

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

**BUSMHR 4021  
THE INSTITUTIONAL ENVIRONMENT OF INTERNATIONAL BUSINESS  
Autumn 2017**

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**Office Hours:** Tuesday and Thursday 10-11:30am or by appointment.

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

**Required:** Coursepack by Zip Publishing ([www.zippublishing.com](http://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 stress how institutions influence firms' ability to be innovative, by creating incentives and disincentives for this and other types of economic behavior, that are both anticipated and unanticipated. We stress the uniqueness of the institutional contexts of countries, which create their own particular sets of incentives and disincentives, and give rise to national differences in the structure of firms.

We also consider theories relating to international trade and foreign direct investment, considering how these have been used in different ways to increase growth and development. These differences can often (but importantly, not always) provide valuable competitive advantages in competing internationally.

The backdrop for our discussions will of course be a variety of countries, both developed and emerging. In this regard, the course takes particular pains to provide a variety of national institutional contexts in which to examine each topic.

In all, this course will create detailed understanding of how countries' institutional contexts differ, and the effects of their particular institutions in creating and remaining international competitiveness.

### ***Course Methodology and Requirements***

#### **Readings**

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 assessment of your contributions in 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

#### **Research Project**

While we will study 10 or 11 countries in depth in this course, the purpose of this 2-stage research project is to analyze the institutional environment of a country that we have not

formally studied in relation to a specific industry. I will assign the country to you during the first week of the course. You can choose the industry.

In the first stage of the project, you will analyze the country's institutional context based on Porter's diamond model, which we will discuss in class. This part of the analysis should have the following sections in it:

### **Project, Stage 1**

1. Introduction. Here you outline some basic historical, social and/or economic features of the country/industry that will help to understand its current conditions.
2. Analysis using the Diamond Model. This section should have five sections to it:
  - (a) factor conditions,
  - (b) demand conditions,
  - (c) rivalry,
  - (d) related and supporting industries, and
  - (e) the role of government.

As part of your analysis, you may wish to draw upon the country's macro-economic data over a 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 discuss all macroeconomic data meaningfully, including their changes over time. Use tables and exhibits.

### **Project: Stage 2**

3. Identify 2 firms operating in this country.
4. Consider how the country's institutional context (using your diamond model analysis) influences their strategic choices, both domestic and international.
5. Make sure to consider how institutional voids are overcome

The written project will constitute 30 percent of your grade. The presentation will 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.
- About 20 pages total excluding any chart, exhibits and references.
- Proper grammar and spelling – you may lose points if you have more than the occasional typo.
- Be sure to label your data – identify currencies, values, percents, etc.
- References/citations for all information and source material. 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**

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**Aug. 22**      **Overview of the Course**

**Aug. 24**      **The Institutional Context: An Introduction**

## **Week 2      THE NATURE OF NATIONAL INSTITUTIONS**

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**Aug. 29- 31**

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**

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**Sept. 5-7**      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**

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**Sept. 12-14** 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**

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**Sept. 19-21** 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**

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**Sept. 26-28** 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**

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**Oct. 3-5**

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**

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**Oct. 10-12**      **Work on Stage 1 of Project, Autumn Break**

**Week 9**      **PROJECT PRESENTATIONS 1**

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**Oct. 17-19**

**Week 10**      **INDIA**

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**Oct. 24-26**

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 11 ITALY**

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**Oct 31-Nov 2**

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 12 BRAZIL**

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**Nov. 7-9**

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 13-14 INSTITUTIONAL VOIDS: KENYA**

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**Nov. 14-16** Readings:

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

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. 21-23**    **Finish up Honey Care discussion**  
**Quiz Tuesday**

**NO CLASS on Thursday (Thanksgiving)**

**Week 15**    **PROJECT PRESENTATIONS 2**

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**Nov. 28-Dec. 30**    Papers due, Presentations of the second part of the project

**Week 16**    **CONCLUSIONS**

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**Dec.5**    Final conclusions