



Sonoco International Business Department

Globalization and International Business (IBUS 310)

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Tues & Thurs
DMSB 140
Sec 003, H12 1:15 – 2:30pm
Sec 004, H13 2:50 – 4:05pm

This course is designed as an introduction to the study of global business. In the first half of the class, we examine contemporary debates over the political, social and economic consequences of the globalization of markets and industries. The debate topics for each class are presented at the end of the syllabus, and students should come to class prepared for a debate. In the second half of the class, we analyze the responses of multinational enterprises to the challenges of globalization. We focus on global strategic management, introducing you to frameworks regarding industry globalization potential, national competitive advantage, strategy and structure of the firm, entry modes, and sequential expansion abroad. These classes will be largely cases-based, using an approach to content and discussion development for the Wharton MBA core.

Grades

Classroom Participation – 30%
Map Quiz -- 5% (Sept. 8) – Find a partner NOW! You take the quiz in pairs.
Quiz – 15 % (Nov 12)
Exams – 55% (mid-term Oct 15, 25%; Final TBA – Take home 25%)

A Note on Class Participation

Each student will be graded based upon his or her contribution to class discussion. Effective participation is accomplished by focused comments or questions that develop insights that are not immediately discernible from the cases or readings, and demonstrate mastery of reading and case materials. We especially encourage class participation that applies conceptual frameworks to case materials and that enriches the learning experience of the class. We expect students both to attend class and to be prepared to participate in each and every discussion. Class participation includes three components: (a) class attendance; (b) frequency of class participation; and (c) quality of class participation. I grade each student at the end of every class. Each student will receive feedback on her or his class participation performance half way through the semester. Students are expected to attend all classes. Having more than 8 unauthorized absences will result in a grade of F. Also students will follow the department policy of no use of cell phones, social media or internet while in class unless expressly authorized by the professor. Violation will result in receiving a participation grade of 0 for that class.

Course Materials

All students must subscribe to and follow *The Economist* magazine. The student rates are very cheap and this is a very good investment for a future international manager and financier.

All of the readings and cases listed in this syllabus are required. They are available as an electronic bulk pack via www.redshelf.com. All students must also be able to access and use Blackboard, where I will regularly post the class slides and additional readings.

Using redshelf.com:

1. Navigate to RedShelf.com
2. Search by course title, course name, or professor name. It should be PACK #8.
3. Click on your course material
4. Select "Add to Cart"
5. Complete transaction via credit card and begin studying! NB: Once you go to checkout, you will be asked to register onto the website.

ABOUT THE INSTRUCTOR

Gerald A. McDermott is Associate Professor of International Business at the Moore School of Business at USC. Prior to joining the MSB, he was a professor of Multinational Management at the Wharton School of the University of Pennsylvania for almost eight years. He has also lectured on international business and political economy issues in Europe and Latin America. He received his Ph.D. from MIT and is a former Fulbright Scholar. His research has focused on problems of institutional and organizational learning in the formation of public-private governance institutions in emerging market and post-socialist economies, particularly regarding alliances, network assets, and restructuring. He has lived for several years in Prague, Czech Republic and in Buenos Aires, Argentina. His current research projects focus on the creation of new innovative capacities in backward societies and the impact of geopolitical “clubs” on domestic regulatory institutions. His first book, *Embedded Politics: Industrial Networks and Institution Building in Post-Communism*, was published in 2002 by the University of Michigan Press and was a Finalist for the Best Book on Government, Politics, or International Affairs for the American Political Science Association in 2003. His most recent book, co-edited with Laszlo Bruszt, is *Leveling the Playing Field: Transnational Regulatory Integration and Development* (Oxford Univ. Press, 2014). He has also published in such scholarly journals as *Academy of Management Review*, *Academy of Management Journal*, *Industrial and Corporate Change*, *Comparative Political Studies*, *Journal of International Business Studies*, *Politics & Society*, *Organization Studies*, *Review of International Political Economy*, and *Small Business Economics*. Dr. McDermott has also consulted for the Czech and Argentine governments and for the World Bank and Inter-American Development Bank. Besides English, his native language, he speaks Spanish, Czech, French, and German.

1. Course Introduction

[Aug. 20]

Readings:

From C. Hill, *International Business: Competing in the Global Marketplace* (10th ed.), McGraw Hill: Boston. Pp. 179-189; Chapter 7. Review two short notes on Comparative Advantage found on Blackboard in Course Documents, Additional Readings.

2. The Globalization Debate

[Aug. 25]

Readings:

Chapter 1 (“While I was Sleeping”), Chapter 3 (“The Triple Convergence”), Chapter 12 (“The Dell Theory of Conflict Prevention”). Thomas Friedman. 2006. *The World is Flat: A Brief History of the 21st Century*.

Samuel Huntington. 1996. *The Clash of Civilizations and the Remaking of World Order*. New York: Simon and Schuster, pp. 19-21, 28-29, 42-47.

Pankaj Ghemawat, 2007. *Redefining Global Strategy*. Boston: HBS Press, Ch1.

Moises Naim, “Globalization,” *Foreign Policy* March/April 2009

3. Global and Regional Manufacturing

[Aug. 27]

Reading:

Pietra Rivoli. 2005. *The Travels of a T-Shirt in the Global Economy*. Hoboken: John Wiley and Sons. vii-8, 61-72, 111-126.

4. Who Makes the Rules?

[Sept. 1]

Reading:

Kimberly Ann Elliott and Richard B. Freeman. 2003. *Can Labor Standards Improve Under Globalization?*. Institute for International Economics: Washington, pp. 7-13.

Case:

Richard Locke. 2003. “The Promise and Perils of Globalization: The Case of Nike.” In Kochan and Schmalensee, eds., *Management: Inventing it and Delivering its Future*: MIT Press, pp. 39-70.

SEE BLACKBOARD FOR ARTICLES ON TRAGEDY IN BANGLADESH

5. National Security & Growth

[Sept. 3]

Reading:

Robert Reich. 1990. “Who is Us?,” *Harvard Business Review*, Jan.-Feb.

Laura D'Andrea Tyson, “They are not us: Why American ownership still matters,” *The American Prospect* 4 (Winter 1991), pp. 37-49.

Case:

“Who’s Afraid of China Inc.?” *New York Times*, July 24, 2005

“Under Pressure, Dubai Company Drops Port Deal”, *NYT*, March 10, 2006

Danish Companies Endure Snub by Muslim Consumers”, *NYT*, Feb. 27, 2006

Winding Up Lehman Brothers, *Financial Times*, Nov 7, 2008.

SEE BLACKBOARD FOR ARTICLES ON HUAWEI

International Trade and National Competition**6. Map Quiz**

[Sept. 8]

7. The Argument for Free Trade

[Sept. 10]

Reading:

Russell Roberts. 2001. *The Choice: A Fable of Free Trade and Protectionism*. Upper Saddle River, NJ: Prentice Hall. pp. 1-25.

Review C. Hill, (above from Session 1), pp. 179-189.

Case:

“Is Wal-Mart Good for America?” (Sections 2-5) from:

<http://www.pbs.org/wgbh/pages/frontline/shows/walmart/interviews/hopson.html>

8. Debate on Wal-Mart Case and Trade

[Sept. 15]

9. National Institutional Differences

[Sept. 17]

Reading:

Russell Shorto, "Going Dutch," *New York Times Magazine*. (May 3, 2009).

Case:

"Denmark: Globalization & the Welfare State," HBS Case 9-709-015, Rev: July 15, 2009.

Video on Lego: <http://www.bloomberg.com/news/videos/b/4a56e664-4427-49fc-82fb-2d5e4a6f4502>

10. Should the US have a Competitive Strategy?

[Sept. 22]

Readings:

Greg Linden, Kenneth Kraemer, Jason Dedrick, "Who Captures Value in a Global Innovation Network? The Case of Apple's iPod," PCIC Working Paper.

David Barboza, "Supply Chain for iPhone Highlights Costs in China," *NY Times*, July 7, 2010.

Andy Grove, "How to Make an American Job Before It's too Late," *Bloomerg Businessweek*, July 1, 2010.

Walter Molano, "In Praise of Destruction," *The Emerging Market Advisor*, August 5, 2010.

SEE BLACKBOARD FOR ARTICLE ON GENERAL ELECTRIC.

11. Standards, Fair Trade and Development

[Sept 24]

Case:

"Fair Trade USA: Innovating for Impact," Stanford Business Case: SI-39(B) (April 26, 2012).

Excerpts, from Oxfam, "Mugged: Poverty in Your Coffee Cup", www.maketradefair.com and from globalexchange.org.

Nicole LaPorte, "Coffee's Economics, Rewritten by Farmers," *The New York Times* (March 16, 2013)

Transnational Integration, International Organizations and Politics

12. The Natural Environment: The Challenge of Global Cooperation

[Sept. 29]

Readings:

Global warming causes 300,000 deaths a year, says Kofi Annan think tank. UK Guardian., May 29, 2009.

Climate change 101: International action. Pew Center on the States. January, 2009

Big emerging nations demand G8 greenhouse gas cuts. Reuters. July 8, 2008.

The essentials in Copenhagen. United Nations Climate Change Conference. December 7-8, 2008.

Europe pledges strict emissions cut to tempt China and India into climate deal. UK Guardian. December 20, 2008.

In climate change talks between China and the west, nothing is simple. Financial Times. June 2, 2009

India: No binding targets – Clinton: We can devise a plan. United Nations Climate Change Conference. December 7-8, 2008.

Storm over the Chamber, New York Times, November 19, 2009.

Review Briefly UN Report on Climate Change 2014 – IPCC; summary on BLACKBOARD and found online at: <http://ipcc-wg2.gov/AR5/report/> .

13. Regional Trade Blocs and Geopolitics

[Oct 1]

Case:

"Common Agricultural Policy and the Future of French Farming," HBS Case 9-707-027.

14. The World Trade Organization

[Oct 6]

Reading:

Chapter 7, "The Political Economy of International Trade," C. Hill, *Global Business Today* (10th ed.), McGraw Hill: Boston. (See session 1.)

Excerpts, World Trade Organization's internet homepage.

Case:

"Doha's Final Deadline," *The Economist: The World in 2007*, December 2006.

"Beyond Doha" *The Economist: The World Economy Special Report*, October 2008.

"Bailing out from Bali; World Trade," *The Economist*, August 9, 2014.

Read the latest on the Doha Round trade Negotiations:
https://www.wto.org/english/tratop_e/dda_e/dda_e.htm

- 15. The Euro-Zone and EU Crisis (All Readings on Course Website/Blackboard)**
 [Oct. 8] Paul Krugman, “Can Europe be Saved?” *New York Times Magazine*, January 12, 2011
 What makes Germans so very cross about Greece?, *The Economist*, February 23, 2010
 “The Crisis of the Single Currency is Political as much as Financial,” *The Economist*, July 14, 2011.

- 16. Review for Mid-Term Exam**
 [Oct. 13]

- 17. Mid-Term Exam**
 [Oct. 15]

- 18. Politics, Regulation, and the Financial Crisis in The US**
 [Oct. 20] “The Warning,” Documentary by Frontline of PBS. (In-class film.)

FALL BREAK OCT. 22

Multinational Competitive Strategy and Organization

19. Global Strategies & Global Competition

- [Oct. 27]
 Reading: Michael Porter, “What is Strategy?” *Harvard Business Review*, Nov-Dec 1996.
 Mauro F. Guillén, “Understanding and Managing the Multinational Firm.” The Wharton School (2006).

20. Global versus Multidomestic Industries

- [Oct 29]
 Reading: George S. Yip, “Global Strategy... in a World of Nations?” In *Transnational Management (5th Ed.)*. McGraw-Hill/Irwin, 2006, pp. 290-304.
 Case: Benetton’s Troubles in Foreign Markets. The Wharton School (2006).
 Questions: (1) What is the global potential of the clothing industry?
 (2) How do you assess Benetton’s strategy? What are its strengths and limitations? Please characterize it in terms of dispersion and coordination of activities.
 (3) Why did Benetton fail in the U.S. market, and what should it do in order to succeed?

21. Home-Country Effects and International Competition

- [Nov. 3]
 Reading: Michael E. Porter, “Why Nations Triumph.” *Fortune* March 12, 1990), pp. 94-108.
 Case: Swatch and the Global Watch Industry. Ivey School of Business 9A99M023.
 Questions: (1) How do you explain the shifting global leadership in the watch industry, from Swiss to American to Japanese and back to Swiss firms?
 (2) How do you explain the success of Swatch as a company in this industry?
 (3) Is there a potential threat in the horizon that could once again cause the decline of the Swiss watch industry? What would you do about it?

22. Dispersion & Coordination of Activities

- [Nov. 5]
 Reading: Christopher Bartlett, Sumantra Ghoshal, and Paul Beamish, “Developing a Transnational Organization: Managing Integration, Responsiveness, and Flexibility.” In *Transnational Management (5th Ed.)*. McGraw-Hill/Irwin, 2006, pp. 333-349.
 Case: Acer Inc.: Taiwan’s Rampaging Dragon. HBS 9-399-010.
 Questions: (1) Describe Acer’s culture and organizational structure. Can Acer’s early culture and practices be sustained as the company grows?

- (2) How responsive is Acer to local environments? How coordinated or integrated is it?
- (3) Analyze the advantages and disadvantages of allowing Acer America to design and market the Aspire. If you were Stan Shih, would you give the Aspire project the green light? Is the organizational structure conducive to success?

23. The Organization of the Multinational Enterprise

[Nov 10]

Read again: Christopher Bartlett, Sumantra Ghoshal, and Paul Beamish, "Developing a Transnational Organization: Managing Integration, Responsiveness, and Flexibility." In *Transnational Management (5th Ed.)*. McGraw-Hill/Irwin, 2006, pp. 333-349.

Case: Philips versus Matsushita: A New Century, a New Round. HBS 9-302-049.

- Questions: (1) How did Philips become a leader in the industry? How did Matsushita overtake Philips? What distinctive capabilities did each firm possess?
- (2) What are the major problems currently facing each firm?
 - (3) What would you do in order to revitalize Phillips? What about Matsushita?

24. Quiz & International Product Life Cycles

[Nov. 12]

Reading: Pankaj Ghemawat, 2007. *Redefining Global Strategy*. Boston: HBS Press, Ch2. [**Get Main Argument about CAGE**]

Raymond Vernon, "The product cycle hypothesis in a new international environment," *Oxford Bulletin of Economics and Statistics* 41(4) (November 1979), pp. 255-267. [**Get basics of PCH.**]

Charles W. L. Hill, "Entry Strategy and Strategic Alliances (Ch. 14)." In *International Business (7th ed.)*. McGraw-Hill/Irwin, 2009, pp. 488-511 [**Focus on the Different Entry Modes**]

25. Sequence & Pace of International Expansion

[Nov. 17]

Read again: Raymond Vernon, "The product cycle hypothesis in a new international environment," *Oxford Bulletin of Economics and Statistics* 41(4) (November 1979), pp. 255-267.

Case: "The Sun Never Sets on the Golden Arches": McDonald's Internationalizes. The Wharton School (2006).

- Questions: (1) Did McDonald's follow the prescriptions of the product-cycle theory in its international expansion?
- (2) In which respects does McDonald's adapt to local circumstances? What kind of a balance does the firm strike between company-operated and franchised restaurants?
 - (3) Is McDonald's becoming a global firm or does it continue to be a U.S.-centric company? Should it make the transition?

26. Sequence & Pace of International Expansion in Oligopolies

[Nov. 19]

Case: *The New Conquistadors: Spanish Banks and the Internationalization of Latin American Financial Markets. The Wharton School Case / ECCH 300-133-1.*

Case: The Global Ambitions of the Spanish Banks. The Wharton School Case.

- Questions: (1) Why were the Spanish banks so keen to enter Latin American markets? Why weren't banks from other countries as aggressive as the Spanish banks?
- (2) What capabilities or know-how enabled the Spaniards to succeed in the region, at least thus far? Who are the Spanish banks competing against?
 - (3) Why are BBVA and Santander so anxious to enter new markets in Europe and North America? Would you recommend other areas for expansion?

27. Mini- Review

[Nov. 24] Bring in two questions on Global Business Strategy. Review of quiz.

Nov 26 – THANKSGIVING RECESS

28. Diversification & Global Strategy

[Dec. 1]

Case: Seth Stevenson, "I'd Like to Buy the World a Shelf-Stable Children's Lactic Drink." *The New York Times Magazine* (March 10, 2002).

Case: Dean Foust, "Gone Flat." *Business Week* (December 20, 2004).

Questions: (1) As Coca-Cola diversifies into new beverage categories, is the situation becoming more global or more fragmented across markets?
(2) What organizational challenges is the firm facing as it pursues diversification?
(3) What specific recommendations concerning mode and speed of entry would you make to Coca-Cola as it introduces non-carbonated drinks worldwide?

29. Conclusion & Review

[Dec. 3]

Course wrap-up, class evaluations, and discussion of final exam.

Debates and Questions

2. Globalization Discussion

What are the main differences between Ghemawat and Friedman? What is their evidence? Who seems right? Do nation states matter? Where does Huntington fit in?

3. Travels of a T-Shirt

Debate: If you were running for a US senate seat in South Carolina, would you support or oppose protectionism for the US textile industry?

Positions: 4 South Carolina senate candidates (Groups of 3; candidate, media advisor; political advisor)

Questions by: 1) Group of laid-off South Carolina textile workers; 2) Representatives from American Manufacturing Trade Action Coalition (AMTAC); 3) US Consumer Rights Group; 4) Free-Trade Economists; 5) Group of Foreign Trade Representatives in US (China, Cambodia, Pakistan, Caribbean countries, etc.)

4. Who makes the rules? Nike and International Labor Practices

Debate: Televised discussion over Nike's activities in Indonesia. The debate involves whether: a) Nike's behavior should be regulated; and b) who should achieve that regulation. Should the Indonesian/Pakistani/Vietnamese government regulate that behavior? Should the US government? Should an International agency regulate? If so, what type of agency?

Positions: 1) Nike; 2) Nike's regional subcontractors; 3) a group of Nike factory workers in the developing world; 4) representatives of Indonesian/Pakistani/Vietnamese government; 5) representatives of US government; 6) NGO (ie CorpWatch); 7) agents of Michael Jordan and Tiger Woods.

5. National Security: CNOOC

Debate: Should the US government prohibit Chinese companies from buying US oil companies like Unocal? Does it matter who owns banks, natural resources, and manufacturing companies?

Positions: 1) Economic and political advisors to the Bush government; 2) Unocal's board of director; 3) Chevron and its lobbyists; 4) free-trade economists; 5) China National Offshore Oil Corporation (CNOOC); 6) Chinese government; 7) US Department of Defense.

8. Is Wal-Mart Good for America?

Debate: Is Wal-Mart Good for America?

Positions: 1) Wal-Mart; 2) US Union Representatives; 3) Representatives of Chinese foreign suppliers; 4) Laid-off workers in US television plant (see interview in readings); 5) free-market economists; 6) Wal-Mart customers and employers.; 7) Business and Industry Council (small and medium size manufacturing companies, see interview in readings)

9. National Institutional Differences

Discussion Questions: What is Denmark's development strategy (dealing with internal and external challenges)? How does flexicurity work? Could the Danish model work elsewhere? Should Denmark continue to integrate with the EU or forge its own path? With the current world economic crisis, is Denmark a social welfare bubble waiting to burst?

10. Should the US have an Industrial Strategy?

Discussion Questions: 1) Should the US care about Manufacturing jobs and sectors? 2) If so, what should it do? What is the core argument of Andy Grove? 3) Do you agree with Andy Grove and Walter Molano? 4) What are

some lessons about policy and global supply chains in the case of Apple's products? 5) What did the engineers from General Electric learn when re-designing the water heater for production in the US?

11. Standards, "Fair" Trade and Development

Debate: Should coffee producers buy more "fair trade" certified coffee? Should we apply Fair Trade strategies to all types of producers?

Groups: 1) Transfair USA/Fair Trade USA; 2) Green Mountain and Starbucks's top leadership; 3) Coffee consumers (half go at Starbucks; half brew their own coffee from supermarkets); 4) Poor coffee farmers in Kinuntu, Uganda (see section in Oxfam readings); 5) FLO and other Fair Trade Organizations; 6) "Non-speciality" coffee producers, such as Maxwell House (Kraft), Nescafe (Nestle) (see section in Oxfam readings).

12. The Natural Environment: The Challenge of Global Cooperation

We are at the 2009 United Nations Climate Conference in Copenhagen. The topics for discussion among the participating countries are the following:

- 1) How much are industrialized countries willing to reduce their emissions of greenhouse gases?
- 2) How much are major developing countries such as China and India willing to do to limit the growth of their emissions?
- 3) How is the help needed by developing countries to engage in reducing their emissions and adapting to the impacts of climate change going to be financed?

Roles: 1) Yvo de Boer, executive secretary of the United Nations Framework Convention on Climate Change (UNFCCC) (see article); 2) US Government delegation; 3) Traditional US Energy Lobby (Coal-based Company); 4) Green US Energy Lobby; 5) Chinese / Indian delegation; 6) African Union Delegation; 7) Global Humanitarian Forum (Kofi Annan's think-tank).

13. Regional Trade Blocs and Geopolitics

Discussion: Should the EU spend 40% of their budget on CAP? If not, how much should be spent and why? Who are the winners and losers? Do both sides of the argument have legitimate concerns? What does CAP do to global trade and how does it affect developing and developed countries? Have the EU export subsidies achieved their goal? Is CAP sustainable with future WTO negotiations and the expansion of the EU to East Europe?

14. The World Trade Organization (WTO)

Debate: We are at a meeting during the WTO Doha negotiations. What should the future of the WTO be? Should it be changed or reformed? Do activists make legitimate arguments for reform? Should activists be allowed a seat at the discussions over future WTO reforms?

Positions: (1) representatives of the United States Government; (2) representatives of developing nations (e.g. African nations, Latin American nations); (3) demonstrators; (4) free-trade economists; (5) WTO leadership.

15. The Euro-Zone and EU Crisis

Debate: Should the EU and the IMF bailout Greece? If so, what conditions should be attached? How much should Germany contribute?

Roles: 1) Greek Citizen; 2) Greek Government; 3) German Citizen; 4) German Government; 5) IMF (International Monetary Fund) Representative; 6) Government Representatives of other PIIGS (Portugal, Ireland, Italy and Spain).