

Owen Graduate School of Management
Mgt 6426: Managing the Global Enterprise

Professor: David Parsley

David.parsley@owen.vanderbilt.edu

Overview

Evidence of business globalization is all around us, the rise in foreign trade, the diversification of portfolio holdings, offshoring, the ubiquity of 'made in China' logos, the interconnectedness of national business cycles, and even the share of foreign-born talent in leadership positions among global corporations. This course focuses on what is different about managing across borders. Besides the usual issues of distance, language, time, entry mode, legal systems and bureaucratic red tape, the course focuses on specific cross-border risks and opportunities, including management of exchange rate risk, cross-cultural risk, and expropriation risk. This course may be applied to a concentration in strategy or general management; or to an international emphasis. Prerequisites: 6321 and 6331.

What are the requirements?

Class Participation

20 points

The usual rules apply here: quality is valued over quantity, but it will be very difficult to get full points if you (a) are absent, or (b) rarely speak up. A good general rule is to prepare two good questions/comments about the day's assignment.

Individual components (submit via bb unless otherwise noted):

- Submissions

70 points

- Group contribution

20 points

You should make every effort to be a productive group member. Just as a reminder, the law of comparative advantage states that everyone in the group will benefit when everyone contributes – even in the case where one person can do everything 'better' than the others. You will get the opportunity to evaluate the contribution of each member of your team.

Group submissions (submit via bb unless otherwise noted):

- Deals Gone Bad due to expropriation or exchange rates (group)

40 points

- Foreign Expansion Plan; Due 9/25 (midnight)

100 points

You should prepare and present a business plan to a private equity firm in the United States that may provide up to \$3 million in first-round financing. Take a product/service of your choice (which is available in one country but not currently available in the country you propose) and detail a production and/or sale plan in that country. You will be competing against all other teams in the class for the funding. A separate sheet describes what your plan should cover in more detail.

45 points on the quality of presentation (=10 from classmates + 35 from me).

45 points on the quality of the written report.

10 points on a post-presentation group ranking with comments of the other Expansion Plans.

Expansion plan presentations take place on 9/28, and a detailed presentation schedule will be distributed later. We will have guests present to ask questions and give you feedback on your ideas. My role will mostly be to keep things moving.

Note: you should form groups of between 4-5 people. I strongly urge you to form cross-functional groups. Report group composition to me via email by 8/24 (midnight).

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Class Date Topic

~~~ Week 1 ~~~

**1 8/17 Introduction**

*Where is the growth? Why do companies enter foreign markets? How do companies enter foreign markets? What are some key considerations of entering foreign markets?*

**DUE:** 8/17(midnight), *Individuals should fill out two surveys: (1) "About Me", and (2) "Where have you been?" (5 pts each) (see bb).*

**2 8/19 Report on Class survey: "Where have you been?"**

**DUE:** 8/19 (midnight), *Individuals should submit a 1 page memo forecasting the Colombian Peso/U.S. dollar exchange rate on September 28<sup>th</sup>, 2015. Submit via blackboard. You can use any of the frameworks described in MGT 321, and/or any other method you choose. Just try to convince me that your forecast is believable. I will check the actual exchange rate on 9/28 and declare a winner (prize included) of this exercise. (10 pts)*

~~~ Week 2 ~~~

3 8/24 Why go global?

Case: Innocents Abroad

"Innocents Abroad" requires working with raw data on stock market returns and exchange rates to explore international diversification. One of the primary goals is to convert raw data to analysis and then talk meaningfully about what the analysis means.

DUE: 8/24 (midnight). Individual submission. Imagine you had lunch with your CEO and she asked: "what is your **best example** of a product or service entry into another (foreign) market?" Prepare a 1-page summary of your response. The deliverable should make all your points coherently. Note: "best" doesn't have to be most profitable; your job is to convince your CEO that the entry was/has: great potential, was/is unexpected or surprising, brilliant, audacious, etc. If it's not making tons of money, you need to sell the idea harder. There are LOTS of examples of great foreign entry, so don't make this assignment harder than it is. However, there is a good chance that one day, you might find an opportunity to impress someone with your example and insights. There will be an award for the 'best' example. (20 pts)

4 8/26 Managing Risks at Elan Polo

Speaker: Joe Russell, Co-Founder Elan Polo

Joe Russell is co-founder of Elan Polo, Inc., a large wholesaler of footwear in the worldwide discount, mid-tier and better grade sectors. He has vast experience in setting up and running production facilities in many countries around the world.

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~~~ *Week 3* ~~~

**5    8/31    Managing Exchange Rate Risk**

*Case: Hedging Currency Risks at AIFS*

“Hedging Currency Risks at AIFS” provides an introduction to how currency mismatches create exposures. The case focuses on the decision of whether to, how much, and what instruments to use to hedge these risks.

**6    9/2    Expansion Plan Resources**

*Speaker: Hilary Craiglow, Walker Management Library*

Hilary is the Director of the Walker Management Library. She has wide experience in knowledge management from both a corporate and library perspective. She excels in marshalling library resources to facilitate focused research objectives.

**DUE:** 9/6 (midnight), each group should *submit an electronic description (2-pages)* of your business plan. This will not be graded on its own, but serves as a tool to aid in your progress, and gives me a heads-up on your project. You are welcome to discuss your ideas with me any time.

~~~ *Week 4* ~~~

7 9/7 GUEST SPEAKER (Alfredo Arguello), GE Medical

Speaker: Alfredo Arguello, GE Medical

Alfredo Arguello, is the former CEO of GE Health Care, and is the current Head of GE small devices division for the United States. He has wide experience in running operations in many countries.

DUE: 9/8 (midnight) – each group should submit an *electronic description of an international business deal handled poorly, and how it could have gone better (see below)*. (8 pages max). Examples of previous submissions are on bb. (40 pts)

8 9/9 International business deals with unsatisfactory outcomes

In this group assignment, you are asked to describe an actual international business deal or transaction that had an unsatisfactory outcome due to either exchange rate or expropriation risks (by actions of governments or firms). You may use a deal that you know of personally (or that you learned about from one of your contacts – including friends and family members), or one that made it into the press. Given hindsight, you are asked to describe a way the deal could have been structured to avoid the difficulties. See bb for more details.

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~~~ Week 5 ~~~

9 9/14 **Entering China: managing China specific risks**

Speaker: Li Weaver

Li Weaver is co-founder and President of J C Business Group, Inc., an international business consulting firm based in Tennessee with a branch office in Beijing. Ms. Weaver serves as the Chief Representative for Tennessee China Development Center and assists the State of Tennessee to attract outbound investment, promote trade and exchanges with China. She has a wealth of experience on managing China specific risks.

*DUE: 9/15 (midnight) Individuals take survey on bb. (10 pts).*

10 9/16 **Some Expansion Plan Examples**

Some examples of previous years' expansion plans will be made available on blackboard. This class will be a discussion on how well the plans satisfied the plan requirements as well as how 'successful' each plan is perceived by you.

Each class member should read the plans and prepare to discuss the plans' strengths and weaknesses. Any questions you have with the plans may also be brought up in class

~~~ Week 6 ~~~

11 9/21 **Corruption & the Foreign Corrupt Practices Act**

This class is a lecture on how (serious) economists view corruption.

12 9/23 **Expansion Plan Scramble**

In this class we will devote some time to 'last minute' meetings on the expansion plans. I plan to meet with each group to discuss and advise on any outstanding questions.

DUE: 9/25 (midnight) Group Expansion plans are due via submission on bb. (100 pts).

DUE: 9/27 (midnight) Individual rankings of other groups Expansion plans is due (20 pts).

~~~ Week 7 ~~~

13 9/28 **Expansion Plan Presentations (\*\* class will extend until 1:50 pm \*\*)**

This is usually the most fun day of the course. Please arrive early and load any presentation materials on the class computer. We will have invited guests with broad experience participating in the Q&A, and the schedule permits time for refreshments and interaction with our guests. The plan is for each team to have a 5 minute 'pitch' (everyone will have already read your plan) followed by 15 minutes of Q&A, then followed by break-out sessions, individual revised rankings, comments, summary, and the awarding of a prize to the winning team.

14 9/30 **No Class** – we get the day off as compensation for our extended Monday session!