

**University of Texas at Dallas
International Business
BA4371, Spring 2005**

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Office hrs T 10:30-11:30 am and M & W 4:30-5:30 pm by appointment

Course Objectives:

In the new millennium, just like the last two decades, the drive of most of the business companies is to "go global." As ideologies no more draw boundaries between countries, and the cold war between East and West is diminishing and trade and investment barriers are insurmountable, we are witnessing the emerging of more countries into international markets; thus resulting in international competition and efficiency. A growing fraction of goods and services advancing nations produce is exported, and a growing fraction of what they consume is imported; the newly industrializing countries and restructuring economies of ex-Soviet bloc countries have joined the global competition for consumption and production. Such developments dictate that students of international business and managers should be prepared in advance, in order to cope up with the dynamics of international economics, to understand the complex international business environments, perceive the theories of trade and investment in the changing world, identify the institutions and organizations affecting international business and internal and external factors that bring business opportunities and risks. The course through multiple case-based research and presentation teaches students how international companies manage risks related to uncontrollable political, financial, legal, cultural and environmental factors. The political landscape after September 11, has dramatically changed; as a result, under the current environment, international business students will have to be aware of the new risks and challenges of international business operations and should be open for learning and observing new strategies of business management which include different dimensions of negotiation and risk assessment.

Text Book:

International Business: The Challenge of Global Competition, Donald Ball, W, Wendell H. McCulloch, Paul L. Frantz, Michael Geringer and Michael Minor, 9th Edition, McGraw Hill Irwin, Inc., 2004

Reference Books:

International Business, Alan Rugman and Richard Hodgetts, McGraw-Hill, Inc., New York, 2003

Journals:

Strategic Management Journal, Journal of International Business Studies, Special Topics in Annual Edition, 2002/2003

Assignments:

Team case assignment will be assigned for each group. The team case will be presented in class and a 5-6 research paper with its full bibliography will be submitted to the instructor immediately following the presentation. Case presenters need to supply a one-page outline highlighting, objectives, problems, and solutions of the case study to all students. Additional tasks such as summary of films or articles may be assigned. Preparation for class is essential. Discussion will be based on issues related to text book reading assignments, lecture and current articles from leading international periodicals: Business Week, The Economist, Management of International Business Studies, International Management Journal and The Wall Street Journal.

Date	Ch.	<u>Topics</u>	<u>Assignments</u>
Jan 11	1	The rapid change of global business	
	18	2 International trade and foreign investment investment	Qs on ch.1 A Case 1-1 D
	25	3 Economic theories of international trade and investment	<u>Case 2-1</u> Qs on ch.2 O
		Absolute and comparative trade advantage based on Smith and Ricardo's assumptions class activities	
Feb 01	4	International organizations and their impact on int'l business Video: IMF video on "One World One Economy"	Qs on ch.3 E & 4.0 Case 4-1
	08	<u>Quiz (ch 1-3)</u>	
		5 International monetary system & balance of payments in int'l bus.	Qs on ch.5 A
	15	6 Financial forces and their impact on international businesses	Qs on ch.6 E <u>Case 6-1</u>
	22	7 Economic & socioeconomic forces	Qs on ch.7 O; <u>Case 7-1</u>
Mar 01		<u>Midterm exam ch. 4-7</u>	
	15	8 Physical and environmental forces	Qs on ch.8 E ; <u>Case 8-1</u>
	29	9 Socio cultural forces	Qs on ch. 9 O .
Apr 05	10	Political forces	Qs on ch.10 A; <u>Case 9-1</u>

12 11 Legal forces Qs on ch. 11 Case 10-1 D

Quiz II (ch 8-10)

19 12 Labor forces Qs on ch. 12 O,
 13 Competitive & distributive forces Qs on ch 13 A; Case 12-1
 19 16 Marketing internationally Case 15-1 D
 18 Human resource management Qs on ch. 18A, Case 18-1

26 Final examination over chapters 11-18 (14, 15 and 17 and excluded)

The letters A (all), E (even), and O (odd) are referred to the questions listed at the end of each chapter. Students are expected to answer the questions prior to coming to class. Your participation grade will be based on how well you have managed the issues and your overall activities in class.

Grading:

20% midterm
 30% final
 20% two quizzes (best two out of three)
 20% team/group case
 10% participation

Attention: No late assignments are accepted and no late quizzes, tests, and examinations are offered. The above restrictions may be waived under special situations; nevertheless, the maximum grade for late assignments, tests and examinations will be only 80% of the respective possible grades.

Cases:

In case presentation, it is important that relevant and key aspects of the issue/problem be highlighted. The student is expected to grasp the main idea of the case and choose the best solution of all possible alternatives. Your presentation may follow the following procedures:

- 1) Situation/background: briefly state your understanding of the subject/problem; identifying the environmental forces involved.
- 2) Focusing on the main objective/s of the case by asking oneself which ones are worth attention.
- 3) Assessing alternatives: comparative approach along with pros and cons of all situations. It is important that your arguments are supported by quantitative approach via data collection, processing and presenting them (data) in tabular form and graphs.
- 4) Recommendation: defend the best alternative, which provides practical and acceptable options.

- 5) Drawing a conclusion to your case presentation.

Case Presentation Format:

Case written paper should be typed and double space. Apply graphs, tables, and other methods to illustrate the problem. Sources/bibliography should be provided. It is preferred that sources of your research are from recent research papers documented in prime business, economic and international journals. Please be advised that your research report should be between 5-6 double spaced pages and should have enough space on both margins for instructor's remarks and notes. The contents of the paper should reflect the integration of the team members. Divide work among members; budget your time between 20-25 minutes. Team performance will be graded on the base of methods of analysis, quality of presentation, and effectiveness as a team. Creative presentation style is encouraged; however contents and messages should reflect the format of real business scenario.

Profile of Cases:

Case 2-1 The opportunities and threats of moving from exporting to investing internationally:

An American manufacturer of peanut combines, for years has been selling successfully a number of machines in Brazil, however recently, the local distributor (an agent for the company) has informed Jim Alen, the president of McGrew Co. that the Brazilians have begun to produce the machines. The agent's advice to Mr. Alen is that the market is too good to lose, but the Brazilian machinery is highly competitive. One of the suggestions presented to Mr. Alen is to continue competing with the local producer by moving from export to manufacturing in Brazil. Mr. Alen has called Joan Beal, one of his international market experts and has told her to list the threats and opportunities of such move.

What are the immediate possible problems that will be faced by McGrew Co.? How can the company avoid/minimize them (the problems)? Hint: Explore the Brazilian business environments. Assess how these environments impact manufacturing in Brazil. Consider the current financial turmoil and social problems in the country and discuss how these will affect McGrew's business. What are the steps McGrew needs to follow in order to avoid currency instability, social unrest and political risks?

Case 4-1 The Role of International Organizations in Assisting a 100% Owned Subsidiary in Overseas Operation:

You are an international business consultant in the United States. Your specialty is exporting to and investing, licensing, or franchising in Less Developing Countries (LDC). One of the major concerns of an American hotel company which is planning to expand its hotel operation is how to get financial assistance from the international organizations that guarantee loans and insurance in developing countries, in this case Guatemala, Latin America. Your company also needs a practical advice on how to safely transfer its future return to the United States without any surprise.

To which organizations might you look for assistance in raising the needed capital and guaranteeing the return of the company's profits?

Consider the other options available to you in raising the necessary funds and securing transfer of fund (such as the option of having a joint venture; what are the pros and cons of such move?)

Case 6-1 Management Faces a Balance of Payments (BOP) Deficit:

You are the chief executive officer of a multinational's subsidiary in a developing host country. The company has been in business for almost a decade, making electric motors for the host country's domestic market, with mediocre financial results. Recently, it has come to your attention that the situation with the country's BOP is getting worse and the government is very concerned about the situation.

What are the possible measures the government might take? How will these measures affect your business? Are there ways you might benefit out of the situation? If you expect the worse to follow how can you minimize the damage?

Literature: Garten, Jeffrey, The Opportunities in emerging markets are huge. So are the Risks: Troubles ahead in emerging markets, Harvard Business Review, May/June 1997, pp. 38-41

Case 7-1 Predicting the Potential Market for World Laboratories:

World Laboratories (WL) is a large multinational Pharmaceutical manufacturer specializing in the production of ethical pharmaceuticals. The manufacturer must make a sales forecast for ethical drugs, which he will use to set quotas for the six countries in his division that have manufacturing plants. These products produce about 75 of the total sales in each market. At present, WL's market share and sales by category of drug (pediatric, general, and geriatric) in each country are as shown in tables, on p. 259 (textbook).

Based on data on GNP, foreign debt, total debt service as percentage of export receipts, government expenditures as percentage of GNP, percentages of government expenditures on health care, population per physician, annual inflation rate, population and population distribution, percentage of GNP for private consumption expenditure and percentage of private consumption, determine which countries are attractive for each types of products.

Explain why determining the market potential based on the given data could be misleading unless the data are modified or are accompanied by other factors.

Source : World Bank Development Report; UNESCO, WHO, etc. provide additional data.

8-1 Environmental Disasters and Ethics of International Companies: The case of Bhopal:

Harry Johnson, CEO of international Chemical, called a meeting of the newly formed crises management committee, which consist of the vice president of manufacturing; the Venice president-legal; the vice president of health, safety, and environment; the chief financial officer; and the public relations officer. Johnson had formed the committee after Union Carbide's Bhopal disaster to examine International Chemical's contingency plans. Because the two companies have similar international organizations and produce similarly toxic products, he asked the members to review the information they had on the Bhopal disaster and make recommendations as to what each person's area would do should their company have a similar accident. Johnson also asked the vice president of health, safety, and environment to begin the meeting by giving the committee a synopsis of the series of events that occurred during the first days after the disaster.

Discuss the possible causes of the accident. What are the steps one should have taken in order to avoid such a disaster. Once it happened what should be the responsibility of the company? Should international corporations be engaged in the production of such toxic materials for profit. Should multinational organizations have the responsibility of bringing awareness to the people who are unconscious about negative effect of such dangerous products.

Literature: Berenbeim, Ronald, "Can Multinational Businesses Agree on How to Act Ethically?" Business and Society Review, Number 98, 1997

9-1 Be Attuned to Business Etiquette:

“When you are in Rome, do as the Romans do” applies to business representatives as well as tourists. Being attuned to a country’s business etiquette can make or break a sale, particularly in countries where 1000-year-old traditions can dictate the rules for proper behavior. Anyone interested in being a successful market should be aware of the following considerations: Local customer, etiquette, and protocol, body language and facial expressions, choices of words. Develop an effective business etiquette, that is expected in Latin American countries, Japan, China, Middle East, and in Northern Europe.

What are the common mistakes committed by Americans doing business in the above regions/countries?

Literature: Axtel, Dos and Taboos ; Rick’s, D., International Business Blunders; CIA sources on Country Risk Assessment ; Moody’s Investor Service.

10-1 Which laws to apply? Italian or Californian ?

A California-based company is expanding very well and has just made its first export sale. All of its sales and procurement contract up to now have contained a clause providing that if any disputes should arise under the contract, they would be settled under California law and that any litigation would be in California courts. The new foreign customer, which is Italian, objects to these all-California solutions. It says its is buying and paying for the products, so the California company should compromise and allow Italian law and courts to govern and handle any disputes. You are the CEO of the California company, and you very much want this order. You are pleased with the service your law firm has given, but you know it has no international experience.

What sorts of solutions would you suggest that your lawyers research as possible compromises between your usual all-Californian clause and the customer’s wish to go all-Italian? What additional requirements would you add to your contracts in order to minimize risks of default on the Italian side if your company accepts compromise? When can you apply the law of a third party (international arbitrary courts such as The Hague (Netherlands) or the Treaty of Rome)?

12-1 Should International Companies be Sensitive to Racial, Ethnic and Regional Problems in the Host Countries when they conduct businesses?

Your company (an American IC), has decided to expand aggressively to Asian markets. It plans to source much of its raw material, to subcontract, and to manufacture and market throughout Asia, from Japan in the north through New Zealand in the south. You were appointed to organize and direct this major new effort and to determine where to locate the regional headquarters for the Asian Division. After considerable study, you selected the island nation of Luau. As Luau was a former British colony, the main language is English. Luau had a lot of advantage to your company. It has fairly adequate communication capacity and is a good connection between Asian capital cities and US and the government is delighted to have your company locate and invest there. The country has made very attractive tax concessions to the company to its personnel who

will move there. The company moves in and from the start it is showing good performance. In the mean time you have realized that the people you hired for management are Chinese origin and the majority population of the island, the Micronesian race is not visible in your company; in fact, the Luau government is requiring that your company hire the Micronesians.

Given the fact that Micronesians are traditional people who enjoyed farming, fishing and hunting who have limit educational background and the Chinese ethnic background are good in business, commerce and banking and are relatively more educated. What can your company do in order to avoid this unpleasant situation? Hint: explore the ethical responsibilities of IC in the host countries. Discuss how long-term objectives of the company could minimize the existing tension.

14.2 Competition within the IC:

Worldwide (W) is an IC with subsidiary manufacturing plants in several countries around the world. W has just won a very large contract to supply locomotive to Paraguay, which is modernizing its entire railway system with financing from the World Bank. W could manufacture parts of or the complete locomotives in its U.S. Plants. W's subsidiary in Spain, Argentina, and Australia could also manufacture parts or the entire locomotive. The managers of all those subsidiaries know that the contract is attractive to their companies. In addition, the American factory has all the latest technology, some of which has not been shared with the subsidiaries. At a meeting in New Jersey, which is the head quarter of the IC, the board is faced with a challenge. Each of the CEOs representing the subsidiaries argued that they want to have the contract due to the high unemployment rate that exists in the countries they operate. One of the CEO's of subsidiaries argues that let all subsidiaries compete and the Paraguayan Railway authorities make the decision on the base of competitiveness. Given that you are the CEO of the headquarter and have the responsibility of rational allocation of resources how do you resolve this daunting problem?

Key to the problem: a) look into the business environments in each of the subsidiaries b) look into factors such as future market expansion c) property right c) distance.

Source: IMF Publications (Direction of Trade Statistics, International Financial Statistics);
UN publications (International trade Statistics Yearbook, Statistical Yearbook,
Social Indicators, www.un.org/depts/unsd/social/main.htm);
Eurostat publications www.europa.eu/comm/eurostat/serven/home.htm
World Bank Publications, www.worldbank.org/html/extpb/publications.html

17-1 Which means of export sales price should be applied? FOB or CIF?

State Manufacturing company, a producer of farm equipment, had just received an inquiry from a distributor in Italy. Mason's problem was that he had never quoted on a sale for export before. His first impulse was to take the regular FOB factory price and add the cost of the extra-heavy export packing plus the inland freight cost to the nearest U.S. Port. This price should enable the company to make money if he quoted the price FAS port of exit. However, the terms of sale were bothering him. The traffic manager had called a foreign freight forwarder to learn about the frequency of sailing to Italy, and during the conversation she had suggested to the traffic manager that she might be able to help Mason. When Mason called her, he learned that because of competition, many firms like State Manufacturing were quoting CIF foreign port as a convenience to the importer. She asked him what payment terms he would quote, and he replied that his credit manager had suggested an irrevocable, confirmed letter of credit to be sure of receiving payment of the sale. Mason had been thinking about the competition.

Could he lower the FOB price for an export sale in order to attract the foreign buyer and avoid the head-ache of going through CIF which needs more involvement and calculation. Discuss the pros and cons of FOB and CIF. Assume the ex-factory sale price of the product (exportable in a 40ft container) is \$20,000 in order to calculate the FOB and CIF Price of the products for export. The place of origin of the product is Dallas while the destination port of Italy. (Refer to the text book for more information).

18-1 Female Executives in International Business: How do Corporations Reverse the Myth “Many Nations are Not Ready to Accept Female Executives?”

For a number of reasons, women are being hired and promoted as executive by American business. The United States is almost alone in this development. Some Western European countries are moving slowly toward more female executive development, but elsewhere in the world, notably Latin America, Africa, Asia, and Eastern Europe, women are given very few executive opportunities. Suppose you are the chief executive officer (CEO) of an American Multinational . On your staff and in the U.S. operating division of your company are several bright, able, dedicated female executive. They are also ambitious, and in your company, international experience is a must before an executive can hope to get into top management. An opening comes up for the position of executive vice president in the company’s Mexican subsidiary. One of the women in your staff applies for the position, and she is well qualified for the job, better than anyone else in the company is.

a) Would you give her the position? What are the pros and cons of hiring her?

Another position becomes available, this one as treasurer of the A Japanese subsidiary. The chief financial officer of the company’s California division applies for this job. She has performed well to everyone’s satisfaction, and she seems thoroughly qualified to become the treasurer in Japan. In addition, she speaks and writes Japanese. She is the daughter of a Japanese mother and an American father, and they encouraged her to become fluent in both English and Japanese.

b) Would you give her the job? Why or why not?

When addressing to both questions, relate the issue to corporate ethics and responsibility to social problems.

Literature: Hicks, Lesli, “Women confront gender Barriers South of the Border,” McAllen Monitor, November 2, 1994, P.1C; Griffith, Victoria, “ a Sense of Belonging”, Financial Times, September 15, 1997 P.12; Adler Nancy, International Dimension of Organizational Behavior, 2002

Policy on cheating:

Students are expected to be above reproach in all scholastic activities. Students who engage in scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course. "Scholastic dishonesty includes but is not limited to cheating, plagiarism, collusion, the submission for credit of any work or materials that are attributable in whole or in part to another person, taking an examination for another person, any act designed to give unfair advantage to a student or the attempt to commit such acts." (Regent's rules and regulations)