This class will focus on the managerial implications of globalization. We consider what makes international management different; including political, cultural, legal, and economic aspects. Corruption is an example of a topic with special cross-country relevance. We will also devote at least two classes to foreign exchange, including the opportunities, risks, and the complications that separate national currencies create. The overriding emphasis is on doing business across borders. Finally, we will spend a considerable amount of time thinking about, discussing, and evaluating business expansions abroad.

The primary application of the course is the preparation and presentation of a foreign business expansion. In it, your ‘team’ will be asked to contemplate all aspects of a management decision to take an existing business (your choice) to a country where it is not already present. These aspects include country analysis, type of entry mode, risks – internal to the business, as well as external – sources of finance, and operational, organizational and strategic aspects. In effect, groups advocate a specific international business expansion. All expansion plans will be read, evaluated, and ranked on their completeness and ‘potential’ by every class participant, including by me, and by one or more outside reviewers. During the presentation, each group will be asked to clarify any vague, unclear, and possibly unsubstantiated aspects of their proposals in a ‘round-robin’ format where all class members question the proposal.

Requirements

Expansion Plan Components: (a) Group expansion plan: 35% of course grade (see separate sheet for specifics), (b) Group evaluations of other group’s plans: 15% of course grade (evaluations are due prior to presentation/questions, though revisions will be possible), (c) Group participation: 10% of course grade. You are expected to make positive contributions to your group (on time, carry your share, ...). Your group members will evaluate your contribution.

Individual assignments (30% of course grade). Each person is responsible for preparing answers to assigned questions on each of the homework and case assignments. These assignments are discussed in class.

Class Participation (10% of course grade). The expectation is for professional comportment, and for a highly interactive class, where we all benefit from the contributions of individual participants. Each person should make an effort to contribute. The usual criteria apply: quality contributions to class discussion are valued over quantity; however quality is usually determined relative to quantity.

Group Composition You form your own groups with no more than 6 members – one of whom should have been born in the U.S., and one of whom should have been born outside the U.S. No exceptions to this rule are allowed.

There is no textbook, though much useful background material may be found in International Business: Competing in the Global Marketplace, any edition, by Charles Hill, available from the library. Most readings are provided in a classpak, or will be provided on blackboard.

How to get an A

Did I forget to mention that the foreign business expansion plans are the most important component of your grade? What you take-away from the course will be proportional to what you, and your classmates, put in. You should treat class discussions (as in component (b) above) as a crucial aspect of the course – both for your grade and for the benefit of your peers. Please plan accordingly.
Management 426: Class Sequence

Class 1: (1/08/07), Globalization, part 1
- Plan for the course
- What does globalization mean for you?
- Krugman on Thomas Friedman on Globalization:

Class 2: (1/10/07), Globalization, part 2
- Who Benefits from globalization
- Macro, micro, institutional, and technological factors driving globalization
- Globalization and the monopoly power of large corporations
- Readings: The Environment and Globalization; Parsley-Wei (Quantifying Market Integration);

Class 3: (1/15/07), The Foreign Exchange Market & Some Key Relationships
- Concepts: triangular arbitrage, spot, forward, premia/discounts
- Covered interest rate parity
- Readings: Pitfalls of forex; Wendy’s in Korea; PPP FAQs; Parsley-Wei (Big Macs)

Class 4: (1/17/07), Evaluating country prospects
- Problem set #1 due
- Discuss in Class
- Readings: Thailand, 1997

Class 5: (1/22/07), Entry Strategies
- Six modes: advantages & disadvantages
- Q: Give an example of an entry strategy that was flawed due to mode
- Readings: Entry 1; Entry 2; Entry 3; Entry 4

Class 6: (1/24/07), Cultural environments facing business
- How culture affects business
- Cultural and business issues and opportunities
- Behavioral practices affecting business
- Culture quiz (in class)
- Readings: Cultural Differences 1, 2, & 3

Class 7: (1/29/07), Strategic Globalization
- Q: How many countries is Wal-Mart in?
- Potential Benefits: experience, natural hedges, increased buying power, gaining new skills
- Multi-domestic, Global, Transnational
Management 426: Class Sequence

Class 8: (1/31/07), Evaluating Foreign Business Expansion Plans
- MSU-CIBER resources (http://globaledge.msu.edu/ibrd/ibrd.asp)
- Problem set #2 due (evaluate other business plans)

Class 9: (2/05/07), Comparative Advantage: The simple economic reason trade is beneficial
- Guest Speaker
- Relative versus absolute costs
- Why trade internationally
- Unequal exchange and specific factors
- Readings: In praise of cheap labor

Class 10: (2/07/07), Differences in political environments, legal environments, & corruption
- Political institutions & functions
- Kinds of legal systems & their implications
- Problem set #3 due (Vietnam)
- Readings: Global Competitiveness Index (intro); Global Competitiveness Index (Business Competitiveness Index, Michael Porter); Red Tape in Brazil; Why worry about Corruption; Governance and Corruption readings

Class 11: (2/12/07), Protection & Trade Restrictions
- Guest Speaker
- Government involvement in international business
- Directly Unproductive Profitseeking (DUP)
- Strategic trade policy
- Readings: Stiglitz

Class 12: (2/14/07), Types and Reasons for Protection
- How many arguments are there?
- How to evaluate them

Option 1: Class 13-14: (2/23/07). Foreign business expansion plans
- Business Expansion plan due 10am 2/21/07
- Ranking of other group’s proposals due 9:30am 2/23/07
- Peer Evaluations due by noon 2/26/07 (electronic submission)

Option 2: Class 13: (2/19/07). Foreign business expansion, part 1
- Business Expansion plan due 10am 2/17/07
- Ranking of other group’s proposals due 9:30am 2/19/07
- Class meets 11:20 – 2:00 pm ***** IMPORTANT – thru lunch – ***************

Class 14: (2/21/07) Foreign business expansion, part 2
- Class meets 11:20 – 2:00 pm ***** IMPORTANT – thru lunch – ***************
- Peer Evaluations due by noon 2/26/07 (electronic submission)
FOREIGN BUSINESS EXPANSION

Due (email): 10am, Feb 21 (option 1) or 10am, Feb 17 (option 2)
(Group submission)

I. Cover Page, including project title, group number, and names of group members.

II. Executive Summary (one page)

III. Table of Contents

IV. Detailed Report - Do Not Exceed 25 Pages, 1 inch margins, 12 point font.
   A. Identification: What is the project? What is the opportunity or need? What is the potential gain? What is the competitive environment? What is the market? Why is the proposed foreign activity better than new domestic expansion? Why is it better than other foreign alternatives?
   B. Organization: What does it mean for the organization? How does the project play to existing organizational strengths? What links or structures within the organization must be created or changed? How will the project affect coordination and reporting? How will manufacturing processes, products, or marketing be adapted to suit local labor or product markets? What links to (what) other organizations are involved? What special contractual arrangements, joint ventures, partnerships, or agent relationships are needed?
   C. Financing: How will it affect revenues over time? How will foreign revenues be repatriated? What are the initial project costs? How should it be funded? In what currency? Are any special currency or other payment instruments needed? What do they cost? What intermediaries are needed for their arrangement?
   D. Risks: What key risks must be borne? How have you assessed the risks? What risks, if any, to existing business arrangements are mitigated by the proposed activity? Are any new long-term commitments made, either explicitly or implicitly?
   E. Planning: How will the project be accomplished? How long will the project take to become viable? What resources are required? What steps are involved? Which steps are under the control of your own organization? Other entities? In what order should they occur? Which steps are critical? Where are delays most likely? When will the key uncertainties be resolved?
   F. Special Items: What, if any, other special concerns affect the project?
   G. Conclusion: Why fund your proposal?

V. Appendices: Include all necessary materials, but only as much as indeed is needed to document and support your proposal. Do not expect everyone to read the appendices. (The appendices are not included in the 25 page limit.)

VI. An email from each group member detailing the percentage contributions of each member. Subject line should state “Mgt 426: Group xx”. The contribution should not just reflect the time devoted but the quality of the time. If you fail to send an email, I assume that your vote for the contributions is for equal.
FOREIGN BUSINESS EXPANSION: Part 2
Evaluation of Other Group Proposals
Due (email): 9:30am, Feb 23 (option 1) or Feb 19 (option 2)
(Group submission – one designated group member submits the email to me)

This is an important part of the class, and it will require LOTS of time in the 24 hours prior to
turning it in. Each person (you) should (individually) read all other groups’ proposals. Then, each
group should submit an evaluation of each of the other proposals. Each group’s submission should
contain brief responses to the following questions (use one page per proposal): (1) is it clear what
the group intends to do? (2) Are you convinced that it is feasible? (3) What key questions remain?
(4) What is the main risk or drawback? (5) Should it be fully funded? Finally, (6) How do you
rank it? (a simple ranking from 1-best to 5-worst) Do not rank your own proposal, and ‘strategic’
rankings are considered a violation of the honor code; simply rank them from best to worst.

After all groups have had a chance to present and defend their proposals on the day of
presentations, each group will have time to revise and submit their rankings of the other groups’
expansion plans.

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For each presentation, remember that each group will have 5 minutes (strictly enforced) to present the highlights of the plan to the class. Everyone else will have already read (and ranked) your group’s proposal prior to your group’s 5 minute presentation. The rest of the time allocated to each proposal (roughly 15 more minutes) will be spent in Q&A as directed by me. After all groups have presented, a winner will be announced based on (a) the written proposal, (b) the rankings given by each group, (c) the rankings given by me plus rankings given by any guest(s) that may be present. I plan to invite at least one business person to participate in the
day’s festivities.
For questions 1-4, prepare a written summary of your views to be turned in to me at the start of class, and for questions 2-4 prepare slides for class presentation. I will randomly call on you to present your slides.

Questions specific to the case on Thailand 1997

1. What are the rewards and risks of pegging the baht?

2. What effects might a devaluation have on:
   a. The banking system and how severe might these be?
   b. Exporters versus importers
   c. Borrowers versus lenders
   d. The central bank and its functions
   e. The International Monetary Fund

Questions not necessarily specific to the case on Thailand 1997:

3. Under what circumstances should countries peg their exchange rate and under what circumstances might they allow the exchange rate to float?

4. List (and explain) 5 cultural habits you see as potential obstacles to international communication/transactions/negotiations. I want very specific examples – not general areas like 'religious practices', or 'language difficulties'. For example, many tricky situations involve time (as in what time to arrive for a meeting or dinner, or even how to arrange the time), or gift giving. For example, it is customary to give gifts in many cultures at a business or social meeting. However, the Chinese word for clock sounds similar to their word for funeral. Needless to say, one should not give a Chinese associate or acquaintance a clock! Similar problems arise in the act of giving. In Asia, gifts should be given privately to avoid embarrassment, but in some cultures gifts should be given publicly to avoid the implication of a bribe. I am looking for some specific examples you may have heard of or encountered, that we can discuss in class.

5. Submit a printed copy of your resume. If you know where you will be working after you graduate, indicate it on your resume. If you don't know where, but you do know what you would like to do, indicate this on your resume also.
1) *(Group assignment)* Each group must plan a foreign business extension – a new acquisition, operation, or alliance to extend an existing business. The extension must have credibility – something from a previous or potential future, employer, or a new proposal. The purpose of this question is to help you get started. Compare any two countries from the perspective of a possible business expansion – with an eye to a specific type of expansion (e.g., a specific company or industry). Use a maximum of 3 pages including tables and charts (I will attempt to comment on your thought process, with suggestions for other considerations). With respect to your chosen company, or industry, summarize in a paragraph or 2, the comparative (a) macroeconomic trends: including growth in real GDP, inflation, Foreign Direct Investment (FDI), Transparency and/or corruption indexes; (b) prospects for the future: including recent significant developments (e.g., new laws for FDI), how recent crises affected each country; (c) weak spots or significant ‘uncertainties’; (d) and any significant growth by foreign companies in each country (e.g., well publicized accounts of expansion) – as they relate to your company/industry. Conclude with an overall recommendation for (or against) investment. You can take the perspective of a fund manager, or that of any specific industry. You do not have to conclude that one is more promising than the other. You may use any information you wish – however, please provide documentation.

Some useful sources of information to help get you started include (I will post more on blackboard):

- [http://www.stat-usa.gov/tradtest.nsf](http://www.stat-usa.gov/tradtest.nsf)
- Additional links at: [http://mba.vanderbilt.edu/david.parsley/Courses.htm](http://mba.vanderbilt.edu/david.parsley/Courses.htm)
- Market Potential indicators: [http://globaledge.msu.edu/ibrd/marketpot.asp](http://globaledge.msu.edu/ibrd/marketpot.asp)
- World Bank Doing Business web site: [Doing Business](http://www.worldbank.org) (an excellent resource)
- A very good source of business intel on Asia: Asia Business

The Walker library has some excellent electronic data bases (see also course web site):

- **EIU Country Data** is a database of annual, quarterly and monthly economic indicators and forecasts in 278 series on 117 countries and 40 regional aggregates, running from 1980 and forward to the present.
- **EIU Country Reports** analyze the political scene, economic policy, the domestic economy and foreign trade and payments and provide 18-24-month forecasts. These reports are updated monthly.
- **EIU Country Profiles** provide concise analysis and background information on a country’s economic and political situation.
- Euromoney, and other publications produce useful country reports.

2) *(Individual)* Read the two proposals (from prior years) that I have previously handed out, and, individually, rank them first or 2nd. In one page per proposal, comment on the following questions: (1) is it clear what the group intends to do? (2) Are you convinced that it is feasible? (3) What is the main risk or drawback? (4) Should it be fully funded? (5) How do you rank it? For this question, prepare a slide for class presentation. I will randomly call on you to present your slide.
International Management and the Global Marketplace
Problem Set 3
(Individual assignment: due in class 2/7/07)

You should prepare a paragraph or two for each question & submit them in writing at the start of class. Additionally, you should prepare slides for class presentation. I will randomly call on you to present your slides. There are three perspectives to evaluate market entry into Vietnam: (a) Chemical Corporation, (b) Sports Corporation, and (c) Children Corporation. I will assign each group one of the above perspectives to discuss a possible entry. Below are several questions you might use to frame your analysis. You should prepare (and turn in) a short ‘executive analysis’ (2 pages max).

1. Analyze your sector/industry in Vietnam and highlight the opportunities for investment in your sector in Vietnam. What are the most significant and/or unique opportunities presented by the Vietnamese market? What time profile would you place on these opportunities? When do you think your organization needs to pursue these? Does Vietnam represent an attractive investment opportunity? Is it too late?

2. How should the macroeconomic, political, and project-specific opportunities and risks be balanced in the analysis?

3. Assuming that large exchange rate swings are possible, how should you think about exchange rate exposure?

4. How should you think about local partners in any deal?

5. What about corruption? In what circumstances would it matter most/least?