

**Northwestern University**  
**Kellogg School of Management**

**SYLLABUS and ASSIGNMENTS**

**International Business Strategy**  
**MGMT 460**

**SECTION 81**

**FALL 2013**

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## **International Business Strategy**

### **Course Description**

The course shows managers how to formulate international business strategy. The course introduces basic frameworks that managers can apply to make international business decisions, to analyze international business information, and to design global competitive strategies.

Case studies and readings are used to illustrate the basic principles of international business management and strategy.

Week 1 of the course is dedicated to introducing international business strategy and provides an overview of the main frameworks in the course. The first week presents a case that highlights some of the key concepts in International Business Strategy.

Weeks 2 and 3 of the course introduce the concept of the GLOBAL VALUE CONNECTION. This concept is used to develop global competitive strategies that depend on doing business between countries. Week 2 considers returns to scale, scope and product variety. Week 3 considers costs of trade that are relevant to the international business manager.

Weeks 4, 5, and 6 of the course develop the GLOBAL BUSINESS STRATEGY STAR ANALYSIS framework for gathering information in formulating international business strategy. This framework helps the manager to organize geographic and business information about country features. The STAR ANALYSIS provides a framework for understanding and building an international business, and achieving competitive advantage in the global marketplace. Strategic features of the international business are grouped into five categories:

- (1) Home country features,
- (2) Supplier country features,
- (3) Partner country features,
- (4) Customer country features, and
- (5) Competitor country features.

Weeks 7, 8, 9, and 10 of the course discuss the five global competitive strategies known as the G5 STRATEGIES. In Week 7, the course examines the global platform and network strategies. In Week 8, the course examines the global intermediary strategy. In Week 9, the course examines the global investment strategy. In Week 10, the course discusses the global entrepreneur strategy and examines the organizational structure of the international business. The course presents an overview of the key take-away concepts.

## **Format of the course**

The format of the course is as follows. In the first session of each week, new course material is covered. In the second session of each week, the course discusses a case and presents video and other materials that are related to the topic covered in the first session of that week.

## **Grading**

Grading is based on individual performance. Your final course grade will be determined as follows:

1)	Class participation	20%
2)	Case Analysis: Samsung	25%
3)	Case Analysis and research: Bombardier	30%
4)	In-class Final Exam	25%
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		100%

## **Kellogg Honor Code**

All Kellogg honor code restrictions apply to any and all class assignments, class participation and tests.

## **Readings**

1. Global Competitive Strategy, Daniel F Spulber, 2011, Cambridge: Cambridge University Press. Paperback. This textbook is required reading.
2. CASE Pack: Materials in the case packet including readings and cases are required for the lectures, exams and the case discussions. Readings listed in the course syllabus are required for the lectures, the case discussions, and the exam.
3. Online materials: Some optional course materials will be provided online on Blackboard.
4. Copies of the Power Point presentations are provided online on Blackboard.

## **Copyrighted materials**

The course notes, lectures, overheads, handouts and other printed materials written by the instructor are privileged work product. They have been copyrighted by the instructor who reserves all rights to their use including print and electronic media. It is understood that students taking this course will not provide course materials or their course notes to companies, Internet sites, or individuals outside the course, including those that are seeking access to course materials for commercial use. Students will not disseminate course materials or their course notes beyond other members of the course. This understanding between the instructor and students is protected by the Kellogg Honor Code.

## **Kellogg Code of Classroom Etiquette**

Class participation of 20% is based on the quality of student comments in case discussion and on classroom etiquette.

- The course expects that students will act with respect and civility towards their fellow students and the instructor.
- The course expects that students will consider with respect opinions and concepts even if they may disagree with or may be unfamiliar with those opinions and concepts.
- The course expects that students will come to class well prepared having read the case carefully and having prepared questions and observations related to the case study.
- The course expects that students will not read the case during the case discussion or during the class lectures.
- The course expects students to have their name plates visible during class.
- Laptops can be used during class for note taking, display of the instructor's presentation slides, and course-related work. Students using laptops during the class must sit in the back two rows of the room.

Students are expected to abide by the Kellogg Code of Classroom Etiquette in interaction with their fellow students and with the instructor. The course will substantially deduct points from the classroom participation scores for failure to follow the code of classroom etiquette. This includes anytime during the class session, both during lectures and class discussion. Students are expected to treat others with civility even if they express opinions that differ from their own.

Attendance and class participation count as part of the final grade. Exams will include material covered in class. Students can be absent for medical reasons. In the case of a medical reason, students should wait to inform the instructor after their return to class not before. Attendance means coming to class on time at the start of the class and not leaving the class early.

## **Microeconomics Content**

MECN-430 Microeconomic Analysis should be considered a prerequisite for this course. The course builds on some microeconomics concepts that are essential for designing strategy and understanding developments in international business. For the benefit of students who have not recently taken Microeconomic Analysis, we review the key microeconomics as needed. Most of the microeconomics that is required to follow the course will be provided by the instructor. That said, those students who feel they would like to strengthen their understanding of microeconomics in its application to strategy, should consult the instructor, or refer to the online microeconomics review. Students are expected to be familiar with economic concepts such as the market demand function, the market supply function, market equilibrium, the production function, and marginal and average costs.

## **Assignments and Grading**

### **1. Class participation 20%**

Class participation of 20% is based on the quality of student comments in case discussions and on classroom etiquette. See the discussion of etiquette and the expectations of the course above.

Each class session will cover a specific topic. For those sessions that cover a case study, there are questions for discussion that apply to the case.

Active class participation and interaction will enhance the learning experience of the members of the class. In addition, the presentation of convincing arguments and opinions is an important managerial skill. Class members will present their views on the topic and case to be covered in a particular class session. Preparation for class discussion and attendance will be a component of the final grade. Class members must bring nameplates to class and display them.

### **2. Case analysis: SAMSUNG 25%**

The case analysis should be between 8 and 10 pages in length, double spaced, in 12-point font. The case analysis should be in complete sentences (not bullet points). Emphasis should be on application of the concepts. You must turn in a hard copy of the assignment in class.

Your case analysis should be based on the information in the SAMSUNG Case. Please make use of all the relevant information within the case. **Do not obtain additional information outside the case.** There is no need for equations or empirical analysis.

Your discussion should demonstrate understanding of the concepts from the course. The case

analysis of Samsung should apply the Global Value connection presented in the course with particular focus on returns to scale, scope and variety.

**Using this framework and the information in the case including the exhibits answer the following questions.**

1. Based on returns to scale, scope and variety, explain in detail the strategies that Samsung followed and the problems that the company faced in entering the global flash memory market.
2. Based on returns to scale, scope and variety, examine the strategic challenges that Samsung faces going forward and explain how you would address those challenges as a manager at Samsung. (see the section of the case titled The Challenges of Success).

**The SAMSUNG case analysis is due at the start of the first session of week 4.**

### **3. Case analysis and research: BOMBARDIER 30%**

The case analysis should be between 8 pages and 10 pages in length, double spaced, in 12-point font. The case analysis should be in complete sentences (not bullet points). Emphasis should be on application of the concepts. You must turn in a hard copy of the assignment in class.

**The BOMBARDIER case analysis is due at the start of the first session of week 8.**

**You should obtain geographical and industry information that is not in the case.** Your case analysis also should be based on the information in the BOMBARDIER case. (There is no need for equations or empirical analysis of data.) All information including websites must be identified and sourced accurately in endnotes. The research paper must use publicly-available information not privileged company information. The research paper cannot use personal company interviews. **Provide accurate citations to data taken from outside sources. Any text taken from outside sources must be in quotations and cited accurately. Cite to the information in the case as well.**

The evaluation of the paper will be based on the quality of your presentation, the gathering of data, the discussion of the data, and the reasoning in your analysis.

The case analysis must apply the international business strategy STAR ANALYSIS framework presented in the course and in the textbook. The case analysis should cover home country, supplier country, partner country, customer country and competitor country features. The details from the case should be used in your discussion.

**Yes, BOMBARDIER decided to launch the CSeries. Please focus your STAR ANALYSIS in terms of the CSeries.**

**Please answer the following six questions:**

1. What are the relevant features of BOMBARDIER's home country?
2. Identify BOMBARDIER's suppliers and supplier countries. What are the relevant features of **one** of BOMBARDIER's supplier countries?
3. Identify BOMBARDIER's partners and partner countries. What are the features of **one** of BOMBARDIER's partner countries?
4. Identify BOMBARDIER's customers and customer countries. What are the features of **one** of BOMBARDIER's customer countries?
5. What are the features of BOMBARDIER's competitor countries? – Please limit your discussion to one competitor – Airbus. The relevant “competitor country” is the European Union (EU) not individual countries within the EU. Briefly state a STAR ANALYSIS for Airbus.
6. Based on your STAR ANALYSIS, what are BOMBARDIER's competitive advantages or disadvantages in comparison with Airbus – as they relate to the C Series of aircraft?

#### **4. Final exam 25%**

Taking the test at the scheduled time and date is mandatory. The final exam will be given at the time scheduled by the school, which is in week 11 at the same time and date that the class meets.

The exam will be based on the material covered in class lectures and discussions, on case materials and discussions, and on required readings. The exam will be a closed-book test. The final exam will have some short answer questions and some essay questions. The final exam is cumulative. The course will distribute some practice questions.

### SCHEDULE OF CASES AND ASSIGNMENTS

<b>Week 1</b>	Session A	INTERNATIONAL BUSINESS STRATEGY
<b>Week 1</b>	Session B	TAOBAO VS EBAY CHINA
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<b>Week 2</b>	Session A	GLOBAL VALUE CONNECTION: RETURNS TO SCALE, SCOPE & VARIETY
<b>Week 2</b>	Session B	RENAULT NISSAN
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<b>Week 3</b>	Session A	GLOBAL VALUE CONNECTION: ARBITRAGE AND COST OF TRADE
<b>Week 3</b>	Session B	LI & FUNG
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<b>Week 4</b>	Session A	STAR ANALYSIS: HOME COUNTRY FEATURES <b>SAMSUNG CASE ANALYSIS IS DUE</b>
<b>Week 4</b>	Session B	LENOVO (in textbook)
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<b>Week 5</b>	Session A	STAR ANALYSIS: SUPPLIER COUNTRY AND PARTNER COUNTRY FEATURES
<b>Week 5</b>	Session B	WAL-MART AND BHARTI
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<b>Week 6</b>	Session A	STAR ANALYSIS: CUSTOMER COUNTRY AND COMPETITOR COUNTRY FEATURES
<b>Week 6</b>	Session B	P&G JAPAN
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<b>Week 7</b>	Session A	GLOBAL COMPETITIVE STRATEGIES: PLATFORM AND NETWORK STRATEGIES
<b>Week 7</b>	Session B	ZARA
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<b>Week 8</b>	Session A	GLOBAL INTERMEDIARY STRATEGY <b>BOMBARDIER CASE ANALYSIS IS DUE</b>
<b>Week 8</b>	Session B	CEMEX (in textbook)
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<b>Week 9</b>	Session A	GLOBAL INVESTMENT STRATEGY FLEXTRONICS IN INDIA
<b>Week 9</b>	Session B	ARCELOR MITTAL
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<b>Week 10</b>	Session A	GLOBAL ENTREPRENEUR STRATEGY: ALIBABA
<b>Week 10</b>	Session B	ORGANIZATION OF THE INTL BUSINESS AND COURSE SUMMARY
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<b>FINALS WEEK:</b>		<b>IN-CLASS FINAL EXAM</b>

## **Syllabus**

### **Week 1. INTRODUCTION**

Session A.    Introduction to International Business Strategy

Readings:    Global Competitive Strategy Introduction

Session B.    Introduction to International Business Strategy

CASE:        TAOBAO VS EBAY CHINA

### **Week 2. GLOBAL VALUE CONNECTION – SCALE, SCOPE AND VARIETY**

Session A.    Global Value Connection: Returns to scale, scope and variety

Readings:    Global Competitive Strategy Chapter 3

Session B.    Global Value Connection: Returns to scale, scope and variety

CASE:        RENAULT-NISSAN

Questions for discussion:

1. What are the strategic reasons for the Renault-Nissan alliance?
2. What actions were taken on the customer market side?
3. What actions were taken on the production and innovation side?
4. Can you connect the strategic motivation for the alliance back to the economic model gains from trade between countries resulting from the variety/scale tradeoff?
5. What challenges lie ahead for Renault-Nissan? Evaluate the value of an alliance with other automobile companies in this context.

**Week 3. GLOBAL VALUE CONNECTION – ARBITRAGE AND COST OF TRADE**

Session A. Global Value Connection: Arbitrage and Costs of Trade

Readings: Global Competitive Strategy Chapter 1

Session B. Global Value Connection: Arbitrage and Costs of Trade

CASE: LI & FUNG

Questions for discussion:

1. Who are Li & Fung's suppliers and customers?
2. What determines the countries in which Li & Fung contracts with manufacturers and the countries in which Li & Fung contracts with retailers?
3. How would you characterize Li & Fung's competitive strategy? Where does Li & Fung add value, both for suppliers and for customers?
4. How well does the company illustrate the gains to the international business deriving from comparative advantage?
5. Which elements of Li & Fung's competitive strategy do you find are more vulnerable to the threat of "bypass" competition? Which competitive advantages will prove more sustainable in the long term?

**Week 4. STAR ANALYSIS: HOME COUNTRY FEATURES**

Session A: Star Analysis: Home country features

Readings: Global Competitive Strategy Chapter 2

**Session A: CASE ANALYSIS I IS DUE: SAMSUNG**

Session B. Star Analysis: Home country features

CASE: LENOVO — Global Competitive Strategy Chapter 7

Questions for discussion:

1. How has Lenovo's home country affected its initial development and management strategy?
2. Did Lenovo derive any advantages/disadvantages from its home country?
3. (Prior to the IBM PC acquisition) What threats does Lenovo face, and for how long can it sustain its competitive advantage?
4. What are the strategic reasons behind Lenovo's decision to expand internationally? Given this decision, what are the strategic reasons behind Lenovo's chosen mode of expansion, the acquisition of IBM's PC unit?
5. Following the IBM PC unit acquisition, what challenges lie ahead for Lenovo? How would you advise the company?

**Week 5. STAR ANALYSIS: SUPPLIER COUNTRY AND PARTNER COUNTRY FEATURES**

Session A. Star Analysis: Supplier country and partner country features

Readings: “Who Captures Value in a Global Innovation System?: The Case of Apple’s iPod,” Greg Linden, Kenneth Kraemer, and Jason Dedrick, Personal Computing Industry Center, University of CA, Irvine, June, 2007.

Session B. Star Analysis: Supplier country and partner country features

CASE: WAL-MART AND BHARTI: TRANSFORMING RETAIL IN INDIA

Questions for discussion:

1. What are the benefits for Wal-Mart in partnering with Bharti and for Bharti in partnering with Wal-Mart?
2. What are the supply-chain management challenges faced by the Wal-Mart and Bharti partnership?
3. What is the purpose of the two-part structure of the joint venture: as a franchise retail company and a wholesale cash-and-carry joint venture?
4. What are the political and social responsibility challenges faced by Wal-Mart and Bharti in their partnership?
5. What are the competitive threats faced by Wal-Mart and Bharti in their partnership?
6. What are the contractual risks to Wal-Mart in partnering with Bharti and to Bharti in partnering with Wal-Mart?

**Week 6. STAR ANALYSIS: CUSTOMER COUNTRY AND COMPETITOR COUNTRY FEATURES**

Session A. Star Analysis: Customer country and competitor country features

Session B. Star Analysis: Customer country and competitor country features

CASE: P&G JAPAN

Questions for discussion:

1. How do international business considerations affect the P&G strategy and organization?
2. What were P&G's strategic objectives in Japan?
3. What is it about Japan that has made SKII such a success?
4. What competitive considerations drove P&G's international expansion plans?
5. In light of the differences in the features of countries where P&G seeks customers, what strategy for global expansion of SKII sales would you recommend to the company? How might the organizational changes the company is undergoing affect this strategy?

**Week 7. GLOBAL COMPETITIVE STRATEGIES: PLATFORM AND NETWORK STRATEGIES**

Session A. Global competitive strategies: Platform and network strategies

Readings: Global Competitive Strategy Chapter 4

Session B. Global competitive strategies: Platform and network strategies

CASE: ZARA

Questions for discussion:

1. What companies does Zara compete with?
2. What are the key features of Zara's global competitive strategy?
3. In which ways is Zara's strategy distinct from those of its competitors?
4. "Zara has, in an innovative way, relaxed the trade-off an international business faces between achieving scale and delivering variety." What is your view?
5. What are the challenges facing Zara as it further ventures abroad? Which strategic changes may it need to make to sustain its competitive advantage?

**Week 8. GLOBAL COMPETITIVE STRATEGIES: INTERMEDIARY STRATEGY**

Session A. Global competitive strategies: Intermediary strategy

**CASE ANALYSIS IS DUE: BOMBARDIER**

Session B. Global competitive strategies: Intermediary strategy

CASE: CEMEX – Global Competitive Strategy Chapter 8

Questions for discussion:

1. How did Cemex grow in Mexico?
2. “We had to become an international company to survive.” What does CEO Lorenzo Zambrano mean?
3. Why did Cemex chose a mode of entry strategy based on acquisition?
4. Why was international trading important to Cemex? What does the CEO mean by “standard portfolio theory”?
5. What are Cemex’s sources of competitive advantage?
6. What should the company do next to sustain these sources of competitive advantage?

**Week 9. GLOBAL COMPETITIVE STRATEGIES: GLOBAL INVESTMENT STRATEGY**

Session A. Global competitive strategies: Investment strategy

Readings: Global Competitive Strategy Chapter 5

Readings: INDIA: THE PROMISING FUTURE

CASE: FLEXTRONICS IN INDIA

Questions for discussion:

1. What are the gains to an Original Equipment Manufacturer (“OEM”) from outsourcing the design and manufacture of a device to an Original Design and Manufacturer (“ODM”)? What are the risks?
2. Characterize Flextronics’ international mode of entry strategy along the geographic dimension. Can you rationalize this international business strategy? (Take the upstream operation as being design and the downstream operation as being manufacturing.)
3. Characterize Flextronics’ international mode of entry strategy along the ownership-outsourcing dimension. Can you rationalize this international business strategy? (Take the upstream operation as being design and the downstream operation as being manufacturing.)
4. Why has Flextronics singled out India as the location for its sourcing of software design?
5. What strategy for entering into Indian software design would you recommend to the company? You may consider acquisitions, setting up a facility from scratch, forming an alliance or joint venture, or contracting. You should also consider the different companies with which Flextronics can make a deal.

Session B. Global competitive strategies: Investment strategy

CASE: ARCELOR MITTAL

Questions for discussion:

1. Why does ArcelorMittal choose to expand through FDI – why not produce centrally and transport steel?
2. Why does ArcelorMittal choose M&A as its preferred mode of entry rather than joint venture partnerships or internal growth?
3. How does ArcelorMittal choose its locations?
4. What challenges did Mittal Steel face in its acquisition of Acelor?
5. Should ArcelorMittal continue to pursue its growth strategy?

**Week 10. GLOBAL COMPETITIVE STRATEGIES: GLOBAL ENTREPRENEUR STRATEGY**

Session A. Global competitive strategies: Entrepreneur strategy and Organization of the International Business

Readings: Global Competitive Strategy Chapter 6

CASE: ALIBABA GROUP

Questions for discussion:

1. How does Alibaba Group illustrate the Global Entrepreneur Strategy?
2. Does Alibaba Group create a sustainable competitive advantage by jointly managing its business units? Should Alibaba Group include new businesses in its corporate structure or spin them off?
3. Should Alibaba Group be organized by business units or by geographic areas?
4. Should Alibaba Group create more functions at the corporate level or should the business units provide their own functions?
5. Should mobile platforms be located within one or more business units or at the corporate office?

Session B. Organization of the International Business

**FINALS WEEK: FINAL EXAM**