

**TEXAS A&M UNIVERSITY
BUSH629/MGMT667: MULTINATIONAL ENTERPRISES**

SPRING 2006 COURSE OUTLINE AND SYLLABUS

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Office Hours: Mondays 1:30-4:00 p.m. in 1067 Allen Bldg or by appointment in the Management Department 420B Wehner (email leden@tamu.edu to set up an appointment).	
Prof. Eden's TAMU Page: http://cibs.tamu.edu/leden Personal Page: http://www.voxprof.com	
Course Webportal: https://mavsportal.tamu.edu/login/index.php	Course Password:
WRDS (Wharton Data Research Services) portal: http://wrds.wharton.upenn.edu	Class Account: Password:

COURSE OUTLINE

This graduate seminar provides a broad survey of multinational enterprises and foreign direct investment. The course draws from a variety of disciplines including business, economics, management, political economy and public policy.

COURSE OBJECTIVES

The objective of this course is to provide graduate students with an overview of the scholarly and professional literatures on multinational enterprises (MNEs), including both classic and current materials. The intention is to go broad rather than deep; that is, to provide a broad survey of the field rather than a deep discussion of a few selected topics. Since the course in Spring 2006 is designed primarily for masters level students (e.g., MPA, MBA, Masters of Finance), the selected readings are drawn mostly from professionally oriented journals such as *Harvard Business Review*, *California Management Review* and *Journal of World Business* and from government documents such as the *World Investment Report*. By the end of the course, students should have (1) an overall knowledge of the field; (2) a practical “tool bag” of techniques (e.g., the integration-responsiveness matrix, economic welfare analysis, options theory, political risk analysis, bargaining theory) to understand MNE strategies, effects and interactions with other organizations; and (3) a road map to guide their further studies.

COURSE PREREQUISITES

This course is designed for graduate students who are interested in studying multinational enterprises (for example, why they exist and are successful organizations, their patterns of expansion and growth, alliances and networks, MNE-subsidiary relations) and their relations with other actors in the global economy (for example, governments, international organizations and non-governmental organizations). The course is a required course for students in the International Economics and Development track of the Masters in International Affairs degree program in the George Bush School of Government and Public Service. The course is also open to graduate students from across the University and to students in the Bush School's graduate certificate programs. Students should have taken at least

one undergraduate course in Economics since most of the reading materials assume a basic knowledge of introductory economics. In Spring 2006, the course will be taught at a masters (fifth or sixth year) graduate level. PhD students who wish to enroll in the course for PhD level credit should register for MGMT 667 (cross-listed with BUSH 627) and complete additional requirements (see Performance Evaluation).

METHOD OF INSTRUCTION

We will make extensive use of the class webportal: <https://maysportal.tamu.edu/course/view.php?id-4052>. The webportal is password protected; you must email me at leden@tamu.edu for password access. Please write the password on the top page of your Syllabus. The portal will be the primary method by which I contact you, and I request you do the same for reaching me. For example, all required readings will be available from the portal; students will use the portal for posting their assignments; and an FAQ page will be used for answering student questions related to the course.

There is no required textbook for this course. All readings are electronic and will be downloadable from the course webportal. A paper set of the readings will also be on reserve at the Policy Sciences and Economics Library (PSEL). Case studies may need to be separately purchased. Students are responsible for their own printing costs. All the readings listed as “Required Readings” for each week must be read prior to the class. Please read the articles in chronological order (oldest first). I recommend reading the articles once through relatively quickly, and then going back and reading them more slowly, underlining critical parts and noting questions/comments in the margin of the text.

We will also have a class account on WRDS (Wharton Data Research Services). Information on accessing the class account will be provided to you. This account will be used for the MNE Executive Interview assignment. You may also use it for other school-related assignments; however, WRDS access cannot be used for consulting or other non-school related activities. Please do not share your account information with anyone else as access to WRDS is strictly limited. Your WRDS access will expire on May 15, 2006.

Students are expected to come to class fully prepared to participate in class discussions. Each class will have a short introductory lecture by the instructor, presenting an overview of the historical development of each topic. This introduction will be followed by class discussions designed to critically evaluate the readings; these discussions build on the weekly Idea Sheets prepared by the students. When case studies are included in the reading materials, class time will be set aside for small-group and class discussions and presentations of these cases. The instructor will moderate these discussions.

PERFORMANCE EVALUATION

Texas A&M and the Mays Business School started, in Fall 2005, a long-term process of evaluating departmental programs (e.g., BBA, MBA) in terms of their success in attaining learning objectives. Learning objectives are broad, general statements of what a program intends to accomplish in terms of developing students’ learning competencies. Since the list of learning objectives is still under discussion at the University and College levels, the instructor of MGMT/IBUS 450 has decided that this course will contribute to the following learning objectives. Students should be able to:

- Communicate effectively in speaking and writing (communications)
- Critically analyze complex issues and materials (problem solving)
- Possess personal integrity (ethics)

- Contribute to a diverse global society (global society)
- Master a depth of knowledge in the specific discipline (subject knowledge).

The performance evaluation method has been developed around these Course Learning Objectives.

Performance Evaluation Method			
Masters Students		PhD students	
In-Class Participation	20%	In-Class Participation	16%
Webportal Participation	10%	Webportal Participation	8%
Weekly Idea Sheets	50%	Weekly Idea Sheets	40%
MNE Interview Assignment	20%	MNE Interview assignment	16%
		Term Paper	20%
Total	100%	Total	100%

MGMT 667/BUSH 629 is a **masters-level** course on the multinational enterprise; that is, the course is primarily designed for graduate students pursuing a terminal masters degree program such as the Masters in International Affairs, MBA, Masters in Finance, Masters in Management or the Professional Program in Accounting (PPA).

PhD students may take this course; however, they must complete additional work in order to qualify for PhD-level credit. In Spring 2006, the additional required work for PhD students consists of a term paper and completion of all weekly idea sheets.

An outline of the components of performance evaluation follows. Please note that there will be no final examination in this course.

Class Participation

In-class Oral Participation

Class participation is a very important component of the final grade. Good participation includes:

- Weekly class attendance.
- Regular, active oral participation in class discussions where quality is more important than quantity.
- Evidence in class discussions of having read the required readings and reflected on study questions (if provided).
- Demonstration in class discussions, and over the course of the semester, of an ability to synthesize the week's material and to link material from different weeks.
- Please note that students who monopolize class time with remarks not related to the weekly reading materials will receive oral participation grades equivalent to students with zero participation. "Hot air" will not be rewarded in this class!

In-class participation grades will be recorded as 0 (not in class), 1/2 (in class but no oral participation), 1 (below average oral participation), 2 (average oral participation) or 3 (excellent oral participation). Students may have up to two excused absences from class (e.g., medical, job interviews, etc) without penalty as long as the instructor is notified in advance by email. Quality of participation is more important than quantity. Class participation will be graded weekly. Please note that student participation scores often tend to track Weekly Idea Sheet scores due to the nature of the oral interaction during the class (i.e., class discussions center around the Idea Sheets, see below). In-class participation grades will be curved at the end of the semester where an average of 3 = A, 2 = B, 1 = C, 1/2 = D).

Webportal Participation

The Class Discussion Forum will be used for Webportal participation. Grading will be done at the end of the semester, based on the number and quality of student postings on the Class Discussion Forum over the semester. Student postings may include items such as student commentaries on recent newspaper clippings or magazine articles (please include the article along with your commentary), student reviews of books (e.g., "In the Hurricane's Eye" by Ray Vernon or movies (e.g., "The Corporation") related to course materials, summaries of talks by visiting speakers, etc. Students are encouraged to both post on a regular basis, and to reply to other students' postings. The key here, for grading purposes, is evidence of critically evaluating publicly available materials (books, newspapers, movies, speeches) as they relate to topics we are discussing or have discussed in class.

In-class versus Webportal Participation

Students who have difficulty engaging in active oral, in-class participation may alter the grade proportions for oral versus webportal participation, with permission of the instructor. The current allocation is 20% in-class and 10% webportal. This can be altered to 15-15, or even 10-20, with the proviso that the student will be expected to contribute more frequently to the web portal discussions as the grade allocation is shifted. Students interested in this option should speak with the course instructor before the end of January 2006.

Weekly Idea Sheets

Each week, students must turn in a **two-to-three page, single-spaced typed paper**, after having read and thought about the required readings for that particular class. A high-quality Idea Sheet (1) provides an over-arching introduction, (2) discusses all the required readings, (3) briefly summarizes the key points in each reading, (4) provides a critical evaluation of the readings, and (5) includes the author's personal opinion of the readings and/or links to his/her personal experiences. Because idea sheets may lead to research papers, students are expected to behave ethically in respecting the 'idea ownership rights' of others.

Examples of topics that can be covered in Idea Sheets are the following:

- Research gaps in this week's readings (what's missing?)
- Critical evaluation of the readings (what's right? what's wrong?)
- A potential empirical contribution to the literature discussed in class (a bright idea!)
- A potential theoretical contribution to this literature (a bright idea!)
- Ways to extend one or more readings into another paper (extensions....)
- Ways to bridge two or more of the readings (bridges across...)
- Insights that this week's readings have for business strategy
- Insights drawn from your work experience that complement/contradict the readings.

The purposes of the weekly idea sheets are to:

- encourage students to read and critically evaluate the required readings prior to class.
- facilitate in-class discussion of the readings by all members of the class.
- be an aid for other students in better understanding the materials and to use in preparing for later week's readings.

Number of weekly idea sheets:

- There are 13 classes in the semester (not counting the first class); Idea Sheets must be handed in by Masters Students for all but three (3) of these weeks, starting with Class #2. That is, students taking

this course for masters-level credit must hand in 10 Idea Sheets.

- PhD students must hand in Idea Sheets for all but one (1) week, starting with Class #2; that is, students taking this course for PhD-level credit must hand in 12 Idea Sheets.
- If a student hands in fewer than the required number of Idea Sheets, by the end of the semester, s/he will receive a zero grade for the additional missed week(s). If the student has a University approved excuse, however, another piece of work assigned by the instructor may be substituted for the missed assignment(s).
- If a student does more than the required number of Idea Sheets, the highest grades will be used, and lowest grades discarded, in calculating the overall grade for the Weekly Sheets.

The process for the Weekly Idea Sheets is as follows:

1. Student downloads and reads the assigned readings for the class, and prepares his/her idea sheet.
2. Student gives one copy to the Instructor at the beginning of class. Failure to turn in an Idea Sheet at the beginning of class will count as one of the “free” classes (two for master’s students, one for PhD students). If the number of free classes has been exhausted, the student receives an automatic zero for the idea sheet. (See above for exemptions for University approved excuses.)
3. Student uploads his/her idea sheet to the webportal no later than 24 hours after class (Tuesday noon). Late postings will incur penalties of 1 point per day late (i.e., drop from an 8 out of 10 to 7 out of 10).
4. Professor grades the idea sheet and the student’s oral participation during class, and returns the graded sheet (with both grades) to the student the following week.

MNE Executive Interview Assignment

- Each student will find, contact and interview a senior executive in a multinational enterprise, at some point during the semester. I recommend that you select a firm where you would like to work after graduation, the leading firm in an industry where you would like to work, or an industry/firm you would like to know more about. To identify the executive, use your class account on WRDS (Wharton Data Research Services), check “Leadership Library on the Internet” (available through the TAMU Library’s electronic resources), or ask for assistance from one of the librarians in the West Campus or Policy Sciences and Economics Libraries.
- The MNE senior executive must have been with the company for at least one year, have significant experience with international business, and be willing to be interviewed. Executives who have recently retired may also be interviewed. When you contact the executive, provide him or her with a copy of this assignment and ask if s/he can and is willing to answer the questions below. If s/he cannot or is not willing to do so, please find someone else. You may interview a family relative or friend if s/he meets the qualifications outlined above.
- Students having difficulty finding an MNE executive should speak to the course instructor before the end of February. (Note, however, that if I have to find your executive for you, I will dock one point (e.g., from 8 out of 20 to 7 out of 20) from your grade on this assignment).
- The interview should take from one to two hours. It may be conducted in person or on the telephone.

If you need to do the interview over long distance, please make arrangements with me to use the phone in my office for your interview (so you will not be charged for the call).

- Students should prepare for the interview by learning about the firm and the industry, using electronic resources from our BUSH 629 class account on WRDS (Wharton Data Research Services) and the TAMU library's electronic and print resources.
- The interview should focus on the following five topics:
 1. General information about the firm (size, age, nationality, types of international business activities performed by the firm).
 2. General information about the executive (education, experience, job characteristics, international business experience and responsibilities, longevity with the firm and in this position).
 3. An international business decision (e.g., mode of entry choice, foreign location choice, new product introduction), and how the firm/individual made this decision.
 4. An international business problem or crisis (e.g., cross-cultural differences, foreign exchange rate shock, national differences in tax rates, intellectual property rights problems) and how the firm/individual handled this problem/crisis.
 5. An ethical dilemma involving international business and how the firm/individual handled this ethical issue.
- Each student will write a typed, double spaced report, approximately 10 pages in length, on the interview. The report should follow the five topics listed above, plus an Introduction and Conclusion.
- Provide a copy of your report to the interviewee. Tables, charts and references do not count in the 10-page limit, and should be attached to the end of your report.
- In preparing your report, follow the formatting guide provided by the Bush School (please see me if you do not have a copy). You should consider this assignment as part of your Writing Portfolio, which you could make available to potential employers. Therefore, it is important that the report be free of grammatical and spelling errors. I will correct any errors and grade for English writing on this assignment.
- In your report, link all topics, where possible, to materials we have covered in class during the semester. Two key criteria in my evaluation of your report will be (1) information on the firm gathered from WRDS, and (2) your ability to relate issues 3-5 (the three decisions) to materials we have covered in class.
- All reports must be loaded as PDF files onto the course webportal in the "MNE Executive Interviews Forum" on or before the last class (Monday May 1, 2006).
- One printed copy must be provided to the instructor at the beginning of class on May 1st. We will have a round-table discussion of your interviews during this class.
- Late assignments (either not handed in and/or not posted on the web portal) will be penalized one point per day late (e.g., from 8 out of 10 to 7 out of 10).

- The instructor will grade and return the assignments to the students over the following week.

Term Paper (PhD Students only)

PhD students who are taking this course for PhD-level credit (as MGMT 667) must write a term paper on an area of international business research, chosen in consultation with the instructor. If you are taking this course as BUSH 629, for master's level credit, you do not need to do the term paper.

The term paper topic must build from one of the weeks' readings for the course, and will be evaluated not only in terms of quality, but also in terms of fit with (and use of) the course materials. The end goal of the paper should be presentation at the annual meetings of a professional association; for example at the Academy of International Business meetings (national or a regional meeting) or at the international division of the student's major discipline (e.g., the International Management division of the Academy of Management).

The paper must have a clear research question, literature review and theory development sections. Empirical testing is possible, but unlikely given the time frame. More likely, the paper should be a theory piece with propositions or a case study (case studies are acceptable, if well designed). The term paper must be new or substantially new (i.e., the paper cannot be a project that the student already has underway) and cannot be double counted (i.e., be submitted and receive credit from two different courses).

The paper should be 20-25 pages in length, typed, double-spaced, with a bibliography that includes only the readings actually used in the paper. Tables and charts should be placed at the end of the paper. The format style should follow that required by the professional association for which the paper is intended.

Term Paper Timetable

- Before the end of February 2006, each student interested in the Term Paper option must meet with the instructor to discuss possible term paper topics and conferences where the paper could be presented (or journals where the paper could be submitted).
- A two-to-three page outline of the term paper topic must be submitted to the instructor on or before the end of March 2006. The outline should include the research question, methodology and some key references. The outline should also include the intended conference or journal for the final paper.
- The term paper must be submitted to the instructor on or before the last class, both as an e-mail attachment and in printed form.
- Late papers will lose one point (from 8 out of 10 to 7 out of 10) for each day late.

WRITING STYLE

Note that all written work will be graded, not only for content, but also for *grammar, writing style, organization and presentation of material*. The mark for poorly written work with frequent misspellings and grammatical errors will be reduced by one complete grade (from B+ to B, for example). Please follow the Bush School's Style Sheet when preparing written assignments.

It is strongly recommended that the student use the Spell Check and Grammatical programs in your word

processing package to ensure that your papers (that is, the weekly Idea Sheets and term paper, if a PhD student) are free of stylistic problems. Students who need extra help should consider purchasing an editing software program such as Stylewriter (<http://www.stylewriter-usa.com>).

THE AGGIE CODE OF HONOR AND SCHOLASTIC DISHONESTY

For many years, Aggies have followed a Code of Honor, which is stated in this very simple verse: "Aggies do not lie, cheat, or steal, nor do they tolerate those who do." The Aggie Code of Honor is an effort to unify the aims of all Texas A&M men and women toward a high code of ethics and personal dignity. For most, living under this code will be no problem, as it asks nothing of a person that is beyond reason. It only calls for honesty and integrity, characteristics that Aggies have always exemplified. The Aggie Code of Honor functions as a symbol to all Aggies, promoting understanding and loyalty to truth and confidence in each other. Commission of any of the following acts shall be considered as a violation of the Aggie Code of Honor and evidence of scholastic dishonesty. This listing is not exclusive of any other acts that may reasonably be said to constitute scholastic dishonesty:

- Acquiring Information: Acquiring answers for any assigned work or examination from any unauthorized source. Working with another person or persons on any assignment or examination, when not specifically permitted by the instructor. Observing the work of other students during any examination.
- Providing Information: Providing answers for any assigned work or examination when not specifically authorized to do so. Informing any person or persons of the contents of any examination before the time the examination is given.
- Plagiarism: Failing to credit sources used in a work product in an attempt to pass off the work as one's own. Attempting to receive credit for work performed by another, including papers obtained in whole or in part from individuals or other sources. You are committing plagiarism if you copy the work of another person and turn it in as your own, even if you have the permission of the person. Plagiarism is one of the worst academic sins, for the plagiarist destroys the trust among colleagues without which research cannot be safely communicated.
- Conspiracy: Agreeing with one or more persons to commit any act of scholastic dishonesty.
- Fabrication of Information: The falsification of the results obtained from a research or laboratory experiment. The written or oral presentation of results of research or laboratory experiments without the research or laboratory experiment having been performed.
- Violation of Departmental or College Rules: Violation of any announced departmental or college rule relating to academic matters, including but not limited to abuse or misuse of computer access or information.
- It is also not acceptable to submit as your own work a paper (or part of a paper) that was completed for another course since this would in effect be 'double counting' (i.e., receiving credit twice for the same piece of work). This activity is called complementarity. If you wish to incorporate research you completed for another course into a paper for this course, the paper must be fully cited and the instructor's permission requested in advance. If complementarity occurs in this course, the piece of work will receive a zero grade.

The full consequences of scholastic dishonesty will be pursued consistent with University policy.

Students who commit academic dishonesty (e.g., plagiarism on the draft or final term paper) should expect, as a minimum punishment, to receive a zero grade on that piece of work. If you have any questions, please discuss this with your course instructor and consult the latest issue of the Texas A&M University Student Rules, under the section "Scholastic Dishonesty" available at <http://student-rules.tamu.edu/>.

You must complete exams alone. You may use only the materials we specify to help you complete your work. If, due to a disability or extraordinary circumstances, you need special accommodations or help in completing course requirements, you must see the instructor BEFORE the exam or assignment due date. See Academic Rules, Section 20, at <http://student-rules.tamu.edu/rule20.htm> for more details.

COPYRIGHT ISSUES

All handouts in this course are copyrighted, including all materials posted on the website for this course. "Handouts" refers to all materials generated for this class, which include but are not limited to the syllabus, class notes, quizzes, exams, lab problems, in-class materials, review sheets, and additional problem sets. You have the right to download materials from the course website for your own use during this class; however, because these materials are copyrighted, you do not have the right to copy the handouts for other purposes unless the instructor expressly grants permission.

ADA POLICY STATEMENT

The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you believe you have a disability requiring an accommodation and have not yet registered with the Department of Student Life, Service for Students with Disabilities, please contact them immediately. Their office is Room 126 Koldus Building; telephone number is 845-1637. Please inform me also as soon as possible in the semester. I am not qualified to assess disabilities, and so will not be able to help you in establishing a need for accommodation. No adjustments will be made to grades based on disability.

SYLLABUS AND SCHEDULE CHANGES

The course syllabus and/or timetable may be amended or changed as the semester progresses at the instructor's discretion. It is the student's responsibility to stay informed about class schedules and policies. The information you need is in this Syllabus. In addition, announcements will be made regularly in class and posted on the web portal. If you are unclear about any policies or other information with respect to the course, please ask or email me at leden@tamu.edu for more information.

COURSE TIMETABLE SPRING 2006

Date	No	Topic
Jan 23	1	Are We Global Yet? Multinational Enterprises in the Global Economy
Jan 30	2	Theory I: Global Strategic Management
Feb 6	3	Theory II: Multinational Enterprises: The Kindergarten Questions
Feb 13	4	Going Global I: How and When Firms Internationalize
Feb 20	5	Going Global II: Choose Your Partners - International Strategic Alliances
Feb 27	6	Going Global III: Go Where? Location, International Production and Offshoring
Mar 6	7	Going Global IV: Managing across Cultures
Mar 13	x	<i>March Break Week – no class</i>
Mar 20	8	Going Global V: The Latecomers - Multinationals and Emerging Economies
Mar 27	9	The Scorecard: Impacts of MNEs on Host and Home Countries
Apr 3	10	Theory III: MNE-State Relations – Cooperative or Conflictual?
Apr 10	11	Public Policy I: Should We Regulate and/or Promote FDI?
Apr 17	12	Public Policy II: Taxing Multinationals
Apr 24	13	Public Policy III: MNEs, Corruption and Corporate Social Responsibility
May 1	14	Public Policy IV: MNEs, Political Risk and International Terrorism

Instructor's Notes

1. How to Handle the Readings. Each week typically includes about 100 pages of readings. I recommend that you prepare each week's readings as follows.
 - (1) Download the readings from the web portal to your hard drive and print one copy for your personal use.
 - (2) All readings are listed in the order in which I recommend they be read. For most but not all weeks, this is chronological order (oldest first). Where a chapter from my MGMT 450 textbook is included, I recommend reading that piece first, as it should provide the easiest and most comprehensive overview.
 - (3) Quickly read through the week's readings -- at one sitting -- to get an overview of the topic. Since we have class on Mondays, I recommend allocating time on Tuesday or Wednesday for the following week's readings.
 - (4) Next, read each of the articles more slowly, scattered over the next few days (Wednesday to Friday) where you underline key sections, and write brief notes in the margins, of the printed copy. (For example, carry an article around with you in your backpack and, when you have a few minutes, read it.)
 - (5) Then, at one sitting (on Saturday or Sunday) read quickly through the complete set of readings again, and prepare your weekly Idea Sheet.
 - (6) Bring the printed copies of the readings, and two copies of your Idea Sheet, with you to class. (Laptops are not permissible in class.)

2. How to Analyze an Article. When you read an article or book chapter, look for and think about the following items. I recommend you flag/highlight these in the text of the article and jot notes about them in the paper's margins.
 - (1) MOTIVATION: The key issue that motivated the paper (why the author(s) wrote the paper)
 - (2) RQ: the research question or questions being addressed
 - (3) APPROACH: the theoretical approach or approaches lying behind the paper
 - (4) ARGUMENT: the core argument(s)

- (5) HYPOTHESES: the hypotheses or propositions (if any)
- (6) METHODS: types of empirical methods used (if any), e.g., case studies, regression analysis.
- (7) RESULTS: the paper's conclusions.

3. How to Evaluate What You Read. Once you have read and digested an article, then you are ready to critique it. Use these questions when doing your Idea Sheets. Ask yourself the following questions about each reading:
- (1) LIKE: What did you like/dislike about the paper and why?
 - (2) AGREE: Did you agree/disagree with the paper's argument and conclusions?
 - (3) FIT: How does the paper fit into the literature we have read already, or that you know from other courses you have taken?
 - (4) FIX: How could the paper have been improved or extended?
 - (5) IMPLICATIONS: What are the paper's public policy and managerial implications?
 - (6) TAKEAWAY: What did you "takeaway" from the paper (that is, what will stick with you? If you think about the paper six months from now, what will you remember)?

CLASS #1 – JANUARY 23, 2006
ARE WE GLOBAL YET? MULTINATIONAL ENTERPRISES IN THE GLOBAL ECONOMY

- Levitt, Theodore. 1983. The globalization of markets. Harvard Business Review, May-June: 92-102.
- Ohmae, Kenichi. 1995. Putting global logic first. Harvard Business Review Jan-Feb. Reprinted in 2000, pp. 119-124.
- Hitt, Michael, Barbara W. Keats and Samuel M. DeMarie. 1998. Navigating in the new competitive landscape: Building strategic flexibility and competitive advantage in the 21st century. Academy of Management Executive, 12.4: 22-42. (*Skim this reading –much of it will be clearer later in the semester after the "Global Strategic Management" and "Going Global" weeks. Focus on the "big picture" and leave the details until later in the semester. Reread this paper after week 4.*)
- Eden, Lorraine and Stefanie Lenway. 2001. Multinationals: The Janus Face of Globalization. Journal of International Business Studies, 32.3: 383-400. (*read pages 383-393 only*).
- Ghemawat, Pankaj. 2001. Distance still matters: The hard reality of global expansion. Harvard Business Review, September, 137-147.
- Karmarkar, Uday. 2004. Will you survive the services revolution? Harvard Business Review, June: 101-107.
- Czinkota, Michael and Ilkka Ronkainen. 2005 A forecast of globalization, international business and trade: report from a Delphi study. Journal of World Business 40: 111-123. (*Skim pages 111-114; focus on the predictions made by the executives from page 114 on*).

Study Questions

The purpose of this week's readings is to set the stage for the course by outlining the broad economic, political and technological forces that are changing the way we live and work worldwide. We are studying multinational enterprises (MNEs) this semester, but MNEs do not operate in a vacuum. They are a product of – and agents of change in – their environment. So, understanding how the global environment is changing – and the role of MNEs in encouraging/discouraging these changes – provides a critical underpinning for our semester of studying multinationals. Some of the broad questions that might guide your reading are the following:

1. What is globalization? What are the forces causing globalization? Impeding globalization?

2. Are markets globalized as Levitt argues in his classic article, or does distance still matter as Ghemewat argues?
3. What are the implications for governments and nation states of Ohmae's thesis? Do you agree with his arguments?
4. What is the "new competitive landscape" for business? What are the key items that the authors recommend firms must do in order to survive in this new landscape?
5. What roles do multinational enterprises play in the context of globalization? Why are multinational enterprises seen as the "Janus face" of globalization? Check out some of the websites listed in the article – what did you think of them?
6. How are services industries changing globally, and what implications does this services revolution have for international trade and foreign direct investment (FDI) patterns? What are the implications for the previous readings?
7. What do business leaders predict will be the most likely changes in international business over the next decade, and why?
8. How do you think the world will look in 10 years, based on these readings, and what implications do you draw for multinational enterprises? For governments? For you and me?

<p>CLASS #2 – JANUARY 30, 2006 THEORY I: GLOBAL STRATEGIC MANAGEMENT</p>

- Lessard, Donald R. 2003. Frameworks for Global Strategic Analysis. Journal of Strategic Management Education, 1(1): 1-12.
- Porter, Michael. 1991. Towards a dynamic theory of strategy. Strategic Management Journal, 12: 95-117.
- Prahalad, C.K and Gary Hamel. 1990. The core competence of the corporation. Harvard Business Review, May-June: 79-91.
- Mascarenhas, Briance, Alok Baveja and Mamnoon Jamil. 1998. Dynamics of core competencies in leading multinational companies. 1998. California Management Review Summer: 117-132.
- Doz, Yves. 1980. Strategic Management in Multinational Companies. Sloan Management Review. Winter: 27-46.
- Ghemewat, Pankaj. 2003. The forgotten strategy. Harvard Business Review November: 77-84.
- Rugman, Alan M. and Alain Verbeke. 2004. A perspective on regional and global strategies of multinational enterprises. Journal of International Business Studies, 35: 3-18.
- * Eden, Lorraine. 2005. The Economics of International Business (mimeo). Chapter on "Global Strategic Management". (background reading if you haven't had an undergraduate course on Strategic Management)

Study Questions

This week's readings explore the strategies of multinational enterprises. This is the first of three "theory" weeks we will do over the course of the semester. (The other two are week 3 on "Theories of the MNE" and week 10 on "MNE-State Relations"). Some students in the class will be very familiar with this topic; for others, this will be the first time you have seen these materials. I recommend reading the Lessard piece first as it is a summary of the core theoretical concepts in global strategic management. (My MGMT 450 chapter may also be helpful background reading.) Probably the most important reading is Michael Porter's piece as it covers multiple concepts in international strategic management, which we will use over the semester. Then, there are two papers on core competencies of the firm; first, the classic statement by Prahalad & Hamel, and then a case-study paper applying the concept to several MNEs. Lastly, we come back to the integration-responsiveness issues raised in week 1. The Doz (1980) piece is the classic

statement of what strategy scholars now call the Integration-Responsiveness (I-R) matrix, outlining the pressures on firms for global integration (Levitt's piece from week 1) versus local/national responsiveness (Ghemawat's piece from week 1). Ghemawat's piece for this week further argues for a locally responsive strategy, building on his earlier HBR paper. In contrast, Rugman & Verbeke argue for a regional strategy, arguing that the world economy is neither globalized nor localized, but regional in nature, and that firm strategies should also be regional.

1. Based on this week's readings, what are the core concepts in global strategic management?
2. What is an international strategy? Where does it fit relative to business and corporate strategy?
3. How does Porter link international strategy to the firm's resources and activities and the environment?
4. What are core competencies? How does a firm use and build core competencies?
5. What is the I-R matrix? What are its implications for international strategy?
6. What is Ghemawat's forgotten strategy? How does a global strategy differ from a transnational strategy and from a multidomestic strategy?
7. Rugman and Verbeke (2004) argue that MNEs are regional firms with regional strategies. Explain. What implications does regionalism have for MNEs according to the authors?

<p style="text-align: center;">CLASS #3 – FEBRUARY 6, 2006 THEORY II: MULTINATIONALS – THE KINDERGARTEN QUESTIONS</p>

UNCTAD. 2005. World Investment Report 2005: Transnational Corporations and the Internationalization of R&D: Overview. Geneva: UNCTAD. Read pages 1-16 only.

Eden, Lorraine. 2003. A Critical Reflection and Some Conclusions on OLI. In John Cantwell and Rajneesh Narula (eds.) International Business and the Eclectic Paradigm: Developing the OLI Framework. London and New York: Routledge.

Dunning, John. 1995. Reappraising the Eclectic Paradigm in an Age of Alliance Capitalism. Journal of International Business Studies 26.3: 461-91.

Hennart, Jean-Francois. 2001. Theories of the Multinational Enterprise. In Rugman, Alan M. and Thomas L. Brewer (Eds). The Oxford Handbook of International Business. Oxford, UK: Oxford University Press.

Kogut, Bruce and Udo Zander. 1993. Knowledge of the Firm and the Evolutionary Theory of the Multinational Corporation. Journal of International Business Studies 24(4): 625-45.

* Eden, Lorraine. 2005. The Economics of International Business (mimeo). Chapters 1 & 16: Introduction to International Business and MNEs and FDI". (*Background reading. Do not include in your Weekly Idea Sheet.*)

Study Questions

This is our second "building block" week of theory. First, to set the stage, I have included 16 pages from the Overview chapter of the 2005 *World Investment Report*, to provide you with the most up-to-date information on MNEs and foreign direct investment (FDI) statistics and patterns. Then, we examine the three leading theories of the multinational enterprise as an organization: John Dunning's OLI Paradigm (the Dunning and Eden readings), internalization theory (the Hennart reading) and the knowledge based view of the MNE (the Kogut & Zander reading). I picked this particular Dunning piece (there are almost 100 to choose from) because it's been a very popular one with students, and it links well to the Strategic Alliances week. I have also included two chapters from my MGMT 450 textbook as background reading.

1. What were the core trends in FDI flows and stocks in 2004, according to WIR (2005)? How have they changed over the past 5 years, and where are they headed? What is the TNI index? What do the largest MNEs (called TNCs by UNCTAD) have in common?
2. What is the OLI paradigm? What are its core components? How has the OLI paradigm changed over time since Dunning first introduced it in the late 1970s? What is alliance capitalism and how does it differ from hierarchical capitalism?
3. Explain Hennart's theoretical view of the MNE. Hennart argues that MNEs are more efficient at organizing interdependencies than are arm's length firms. He provides several examples of interdependencies. Outline some of these examples and comment.
4. Kogut and Zander (1993) argue, "firms are social communities that specialize in the creation and internal transfer of knowledge". Explain how they build a theory of the MNE based on this argument. Why do Kogut and Zander believe their conceptualization of the MNE is superior to that proposed by internalization theorists? Explain how they empirically test their argument. What are their results?
5. After reading about the three different approaches to MNE theory, which theoretical perspective do you favor and why?

CLASS #4 – FEBRUARY 13, 2006
GOING GLOBAL I: HOW AND WHEN FIRMS INTERNATIONALIZE

How? Mode of Entry Choices

- Hennart, Jean-Francois. 1989. Can the New Forms of Investment Substitute for the Old Forms? A Transaction Costs Perspective. Journal of International Business Studies, summer: 211-234.
- Pan, Yigang and David Tse. 2000. The hierarchical model of market entry modes. Journal of International Business Studies, 31.4 (4th Quarter): 535-554.
- Brouthers, Keith D. and George Nakos. 2004. SME Entry Mode Choice and Performance: A Transaction Cost Perspective. Entrepreneurship: Theory and Practice, spring: 229-47.

When? Timing and the Internationalization Process

- Rivoli, Pietra and Eugene Salorio. 1996. Foreign Direct Investment and Investment under Uncertainty. Journal of International Business Studies 27.2: 335-57.
- Rhee, Jay Hyuk. 2005. The Internet Era and the International Expansion Process: The Moderating Role of Absorptive Capacity. Management International Review, 45.3: 277-306.
- Kuemmerle, Walter. 2001. Go global or no. Harvard Business Review June: 37-49. CASE STUDY.

Study Questions

In this week's readings, we cover two topics related to the internationalization process of firms – HOW and WHEN firms "go international". The definition of what is "international" is not clear but typically means foreign direct investment (FDI) and not just exports. The literature normally assumes that the motivation for going international to market seeking although, in practice, there are many reasons for going international (resource seeking, for example).

HOW firms internationalize deals with the choice of entry mode. There are multiple modes from which the firm may choose (e.g., exporting, licensing, joint ventures), and they vary in terms of their characteristics. Internalization theory (the "I" in the OLI paradigm, which is closely related to transaction cost economics – TCE) is normally used to explain the firm's choice of entry modes. I include three readings. The first, by Hennart, discusses the impact on firms of governments attempting to "unbundle" the FDI package by requiring entry by particular modes (e.g., the firm is forced to take on a joint venture partner or to license its technology to local firms). The second, by Brothers and Nakos, looks at entry

mode choices of SMEs (small and medium sized enterprises). Lastly, Pan and Tse break the entry mode choice into two decisions (equity/nonequity; with/without a partner) and then test their hypotheses on the entry modes selected by foreign firms entering China.

The traditional explanation for WHEN firms internationalize is based on experiential learning. The typical firm goes first to countries that are close (geographically and culturally) to its home country, and then slowly expands into new countries as it gains experience overseas. More recently, international business scholars have discovered that some firms are “born global”; that is, they are international from the beginning. Rivoli and Salorio relate the timing of entry to the ownership and internalization advantages possessed by the firm; while Rhee explores the ways in which the Internet can affect firms’ internationalization decisions. Lastly, we end with a case study by Kuemmerle about a domestic firm deciding whether or not to “go global”.

1. What are the old and new forms of FDI identified by Hennart? How do their characteristics differ? What is the transaction cost theory of the MNE? How does it link with the OLI paradigm we studied last week? Hennart argues that host government restrictions on the MNE’s mode of entry choice has, in many ways, backfired against the host country. Explain. What are the public policy implications for host governments of Hennart’s argument?
2. Why would the modes of entry chosen by SMEs (small and medium sized enterprises) be any different from those chosen by large firms? How is transaction cost theory used by Brouthers and Nakos to explain the entry mode choices of SMEs? What are the core findings of their empirical work? What are the managerial implications for firms and the policy implications for governments of their paper?
3. Pan and Tse argue that the mode of entry choice should be seen as a “hierarchical decision”. Explain. What are the key factors influencing the mode of entry choice, in their opinion? How do they test their arguments and what results do they find?
4. What are the commonalities and differences when you scan across these three papers?
5. How do Rivoli and Salorio relate ownership and internalization advantages to the firm’s timing of entry choice? What roles are played by (ir)reversibility and (non)delayability? What implications do they draw for FDI in transition economies in the 1990s?
6. Rhee argues that the Internet is having a major impact on the way that firms internationalize. Explain how and why. Link your arguments to the other readings for this week.
7. Kuemmerle’s case study of DataClear asks whether the firm should continue to expand at home, or move abroad. What are the key factors that the firm should be considering in this decision? What is your recommendation – should DataClear go global – or no?

CLASS #5 – FEBRUARY 20, 2006
GOING GLOBAL II:
CHOOSE YOUR PARTNERS - INTERNATIONAL STRATEGIC ALLIANCES

- Hamel, Gary, Yves Doz and C. K. Prahalad. 1989. Collaborate with your competitors and win. Harvard Business Review, Jan-Feb: 133-139.
- Brouthers, Keith D., Lance Eliot Brouthers and Timothy J. Wilkinson. 1995. Strategic Alliances; Choose your partners. Long Range Planning 28.3: 18-25.
- Inkpen, Andrew C. 1998. Learning and knowledge acquisition through international strategic alliances. Academy of Management Executive, 12.4: 69-80.
- Das, T.K. and Bing-Sheng Teng. 1999. Managing risks in strategic alliances. Academy of Management Executive, 13.4: 50-62.

- Zeng, Ming. 2003. Managing the cooperative dilemma of joint ventures: The role of structural factors. Journal of International Business Studies, 9: 95-113.
- Liker, Jeffrey K. and Thomas Y. Choi. 2004. Building deep supplier relationships. Harvard Business Review, December: 104-113.
- Gomes-Casseres, Benjamin. 1994. Group Versus Group: How Alliance Networks Compete. Harvard Business Review, July-August: 62-74.

* Eden, Lorraine. 2005. *The Economics of International Business* (mimeo). Chapter on International Strategic Alliances. ". (Background reading. Do not include in your Weekly Idea Sheet.)

Study Questions

Students who have taken this course before tell me that this is one of the most fascinating weeks in the course. International strategic alliances (ISAs) are everywhere in the global economy, and yet there is little understanding of these groups outside of business schools. In this week, I bring together a few of my favorite readings on ISAs, to provide you with a core understanding of this organizational form. The HBR article by Hamel, Doz and Prahalad is one of the core classics in the field, arguing that competitor firms can collaborate together in a win-win ISA. The alliance literature has similarities to the marriage literature from sociology in its three-fold focus on partner selection, managing the relationship, and divorce. I provide key readings on each stage. Brouthers, Brouthers and Wilkinson provide a nice summary of the partner selection literature. Inkpen's paper focuses on management of alliances, arguing that knowledge acquisition is a core motivation for alliance formation. Two papers (Das & Teng and Zeng) examine risks in alliances that can cause them to fail. I also include an HBR piece on strategic alliances in the auto industry, comparing Toyota and Honda to the Big Three. Lastly, I include an HBR article by Gomes-Casseres on competition between alliance groups (e.g., the STAR and ONEWORLD airline alliances). While this looks like a large number of articles (and it is) almost all the articles are very short and meant for reading by executives (HBR, Academy of Management Executive). The longest article is Zeng's piece but it has "double value" because it not only teaches about managing risks in strategic alliances, the article provides a nice overview and application of game theory. So, bear with me, I think you will find this a most interesting week of readings that will open your eyes to the world of strategic alliances.

1. What are strategic alliances and why have they become such a popular mode of entry into foreign markets? What are the potential benefits of strategic alliances? The potential costs, according to the HBR article by Hamel, Doz and Prahalad? What are the conditions under which they see mutual gains as being possible? What is "competitive collaboration"?
2. What are the "four Cs of strategic alliances", according to Brouthers, Brouthers and Wilkinson? Briefly explain each of the Cs. What happens if any of the Cs is missing? What recommendations for managers emerge from this paper?
3. Inkpen's article sees international strategic alliances as being primarily for learning and knowledge acquisition. Explain. Why are organizations "learning systems"? How is alliance knowledge valued? What is the difference between access to versus acquisition of knowledge? Which is better? What is tacit knowledge? How can alliance partners protect their knowledge from leakage to their partner(s)? What does Inkpen see as the key issues of his work for managers of international strategic alliances? What role is played by "international" in this paper (that is, could exactly the same points be made about domestic alliances)?
4. Das and Teng argue there are many risks involved in strategic alliances. Many of these risks apply to international business in general but one, relational risk, is specific to alliances. Explain. Explain the 2x2 matrix in Figure 1 on page 1999. Das and Teng classify alliances in the four boxes in Figure 1, and argue that the particular box affects the overall orientation of the alliance; explain how. The authors also explain alliance risks at different stages of alliance management; review the risks at each stage. The paper ends with guidelines for managers; what are the key guidelines in your opinion?

5. Zeng's article studies strategic alliances through the lens of game theory. In addition to its contribution to the theory of strategic alliances, the article is also a useful overview of game theory. List some of the arguments from game theory used in the paper. Zeng sees strategic alliances as a "cooperative dilemma"; explain this argument and link it to the prisoner's dilemma from game theory. What are some of the ways that Zeng recommends can be used to resolve the cooperative dilemma, using game theory? In his empirical tests, which of his arguments are borne out by the data? Which are not? Lastly, link this paper to Das and Teng. What are the commonalities and differences in their arguments?
6. Liker's paper is an HBR piece on buyer-supplier relationships in the automotive industry. He argues that Toyota and Honda have developed very strong buyer-supplier relationships along the supply chain, which Detroit's Big Three (GM, Ford and Chrysler) have been unable to do. How have Toyota and Honda managed their strategic alliances differently from the Big Three?
7. The last piece by Gomes-Casseres discusses alliance groups, not two or three firm alliances, but rather whole constellations of alliances whereby groups compete with groups. Explain this form of alliance competition. The author explores the MIPS alliance network and explores why MIPS eventually failed; review his argument. What are some international alliance groups that exist today? What are the lessons for these groups from this HBR paper?

CLASS #6 – FEBRUARY 27, 2006
GOING GLOBAL III:
GO WHERE? LOCATION, INTERNATIONAL PRODUCTION AND OFFSHORING

International Production/Offshoring

UNCTAD. 2002. World Investment Report 2002: TNCs and Export Competitiveness. Geneva and New York: United Nations. Chapter V: International Production Systems, pp. 121-142.

UNCTAD. 2004. World Investment Report 2004: The Shift toward Services. Chapter 4: The Offshoring of Corporate Service Functions: The Next Global Shift? Geneva: UNCTAD, pp. 147-180.

Strategies for Emerging Markets

Prahalad, C.K. and Allen Hammond. 2002. Serving the World's Poor, *Profitably*. Harvard Business Review, September: 48-56.

Khanna, Tarun, Krishna G. Palepu and Jayant Sinha. 2005. Strategies that fit emerging markets. Harvard Business Review, June: 63-76.

Location Choice in Transition Economies

Bevan, Alan, Saul Estrin and Klaus Meyer. 2004. Foreign investment location and institutional development in transition economies. International Business Review, 13: 43-64.

Grosse, Robert and Len J. Trevino. 2005. New institutional economics and FDI location in central and eastern Europe. Management International Review, 45.2: 123-45.

Study Questions

The readings for this week address the "go where" or "location" (the L in OLI) question. I have divided them into three groups. First, we will look at two chapters in UNCTAD's annual World Investment Report. (FYI, you can find all of the 1991-2005 World Investment Reports (WIRs) available for download from the Internet at: <http://www.unctad.org/Templates/Page.asp?intItemID=1485&lang=1>). The first chapter is from the 2002 WIR and deals with international production networks. Production networks cover the whole length of the value chain from raw materials through to the consumer. The WIR 2002 chapter looks at the evolution of international production networks and the roles that MNEs play in

these networks. The second chapter is from WIR 2004 and deals with the internationalization of services. The WIR 2004 chapter compares services to manufacturing, and shows how services are moving offshore from developed to developing countries in ways that are both similar to and different from the earlier offshore migration of manufacturing. The next two HBR articles focus on factors that influence FDI by Western MNEs in emerging markets. Prahalad and Hammond argue that emerging markets contain billions of people at the bottom of the economic pyramid, and that market-seeking FDI focused on the base of the pyramid can be profitable. Khanna, Palepu and Sinha differentiate among emerging markets based on their institutions, and argue that MNE strategies need to be tailored for these markets. Lastly, I have included two empirical papers on FDI location choice. There are dozens and dozens of empirical international business papers exploring the factors that affect FDI location. The two I have included here are unusual in that they explore institutional and public policy factors influencing FDI location in the transition economies of Central and Eastern Europe, and Russia.

1. WIR (2002) argues that international production systems have three core elements: governance, global value chains and geographic configuration. Explain each. WIR also argues there are three types of drivers that affect MNE location decisions: cost differentials, asset-seeking motives, and clustering. Explain each. The report uses case studies of firms (Intel, Limited Brands, Li & Fung, Toyota, Ericsson, Volkswagen, Ford, Flextronics) to show how the three elements and three drivers lead to different international production systems. Pick three of the case studies you liked most and explain their international production systems.
2. What is the difference between offshoring and outsourcing, according to WIR (2004)? Explain Table IV.1 on page 148 – where is FDI in this table? WIR (2004) argues that offshoring of corporate service functions is the next global shift, following in the footsteps of offshored manufacturing industries. The Report argues that “technological, economic, institutional and organizational factors” are causing the offshoring of business services. Explain. Which services are likely to move offshore and which are not, and why? Which offshored activities are likely to stay inside the firm (insourced) and which sold off (outsourced) and why? What roles do the search for lower costs and higher quality play in the MNE’s location decision for offshoring business services? What impacts is the offshoring of services having on host countries? On home countries?
3. Prahalad and Hammond argue that MNEs in emerging markets have focused their host country activities on the top of the economic pyramid. The base of the pyramid, however, includes 4 billion low-income people. The authors argue that MNEs can successfully focus on the base of the pyramid (BOP) if they adjust their strategies for low-income markets. Explain. Do you agree or disagree?
4. Khanna, Palepu and Sinha argue that emerging economies do not attract much inward FDI because they provide “poor soil for profits”. Emerging economies have weak institutions and “institutional voids” that make it harder for Western MNEs to earn profits. The authors argue that MNEs can be profitable in emerging markets if the firms learn how to work around these institutional voids. What is an institutional void and how can MNEs work around them? The authors also take “potshots” at competitiveness indexes, and argue that MNEs need to map the institutional contexts of emerging markets in much more detail, looking at their political systems, openness and their product, labor and capital markets. The authors provide examples (summarize two of these examples), and then argue that MNEs have three strategy choices: adapt, change the context and stay away. Which do they recommend and why?
5. Bevin, Estrin and Meyer examine the locational factors affecting inward FDI into the 10 EU accession candidates from Central and Eastern Europe, Russia and the Ukraine between 1994 and 1998. They find that institutions are important factors affecting FDI patterns. Explain. What are the public policy implications of their study?
6. Grosse and Trevino use a new institutional economics (NIE) lens to examine the locational determinants of FDI into Central and Eastern Europe between 1990 and 2000. What factors do they see as important determinants of inward FDI for the CEE countries? How is their list different from that of Bevin, Estrin and Meyer? What empirical results do Grosse and Trevino find? What are the

- public policy implications of their study?
7. What linkages can you make between this week's readings and the readings from earlier weeks in the course?
 8. What are the overall messages that emerge from this week's readings for MNE managers? For government policy makers?

CLASS #7 – MARCH 6, 2006
GOING GLOBAL IV: MANAGING ACROSS CULTURES

- Hofstede, Geert. 1994. The business of international business is culture. International Business Review, 3.1: 1-14. Reprinted in Peter Buckley and Pervez Ghauri, 1999. The Internationalization of the Firm, Second Edition (London, UK: Thompson Business Press), pp. 381-93.
- Eden, Lorraine. 2005. *The Economics of International Business* (mimeo). Chapter on "Culture and International Business".
- Leung, Kwok, Rabi S. Bhagat, Nancy R. Buchan, Miriam Erez and Cristina B. Gibson. 2005. Culture and international business: recent advances and their implications for future research. Journal of International Business Studies, 36: 357-378.
- O'Grady, Shawna and Henry Lane. 1996. The Psychic Distance Paradox. Journal of International Business Studies 27.2: 309-33.
- Sirmon, David G. and Peter J. Lane. 2004. A model of cultural differences and international alliance performance. Journal of International Business Studies, 35: 306-319.
- Chevrier, Sylvie. 2003. Cross-cultural management in multinational project groups. Journal of World Business, 38: 141-149.

Study Questions

In this week, we explore the effects that differences in cultures across countries can have on international business. The articles are listed in the order I recommend for reading them. International business, by definition, is a cross-border activity and therefore always involves different cultures. The first reading, by Hofstede, is the classic statement that "the business of IB is culture". The readings we examine this week all provide examples of this statement. My MGMT 450 lecture on "Culture and IB" is included as a regular reading this week because so few students have any background in this area. We then jump to a much more sophisticated piece on culture and IB by Leung et al., who provide a state-of-the-art review. Building on this background, we then turn to individual topics. O'Grady and Lane argue that psychic distance explains why Canadian firms failed in the US market, while US ones were successful in Canada, even though the cultural distance between the two markets is the same. Sirmon and Lane explore the differences between national, organizational and professional cultures, and the impacts of cultural differences on the performance of international strategic alliances. Lastly, we move from the firm level to individuals within firms, with Chevrier exploring the impacts of cultural differences on the success/failure of project teams within multinational enterprises.

1. Why does Hofstede argue that the business of business is culture? What does he mean by this statement? What are the key dimensions of organizational cultures, according to Hofstede? What are the differences, and similarities, between national culture and organizational culture?
2. Provide brief explanations of Hofstede's five national cultural characteristics. How are these characteristics used in the various readings this week?
3. The Leung et al. asks several key conceptual questions about culture in international business research: (1) is globalization making cultures more similar? (2) What are the dynamics of cultural change? (3) What is *new* about culture? (4) How can we test for the effects of culture when we are

doing empirical work? Discuss the implications for international business of each of these questions. What key insights into culture do you take away from this article?

4. O'Grady and Lane attempt to explain why Canadian firms fail when they go to the US market, but US firms succeed coming in the other direction. Cultural distance should be the same between the two countries, regardless of the direction. On the other hand, psychic distance can differ based on the direction. The authors argue the high failure rate occurred because Canadian firms underestimated the psychic distance between the US and Canadian markets. What is psychic distance and how does it differ from cultural distance? Explain their argument. Do you agree or disagree with it?
5. Sirmon and Lane argue that cultural differences are an important predictor of alliance performance. They hypothesize distance can occur at three different cultural levels: national, organizational and professional. Explain each level of their argument. Do you agree or disagree with their conclusions? What are the implications for managers of their work?
6. Our last reading, by Chevrier, looks at crossborder team projects within multinational enterprises, where a project team consists of individuals from multiple countries in multiple locations. What are some of the cultural problems that multinational project teams are likely to face? What are some of the ways that Chevrier suggests managers can handle these problems?
7. How do the readings from this week link to the ones we have read in previous weeks?
8. Looking over all the readings for this week, what are the most important things you learned from these readings?

<p>CLASS #8 – MARCH 20, 2006 GOING GLOBAL V: THE LATECOMERS – MNEs FROM EMERGING ECONOMIES</p>
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Note: There is no class on March 13 (Break Week).

- Khanna, Tarun and Krishna Palepu. 1997. Why Focused Strategies May Be Wrong for Emerging Markets. Harvard Business Review, July-Aug: 41-51.
- Khanna, Tarun and Krishna Palepu. 1999. The Right Way to Restructure Conglomerates in Emerging Markets. Harvard Business Review, pp. 125-34.
- Dawar, Niraj and Tony Frost. 1999. Competing with Giants: Survival Strategies for Local Firms in Emerging Markets. Harvard Business Review, March-April, pp. 119-129.
- Bartlett, Christopher and Sumantra Ghoshal. 2000. Going Global: Lessons from Latemovers. Harvard Business Review, March/April, vol. 78.2: 132-142.
- Makino, Shige, Chung-Ming Lau and Rhy-Song Yeh. 2002. Asset-exploitation versus asset-seeking: Implications for location choice of foreign direct investment from newly industrialized economies. Journal of International Business Studies, 3.3 (3rd Quarter):403-421.
- Zeng, Ming and Peter J. Williamson. 2003. The hidden dragons. Harvard Business Review, October: 93-99.

Study Questions

1. The readings this week focus on what are called “nonconventional multinationals”, that is, multinationals that are not from OECD countries. They are also often called “latecomers” because these firms generally became MNEs in the 1980s or 1990s, rather than the 1950s-1970s. One of the important research questions is whether these MNEs are different in any substantial ways from “conventional” MNEs, and if so, in what ways are they different? I am thinking here in terms of the characteristics of the firms (size, R&D intensity, industries, etc); also in terms of their strategies such as product diversification and international diversification.

2. More generally, we can ask the same kindergarten questions (who, what, where, when, why and how) about emerging market MNEs as we have already addressed for traditional MNEs from the United States and the European Union, to see if we get the same answers. Why do these firms go abroad – what are their motives for entering foreign markets? Where do they go? What modes of entry do they choose? Do they go alone or with partners?
3. Another important issue focuses on explaining their success (or lack of success) in FDI. The emerging market MNEs (sometimes called “EMFs”) are typically seen as resource poor relative to developed market MNEs (let us call them “DMFs”). To the extent this is the case, given that we know MNEs face additional costs of doing business abroad compared to operating at home (e.g., liability of foreignness, additional transport and communications costs), a second key research question lies with explaining how these EMFs can be successful when they do engage in FDI. Are EMFs only successful when they go to other emerging market countries? Can EMFs be successful in developed market economies? What strategies can and do they use to overcome liability of foreignness when going overseas?
4. Institutions (and the lack thereof) play an important part in the story of emerging market firms, as you will see from the readings. Recall that Scott breaks institutions into three pillars: Regulatory, Normative and Cognitive. Institutional voids (you will remember reading about this in an earlier week in the course) are a prominent issue. Also, since countries vary in the quality of their institutions, one can also think about institutional distance as being some measure of distance between countries along each of these three dimensions.
5. Not all of our readings deal with MNEs from emerging markets. I have also added in one reading on local firms in emerging markets, addressing how these firms cope with the entry of “giants” (DMFs). As emerging markets disassemble decades-old barriers to foreign entrants, local firms face new competitors, often much larger and richer than themselves. Economists call this the “fresh winds of competition”. How do local firms compete with giants?
6. Lastly, I have added one reading on MNEs from China – the “hidden dragons” – a foretaste of EMFs to come.

CLASS #9 – MARCH 27, 2006
THE SCORECARD: IMPACTS OF MNEs ON HOST AND HOME COUNTRIES

- Dunning, John. 1994. Re-evaluating the benefits of foreign direct investment. Transnational Corporations 3(1): 23-51.
- Globerman, Steve. 1994. The Public and Private Interests in Outward Direct Investment. In Globerman, Steve (ed.) Canadian-Based Multinationals. Calgary: University of Calgary Press, pp. 1-31. [HANDOUT IN CLASS ON MARCH 20]
- Eden, Lorraine. 2005. The Economics of International Business (mimeo). Chapter on “The Benefits and Costs of FDI to Home and Host Countries” (*Background reading. Do not include in your Weekly Idea Sheet.*)
- Moran, Theodore H. 2000. The product cycle model of foreign direct investment and developing country welfare. Journal of International Management, 6: 297-311.
- Meyer, Klaus. 2004. Perspectives on multinational enterprises in emerging economies. Journal of International Business Studies 35: 259–276.
- Ramamurti, Ravi. 2004. Developing countries and MNEs: extending and enriching the research agenda. Journal of International Business Studies, 35: 277-283.

Study Questions

This week's readings explore the impacts of multinational enterprises and foreign direct investment on home and host countries. First, we read one of the best known pieces on this topic, by John Dunning. It's a nice review of many of the topics we've discussed already – the OLI paradigm, Porter's diamond, the four motivations for FDI, along with his views on how government regulations on FDI were changing in host countries (remember this was published in 1994). I then want you to read a parallel piece, written about the same time, by Steve Globerman, looking at the impacts of FDI on home countries. This is a nice summary of what we know (knew then and know now) about how MNEs and FDI can affect home countries. After reading these two pieces, I suggest you read my MGMT 450 lecture on this topic. We will work through the simple model together in class. While the model is very simple, the complex econometric work that is done in the area (which I am going to spare you from reading this week) builds from this model and finds results that generally are supportive of its conclusions. I then have three "think" pieces about FDI and developing /emerging countries, by Moran, Meyer and Ramamurti, which I hope will stimulate some discussion on this topic.

CLASS #10 – APRIL 3, 2006
THEORY III: MNE-STATE RELATIONS – COOPERATIVE OR CONFLICTUAL?

- Reich, Robert. 1990. Who is us? Harvard Business Review, Jan-Feb: 53-64.
- Reich, Robert. 1991. Who is them? Harvard Business Review, March-April: 77-88.
- Vernon, Raymond. 1998. In the Hurricane's Eye: The Troubled Prospects of Multinational Enterprises. Cambridge, MA: Harvard University Press. Chapter 2: Tensions in the Background: Conflict between Multinational Enterprises and Nation-States. [THIS CHAPTER WILL BE HANDED OUT IN CLASS.]
- Eden, Lorraine. 2005. The Economics of International Business (mimeo). Chapter on "MNE-State Relations" (*Background reading. Do not include in your Weekly Idea Sheet.*)
- Mytelka, Lynn K. 2000. "We the people": the transformation of state-TNC relations at the turn of the millennium. Journal of International Management, 6: 313-325.
- Ramamurti, Ravi. 2001. The Obsolescing 'Bargain Model'? MNC-Host Developing Country Relations Revisited. Journal of International Business Studies, 32.1: 23-39.
- Luo, Yadong. 2001. Towards a Cooperative View of MNC-Host Country Relations: Building Blocks and Performance Implications. Journal of International Business Studies, 32.3 (3rd Quarter): 401-19.

Study Questions

This week's readings on MNE-state relations have a long history in international business literature, going back to early fears of US multinationals in Canada and Europe in the 1960s. I have included several well-known pieces. First, we will look at two readings by Robert Reich, arguing that MNEs are "them" not "us". Ray Vernon is perhaps the scholar most associated with work on MNE-state relations, going back to his 1971 book Sovereignty at Bay. We are going to read one chapter from his last book, In the Hurricane's Eye, the chapter on MNE-state relations. I then suggest you read my MGMT 450 lecture notes on MNE-state relations (do not include them in your weekly idea sheet). Then turn to Lynn Mytelka's "We the People" article, Ravi Ramamurti's two-level bargaining model and Yadong Luo's application of the MNE-state bargaining model to foreign MNEs in China. Some questions to consider as you read these papers:

1. Why does Vernon see the relationship between MNEs and nation states as inherently conflictual? What are the possible arenas of conflicts?
2. Are MNEs "us" or "them" or both?

3. What is the obsolescing bargain model? Is it a useful theory for today's MNE-state relations?
4. Explain the two-level bargaining model in Ramamurti's paper?
5. Luo argues MNE-state relations in China can be cooperative if certain building blocks exist. Explain. Does he find support for this model in his empirical work?

CLASS #11 – APRIL 10, 2006
PUBLIC POLICY I: SHOULD WE REGULATE AND/OR PROMOTE FDI?

- Vernon, Raymond. 1998. In the Hurricane's Eye: The Troubled Prospects of Multinational Enterprises. Cambridge, MA: Harvard University Press. Chapter 6: Righting the Balance – Possible Policy Responses.
- UNCTAD. 2003. World Investment Report 2003: FDI Policies for Development: National and International Perspectives. New York and Geneva: United Nations. Read: Chapter IV: Eight key issues: National experiences and international approaches (pp. 99-143).
- Hanson, Gordon. 2001. Should Countries Promote Foreign Direct Investment? G-24 Discussion Paper Series, No. 9. February. Center for International Development, Harvard University and UNCTAD.
- Molot, Maureen Appel. 2005. Location incentives and inter-state competition for FDI: bidding wars in the automotive industry. In Governance, Multinationals and Growth, edited by Lorraine Eden and Wendy Dobson. Cheltenham, UK: Edward Elgar Publishing, pp. 297-324.
- Filatotochev, Igor, Mike Wright, Klaus Uhlenbruck, Laszlo Tihanyi and Robert E. Hoskisson. 2003. Governance, organizational capabilities and restructuring in transition economies. Journal of World Business 38: 331-347.

Study Questions

The readings for this week all focus on national and international regulation of MNEs and FDI.

1. Start by reading the last chapter in Ray Vernon's In the Hurricane's Eye. You have read chapter 2 already, which lays out the problems as Vernon sees them in MNE-state relations. In this chapter, he gives a broad sweep (as only he could do) through the history of government regulation of FDI and MNEs, critically evaluates the current policies (and I mean critically) and then proposes some new directions. This piece will "get you thinking".
2. Then read the WIR (2003) chapter next, which covers much the same territory as Vernon, but in much more detail (but much less fun to read). WIR outlines eight key regulatory issues: (1) the definition of FDI (2) national treatment (3) nationalization and expropriation (4) dispute settlement (5) performance requirements (6) incentives (7) technology transfer and (8) competition policy. In each case, UNCTAD explains the issue, what the current practice is by most governments, what the key issues are, and what UNCTAD recommends. I'm interested in looking at each of the issues, seeing what current practice is, what the debates are about, and what your views are on each issue.
3. Perhaps the two most common regulatory policies affecting FDI in the past 15 years have been incentives and privatization policies. I want to look at each of these in more detail. The Hansen and Molot readings deal with incentives. Read Hansen's UNCTAD discussion paper first. Hanson outlines the benefits and costs of FDI (which will be familiar) and then asks whether countries should subsidize inward FDI. He provides three case studies (GM, Ford and Intel), and then draws some conclusions re locational subsidies. Maureen Molot's book chapter reviews all the locational subsidy cases in Canada and the United States since the 1970s, situating the subsidy decisions in the context of the obsolescing bargain model. What I want to focus on here are the benefits and costs of countries providing incentives to attract inward FDI (or to keep MNEs from leaving).

4. On privatization, we will do one reading by Filatotochev et al. (notice that one of the co-authors, Laszlo Tihanyi, is a faculty member in the TAMU MGMT department). This reading discusses the different ways that transition economy governments have privatized their state-owned enterprises (SOEs), which forms involve foreign MNEs, and how the SOEs were restructured after privatization. The authors are particularly interested in seeing how different forms of corporate governance lead to different types and amounts of organizational learning. Case studies are used to test their hypotheses. I am particularly interested in discussing how foreign MNEs react to different types of privatization of SOEs in transition economies, which types of privatization encourage/discourage inward FDI, which types encourage the most/fastest transfer of technology and managerial skills (the FDI package) to the host country, etc.

**BUSH 629 /MGMT 667 /IBUS 667 MULTINATIONAL ENTERPRISES
CLASS #12 – APRIL 17, 2006
PUBLIC POLICY II: TAXING MULTINATIONAL ENTERPRISES**

International Taxation

- Eden, Lorraine. 2006. The Economics of International Business (mimeo). Chapter 18 - “International Taxation” (including problems at end of chapter)
- Eden, Lorraine and Robert Kudrle. 2005. Tax Havens: Renegade States in the International Tax Regime. Law and Policy. Vol. 27, No.1: 100-127.

Transfer Pricing

- Eden, Lorraine. 2006. The Economics of International Business (mimeo). Chapter 19 - “Transfer Pricing Regulation”. (including problems at end of chapter)
- Ernst & Young. 2005. Global Transfer Pricing Surveys: Global Transfer Pricing Trends, Practices, and Analysis, November. Ernst & Young. 24 pages.
- Eden, Lorraine. 2005. Went for cost, priced at cost? An economic approach to the transfer pricing of offshored business services. Transnational Corporations, 14.2 (August): 1-52. (Also available as a *Special Report* in Tax Management Transfer Pricing Report, February 1, 2006.)
- Mehafdi, Messaoud. 2000. The ethics of international transfer pricing. Journal of Business Ethics 28: 365-381.

Study Questions

This week’s readings provide a broad introduction to international taxation and transfer pricing regulations in the OECD and the United States. We will first look at how governments can and do tax the foreign source income earned by multinational enterprises. Both the home and host governments have the right to tax this income, and complex laws and regulations evolved over the 20th century to prevent both double taxation and under taxation. As a special case, we examine the role of tax havens in the international tax system. We then move to transfer pricing. We explore firms’ motives for setting transfer prices, current trends in transfer pricing practices, and the complex regulations that exist for tax and customs valuation purposes. We look at transfer pricing regulation in the offshored teleservices industry. Our last reading looks at the ethics of transfer pricing. Note that in both Eden (2006) chapters, there are problem sets at the end of the chapter; we will work through some of the problems in class.

1. Why is taxing multinational enterprises a problem for nation states?
2. What is the “simple analytics of international taxation”? What implications does home and host country taxation have for the efficient allocation of capital between countries? For the equitable (fair)

- treatment of business that own capital in two or more countries?
3. What is the source principle? The residence principle? What taxes can the source country levy on foreign source income? The home country? How can the source and residence principles be accommodated simultaneously? Explain tax deferral. When is it (not) allowed in the United States and why? Explain the functions of bilateral (double) tax treaties.
 4. What is an international regime? Explain principles, norms, rules and procedures. Is there an international tax regime, using this definition?
 5. Are tax havens “renegade states” in the international tax regime? How successful has the OECD’s harmful tax competition project been, in terms of tax havens? Should tax havens be forced to raise their tax rates to the OECD average? Why or why not?
 6. What internal and external motivations do MNEs have for setting transfer prices?
 7. Why do governments regulate how MNEs set transfer prices? How widespread are these regulations? What is the arm’s length standard? Internal and external comparables? How are transaction-based methods for setting transfer prices different from profit-based methods? Which method(s) is the “best method” for achieving the arm’s length standard?
 8. What are the most important issues in transfer pricing, according to Ernst & Young? What are their key findings?
 9. Is the transfer pricing of business services different from the pricing of intrafirm transactions in goods, and if so, how? Explain the teleservices case in Eden (2005) and why she argues that cost plus is the best method for setting transfer prices. Do you agree or disagree and why?
 10. What ethical dilemmas are involved in transfer pricing, both for MNEs and for governments? Would a transfer pricing ethical code help resolve these issues, as recommended by Mehafdi?

BUSH 629 /MGMT 667 /IBUS 667 MULTINATIONAL ENTERPRISES
CLASS #13 – APRIL 24, 2006
PUBLIC POLICY III: MNES, CORRUPTION AND CORPORATE SOCIAL RESPONSIBILITY

Corruption

Nwabuzor, Augustine. 2005. Corruption and development: New initiatives in economic openness and strengthened rule of law. *Journal of Business Ethics*, 59: 121-138.

Hellman, Joel, Geraint Jones, and Daniel Kaufmann. 2000. Beyond the ‘Grabbing Hand’ of Government in Transition: Facing up to ‘State Capture’ by the Corporate Sector. AND. Are Foreign Investors and Multinationals Engaging in Corrupt Practices in Transition Economies? *Transition: The Newsletter about Reforming Economies*. World Bank/Davidson Institute.

Doh, Jonathan, Peter Rodriguez, Klaus Uhlenbruck, Jamie Collins, Lorraine Eden. 2003. Coping with Corruption in Foreign Markets. *Academy of Management Executive*, 17.3: 114-127.
<http://www.colbud.hu/honesty-trust/kaufmann/StateCapture-FDI-Transition.pdf>

Corporate Social Responsibility

Spar, Debora L. and Lane T. LaMure. 2003. The power of activism: Assessing the impact of NGOs on global business. *California Management Review*, Spring, 45.3: 78-101.

McKinsey Quarterly. 2005 & 2006. What is the business of business? AND 2006 Global Survey of Business Executives: Business & Society. April.
<http://www.mckinseyquarterly.com>

Yaziji, Michael. 2004. Turning gadflies into allies. *Harvard Business Review*, February: 110-115.

Holt, Douglas B., John A. Quelch and Earl L. Taylor. 2004. How Global Brands Compete. *Harvard Business Review*, September: 68-75.

Study Questions

I wish there were time to devote a full week to each of this week's topics, but unfortunately there isn't. As a result, we will need to split the class into two, with the first half on MNEs and corruption and the second half on MNEs and corporate social responsibility (CSR). There is, in each of these areas, an enormous number of research. Moreover, the World Bank is heavily involved in research on public sector corruption, along with organizations such as Transparency International. I have tried to give you a flavor of the current work in these areas.

In terms of public sector corruption, we will start with Nwabuzor's article from the Journal of Business Ethics (2005) on corruption and economic development. The article is a nice review of the literature on this topic. The article is noteworthy also because its points are illustrated using a case study of Nigeria and I've asked Olayide Ojo who is from Nigeria to talk to us about this piece. I would like to follow up with Hellman, Jones and Kaufman (2000). These are three World Bank economists who have written extensively (particularly Daniel Kaufman) on corruption in transition economies. This magazine article summarizes the results of two of their research projects, one on state capture (see the article for the definition) and the second on MNEs versus local firms in terms of their responses to public sector corruption. I am hoping that Kirill Bogatchev (Russia) and Olya Verkhohlyad (Ukraine) – both countries discussed in the article – will share their insights here also. Lastly, I have included a piece on MNEs and corruption, written by myself and several co-authors. We break corruption into two components (arbitrariness and pervasiveness) and discuss the implications for MNE managers' decision making.

What I am particularly interested in focusing on in terms of corruption are (1) the types, causes and effects of corruption, (2) how public sector corruption affects MNE strategies, and (3) the impacts of national and supranational government regulations such as the Foreign Corrupt Practices Act and the Anti-Bribery Code.

After the break, we will look at MNEs, their CSR activities and their interactions with NGOs (nongovernmental organizations). We have done very little on NGOs so far in this course, focusing our attention first on MNEs and secondly on governments in the context of regulating MNEs and FDI. When we talk about CSR, however, NGOs must be discussed because they are both catalysts for and critics of firms in this context. First, I would like you to read Spar and LaMure (2003). This piece covers three case studies of MNE reactions to NGO activism: Unocal in Burma, Nike and labor market conditions in its subcontractors, and Novartis and its CSR program. I want to follow up with three short articles. The first is from McKinsey Quarterly asking "what is the business of business?" coupled with some responses in McKinsey's 2005 CEO survey on this issue. The next two are articles from the Harvard Business Review, the first is on turning "gadflies" (NGOs) into "allies" of MNEs, and the second on "how global brands compete" (this latter one I mentioned briefly in class last week).

What I am particularly interested in focusing on in this segment are (1) why firms engage in CSR activities (what is the business of business?), (2) how NGOs affect MNE behavior and strategies, (3) are MNEs different from domestic firms in terms of their CSR activities? (4) Are the CSR activities of MNEs different at home than abroad? (5) Are global brands different from other MNEs and domestic firms in terms of their CSR activities (and expected activities)? (6) Can NGOs and MNEs cooperate – become allies – on social issues?

BUSH 629 /MGMT 667 /IBUS 667 MULTINATIONAL ENTERPRISES
CLASS #14 -- MAY 1, 2006
PUBLIC POLICY IV: MNES, POLITICAL RISK AND INTERNATIONAL TERRORISM

- Encarnation, Dennis J. and Sushil Vachani. 1985. Foreign ownership: When hosts change the rules. Harvard Business Review, Sept-Oct: 152-160.
- Wells, Louis T. and Eric S. Gleason. 1995. Is foreign infrastructure investment still risky? Harvard Business Review, Sept-Oct.: 4-12.
- Bremmer, Ian. 2005. Managing risk in an unstable world. Harvard Business Review, June: 51-60.
- Li, Sali, Stephen B. Tallman, and Manuel P. Ferreira. 2005. Developing the eclectic paradigm as a model of global strategy: An application to the impact of the Sep. 11 terrorist attacks on MNE performance levels. Journal of International Management, 11 (2005) 479-496.
- Czinkota, Michael R., Gary A. Knight, Peter W. Liesch and John Steen 2005. Positioning terrorism in management and marketing: Research propositions. Journal of International Management, 11 (2005) 581-604
- Nielsen, Christine. 2005. Competition within the U.S. National Security Regime: A study of the U.S. Aerospace Defense Sector. Journal of International Management, 11 : 497-517.
- Kshetri, Nir. 2005. Pattern of global cyber war and crime: A conceptual framework. Journal of International Management 11: 541-562.

Study Questions

Narrowing down the political risk readings for this week was a difficult task. The literature on political risk has a long history, as long as the work on MNE-state relations. However, the literature on terrorism and international business is basically new. With the exception of a 1993 JIBS article by Michael Harvey ("[A survey of corporate programs for managing terrorist threats](#)"), which we are not reading, the literature is basically new, post the September 11, 2001 terrorist attack on the World Trade Center. In fact, the literature is so new that the first special issue on the topic (Journal of International Management, December 2005) has only just now been released in electronic form. Fortunately, since I waited until April to put together this reading list, I was able to access the digital versions and we are going to read four of the papers from the special issue. If you are interested in reading the other papers, they are available from <http://library.tamu.edu> (search for Journal of International Management). Also, please note that the list looks long – particularly given that we are also going to discuss your executive interview assignments in the second part of the class – but three of the readings are HBR articles (approx 7 pages each). The four from the JIM 2005 special issue on terrorism and international business are about 20 pages each (no numbers though – we can discuss why there are no numbers in class – mostly conjectures about how firms should and did respond to terrorist attacks).

Please start by reading two classics in the field: Encarnation and Vachani (1985) and Wells and Gleason (1995). Each HBR piece identifies the major ways that MNEs can respond to capricious governments when they “change the rules”. As you might expect, the strategies are variations of flight versus fight versus cooperate. The Wells and Gleason has two added advantages: it builds on Vernon’s obsolescing bargain model (which we covered earlier) and it can be applied to current moves to nationalize foreign owned natural resource investments in Latin America. Then move to Ian Bremmer’s ([President of the Eurasia Group](#)) HBR 2005 article, looking at political risks for MNEs in the first decade of the 21st century. Next turn to the JIM special issue on terrorism and international business. The first two articles attempt to develop theories of MNE strategies responding to terrorist attack. Li, Tallman and Ferreira’s article links Dunning’s OLI paradigm to firms’ strategic responses to 9/11. Czinkota et al’s article

develops propositions for MNE management and marketing strategies post-9/11. Then read Nielsen's article exploring why some US MNEs violate [US national security regulations on export controls](#). Lastly, read Kshetri's article on cyber-crime, which explores why certain countries are more likely to develop internet hackers and which firms are most likely to be targets for cyber crimes.

I am particularly interested in questions such as the following:

1. What is political risk and how have the types of political risk changed over the past 20 years?
2. How can and do MNEs protect themselves from international political risk?
3. How can and do governments help protect MNEs from political risk?
1. 4.. Can terrorism be incorporated into the "big tent" of the OLI paradigm?
4. How have terrorist attacks affected the international strategies of multinationals?
5. How is national security related to international trade and FDI? Why does the United States have national export control regulations? How effective have they been? Why do certain firms choose to violate these restrictions?
6. How do cyber crimes differ from other forms of terrorism? Which countries are more likely to generate cyber criminals and why? What implications do cyber crimes have for MNEs and international business?