

**INTERNATIONAL BUSINESS POLICY**

MGPO 383

Monday 18:00 – 21:00

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Office hours: Mon/Wed 17:30 -18:00 or by appointment.

**Course Description:**

This course is meant to expose students to the process of internationalization. After raising the theoretical question of "why" firms internationalize in the first place, the course moves to address the issue of, "How to internationalize?" Once the decision of "how?" is made, the next question to be answered is "where?" Finally, the last part of the course addresses the key managerial issues surrounding the functioning of a multinational enterprise.

**Objectives:**

It is expected that by the end of this course students will be able to critically analyze the reasons for a firm going abroad, and be able to evaluate various options regarding internationalization forms and location decisions. In addition, they will have acquired specific knowledge of the experience of various firms and industries in this respect.

**Method:**

This is a case-based, theory-driven course. The standard class will consist of students being assigned a case to read and prepare beforehand. In addition, most sessions will also include between one and three supporting articles which are meant to serve as theoretical or empirical grounding for the case. Given the nature of the course, active class participation is necessary from all students. The professor does reserve the right to cold-call students during the course of the discussion if necessary.

**Readings:**

There are no books for the course. A reading packet, which consists of articles and cases, can be purchased in the Bronfman Building.

**Evaluation:** 10% Individual case write-up

25% Group project

10% Group project presentation

40% Exam

15% Class participation/ professionalism

***Individual Case Write-up (10%)***

Students will be assigned one of the starred (\*) cases from the first sixteen sessions of the course (last one is November 12). The write-up should be no more than **3** concise double-spaced pages (12 point font) and be turned in at the beginning of the class to which it refers. You should 1) define what the issues or future challenges facing the firm are; 2) assess the available alternatives; and 3) make a recommendation. Feel free to be analytically judgmental and evaluative. Avoid summarizing or repackaging information that is already available in the case unless you expose evidence in some unexpected way (e.g., through calculation of ratios, drawing of graphs, etc.). However, do try to use the frameworks and tools from the course in your analysis. It is not necessary for you to compile and analyze additional information.

***Group Project (25%)***

The group project consists of a written report which the group will orally present to the class during one of the last weeks of the course. The project consists of the group selecting a firm which is not yet international but which the group thinks has potential to be successful abroad. The report should address the following issues:

1. Why do you think there is potential for this firm to be successful abroad?
2. What form of internationalization would you adopt and why? Which stages of the value chain would be affected?
3. Where would you choose to internationalize? Production? Sales?
4. What would be the organizational challenges the firm would face given its current structure and how would you overcome them?

The report should be no more than 20 double-spaced pages (12 pt font) plus exhibits, footnotes, and references. BE SURE TO PROPERLY CITE ALL SOURCES. A half-page description of your chosen firm should be handed in by Session 10 (October 15). The final report is due at the beginning of Session 26 (December 5).

***Group Project Presentation (10%)***

Groups will present their reports to the class on one of the following dates: December 3, and December 5. Presentations should last roughly 20 minutes. A hard copy of the PowerPoint slides should be turned in the day of the presentation.

***Exam (40%)***

A three hour exam (closed book) will be given Monday, November 19 and will cover everything in the course up until then.

***Class Participation/ Professionalism (15%)***

Attendance for all case discussions and presentations is mandatory (attendance will be randomly taken throughout the course). In addition, students are expected to come to class prepared and ready to participate actively in the discussion. Professional behavior is expected at all times. Computers may be used but only for taking notes, in which case the notes must be emailed to nicholas.matziorinis@mcgill.ca immediately at the end of each class.

**Academic Integrity:**

“McGill University values academic integrity. Therefore, all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures (see [www.mcgill.ca/integrity](http://www.mcgill.ca/integrity) for more information).”

***Course Outline***

INTRODUCTION

**1. Monday, September 10 - Course Description: The Multinational Firm**

"Global Trends: Rising FDI Flows," *World Investment Report,* UNCTAD, 2006.

WHY INTERNATIONALIZE?

**2. Monday, September 10 - Theoretical Foundations**

Aharoni, Y. (1966) *The Foreign Investment Decision Process*, Boston, MA: Harvard Graduate School of Business, pp. 49-75.

John H. Dunning, *Multinational Enterprises and the Global Economy* (Wokingham, England: Addison-Wesley, 1993), pp. 54-95.

“Foreign Direct Investment,” *Harvard Business School Note*, 2005.

“Introduction to International Strategy,” *Harvard Business School Not*e, 2006.

HOW TO INTERNATONALIZE?

**3. Monday, September 17 – Evolution of Entry Modes**

Franklin Root "Designing entry strategies for international markets*," Entry Strategies for Foreign Markets*, Lexington, MA: Lexington Books, 1994, pp. 22-44.

Case: Volvo Trucks (A): Penetrating the US Market \*

1. **Monday, September 17 - Growth through M&A I**

Jeffrey Dyer, Prashant Kale, and Harbir Singh, “When to Ally and When to Acquire,” *Harvard Business Review*, July-August, 2004, pp. 1-9.

Case: L’Oreal and the Globalization of American Beauty \*

1. **Monday, September 24 - Growth through M&A II**

Pankaj Ghemawat and Fariborz Ghada, “The Dubious Logic of Global Megamergers,” *Harvard Business Review*, July-August 2000, pp. 65-72.

Case: Marks & Spencer (A) and (B) \*

**6. Monday, September 24 - Trade-off I**

Case: Panda Furniture (A) \*

**7. Monday, October 1 - Trade-off II**

Case: Panda Furniture (A) Cont.

**8. Monday, October 1 - Trade-off III**

Case: Panda Furniture (A) Cont.

**9. Monday, October 15 – Joint-Ventures I**

HBS Note: “Managing International Alliances: Conceptual Framework”

J. Peter Killing, "Understanding Alliances," in Farok J. Contractor and Peter Lorange, eds., *Cooperative Strategies in International Business* (Lexington, Mass.: Lexington Books, 1988), pp. 55-67.

Case: Case: Fiat’s Strategic Alliance with Tata \*

**10. Monday, October 15 - Joint Ventures II/ Licensing (PROJECT ABSTRACTS DUE)**

Bamford, Ernst, and Fubini “Launching a World-Class Joint Venture,” *Harvard Business Review* (February 2004)

Case: Ben & Jerry’s - Japan \*

WHERE TO INVEST?

**11. Monday, October 22 – Exploiting National Differences**

Bruce Kogut, "Designing global strategies: Comparative and competitive value-added chains," *Sloan Management Review* 26(4) (Summer 1985), pp. 15-28.

Pankaj Ghemawat, “The Forgotten Strategy,” *Harvard Business Review*, November 2003, pp. 76-84.

Case: Electrosteel Casting Ltd. \*

**12. Monday, October 22 – Country Risk (LAST DAY FOR INDIVIDUAL CASE WRITE-UPS)**

S. Prakash Sethi and K.A.N. Luther, "Political risk analysis and direct foreign investment: Some problems of definition and measurement*," California Management Review* 28(2) (Winter 1986), pp. 57-68.

Case: Financing the Mozal Project \*

1. **Monday, October 29 – Transfer Pricing**

Letter of Jennie S. Stathis (Director of Tax Policy to US Senator David Pryor. From, *Pharmaceutical Industry: Tax Benefits of Operating in Puerto Rico* (Washington, DC: GAO, 1992), pp. 1-9.

Case: Whelan Pharmaceuticals

MANAGING THE GLOBAL NETWORK

1. **Monday, October 29 – Structuring the Multinational**

Toulan, Arnold, and Birkinshaw, “Managing Global Customers: Promise and Pitfalls,” *Financial* *Times Next Generation Business Series: Customer Management,* Hoboken, NJ: Wiley, 2004, pp. 630-644.

Case: Citibank: Global Customer Management

**15. Monday, November 5 - Re-structuring the Multinational**

Christopher A. Bartlett and Sumantra Ghoshal, "Administrative heritage: Organizational asset and constraint," *Managing Across Borders*, Boston: HBS Press, 1989, pp. 35-57.

Christopher A. Bartlett and Sumantra Ghoshal, "Managing across borders: new organizational responses," *Sloan Management Review* (Fall 1987), pp. 43-53.

Case: Philips vs. Matsushita: A New Century, A New Round

**16. Monday, November 5 –** **Managing Subsidiaries I**

Julian Birkinshaw and Nick Fry, “Subsidiary Initiatives to Develop New Markets,” Sloan Management Review, Spring 1998, pp. 51-61.

Case: BRL Hardy: Globalizing an Australian Wine Company

**17. Monday, November 12 - Managing Subsidiaries II**

Christopher Bartlett and Sumantra Ghoshal, "Tap your subsidiaries for global reach," *Transnational Management* (Homewood, IL: Irwin, 1995), pp. 566-575.

Case: Rhone Pulenc (A)

1. **Monday, November 12 - Tapping Human Resources: Expatriate vs. Local Managers**

J. Stewart Black and Hal B. Gregersen, "The Right Way to Manage Expats,” *Harvard Business Review*, March-April, 1999, pp. 1-9.

Case: Colgate-Palmolive: Managing International Careers

1. **Monday, November 19 –EXAM (3 hours)**

# **20. Monday, November 19 –EXAM (3 hours)**

**21. Monday, November 26 – WORK ON GROUP PROJECTS**

**22. Monday, November 26 – Pecha Kucha**

**23. Monday, December 3 - Group Presentations I**

**24. Monday, December 3 – Group Presentations II**

**25. Wednesday, December 5- Group Presentations III**

**26. Wednesday, December 5– Conclusions (GROUP PROJECTS DUE)**