



MGMT 871: MULTINATIONAL BUSINESS STRATEGY

MBA FOR EXECUTIVES

THE WHARTON SCHOOL

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COURSE DESCRIPTION:

This course provides you with the concepts, tools, and skill sets needed to make strategic decisions in the complex, ever-changing global business environment we all experience today. We will discuss six topics illustrating the challenges and opportunities unique to multinational enterprises (MNEs). While the topics may seem specific, they reflect a broad range of cultural, economic and institutional factors that are fundamentally shaping the global business landscape, which, in turn, influences the strategic choices for MNEs.

Topics we will discuss include:

- **Exchange rate exposure and firm competitiveness:** What explains currency fluctuations (sometimes wildly) around the world? What are the mechanisms through which currency factors affect firms' international competitiveness, and how should firms respond?
- **Trade and investment flows:** How do (geo)political and institutional factors interact with market forces in influencing the trade and investment flows across countries? Who benefits and who loses from the trade agreements and investment treaties, and what does the recent turn against globalization mean for businesses?
- **State capitalism and political risks:** What roles do governments play in supporting the MNEs going abroad and regulating the MNEs coming in? Will the sovereign wealth funds and state-backed institutions become increasingly important players on the global stage?
- **The localization of a global company:** As a company expands to countries with vastly different cultural, economic and institutional environments, to what extent should it localize? What if the necessary adaptation is not in sync with the company's core competence?
- **Leveraging the intangible assets:** Why are there so many controversies around intellectual property rights (IPRs)? What are the strategic tools available to firms that compete on intangible assets, such as technologies, reputation, or simply business concepts?
- **Technology in globalization:** How have new technologies, particularly information technologies, changed the distances across countries and the globalization trajectories of newly minted high-tech firms? Does the good old gravity model still apply?

Throughout the discussion, we emphasize a deep appreciation for, and understanding of, the interdependence and interrelatedness of market and non-market forces in the global market; knowledge of specific countries will not be the focus of this course. On all seven topics, we will use a combination of case discussions, lectures, debates, and guest speakers.

COURSE MATERIALS:

All required readings will be made available at Study.net before class, and I will distribute supplementary readings in class. The course does not use a textbook.

EVALUATION:

Your grade will be determined by three components: (a) class participation, (b) a reading assignment, and (c) a final report.

- ***Class participation*** (35% of course grade)

I value your active participation in case discussions, role plays and other exercises in class. To help with your preparation, discussion questions are listed below the reading assignments for each class session. Good participation grades reward students who demonstrate adequate preparation, mastery of the materials, and an ability to build on the comments and contributions of others.

Students are expected to attend all classes. A student who misses more than two (2) classes without justification might receive a grade of fail (F) regardless of his or her performance in the written requirements. Please inform the instructor in advance if you are going to miss a class (email is preferred).

- ***Reading assignment*** (20% of course grade)

A reading assignment will be distributed on Saturday, January 14th, due for online submission at Canvas before 11pm Eastern Time on Saturday, January 28th. You will be asked to read a short article on a current event, and answer the questions that follow. It is an open-book, take-home exercise, but should be completed individually.

Together with this assignment (on the same answer sheet), you will be asked to write a brief memo composed of a paragraph or two. The memo is to establish a direct line of communication from you. For example, you can write a few lines about the most important take-away points from the class, questions that remain unanswered, concepts you do not fully understand, or applications you find particularly interesting. You may also suggest specific topics that we should cover in the remaining class. The content of the memo will not be graded; your questions in the memos will be answered collectively in the February 11th class or individually via email.

- ***Final report*** (45% of course grade)

(We will decide whether this is a group project or individual assignment based on enrollment.)

Pick a firm you are interested in. (Most students would pick their current or former employer, or companies that they are familiar with.) Now you are hired as an internal consultant to assess the firm's global strategy, and are asked to give recommendations for the future. Note that the term global strategy is broadly defined; it is perfectly fine if you recommend that the firm remain a pure-play domestic company with no foreign presence at all, even though it may still be exposed to global economic forces.

Please read the following instructions carefully before you get started.

1. Your submission should take the form of a letter to the top management team of the focal company, in a separate Word or PDF file. The expected length of your letter (all combined, including tables, figures and references) is between 10 and 15 pages, double spaced, on letter-sized sheets. It does not have to look fancy.

2. You may refer to books, class handouts, and financial reports from the company, but have to write the answers in your own words, unless accompanied with quotation marks and references. Also, you are not allowed to communicate about this exam with anyone (classmates, colleagues, employees of the focal company...well, anyone).
3. Use the concepts and frameworks discussed in class, but please be selective. Do not run a laundry list of all the factors. Instead, find the ones most relevant to this firm, and explain why they should demand attention from the top executives (i.e. busy people). Be explicit about the unique firm-, industry-, and country-specific characteristics.
4. Do not spend too much time searching for information. Instead, think hard on the best ways to approach the questions. If some crucial information is not readily available, provide a feasible guideline on how to obtain the information or how to make decisions with incomplete information (which we do all the time). Sound understanding of concepts and logical clarity in your writing are more important than the amount of information compiled.
5. Your letter must contain answers to the following questions:
 - a. What do you think are the main competitive advantages of the focal company? How are these advantages related to the home country business environment it is (or was) in? [5 points]
 - b. Focus on one country that the company has already entered or is considering. Do you think entering that country would leverage or enhance the focal company's competitive advantages as outlined in a.? Note that your answer may depend on the strategic focus you propose. [10 points]
 - c. Describe how the currency factors [5 points] and the trading blocs (free trade agreements signed by that country and/or its neighboring countries) [5 points] affect the desirability of that country as the location for international expansion.
 - d. Suggest the right entry mode (trade vs. FDI, Greenfield vs. M&As, joint ventures vs. wholly-owned subsidiaries etc.), taking into consideration both the economic factors (market size, labor cost, transportation and transaction costs, etc.) and the institutional environment (rule of law, government intervention, IP protection, etc.) of the (potential) host country. Note that d. is different from b. in that d. is strictly about entry mode. [10 points]
 - e. How would the technological changes in the next decade affect the focal company's global strategies? [10 points]

The coherence of your answers matters. You may want to revise your answers to earlier questions based on your answers to the later ones. Self-conflicting answers, no matter how comprehensive they are, will make you lose points on multiple questions.

By submitting your final exam, you are certifying that what you submit is an honest and fair product. The submission window at Canvas will close at 11pm Eastern Time on Saturday, March 11th.

SCHEDULE AND READING ASSIGNMENTS

Session 1 (Jan 6): Exchange rate exposure and firm competitiveness	
	<ul style="list-style-type: none">▪ “A Primer on Foreign Exchange Rates” (for those who are not taking International Finance)▪ “Global Companies Address Latin American Risk”▪ “Strong Dollar Batters Earnings for U.S. Tech Firms”
	<ol style="list-style-type: none">1. Who gains and who loses from (a) a stronger dollar and (b) a weak real?2. How do you think businesses should respond to (a) a stronger home currency, (b) a weaker home currency, and (c) currency volatility in currency crises?
Session 2 (Jan 7): International trade – market and non-market forces	
	<ul style="list-style-type: none">▪ “A Primer on International Trade”▪ “Fabric of a Trade Deal: U.S. Asks Vietnam to Cut Out Chinese Textiles”▪ “Free Trade Packs: America’s Big Bet”
	<ol style="list-style-type: none">1. What determines the geographical locations of an industry, or rather, the locations of various points on an industry’s value chain?2. What are the arguments for government intervention in trade? How does it affect the competitiveness of firms operating domestically as well as internationally?3. What do you think of the Bilateral Trade Agreements (BTAs) and regional Free Trade Areas (FTAs) as alternatives to the multilateral WTO?
Session 3 (Jan 13): State capitalism and political risks	
	<ul style="list-style-type: none">▪ “The New Rules of Globalization”▪ Case: China Construction America (A) and (B)▪ Video: Chinatown in Africa (in class) <p>Guest speaker: Mr. Richard Wood, CEO of Plaza Construction</p>
	<ol style="list-style-type: none">1. How has the states’ involvement in international business changed in recent years, both in quantity and in format?2. How much would you attribute CCA’s competition advantage to the support from the Chinese government? Is there a reason for concern?
Session 4 (Jan 14): The localization of a global company	
	<ul style="list-style-type: none">▪ “A Primer on Foreign Direct Investment” (optional)▪ “Amazon Invades India”▪ “Netflix, Amazon Take Divergent Paths to Reach Indian Audience”▪ “The World I See” (Jeff Immelt’s Advice to Win in Time of Anger about Globalization)
	<ol style="list-style-type: none">1. What should and should not Amazon localize in India?2. Why do Netflix and Amazon take such different approaches when it comes to localization?3. What would be GE’s competitive advantage in a world with higher barriers?

Reading assignment due on Jan 28

Session 5 (Feb 11): Leveraging the intangible assets	
	<ul style="list-style-type: none"> ▪ “How Market Smarts Can Protect Property Rights” ▪ “Capturing Value from IP in a Global Environment” (optional) ▪ Case: The Munich Oktoberfest
	<ol style="list-style-type: none"> 1. Why is intellectual property (IP) such a controversial topic in global strategy? 2. For companies trying to appropriate value from their intangible assets, what are the strategies they can deploy across countries? 3. For companies trying to catch up, how can they address IP concerns effectively?

Session 6 (Feb 24): Technology in globalization	
	Debate on the prospect of Uber’s global expansion <ul style="list-style-type: none"> ▪ “Uber’s Record \$3.5 Billion From Saudi Arabia Fuels Global Expansion” ▪ “Uber Battles Locals for Future of African Taxis” ▪ “Uber Executives’ Trial Gets Under Way in Paris” ▪ “India’s Ola, Uber Rival, Goes One Up” ▪ “Russia’s Taxi-Hailing Apps Gain Ridership” ▪ “Uber Rivals Form International Alliance” ▪ “Uber Sells China Operations to Didi Chuxing”
	<ol style="list-style-type: none"> 1. How have new technologies changed the global competition landscape? 2. How do market characteristics of individual countries affect Uber’s chance of success? 3. What are the most important reasons for technology companies to be global?

Final report due on Mar 11
