

Strategy & the Multinational Firm: Tradeoffs & Paradoxes

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Overview of the Course

The focus of this course is on the study of the strategic management of multinational enterprises (MNEs). In this course, we will explore the multiple global and local forces that MNEs face in their sociopolitical, economic and technological environments. In doing so, we will consider several of the paradoxes and trade-offs which confront the international business strategist. Through the use of case studies and current business events, a special emphasis will be placed upon the generation of both practical and theoretical insights.

By the end of this course a student should have...

1. An ability to identify, describe and critically evaluate the strategic behaviour of international businesses.
2. A clear understanding of the nature of the sociopolitical, economic and technological environments confronting international businesses.
3. An understanding that international strategic management involves recognizing and effectively aligning the organization in the context of an environment characterized by both global forces for convergence and local forces for variation.
4. An appreciation of some of the most important paradoxes and trade-offs that arise for international businesses as a consequence of the interaction of global and local forces.
5. Through the use of both case studies and illustrations from current business events, an awareness of how some international businesses are confronting and resolving trade-offs related to global and local forces.

Organization of the Course

Our course is divided into two (2) distinct modules, or phases.

Phase I

Classes in Phase I (sessions 1-5) will take the form of lectures and interactive discussions between the instructor and the students based upon the assigned readings. Students will also be expected to deliver short impromptu presentations based upon the assigned reading and learning questions. As such, it is essential that students come to class prepared and ready to participate in the class discussion.

Phase II

Classes in Phase II are based upon industry (Session 6) and country (Session 7) presentations prepared by groups of students. Details on these presentations will be discussed during the first few class sessions.

Examination

At least one week prior to the date of the final examination, students will be given four (4) potential exam questions. Two (2) of these questions will appear on your final exam.

The exam will be **closed book** and will count towards 40% of your final grade.

Class Contribution

A student's contribution to the class will count towards 20% of their final grade. The ability of a student to discuss the assigned readings and to provide thoughtful answers to the assigned learning questions will play an important role in determining their class contribution grade. A student's attendance record as well as their collegiality will also be considered.

Required Readings

Required readings (articles and cases) will be compiled in a course reader.

Grading and Evaluation

A student's grade will be based upon the following four criteria.

Class Contribution	20%
Exam	40%
Industry Presentation	20%
Country Presentation	20%

Class 1: Introduction and Course Overview (November 1; 18:30-21:30)

Class Synopsis

In this class, an overview of the course and its requirements will be presented to you. Subsequently, you will participate in a discussion surrounding the many trade-offs and challenges faced by international strategic managers. Come to class prepared having done all the required readings and give some thought to the learning questions listed below. Read and pay special attention to the IKEA case?

Required Readings

1. Porter, M.E. "What is Strategy?"

Learning Questions: Why do tradeoffs exist? What tradeoffs do MNEs face as they confront the paradox of globalization and localization?

2. Levitt, T. "The Globalization of Markets."

Learning Questions: Why did Levitt foresee an inevitable convergence of business practices? Why does considerable heterogeneity of business practices still remain? Is such heterogeneity reflective of inefficiency, or of a robust specialization of function in the global economy?

3. Hofstede, G. "Motivation, Leadership and Organization: Do American Theories Apply Abroad?"

Learning Questions: Why might American theories not apply abroad? What implication does this have for multinational enterprises?

Case for Discussion: IKEA: Globalization by Design

1. What were the key drivers behind IKEA's decision to go international?
2. How has IKEA's internationalization strategy created value for the company?
3. What trade-offs has IKEA faced in managing its international operations?
4. What key challenges lie ahead for IKEA?
5. Should IKEA enter China? Why?

Class 2: Course Overview: Tradeoff's in International Strategic Management (November 8; 18:30-21:30)

Class Synopsis

In this class, we will explore the tensions and tradeoffs MNEs face in formulating and implementing international strategies. In doing so, we consider the key drivers behind global, multidomestic and mixed mode strategies. Additionally, we will highlight and discuss how some characteristics of a firm's home country affect its competitiveness and choice of strategy in contested markets. Come to class prepared having done all the required readings and give some thought to the learning questions listed below. Pay special attention to the Viacom case.

Required Readings

1. Prahalad, C.K. & Y. Doz. "The Dynamics of Global Competition."

Learning Questions: How does the interaction of pressures for global integration, global strategic coordination and pressures for local responsiveness affect the strategic behaviour of MNEs?

2. Yip, G.S. "Global Strategy in a World of Nations."

Learning Questions: What are the benefits and drawbacks of a global strategy? How do industry-level drivers help firms find the correct balance between over and under globalization?

3. Yip, G.S. & G.A. Coundouriotis. "Diagnosing Global Strategy Potential: The World Chocolate Confectionery Industry."

Learning Questions: What are the major drivers favoring globalization in the Chocolate industry? Why have different firms adopted different strategies in this industry? Is such a diversity of organizational strategies symptomatic of widespread inefficiency?

4. Tichy, N. and Charan, R. "An Interview with John Reed."

Learning Questions: How does John Reed envision the key drivers in global consumer banking / global commercial banking? What are the advantages and disadvantages of Citibank's approach to these two business areas?

6. Porter, M.E. "Determinants of National Competitive Advantage."

Learning Questions: What are the four primary determinants of national competitive advantage? Why are they best viewed as a system? How does this system affect a company's choice of strategy and its ability to compete internationally?

7. Carney M. & Gedajlovic, E.R. "A Comparison of Managerial, Alliance and Personal Capitalism."

Learning Questions: How does the governance system in which a firm is embedded engender it with inclinations and dis-inclinations towards the development of particular organizational capabilities? What implications does this have regarding a firm's strategic behaviour and competitiveness?

Case for Discussion. Bower, J.L. and Eisenmann, T. "Viacom Inc. (Condensed)"

1. What are the major forces for global integration faced by Viacom?
2. What are the major forces for global coordination faced by Viacom?
3. What are the major forces for local responsiveness faced by Viacom?
4. There is a range of opinion as to how the company should be managed as it competes internationally ranging from Frank Biondi to Jeff Dunn. What is your view?
5. What should Biondi do about the proposed Kirsch deal?

Class 3: The Sociopolitical Dimension of International Strategic Management (November 15; 18:30-21:30)

Class Synopsis

This class deals with the sociopolitical dimension of strategic management and explores how countries, industries and firms face competing supranational pressures for convergence and local forces for variation. In doing so, you will be asked to consider both the costs and benefits of convergence and local variation and to evaluate whether Europe's social and political diversity is an advantage, or disadvantage for firms headquartered on this continent. Come to class prepared having completed all the required readings and give some thought to the learning questions listed below. Pay special attention to the Unilever case and its learning questions.

Required Readings

1. Hall, E.T. "The Silent Language in Overseas Business."

Learning Question: How do the cultural differences described by Hall impact upon the relationships MNEs have with their key stakeholders?

2. Fukuyama, F. Excerpts from, "Trust: The Social Virtues and the Creation of Prosperity."

Learning Questions: What advantages and disadvantages are likely to accrue to firms emanating from high / low trust societies? How do these factors shape the development of firm-level capabilities? What advice would you give a MNE entering a high / low trust society?

3. Rosenzweig, P.M. "National Culture and Management."

Learning Question: How can concepts of National culture be used and misused by MNEs?

4. A.D. Chandler. "The Enduring Logic of Industrial Success."

Learning Question: What advantages and disadvantages accrue to firms with a culture of professional management?

5. Koopman, J.C. "Successful Global Retailers A Rare Breed."

Learning Questions: What impediments exist to implementing a global strategy in the retailing industry? Are these impediments purely cultural in nature? Are there any factors which actually favour a global strategy?

6. Maljers, F.A. "Inside Unilever: The Evolving Transnational Company."

Learning Questions: Why does Maljers describe Unilever as a Transnational company? In what ways does it "think globally"? In what ways does it "act local"? If it were up to you, would Unilever be more globally, or locally focused? Explain.

7. Das, G. "Local Memoirs of a Global Manager."

Learning Question: What types of local insights can/cannot be applied on a global scale?

Case for Discussion. Zobel, J. and Chistenson, C. "Unilever's Butter-Beater: Innovation for Global Diversity."

1. Rank from most important to least important, the impact the following factors has played in "Butter Beater's" disappointing results.
 - a. Cultural Differences across target markets
 - b. Non-Cultural pressures for local responsiveness
 - c. Poor strategy formulation.
 - d. Ineffective project management
 - e. Management Indecisiveness
 - f. Inappropriate Organization Structure
 - g. Poor Internal Incentives
 - h. Internal Politics
2. Should Unilever abandon further attempts to develop and launch multi-country products such as Krona? Why?
3. What steps would you recommend that Unilever take before another multi-country product launch is attempted?

Class 4: The Economic Dimension of International Strategic Management (November 22, 18:30-21:30)

Class Synopsis

In this class you will examine arguments for and against globalizing, or regionalizing strategic planning and specific functional areas. In doing so, you will be confronted with necessary trade-offs between centralization and decentralization and specialization versus standardization which face the international strategist. Come to class prepared having completed all the required readings and give some thought to the learning questions listed below. Pay special attention to the Philips/Matsushita case and the learning questions.

Required Readings / Learning Questions

1. Bartlett, C.A. and S. Ghoshal. "Managing Across Borders."

Learning Questions: How do the typical European, U.S. and Japanese MNE differ in terms of their approach towards managing the relationship between headquarters and foreign operations? What are the relative advantages and disadvantages of these approaches?

2. Carney, M. and Gedajlovic, E.R. "Organizational Path-Dependence and Institutional Environments: The Case of East Asia's Chinese Family Business Groups."

Learning Question: How does the administrative heritage of Chinese Family Business Groups impact on their ability to compete in global industries?

3. Gomes-Casseres, B. "Managing International Alliances: Conceptual Framework."

Learning Questions: Under what conditions should a MNE prefer the use of an alliance to either vertical integration, or licensing as a mode of entering a new market?

4. Kogut, B. and Singh, H. "The Effect of National Culture on the Choice of Entry Mode."

Learning Questions: In what ways do characteristics of a MNEs home country influence its choice of entry into the U.S.? Would this explanation apply equally well to firms entering China? Japan?

Case for Discussion. Bartlett, C.A. "Phillips versus Matsushita: Preparing for a New Round."

1. How did Philips become the leading consumer electronics company in the world following WWII? What distinctive competencies/ incompetencies did it build?
2. How did Matsushita succeed in displacing Phillips as No. 1? What distinctive competencies/ incompetencies did it build?
3. How would you evaluate the adjustments each company has made to date in terms of their a) objectives, b) implementation and c) impact? Why has change been so difficult for both of them?
4. What recommendations would you make to Cor Boonstra? To Yoichi Morishita?

Class 5: The Technological Dimension of International Strategic Management (November 29; 18:30-21:30)

Class Synopsis

In this class you will examine how success in many of today's high tech and new economy industries demands that firms be both innovative and capable of commercializing their innovations. In doing so, you will learn how "*latecomer*" firms face particular challenges when competing in global markets. Pay special attention to the Acer cases and the learning questions.

Required Readings

1. Miles, R.E. and Snow, C.C. "Organizations: New Concepts for New Forms."

Learning Questions: According to Miles and Snow, in what way does the "*dynamic network*" overcome the limitations inherent in more traditional organizational forms?

2. Saxenian, A. "Lessons from Silicon Valley."

Learning Questions: According to Saxenian, what factors explain why California's Silicon Valley has succeeded, while Massachusetts' Route 128 has failed? What lessons does this have for regions trying to emulate Silicon Valley's success?

3. Hobday, M. "The Limits of Silicon Valley: A Critique of Network Theory."

Learning Questions: According to Hobday, why are *dynamic networks* incapable of realizing the main rewards from its innovations? What lesson does this have for regions trying to emulate Silicon Valley's success?

4. Teece, D.J. "Capturing Value from Technological Innovation: Integration, Strategic Partnering, and Licensing."

Learning Questions: Teece contends that “often it is pointless for firms to invest in R&D unless they are also willing to invest in the development of certain complementary capacities, at home or abroad.” What is Teece’s underlying logic in making this claim? Do you agree, or disagree with Teece’s assertion?

5. Hobday, M. “East Asian Latecomer Firms: Learning the Technology of Electronics.”

Learning Questions: How does the administrative legacy of East Asian *latecomer* firms influence their strategies, structures and technological orientations? What implication does this have regarding their ability to compete in New Economy Industries?

6. Bartlett, C.A. and Ghoshal, S. “Going Global: Lessons from Late Movers.”

Learning Questions: Bartlett and Ghoshal contend that *latecomers* can overcome disadvantages and compete effectively with firms based in the Triad? How convincing are their assertions and prescriptions?

7. Porter, M.E. “The Competitive Development of National Economies.”

Learning Questions: According to Porter, an economy needs six preconditions to progress from factor to investment to innovation driven economic development (pp. 560-561). Why are these factors best viewed as system?

8. Carney, M. and Gedajlovic, E.R. “East-Asian Financial Systems and the Transition from *Investment Driven* to *Innovation Driven Economic Development*.”

Learning Questions: According to Carney and Gedajlovic, what key factors has impeded the ability of the Asian Tigers to move from an Investment Driven to Innovation Driven stage of Economic Development

Cases for Discussion. Bartlett, C.A. and St. George, A. “Acer, Inc: Taiwan’s Rampaging Dragon.”

Bartlett, C.A. and St. George, A. “Acer America: Development of the Aspire.”

1. Why has Acer had such a great degree of difficulty in translating its success as an *OEM* manufacturer to the business of selling its own branded products?
2. Why has Acer been more successful in less developed markets than in more developed markets? What implication does this have regarding Acer’s future competitiveness?
3. In what ways does Hobday’s *Latecomer* thesis apply/not apply to Acer? Explain.
4. How has Shih attempted to overcome the limitations to Acer imposed on it as a consequence of its administrative heritage? To what extent has this been successful / unsuccessful?
5. What co-specific assets does Acer need in order to successfully commercialize its own branded products?
6. Should Acer abandon its attempts to sell own branded computers and focus instead on *OEM* manufacture? Why?
7. What changes would you recommend be made to Acer’s global strategy, organization structure and/or management philosophy to ensure that it can continue to operate successfully worldwide? How would you implement these recommendations?

Class 6: Industry Presentations (December 6; 18:30-21:30)

Assignment Details

In groups of 4-5 members, students will be given the assignment of studying a particular industry from an international perspective and to answer the following 3 questions.

1. What are the major forces for globalization and localization confronting firms in this industry?
2. How have these forces shaped the nature of competition and the strategies of the major players in this industry?
3. How have the forces for globalization and localization changed in the past 5 years? In which direction is the industry evolving?

This presentation should be exactly 10 minutes in duration and highlight the major findings of the group. Copies of the slides to be used during the presentation must be handed in to the instructor immediately preceding the presentation. Further details regarding this assignment will be provided students during the first few weeks of the course.

Class 7: Country Presentations (Wednesday December 13, 18:30-21:30)

Re-Read:

Porter, M.E. "Determinants of National Competitive Advantage," and "The Competitive Development of National Economies"

Assignment Details

In groups of 4-5 members, students will be given the assignment of studying a particular country and to answer the following 3 questions.

1. What are the **three** most internationally successful industries from this country? Explain and justify your answer.
2. Analyze one of the three industries from (1) using Porter's Diamond Framework. How effectively does Porter's diamond explain the industry's international competitiveness?
3. Which of Porter's four stages of national competitive development best describes this country's global competitiveness. Explain and justify.

This presentation should be exactly 10 minutes in duration and highlight the major findings of the group. Copies of the slides to be used during the presentation must be handed in to the instructor immediately preceding the presentation. Further details regarding this assignment will be provided students during the first few weeks of the course.