

**FISHER COLLEGE OF BUSINESS
THE OHIO STATE UNIVERSITY**

**BUSMHR 4021
THE INSTITUTIONAL ENVIRONMENT OF INTERNATIONAL BUSINESS
Autumn 2016**

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Office Hours: Tuesday and Thursday 4-5 pm.
 Other times by appointment.

Prerequisite:
 BUS MHR 2000 Intro to International Business or equivalent.

Required: Coursepack by Zip Publishing (www.zippublishing.com)

Overview of the Course

The goal of this course is to understand how international and national environments influence the conduct of international business. In this regard, we have two fundamental objectives: (a) to assess how countries' specific institutions affect the functioning of their economies, and (b) to understand how these institutional environments affect firms' ability to develop international strategies that provide competitive advantages over those of other firms.

We begin by developing and using frameworks to diagnose a country's institutional environment, which plays an important role in determining the "rules of the game" for the conduct of business. We examine in detail the economic and political context of different countries which provides specific incentives and disincentives for particular types of economic behavior, both anticipated and unanticipated. We also apply theories relating to international trade and foreign direct investment, considering how these have been used in different ways to increase growth and development in specific countries. The unique contexts of countries give rise to national differences in the structure of firms. These differences can often (but importantly, not always) provide valuable competitive advantages in competing internationally.

The second purpose of this course is to understand the strategic management of firms involved in international business. In this regard, we consider how firms identify, develop and execute different types of international strategies. We have three primary objectives. First, we uncover answers to a fundamental question in international business and strategic management: *What influences the success and failure of firms in the international context?* In the global economy of the 21st century, competition is increasingly shaped by the presence of firms from a variety of national contexts. The nature of competition faced by firms is therefore not only more fierce, but also more diverse. In line with this, we will develop a systematic approach to assessing the international structure of competition faced by a firm.

The backdrop for the discussion of topics associated with each of the objectives above will of course be the national and international economies in which strategies are created and implemented. In this regard, the course takes particular pains to provide a variety of national institutional contexts in which to examine each topic. We begin by considering the state of the global economy, variations in models of political economy, and sources of tension, uncertainty and risk in the international economy. We then consider the structure of markets in a variety of advanced, intermediate, transitional and emerging economies.

Course Methodology and Requirements

The readings for this course consist of articles and business cases from a variety of sources. The pedagogy will draw heavily from case readings and their analysis. For a given topic, we will typically examine a set of readings and cases from which we draw conclusions. I expect students to come prepared to discuss all readings and cases that have been assigned for that day. Questions are provided in the schedule to help you to anticipate the role of the readings in relation to the topic. The breakdown of course requirements are given below.

Quizzes

You will have 4 quizzes that you will take through Carmen. Worth 10 points, each is non-cumulative and will cover material up to any previous quiz.

Class Participation

Class participation will contribute 30% of the grade, and will be graded based on my subjective assessment for each class. For meaningful class participation, you must have prepared the readings and cases in advance. Keep in mind that the **quality** of your participation, rather than the quantity (or “air time”), will enhance my perception of high performance in class discussion. The following criteria are employed for each class:

- ***Excellent*** class participation (3): You contributed high-quality insights to the discussion, and suggested interesting or new ideas.

- **Average** class participation (2): You were in class, and did contribute somewhat in creating superior understanding or suggesting meaningful ideas to the class.
- **Poor** class participation (1): You did not say/do anything worthwhile to contribute to the discussion.
- **No** class participation (0): You were not in class

Group Research Project

Imagine that I am the CEO of a diversified company that is interested in expanding overseas. I am interested in developing an innovative internationalization strategy, and don't necessarily want to follow the herd into the same markets. I am interested in new and unique opportunities.

You and your group members work for my company. As your boss, you know that I have given similar assignments to your co-workers. I haven't told you outright, but there could be a promotion for whichever team does the best job. You know that there's no 'right' answer; it's all in the analysis. You know that your report needs to be convincing if you are going to get that promotion. You also know that, as your boss, I have high standards, and expect to see your best work.

You are aware that a well-researched and well-developed strategy for going abroad will get you the promotion that you have been after for some time. Not only does this promotion come with a substantial increase in salary, but it also gives you opportunities to work in interesting overseas locations. This in turn will improve your skills considerably and make you more desirable in the job market in the long run, should you wish to move to another company.

I will provide each group with a set of countries. You will analyze and compare the institutional environments of these countries using the principles and techniques that you have learned from the readings, cases and discussions/lectures in class. Based on this analysis, you will suggest which countries pose the best opportunities and why, as well as develop an entry strategy most appropriate for that (those) countries.

Elements of a well-done analysis include:

1. Analysis of each country's macro-economic data over a minimum 10-year period, including
 - a. GDP per capita, GNP per capita,
 - b. exports, imports, capital flows, and exchange reserves,
 - c. FDI inflows, outflows and stock,
 - d. exchange rate movements,
 - e. societal indicators (infant mortality, education, etc.).
 - f. Nature of competitive environment
 - g. Other evidence of the institutional environment

Make sure you can discuss all macroeconomic data meaningfully, including their changes over time. Use tables and exhibits.

2. Comparison of your group's set of countries on all the above factors. Explain WHY these indicators vary the way they do across the countries. Apply the diamond model and draw insights.
3. Based on the above, explain which of the countries your group recommends for entry through a RANK ORDERED approach. In light of the country's institutional environment, HOW should the firm enter each country?

Each project will be presented by the group members during the 15th week of the class. Your presence is absolutely mandatory during this entire week.

The written project will constitute 30 percent of your grade. The presentation can affect 10% of this grade.

General Guidelines:

This assignment is an opportunity for you to explore certain international environments and international business issues in a bit more detail. A major part of the learning experience associated with this assignment involves each student gaining knowledge of where to find the international information required. You will be learning how to find information about countries, international organizations and/or international issues. You are also being asked to interpret and analyze the information.

Your project should be / have:

- Typed (Font should be standard, i.e. Arial, Times New Roman, Courier New, Calibri).
- Minimum font size 11 point.
- Double-spaced.
- Paginated and stapled.
- **Executive Summary:** 2 page maximum (Should be in front.)
- **Supporting Report:** no more than 20 pages total excluding any chart, exhibits and references and bibliography.
- Cover page should have the names of your team and the date, as well as the class information.
- Proper grammar and spelling – you may lose points if you have more than the occasional typo.
- **NO** scientific notation – this is not a science class. Business people want to see 'normal' numbers. And feel free to round your numbers – just as long as you are consistent. If you say 10.3 billion for one country, for example, the other two countries should be described in billions as well.
- Be sure to label your data – identify ***all*** currencies, values, percents, etc.
- References/citations for ***all*** information and source material. Citations should be noted in the text ***and*** a full citation should be included at the end of the paper (bibliography). The form of your full references at the end should be consistent. The assignment suggests some sources for information, but you may also consider other reliable sources. Note that wikipedia, answers.com, the web sites of

individuals and similar types of internet sites are not sufficiently reliable sources. You should *not* use them for this assignment.

In all, the course grade consists of the following elements:

- | | |
|------------------------------|-----|
| 1. 4 quizzes, each worth 10% | 40% |
| 2. Class participation: | 30% |
| 3. Research project: | 30% |

Please note: I reserve the right to make changes to the syllabus as necessary.

SCHEDULE

Week 1 INTRODUCTION

Aug. 23 Overview of the Course

Aug. 25 The Institutional Context: An Introduction

Week 2 THE NATURE OF NATIONAL INSTITUTIONS

Aug. 30- Sept. 1

Makhija, Mona et al. 2006. National context and the riskiness of decisions.

Porter, Michael. 1990. The competitive advantage of nations. *Harvard Business Review*.

Florida, Richard. 2004. America's looming creativity crisis. *Harvard Business Review*.

Week 3 SWEDEN

Sept. 6-8 Case: The Welfare State: Sweden for Sale? #703-019

Questions to prepare:

1. Is the Sweden model successful? On what criteria?
2. Does the welfare state prompt or hinder innovation and business dynamism?
3. Why has Sweden chosen to address the risks of capitalism in the ways that it has rather than direct intervention in capital markets?
4. Can the Swedish model survive in the context of globalization and European integration?

Week 4 SOUTH KOREA

- Sept. 13-15** Case: Korea: On the Back of the Tiger #700-097
Questions to prepare:
1. How did Korea achieve its miracle?
 2. What role did chaebols play in Korea's development strategy?
 3. What led up to the Korean economic crisis? Was this inevitable?
 4. Can the Korean model survive in today's international environment?

End of the week: Quiz 1

Week 5 IRELAND

- Sept. 20-22** Case: Foreign Direct Investment and Ireland's Tiger Economy
Questions to prepare:
1. What historical factors explain the development of the Irish economy?
 2. What role has the Irish government and foreign direct investment played in changing the economy?
 3. Based on the principles of the Diamond Model (see Porter, above), does Ireland have competitive advantages over other countries? What steps should it take in going forward?

Week 6 CHINA

- Sept. 27-29** Case: China: Building "Capitalism with Socialist Characteristics" #706041
Questions to prepare:
1. What was China's development strategy between 1978 and 1997?
 2. How has entering the WTO affected China's development strategy?
 3. Using the Diamond Model, explain how China has developed any enduring competitive advantages.

Week 7 GERMANY

Oct. 4-6

Reading:

Lehrer, M. Has Germany Finally Fixed its High-Tech Problem?
California Management Review, 42, 4. 2001. pp. 89-106.

Case: Hoechst and the German Chemical Industry #390-146

Questions to Prepare:

1. How have differences in institutional contexts affected the development of the chemical industry in Germany versus the United States?
2. Compare Germany's chemical and high tech industries. What accounts for the differences you see?
3. Apply the Diamond Model to assess Germany's competitiveness of the chemical industry and its high tech industries.

End of the week: Quiz 2**Week 8 PROJECT WORK**

Oct. 11-13 Free period to work on projects**Week 9 INDIA**

Oct. 18-20

Kathuria, Vinish. 2000. Productivity spillovers from technology transfer to Indian manufacturing firms. *Journal of International Development*, 12.

Case: The Indian Software Industry at the Millennium #700-036

1. What factors account for the rapid development of the Indian software industry?
2. What are its competitive advantages vis-à-vis firms in other industries?
3. Apply the Diamond model to this industry. What are the insights from this analysis?

Week 10 ITALY

Oct. 25-27 Case: Benetton Group, 1994 (HBS 396-177)

Questions to prepare:

1. What institutional conditions led to the development of Benetton's business model?
2. Why is Benetton having difficulties in the US and Japan?
3. Could we have predicted this? Explain.

Week 11 BRAZIL

Nov. 1-3

Case: Natura: Global Beauty #807-029

Questions to prepare:

1. What are the sources of Natura's competitive advantages?
2. What problems has Natura faced in international markets? Why has it experienced such challenges?
3. Could we have predicted this? Explain.

End of the week: Quiz 3

Week 12 INSTITUTIONAL VOIDS: INDIA & NIGERIA

Nov. 8-10 Readings

Khanna, T. and Palepu, K. 2005. Strategies that fit emerging markets. *Harvard Business Review*.

Li, Shaomin. 2004. Why is property rights protection lacking in China? *California Management Review*, 46 (3).

Minicase: Enron and the Dabhol Project (in Carmen)
Prepare the questions at the end.

Minicase: Royal Dutch/Shell in Nigeria (in Carmen)
Prepare questions at the end.

Week 13-14 KENYA

Nov. 15-17 Reading:

Doh, Jonathan, et al. 2003. Coping with corruption in foreign markets.
Academy of Management Executive, 17 (3).

Case: Honey Care Africa (A) #907M22

Questions to prepare:

1. What are the important elements of Kenya's environment that need to be taken into account when developing a strategy?
2. What model does Honey Care adopt?
3. Has Honey Care developed a sustainable strategy? Explain.

Nov. 22-24 Quiz Tuesday
NO CLASS on Thursday (Thanksgiving)

Week 15 GROUP PRESENTATIONS

Nov. 29-Dec. 1 Papers due, Presentations (order to be discussed in class)

Week 16 CONCLUSIONS

Dec. 6 Final conclusions