

Global Strategy Syllabus – Module 8

Course Information

Professor:	Glenn Hoetker	Course Number:	BADM 590X
Office Phone:	217.265.4081		
Email:	ghoetker@illinois.edu		

Course Overview / Objectives

Global Strategy (“GS”) is about challenges confronting managers and firms competing internationally. Many firms have some involvement in international markets—think, for example, of a local Chicago restaurant that imports some of the ingredients used in its menu offerings. Our focus, however, will be the multinational corporation (“MNC”), which owns or controls significant resources and operations in several, often disparate countries, cultures and markets. An MNC’s performance depends on internal and external income streams denominated in multiple currencies. Our MNC has operations situated in localities with different and often conflicting public policy priorities, product preferences, and standards of ethical conduct. On top of these complexities, our MNC is characteristically engaged in a “two-tiered” conflict with rival firms. The first tier involves conflicts in a host country involving our MNC and another MNC. The second tier involves conflicts between our MNC and purely domestic producers in the host country. Resolution of conflict on both tiers depends heavily on host country laws, policies, culture and markets.

The overall theme of the GS course is understanding the MNC: how it is structured, how it competes, and how we explain persistent differences in performance between the MNC and its various rivals. The overall aim of the course is to understand how strategy carried out by the MNC in an international context is different, if at all, from firm strategy in a purely domestic setting. We will address this theme and achieve our aim theme through close analysis of case studies and readings (reading), classroom and study-group discussion (saying), and opportunities to participate in simulated negotiations relevant to the activities of the MNC, the host countries in which the MNC operates, and local firms and other individuals that often collaborate with the MNC (doing).

In working through the GS course and in achieving the course aims summarized above, it will be helpful to think of certain analogies. Take, for instance, the analogy of global strategy as a craft rather than as a science. There are few if any universal rules to govern the actions of our MNC in conflict with other MNCs, domestic firms or host country governments. The study of global strategy is not like the study of, say, a physical science such as chemistry, physics or geology. Global and transnational strategy is more akin to a craft such as weaving, painting or jewelry-making. The “right” thing to do in a particular business setting may have limited applicability to other situations. Global strategy is a study of contingencies. This course is designed to give you a mode of thinking about such contingencies.

Because it is akin to a craft and because it is best learned by “doing”, there is little substitute for experiences involving conflict between our MNC and other firms, between our MNC and quasi-firm organizations, and between our MNC and home or host governments. Hence, this course uses case analysis as the primary teaching tool. Our cases are drawn from varied industrial contexts including high-technology pharmaceuticals, low-technology home furnishings, and “no-technology” copper and diamond mining. They come from varied country contexts such as the US, Western Europe and Japan, but also from the PRC and Papua New Guinea. They come from varied time periods running from the late 1960s to the 2000s. With this industry, country and time variation students will have a broad range of case experience for developing skills in formulating and evaluating global strategies that are realistic and founded on the specific characteristics of the situation at hand.

Textbook & Course Materials

We will use Pankaj Ghemawat’s *Redefining Global Strategy (RGS)* as our textbook. Otherwise, all readings are listed below and will be made available to you in hardcopy or electronically by the usual means. If you are looking for a text to review general management issues, I like Robert Grant’s *Contemporary Strategy Analysis* (Blackwell Publishers, 2005). Anything else we need for this course will be supplied by me to you in hard-copy or electronically.

Evaluation & Grading

EXPECTATIONS AND POLICIES

Preparation

I will assume that you have read everything assigned. It is especially valuable if you come with questions about the readings. Poor preparation is a disservice to your fellow learners and will negatively impact your participation grade

Class participation

Most of the learning in our class will occur through discussion. Therefore, we need everyone’s active participation. Meaningful participation obviously requires having carefully read and thought about the day’s material, but that is not enough. You also need to speak up. Brilliant insights are, of course, always appreciated, but you can also contribute by asking questions, politely disagreeing with me or another student, or following up on a fellow student’s comments with further insights or evidence. There are usually many valid ways of looking at any issue we study, so don’t worry about being “wrong”.

Homework

One purpose of homework assignments is to enhance class discussion. Therefore, assignments must be turned in via Compass before class begins on the day they are due. You should bring a copy to class for your own reference during discussion. I will not accept assignments in class, in my mailbox, under my door, or via e-mail. There is no credit provided for late assignments.

Teamwork

Several of the assignments will be done as team projects. Everyone is expected to participate fully in their team's efforts and every team member will receive the same grade.

Course Organization

Your class assignments are shown in the Class Schedule below. While subject to change, this syllabus should guide your work planning for the course. You are responsible for completing assignments as described in the syllabus, even if I do not mention them in advance.

1. GS Individual Class Participation (100 Points)

Class participation constitutes a significant portion of the course grade. It is important first because it provides me with the best and most frequent indication that you have prepared for class. Second, it is important because your participation in class discussion teaches others.

For both reasons you need to make every reasonable effort to be in class on time and well prepared. If you are absent from class without telling me in advance, or unless you missed because of a medical or family emergency, your participation grade will suffer. The point is to come to class, to be prepared, and to be active. In grading class participation, I will look at both the quantity and quality of your contributions.

2. Session 1: The Globalization Diagnostic (10 points)

Complete "Your company's beliefs about globalization: A diagnostic" taken from page 29 of RGS. It is available separately as a Word document for your convenience. ***Due December 4, start of class.***

3. Session 5: China's market for cellular phones (190 points)

Based on the article "China's market for cellular phones" McKinsey Quarterly, 2004, provide a table similar to Table 3-1 in RGS (page 77) applying the ADDING Value framework to a US/European cell phone company (e.g. Nokia, Motorola) operating in Asia, particularly China. Since these companies are already active in Asia, some of the value creation/destruction opportunities you identify are probably already occurring; other will not be. Focus on the potential opportunities and threats, without reference to what a specific firm is doing. *It is entirely possible that one or more of the components of ADDING aren't significant in this setting.*

4. Session 9: Gates in China (200 points)

Based on the article "Gates in China" *Fortune*, July 9, 2007, provide a report of no more than 4 pages discussing Microsoft's potential in China. The memo should address the following points:

- Which of the three A-A-A strategies did Microsoft initially attempt to apply in China (the answer may be in the plural)?
- Did this strategy succeed or fail? Why?

- What is Microsoft's current China strategy in terms of A-A-A?
- Does it seem to be succeeding or failing? Why?
- In terms of A-A-A strategies, how would you suggest Microsoft proceed in China and why? Feel free to suggest it continue its current strategy or change.

It may be worth referring to earlier frameworks, including CAGE and ADDING, as you do this memo.

5. Session 15: The Pharmaceutical Industry and AIDS (200 Points)

In this project, each team will represent a specific stakeholder

- Teams 1, 2, 3 – Executives at a major pharmaceutical company that possesses AIDS medications
- Teams 4, 5, 6 – The government of an African country with a substantial AIDS epidemic
- Teams 7, 8, 9 – Representatives of a activist group or Non-Governmental Organization campaigning on behalf of AIDS victims in poor countries

Each team will prepare two memos of no more than two pages each. In addition to turning in these memos, each team should be prepared to orally present its position and engage in debate with the other groups.

Memo 1: For public distribution

In this memo, state your preferred strategy for delivering life-saving medication to AIDS victims in Africa. State your (public) rationale for this strategy and respond (preempt?) the criticisms you expect from the other two stakeholder groups. Assume this memo will be publically distributed and will be the basis for your publicity and public policy efforts on the topic.

Memo 2: For internal distribution only

In this memo, which will only be distributed to a small group of top executives/officials in your organization, provide the private rationale for the strategy you proposed in the public memo. This will probably include your prediction of outcomes if you win/lose the debate. Discuss strategies you could use to shape the outcome of the debate to your advantage.

An important point: This is a emotional issue, with very serious implications. We will assume at all times that all of the actors involved are sincere and acting according to their perceptions of what is right. Self-interest may shape actors' choices, but will assume that the pharmaceutical companies are not blood-sucking parasites who care more about money than human lives. Equally, we will assume that governments and activists are not clueless, latte-slurping anti-capitalists. Each side has called the other much worse than this, but we won't bring that into the classroom or these memos.

7. GS Final Exam (300 Points)

The exam, which will be take-home, will have two parts. The first part will include a series of shorter questions. You will have some choice as which of these questions you may answer. The second part will involve review of a detailed fact pattern or case. I will ask you to write an integrated essay answering several questions about the facts or case. This exam is open book, open notes, open anything, but it is an individual (not group) assignment.

We will discuss these grading components in greater detail as the course unfolds. Here is how final GS course point totals correspond to final GS course grades.

Item	Individual or team	Points
Individual class participation	Individual	100
Session 1: Ghemawat's "Globalization Diagnostic" survey	Individual	10
Session 5: China's Market for Cellular Phones	Individual	190
Session 9: Gates in China	Team	200
Session 15: The pharmaceutical industry and AIDS	Team	200
Team rating	Individual	30
Final Exam	Individual	270
Total		1000

The final grading schedule is based on your points out of 1000, as described below.

Points	Grade
980-1000	A+
930-979	A
900-929	A-
870-899	B+
830-869	B
800-829	B-
770-799	C+
730-769	C
700-729	C-
650-699	D
Below 650	F

Course Schedule

Four broad topics

The course is divided into four broad topics, corresponding to our four weekends together. Each module includes cases raising related issues.

In the first weekend, I will introduce the course. After briefly reviewing two topics we've already covered—EPESTLE and Porter's Diamond, we will consider some broad issues in the study of global strategy: Why do we study *global* strategy separately from strategy? How—and how much—do countries differ from each other? Why do firms go abroad?

In the second weekend we will examine how firms can create value by globalizing. We'll cover three primary strategies: adaptation, aggregation and arbitrage. In the last session, we'll ask how these strategies can be used simultaneously and when it is better to specialize on only one

In the third module of the course, we examine how firms should organize themselves to derive maximum value from being global. We'll consider the role of a firm's history on the forms it is likely to take, how firms should enter foreign markets, how regional operations should relate to HQ and each other, and how globalization can be leveraged to maximize a firm's innovative capacity.

In the fourth module of the course considers the markets outside the U.S.-Europe-Japan Triad. Two guest speakers will help us explore three issues. Madhu Viswanathan, Associate Professor of Marketing at the U of I and Director of the Marketplace Literacy Project, will discuss the opportunities of serving markets at the "bottom of the pyramid" and some of the challenges of doing so. Gretchen Winter, Executive Director of the University's Center for Professional Responsibility in Business and Society, will help us explore the professional and ethical imperatives firms face when the need for their products or services exceeds the ability of a population to pay for them. We will also consider how firms can anticipate and (hopefully) avoid conflicts with local populations and governments.

WEEKEND 1: THE GLOBAL SETTING AND DRIVERS OF INTERNATIONAL IZATION

SESSION 1: FRIDAY, DECEMBER 4

SUBJECT: Introduction: Key questions of global business strategy and a review of where we've been

READINGS:

- ◆ RGS: Chapter 1 "Semiglobalization and Strategy"
- ◆ "Ironclad versus canoes", *The Strategy Planner*

ASSIGNMENT: Before reading the chapter, complete the "Diagnostics" from page 29 of RGS. (Distributed separately for your convenience)

CASE: Be prepared to discuss "Ironclads versus canoes" in terms of the elements of ESTEMPLE.

SESSION 2: FRIDAY, DECEMBER 4

SUBJECT: Differences across countries

READINGS:

- RGS: Chapter 2

ASSIGNMENT:

CASE: "Pharma's generics opportunity in Central and Eastern Europe",
McKinsey Quarterly, August 2008

LESSON 3: SATURDAY, DECEMBER 5

SUBJECT: Drivers of globalization 1

READINGS:

- "Trade and investment theory", Ch 6, Fundamentals of International Business
- A Bigger World Economist Sept 20 2008.pdf (*Skim* this special report)

ASSIGNMENT:

CASE: Ingvar Kamprad and IKEA HBSP #9-390-132

SESSION 4: SATURDAY, DECEMBER 5

SUBJECT: Drivers of globalization 2: The ADDING Value Scorecard

READINGS:

- RGS, Chapter 3
- Ohmae, K. (1989): Managing in a Borderless World, Harvard Business Review, May/June 1989

ASSIGNMENT:

CASE:

- ◆ Ingvar Kamprad and IKEA, continued

WEEKEND 2:

STRATEGIES FOR GLOBAL VALUE CREATION

SESSION 5: FRIDAY, DECEMBER 18

SUBJECT: Strategies for global value creation: Adaptation

READINGS:

- ◆ RGS Chapter 4: Adaptation

ASSIGNMENT: "China's market for cellular phones" McKinsey Quarterly, 2004

CASE: South African Breweries International (Ivey #9B00 A024)

SESSION 6: FRIDAY, DECEMBER 18

SUBJECT: Strategies for global value creation: Aggregation

READINGS:

- ◆ RGS Chapter 5: Aggregation

The following is provided for your reference only

- ◆ Levitt, Th. (1983): The Globalization of Markets, Harvard Business Review, May/June.

ASSIGNMENT:

CASE: None

SESSION 7: SATURDAY, DECEMBER 19

SUBJECT: Strategies for global value creation: Arbitrage

READINGS:

- ◆ RGS Chapters 6

ASSIGNMENT:

CASE: None

SESSION 8: **SATURDAY, DECEMBER 19**
SUBJECT: Strategies for global value creation: The AAA Framework

READINGS:

- ◆ RGS Chapter 7

ASSIGNMENT:

CASE: “The growing role of emerging markets in aerospace: Manufacturers in developing markets are already helping incumbent original-equipment manufacturers in developed ones to cut costs. But that is just the beginning.” McKinsey Quarterly April 2008

WEEKEND 3: ORGANIZING FOR GLOBAL COMPETITION

SESSION 9: **FRIDAY, JANUARY 8**
SUBJECT: Organizing for global competition: The role of history

READINGS:

- Perlmutter, H (1969). ‘The tortuous evolution of the multinational corporation’, *Columbia Journal of World Business*, Volume 4, pp. 9-18.

ASSIGNMENT: Gates in China

CASE: Philips vrs. Matsushita: A New Century, a New Round, HBSP #9-302-049

SESSION 10: **FRIDAY, JANUARY 8**
SUBJECT: Organizing for global competition: The main forms

READINGS:

- ◆ Bartlett & Ghoshal. 1986. "Tap your subsidiaries for global reach" Harvard Business Review (Nov/Dec)

ASSIGNMENT:

CASE: Philips vrs. Matsushita: A New Century, a New Round, continued

SESSION 11: SATURDAY, JANUARY 9

SUBJECT: Organizing for global competition: Modes of entry

READINGS:

- ◆ Beamish "Design & Management of int'l JV's" Transnational Management, Bartlett, Ghoshal and Beamish, Ch 6-1
- ◆ Hamel, Doz and Prahalad "Collaborate with your competitors--and win" Harvard Business Review, Jan/Feb 1989

ASSIGNMENT:

CASE: Eli Lilly in India: Rethinking the Joint Venture Strategy HBSP 9-904-M16

SESSION 12: FRIDAY, JANUARY 9

SUBJECT: Organizing for global competition: Innovation

READINGS:

Any one of the following

- ◆ Birkinshaw, J. & Hood, N. 2001. Unleash innovation in foreign subsidiaries. Harvard Business Review, 79(3): 131-+.
- ◆ Kuemmerle, W. 1997. Building effective R&D capabilities abroad. Harvard Business Review, 75(2): 61-&
- ◆ Santos, Doz and Williamson, "Is your innovation Process Global?" MIT Sloan Management Review, 45 (4), 2005

ASSIGNMENT:

CASE: "P&G Japan: The SK-II Globalization Project" HBS 303-003

There will be no GS class the weekend of January 22-23. The 22nd will be dedicated to the China projects and the 23rd to STM. I will be here on the 22nd.

WEEKEND 4:

OUTSIDE THE U.S.-EUROPE-JAPAN TRIAD

SESSION 13: **FRIDAY, FEBRUARY 5**
SUBJECT: Serving the poor profitably: Guest Speaker - Madhu Viswanathan

READINGS:

- Prahalad, C. K. & Hammond, A. 2002. Serving the world's poor, profitably. Harvard Business Review, 80(9): 48-+.

ASSIGNMENT:

CASE:

SESSION 14: **FRIDAY, FEBRUARY 5**

SUBJECT: Negotiating local conflicts

READINGS:

- Wells, L. and E. Gleason (1995). 'Is Infrastructure Investment Still Risky?' Harvard Business Review Article, HBSP #95511.

ASSIGNMENT:

CASE: Bougainville Copper Ltd. (B), HBSP #9-174-104

SESSION 15: **SATURDAY, FEBRUARY 6**

SUBJECT: Not serving the poor, unprofitably? Guest speaker-Gretchen Winter

READINGS: Vachani, S. and N. Craig Smith (2004). 'Socially responsible pricing: Lessons from the pricing of AIDS drugs in developing countries.' California Management Review Article, HBSP #CMR300.

ASSIGNMENT: Life, Death, and Property Rights: The Pharmaceutical Industry Faces AIDS in Africa

CASE: Life, Death, and Property Rights: The Pharmaceutical Industry Faces AIDS in Africa HBSP 9-702-049

SESSION 16: **SATURDAY, FEBRUARY 6**

SUBJECT: Not serving the poor...(continued) and conclusion

READINGS:

ASSIGNMENT:

CASE: None