you think your chosen strategy and initiatives would enable MSFT to create multi-billion dollar businesses in these two countries by 2015? Do you think the 'Beijing Declaration' can be achieved?
- (3) Is the Microsoft organization structure, as profiled in the case well designed to execute on this strategy?

Session 24 – Tuesday, April 10

- Readings:
1. Afonso Fleury and M.T. Fleury, Brazilian Multinationals: Surfing the waves of internationalization, in *Emerging Multinationals in Emerging Markets*, Cambridge: Cambridge University Press, 2009, pp. 200-243.
 2. Daniel McCarthy, Sheila Puffer and Oleg Vikhansi, Russian Multinationals: Natural resource champions, in *Emerging Multinationals in Emerging Markets*, Cambridge: Cambridge University Press, 2009, pp. 167-199.
 3. Ravi Ramamurti and Jitendra Singh, Indian multinationals: Generic internationalization strategies, in *Emerging Multinationals in Emerging Markets*, Cambridge: Cambridge University Press, 2009, pp. 110-165.

Session 25 – Thursday, April 12

Case: Bharti Tele-Ventures, HBS 9-704-426

Questions: (1) What were the main growth drivers for Bharti Tele-Ventures in the mid to late 1990s?

- (2) Starting out in 2003, who would characterize as the major competitive threat to Bharti –Tata, Reliance or the government owned BSNL? How should Bharti think about maintaining competitive advantage?*
- (3) In facing new competition, what help should Bharti seek from its partners at Singtel and Warburg Pincus?

Session 26 – Tuesday, April 17

Case: Haier: Taking a Chinese Company Global, HBS, 9-706-401

- Questions:
- (1) What do the characteristics of the global large appliances industry tell you about the design of an effective competitive strategy?
 - (2) Was there a good rationale for Haier to make global expansion its top strategic priority?
 - (3) Do you think Haier is right to shun the conventional wisdom by focusing on markets in developed countries before turning to those in developing countries?

CONCLUSION

Session 27- Thursday, April 19

Group project preparation

Session 28 – Tuesday, April 24

Final project presentations