

International Business Management

Spring 2009
Classroom: L503
Office Hours:
3:10 – 5:10 p.m. Wed.

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Course Overview

This course focuses on the working knowledge of managing transnational business activities effectively. It will introduce the basic theories and “rules of the game” in the field of international business by emphasizing the management issues inherent in cross-border operations. Through case studies, students will be exposed to a wide variety of practical issues including modes of international business, transfer pricing, global supply chain management, foreign direct investment, international acquisitions and mergers, import/export methods, trade payment mechanics and managing foreign exchange risks.

Reference Books

1. Songhua Hu, *International Business Management*, Sun Yat-Sen University Press, 2006
2. Ball, McCulloch, Geringer, Minor & McNtett, *International Business*, 11th Edition, McGraw-Hill Companies, Inc., 2006
3. Charles, E. Hill, *International Business: Competing in the Global Marketplace*, 6th ed. McGraw-Hill Companies, Inc., 2007
4. Alan M. Rugman & Richard M. Hodgetts, *International Business: A Strategic Management Approach*, 4th Edition, Prentice Hall, 2006
5. Helen Deresky, *International Management*, 5th edition, Prentice-Hall, 2006

Teaching Methods

An integrated teaching model will be adopted by combining lecturing with group discussions, individual exercises, scenario simulation, case analysis and presentations.

Assessment

Class Performance	20%	Exercises & Presentations	20%
Homework	30%	Final Project	30%

Class attendance is required as an essential part of learning process. Bonus points will be awarded to those who actively participate in class discussions.

According to the rules of the College, there is a penalty of reduction in scores for any absence, late arrival or early departure each time.

Tentative Course Schedule

Lesson 1 Challenges of International Business Management

Content: The Significance of International Business
 Modes of International Market Involvement
 Business Models & International Management Models

Readings: (1) Chapter 1 & 2, Book 1; Chapter 1, 2, 6 & 16, Book 2
 (2) Mike W. Peng, 2004, "Identifying the big question in international business
 Research," *Journal of International Business Studies*, 35(2), p99-108

Scenario Analysis:

- 1.1 Seeking Business Opportunities
- 1.2 Gray Areas
- 1.3 Consignment, Exclusive Sale or Else?
- 1.4 An International Auction

Case Study: Galanz, a Workshop of the World

Discussion Questions:

1. Which mode of entry did Galanz use to expand into international market? How important was this strategy to its growth?
2. Would you recommend Galanz' business model to other firms? Why or Why not?

Lesson 2 International Investment: Theory & Practice

Content: The Scope of International Investment
 Legal Entity of the Multinational Enterprise
 Theories of Foreign Direct Investment
 National Competitiveness: Porter's Diamond

Readings: (1) Chapter 3, Book 1; Chapter 3, Book 2
 (2) Mudambi, Ram, 2004, "International business and the eclectic paradigm:
 developing the OLI framework," *Journal of International Business Studies*,
 35(5), p456-458

Case Study: Nestlé's Global Drive

Discussion Questions:

1. What are the basic characteristics of multinational enterprises that are displayed by Nestlé?
2. What's the motive for Nestlé to make foreign direct investment in other countries? Generally speaking, what are different motives for enterprises to make FDI? Explain.

Case Study: A Global Challenge for Kodak

Discussion Questions:

1. What mode of entry did Kodak use for Japanese market prior to 1980s? Why?
2. What strategy did Kodak adopt to counterattack Fuji's aggressive expansion into North America markets? Why?
3. How can Kodak thrive in the new era of digital cameras?

Case Study: Aflac Inc.

Discussion Questions:

1. Based on Aflac's experience, what conditions should a firm have to make foreign direct investment in a foreign country?
2. Can Aflac's success be duplicated in China?

Lesson 3 International Trade: Theory & Practice

Content: Rationale of International Trade

International Trade Terms

Remittance & Collection

Letters of Credit

Readings: (1) Chapter 4, 5 & Appendix, Book 1;

(2) Chapter 3 & 17, Book 2

Short Story: An Exchange between Tom & Huck

Discussion Questions:

1. Can you use a phrase to summarize the story of Tom & Huck?
2. What's the cause of trade between Tom and Huck?
3. Can you derive any business inspiration from the story?

Case Study: Which Bank Should the Documents Be Presented To?

Discussion Questions:

1. Why couldn't Yufo present the document to a bank at its choice?
2. Yufo had presented the documents three days before the expiry date of presentation in China. Why did the issuing bank say that the documents were presented after the expiry date?
3. Why did the issuing bank say that even if the L/C opener agreed to pay, it would pay after the L/C expired?

Scenario Analysis: Dilemmas for Kai Company

Discussion Questions:

1. Regarding commodity A421, did Kai give a justifiable reason for revoking the offer? Why or why not?
2. Since Aken Company requested DP·TR, should Kai co. accept it? Why or why not? What can be learnt from this case?
3. Was the "arrival date" clause consistent with CIF term under international trade rules? Why or why not?
4. In case of a conflict between contract's stipulation and international trade rules, which is overriding?

Lesson 4 Global Strategic Management & Organization Design

Content: Strategic Management Process

International Management Strategies

Sources of Competitive Advantage

Global Organization Structures

- Readings: (1) Chapter 6 & 7, Book 1; Chapter 13 & 14, Book 2
(2) Case materials about Allied Signal and Wal-Mart;
(3) Dawar, N. and Frost, T. , 1999 : "Competing with Giants: Survival Strategies for Local Companies in Emerging Markets" *Harvard Business Review*, 77(2):119-29, 187

Case Study: Allied Signal

Discussion Questions:

- (1) What international management strategy did Bossidy adopt?
- (2) How would you describe Bossidy's capability for strategic management?
- (3) Do you consider Bossidy as a good role model for strategic management?

Case Study: Wal-Mart Stores, Inc.

Discussion Questions:

1. What is Wal-Mart's success?
2. What are the main reasons for its success?
3. How would you gauge the sustainability of its competitive advantage in the discount retailing industry? What problem do you foresee for Wal-Mart as it continues to expand its business model?

Case Study: Procter & Gamble's Overhaul: Organization 2005

Discussion Questions:

1. In what way does Organization 2005 change the structure of P&G's organization? What are the pros and cons of adopting the new organization design for P&G?
2. Given its dominant position in the world markets, is P&G's growth sustainable?

Lesson 5 International Investment Management

Content: Forms of foreign direct investment
Managing foreign exchange risks
Costs of Capital for International Investment
Feasibility Analysis for International Projects

- Readings: (1) Chapter 8, Book 1; Chapter 11, 15 & 21, Book 2
(2) Liu, Chuan Zhi, 2007, "Lenovo: an example of globalization of Chinese enterprises," *Journal of International Business Studies*, 38 (4), p573-577

Case Study: "IBM PC" goes to Lenovo

Discussion Questions:

1. Why did Lenovo acquire IBM PC? What type of merger was it?
2. What international management strategy did Lenovo adopt?
3. Generally speaking, how can the acquirer reform & integrate the acquired firm successfully?

Case Study: Jack Co.'s Hedging Strategy

Discussion Questions:

1. What are effective methods to manage transaction exposure?
2. Besides forward market and currency market, are there other market tools for hedge? If so, how to hedge?

Lesson 6 Global Operation Management

Content: International Production & Global Sourcing
International Transfer Pricing Strategies
Transfer Pricing Strategies.
International Supply Chain Management

Readings: (1) Chapter 9 & 10, Book 1; Chapter 19, 21, Book 2
(2) Begley, Thomas M., Boyd, David P., 2003, "The Need for a Corporate Global Mind-Set", *MIT Sloan Management Review*; 44 (2), p25-32
(3) Hammer, Michael, 2002, "Process Management and the Future of Six Sigma", *MIT Sloan Management Review*; 43(2), p26-32

Activity: Group Presentation Contest

Case Study: HDC's Transfer Pricing Strategy

Discussion Questions:

1. If ad valorem import tariffs at the rate of 10% is levied on the invoice (transfer) price, what are the profits for the multinational corporation (MNC) under both high and low transfer prices. Will the MNC make more profit by using high mark-up method?
2. If import tariffs and income taxes can change, what are the three situations under which low transfer price is the preferred strategy (If you like to take challenges, use the mathematic model stated below for the analysis) ?

Case Study: GE's Production Strategy & Six Sigma Program

Discussion Questions:

1. What management philosophy is reflected by GE's production-related methods?
2. Which of GE's production strategies is most useful to the company you know? Why?
3. Six sigma program is touted as the best management strategy of the 21st century, and magic tool for quality management. Do you consider six sigma program applicable to the operation of a company you are familiar with? Why or why not?

Case Study: Li & Fung, a Leader in GSCM

Discussion Questions:

1. What are key factors for success in managing global supply chains?
2. What are the advantages and weaknesses of Li & Fung's business model?

First Homework: Case Write-up of Aflac

Requirements:

1. This case write-up is an individual homework. It should be typed in letter 12 on double-spaced pages. A hard copy is due at the beginning of the next class.
2. The basic case material about Aflac is available in Chapter 3, Book 1. A case write-up is supposed to be analytic discussions of issues central to the case. Your analysis should address the discussion questions at the end of the case. Do not repeat case facts except to bolster your argument. Be analytically judgmental and evaluative.
3. It's desirable to use the tools of analysis and the frameworks proposed in the readings and lectures. Alternative managerial views or action plans should be proposed whenever appropriate.
4. New information about the case development may add much weight to your view. The more research you do on the case, the better grades you are likely to receive.
5. No late homework will be accepted. If you fail to submit this homework on time, you should write a case analysis on Wal-Mart Stores, Inc. for the make-up. The case material will be available in our class e-mail box.
6. Up to five bonus points will be awarded if an electronic copy of the Powerpoint, along with the case write-up, is sent to the T.A. via e-mail one day before the class. Some Powerpoints will be selected for class presentation. Normally the time for Powerpoint presentation of an individual student should be limited to 5 minutes.
7. After the class discussion of the case, you can receive bonus points if a short report is submitted to the professor. This report is not required, but you are encouraged to do so. In the report, you may compare the analyses of the professor and classmates with that of your own, and talk about what benefit you have derived from the learning or how it is inspiring to you. Furthermore, you may also express critical views, and make improvements on the analysis.