

MBA 504: GLOBAL STRATEGY
The University of Illinois at Urbana-Champaign
College of Business

Spring 2009

GS1: Wednesdays, 9-noon;

G2: Thursdays, 9-noon.

<http://www.business.uiuc.edu/aguilera/Teaching/GlobalStrategy.asp>

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Office: 306 Wohlers Hall

Office Hours: available by appointment

PURPOSE OF THE COURSE

The course provides global managers with a clear conceptual understanding of:

- The fundamental economic, financial, and political factors affecting the international expansion of the firm as distinct from purely domestic factors.
- The persistence of deep and momentous cross-national differences in the world that affect the strategy, performance, and value of the multinational firm.
- The optimal sequence, speed, and mode of international expansion depending on the characteristics of the industry, the firm, and the host country.
- The models for organizing and managing a multinational network of subsidiaries, including how to coordinate and to transfer useful knowledge across borders.

The course intends to demonstrate that decisions affecting the international expansion of the firm are neither obvious nor totally determined by the technological or economic forces generally associated with globalization. I seek to illustrate with theoretical articles and detailed case studies that the internationalization of the firm is a sequential decision-making process operating at the country, industry, corporate, business, and subsidiary levels of analysis. Firms manage knowledge accumulation and transfer as they grow international through a mixture of planning and trial-and-error. I would like students to experience in the classroom the most transcendental decisions that multinational firms face in the course of conducting business across borders. The course is unique in that it presents and explains the unexpected ways in which international competition unfolds over time and across countries.

Course takeaways:

- A set of conceptual tools to navigate through the often contradictory and ambiguous mass of information about how international competition takes place.
- An appreciation of the differences between multidomestic and global industries.
- A set of criteria for evaluating exactly which global strategy will help enhance the firm's long-term profitability and value.
- A clear understanding of how to measure and interpret the effects of economic, cultural, financial, political, and social factors on international management decisions.

Dr. Ruth V. Aguilera

<http://www.business.uiuc.edu/aguilera/>
Check some of my papers at: www.ssrn.com

Ruth V. Aguilera is an Associate Professor in Business Administration at the College of Business and at the School of Labor and Employment Relations at the University of Illinois at Urbana-Champaign. She is also a Fellow at the *Center for Professional Responsibility of Business and Society*. She received her Bachelors' and Masters' degree in Economics from the College of Economics at the Universitat de Barcelona (Spain) and did additional graduate work in Business Analysis at the Management School in Lancaster University (England). She received her Ph.D. in Organizational Sociology at Harvard University. She joined the University of Illinois in 1999. Prof. Aguilera has spent considerable time conducting international business research at the Wissenschaftszentrum Berlin für Sozialforschung (WZB) in Berlin, Università Luigi Bocconi in Milan, Instituto Juan March in Madrid, and most recently at the Research Institute of Economy, Trade and Industry (RIETI-MITI) in Tokyo.

Professor Aguilera's research interests lie in the intersection of economic sociology and international management, and include comparative corporate governance, global mergers and acquisitions, and global strategy. She has published a co-edited a book with Prof. Michal Federowicz that compares Eastern and Western European corporate governance systems entitled *Corporate Governance in a Changing Economic and Political Environment*. (Palgrave MacMillan, 2004). Prof. Aguilera also has multiple articles published in academic journals such *Advances in Mergers and Acquisitions*, *Academy of Management Review*, *British Journal of Management*, *Corporate Governance*, *European Sociological Review*, *International Journal of Human Resources*, *Journal of Industrial Relations*, *Journal of International Business Studies*, *Journal of Organizational Behavior*, and *Organization Science*, *Organization Studies*, and numerous book chapters on different research issues surrounding corporate governance across countries and global strategy.

At the University of Illinois, Prof. Aguilera has taught courses in International Management and Global Strategy to undergraduates, MBA students, and Global Executive (MSBAs) students. In addition, she teaches a course in Comparative Employment Systems to Masters in Human Resources Management, a seminar on Corporate Governance at the European Union Center. Professor Aguilera is a *Research Fellow* at the European Union Center and Center for Latin American and Caribbean Studies at the University of Illinois, a member of the Editorial Board of the *Academy of Management Review*, *Journal of Asia Entrepreneurship and Sustainability* (Australia), *Journal of International Business Studies*, *Organization Studies* (England), and *Strategic Management Review*. She has also served on the Executive committee of the Center of Human Resource Management (CHRM) at the University of Illinois.

Before Prof. Aguilera joined academia she founded and managed a technical translation firm in Barcelona (Spain) that was bought out by IBM. She also worked as a consultant to re-design the stock options plan of the largest telephone company in Spain, Telefónica, S.A. Prof. Aguilera is part owner and serves on the board of directors of Dencker Farm, Inc. and Sorrell Farms, Inc. She is married to John Dencker and has three kids.

COURSE MATERIALS

All of the readings and cases listed in the syllabus are required. The cases are available at T.I.S. Bookstore (707 S. Sixth Street, Champaign, Tel. 217-337 4900). The non-case readings are posted in my MBA504 Global Strategy web site:

<http://www.business.uiuc.edu/aguilera/Teaching/GlobalStrategy.asp>

** Note: I reserve the right to assign additional required readings or change the syllabus throughout the semester.*

EVALUATION OF COURSE PERFORMANCE

The final grade for MBA 504-Global Strategy will include the following components:

Assignment	Due Date (2009)	Points
Contribution to in-class participation	Includes pop quizzes, class exercises, peer evaluations, etc.	25
CEMEX & Haier Cases	April 1/2	15
Three-page write-up on Freixenet (2 pages of text, 1 of figures/table/etc)	April 29/30	15
Mouse reaction essay	Due 48 hrs after the exercise	5
Final Exam	May 6 th by 5pm in WH306	40
TOTAL		100

COURSE POLICIES

Class Preparation and Contribution to In-Class Discussions

Class discussion is a critical ingredient in your learning for this course, for which we all bear collective responsibility. Class participation provides an opportunity to develop oral communication skills, to present your ideas concisely and persuasively, and to respond effectively to the comments of others. While I will lead class discussions, I do not intend to subject you to three hours of intense lecturing each week, but rather encourage you to offer insights and thoughts on the material assigned. Each week there will be a team that will present an update of the case, relate it to the theoretical readings, and propose additional questions for discussion.

Most issues, cases and problems do not have one “right” answer, though some answers are more correct than others. Consequently, being “right” or “wrong” should not be your concern when participating. **I am interested in your point of view** and, if the consensus differs from your viewpoint, that in no way diminishes the value of your comments. Critically listen to the arguments of your fellow students and if you disagree, speak and explain how and why your

viewpoint differs. In general, I will assess class participation based on the quality and frequency of contributions in class, and the professionalism of your conduct (attendance, punctuality, preparedness, and showing respect to all section members and their class contributions). The quality and frequency of contributions depend on a number of issues, such as one's ability to draw on course materials productively, to advance or sharpen in-class discussion and debate, and to use logic, precision, and evidence in making arguments. Therefore, speaking too much without adding value will be as detrimental to your grade as not speaking at all, and behaving in a disruptive manner will be most detrimental to your grade.

Please do not confuse attendance with participation. While on-time attendance is important, active participation in the class discussion is evaluated separately.

I will assess each student's contribution in each class session on a **three-point scale**. One point will be awarded for attendance and minor contribution. A total of two points will be awarded for a meaningful contribution that helps fellow students learn from the class. Full points (three points) will be awarded for an exceptional contribution that moves the discussion forward in a particularly insightful way. Students who miss class without a valid excuse or behave in a disruptive way will receive "zero" points.

Given the importance of discussion to your learning and final grade, attendance will be critical for your success in this course. Missing class without a valid excuse will have a negative effect on your grade. If you have concerns about your ability to participate during class discussions, or are unaccustomed to participating in class, **please contact me immediately**. I can help you to improve your ability to participate, but only if you contact me **early** in the course for assistance.

Cemex/Hair Case write-up:

The case write-up should be a two page single-spaced in 12-point font with liberal margins (one inch). You can use two extra pages for exhibits (tables, graphs, figures, etc.). A good picture is a 1000 words! **Printed case is** due before class starts on the day that the case is discussed.

Case write-up should provide a short summary of the case and compare the global strategies in these two countries by using the readings in that session—the questions in the syllabus can help you guide through some issues in the case. Case write ups will be graded on 4 parameters: demonstrated knowledge (using the readings to solve the case challenges); demonstrated reasoning; clarity of arguments; and creativity/discussion.

Freixenet, "The Australian Challenge: Multi-media case":

a) You should become familiar with all the elements of the Freixenet case by exploring comprehensively the multimedia application (this individual effort could take between two and three hours). Before launching the Freixenet application itself, one should first look at the "Instructions" file on the CD-Rom to understand the hardware/software requirements, the navigation tools (e.g., how to stop/activate the background music or switch applications), the

basic menu structure and objective of the case (printing this MS-Word document may be helpful as a reference when navigating the case).

b) This individual case write-up should be up to 2 pages single-spaced in length in 12-point font with liberal margins, and one extra page appendix for graphs/figures (if needed). It should respond to the questions in the syllabus and **incorporate** the theoretical articles. There is no need to do any extra research to do this homework other than the assigned materials.

c) I will post more detailed instructions in the course website.

Final Exam

The final exam will be a take home case write-up and it will consist of a case analysis where you will be asked to respond to questions and you will need to apply the theories and tools that we have learned in the course. I will hand in the case on May 1st and it will be due anytime before May 6th at 5pm in WH 306.

OTHER THINGS YOU SHOULD BE AWARE OF:

The following lists some procedural items that are in your best individual interest and in the interest of the class as a whole. Please take this information into account. This will help make the course more worthwhile to all participants!

- Laptops are not allowed in class.
- No extensions will be granted, unless for extenuating circumstances.
- We will elect a class representative for the course on the first day.
- I do not have a problem with food and beverages.
- You are responsible for checking the course website:

<http://www.business.uiuc.edu/aguilera/Teaching/GlobalStrategy.asp>
for any announcements or changes.

- Seating and Name Cards

In order to assess accurately the quality of your contribution to class discussions, it is essential that I know who you are as soon as possible. To facilitate this, you are asked to **select a seat and use it for the** remainder of the course. I will provide a name card that I will distribute in every class. Please place this card at the front of your desk. This will help ensure that you receive all the credit you deserve for your contribution to class discussion.

Lateness and Courtesy

Arriving late or leaving early can be disruptive, particularly given the importance of student participation and in-class discussion in the course. Such behavior is also discourteous to the class when it makes it necessary to repeat material. Therefore, please come to class on time, and,

if you must arrive late or leave early for a particular session, please let me know at the beginning of class.

Ethical Behavior

The instructor will not tolerate cheating or other breaches of ethical behavior. I do not wish to have to act on any unethical case. Nevertheless it is in the best interest of the class that such offenses not to be allowed to interfere with the learning process. University provisions for the punishment of unethical behavior are such that a guilty student may fail the course, be brought before the Disciplinary Committee, or be expelled.

Enrollment in this course indicates you have read and accepted the terms of this course outline.

LET'S HAVE FUN LEARNING ABOUT GLOBAL STRATEGY!

COURSE OUTLINE

WEEK 1. March 18-19, 2009.

A. INTRODUCTION TO GLOBAL STRATEGY

We discuss what the motivations to expand abroad are and how firms can manage conflicting demands in terms of global integration, local responsiveness and worldwide learning.

Warm-up. Mini- globalization exercise: “How Global are We?”

Goal: To assess how global we are in our daily lives and how global most MNCs are.

Reading: Sumantra Ghoshal, “Global Strategy: an organizing framework.” *Strategic Management Journal* (1987), pp. 425-440.
Guillén, M. 2006. Understanding and Managing the Multinational Firm

Additional Optional Background Readings (that I find interesting):

Ghemawat & Hout (2008) Tomorrow's Global Giants? Not the Usual Suspects, HBR

“Winning the Globalization Game” HBR 2003.

Includes in this collection:

- The End of Corporate Capitalism
- Beyond Offshoring
- Distance Still Matters

[Video: Going International Part II]

B. LOCATION AND GLOBAL STRATEGY: HOME-COUNTRY EFFECTS

Reading: Michael E. Porter, “The Competitive Advantage of Nations” HBR, 1990.

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) Is there a potential threat on the horizon that could once again cause the decline of the Swiss watch industry?

*****HAPPY SPRING BREAK*****

WEEK 2. April 1 & 2, 2009

A. DISTANCE & GLOBAL STRATEGY: HOST-COUNTRY CHOICES

Reading: Pankaj Ghemawat, "Distance Still Matters: The Hard Reality of Global Expansion"
Harvard Business Review Sept. (2001), pp. 137-147.

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

Questions: (1) Is cement a global industry?
(2) What accounts for CEMEX's success to date? In particular, what are the benefits that CEMEX has derived from expanding across borders?
(3) How far can Cemex's competitive advantage travel?
(4) What are the most important challenges that CEMEX is likely to confront in the future?

B. INDUSTRY CHARACTERISTICS & GLOBAL STRATEGY: HOST-COUNTRY CHOICES

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

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) How would you characterize Haier's current global strategy? Do you think it makes sense for the company or would you advise it to change it?
(3) Was there a good rationale for Haier to make global expansion its top strategic priority?

WEEK 3: April 8 & 9, 2009

INTERNATIONAL CORPORATE GOVERNANCE

Reading: Larker and Tayan, "Models of Corporate Governance: Who's the Fairest of them all?" Stanford Business School Case, 2008, CG11.
TBA

Case: "PetroChina: International Corporate Governance with Chinese Characteristics" Center for Asian Business Cases, School of Business, The University of Hong Kong, HKU 184 (20 pages).

Questions: (1) Why does corporate governance matters in China's capital market?
(2) How does the corporate governance model in China differ from international standards?
(3) What are the special problems associated with PetroChina's corporate governance model?
(4) What are the conditions required for further reforms in PetroChina's corporate governance system?

Video: The Wall Street Fix.

Optional:

Aguilera, R. V. (2005) "Corporate Governance" In J. Beckert and M. Zafirovski, *International Encyclopedia of Economic Sociology*. London: Rutledge.

WEEK 4: April 15 & 16, 2009

GLOBAL PROFESSIONAL RESPONSIBILITY

Guest Speakers:

Mrs. Gretchen Winter, Executive Director, Center for Professional Responsibility in Business and Society College of Business (formerly Vice President and Counsel, Business Practices/Ethics and Compliance, at Baxter International).

Mr. Perry A. Minnis, Global Director - Ethics, Compliance & Advisory Services at Alcoa.

Readings: TBA

Case: IKEA's Global Sourcing Challenge: Indian Rugs and Child Labor (A), HBS 9-906-414.

WEEK 5. April 22 & 23.
CROSS-CULTURAL NEGOTIATION

Over 50 percent of a global manager's time is spent negotiating. Styles of negotiating vary considerable across cultures. In this session, we will participate in a simulated negotiation to observe our own negotiating style, review a range of styles used by people from other cultures, and develop a way to use cultural diversity as a resource in international negotiating and problem-solving situations.

What to do with the \$100 bill?

Negotiation Exercise: *MOUSE*, DRRC

Supplemental reading:

Adler, Nancy "Negotiating Globally," in *International Dimensions of Organizational Behavior*, Cincinnati, OH: South-Western College Publishing, 1997 (3rd edition.), pp. 189-232.

Brett, Jeanne M. 2001. "Making decisions and managing conflict in multi-cultural teams," in *Negotiating Globally. How to Negotiate Deals, Resolve Disputes, and Make Decisions across Cultural Boundaries*. San Francisco: Joseey-Bass, pp. 136-166.

Questions (for the individual one-page write up):

1. What did you learn from the MOUSE negotiation?
2. Which issues/factors did affect positively or negatively the negotiation outcome? What issues were crucial in aligning different parties interests?
3. How important were the negotiators attitudes and culture in reaching the agreement? How did you deal with differences between parties?
4. What was the role of information acquisition in reaching an agreement in this negotiation?


TIP: Use the negotiation concepts we discussed in class for your write up!.

WEEK 6. April 29 & 30, 2009
FOREIGN MARKET ENTRY STRATEGIES

In this session we will cover issues around geographic market diversification and different strategies of internationalization. In particular, we will have the unique opportunity to appreciate the life and challenges of an international organization operating in over 15 countries. The Freixenet multi-faceted case is a fertile ground for various problem-solving initiatives.

Reading

Kumar, V. and Subramaniam, V. "A Contingency Framework for the Mode of Entry Decision," *Journal of World Business*, 32(1) (Spring 1997), pp. 53-72. 

Horn, J. T., Lovallo, D. P., and Viguerie, S. P. 2005. "Beating the Odds in Market Entry," *The McKinsey Quarterly*, 4: 35-45. 

Questions: What are the different entry modes into a foreign market? Stages of internationalization? International operations. The tensions of a family-owned enterprise going international.

Case

Freixenet: The Australian Challenge (Simonin and Rialp, 2002), Multimedia Case.

Questions: (1) What are Freixenet's core competencies and sources of competitive advantage?
(2) What lessons can we draw from the Australian case?

Tentative Grading Sheet

Assignment Feedback Form for Write ups					
Name					
	Excellent	Good	Sufficient	Needs Improvement	Unacceptable
Presentation					
Style and organization					
Grammar					
Examples/Exhibits					
Demonstrated Knowledge					
Identifies key Issue/Problem/idea					
Includes significant facts/ supporting details—'meat'					
Has No factual inaccuracies					
Demonstrated Reasoning:					
Logically analyzes all relevant evidence, data and theory					
Critically evaluates evidence, data and theory, e.g., Addresses potential objections from the reader					
Reaches informed, appropriate conclusions based on evidence, data and theory					
Creativity/Originality					
Avoids the obvious					
Provides an original discussion					
TOTAL (Each X 25% or any other weights)					

Additional Comments: