

BA 4371-004, International Business  
Dr. Habte G. Woldu  
Fall 2006  
9:30-10:45 am, T & R, SM 1.102  
University of Texas at Dallas

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Office Hrs: T, R 11:00-12:00 am and F 4:30-5.45 pm by appointment

### **Course Objectives:**

In the new millennium, the drive of most businesses 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 easing, we are witnessing the emerging of more countries into international markets. However, with such expansion, there are opportunities as well as challenges that students of international studies need to comprehend. In this course, students will familiarize themselves with various controllable and uncontrollable business environments and will understand how to conduct and manage international businesses in such environments. Furthermore, students through various cultural dimensions will be able to understand the multicultural aspects of international businesses as well as the ethical responsibilities of international firms. Finally students' management of the course will be evaluated through the assessment of demonstrated oral and written skills that are reflected in class discussion, case presentation and project reports as well written exams.

### **Text Book:**

International Business: The Challenge of Global Competition, Donald Ball, W, Wendell H. McCulloch, Paul L. Frantz, Michael Geringer and Michael Minor, 10th Edition, McGraw Hill Irwin, Inc., 2006

### **Reference Books:**

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

### **Journals:**

Strategic Management Journal, Journal of International Business Studies, Journal of International Human Resource Management

### **Assignments:**

Team case assignments will be distributed among groups. The team case will be presented in class and a 5-6 pages 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.

## **Course Description**

<b><u>Date</u></b>	<b><u>Ch.</u></b>	<b><u>Topics</u></b>	<b><u>Assignments</u></b>
Aug 17	1	The rapid change of international business  -Trade direction: from the Atlantic to Pacific Basin -Trade Trend: from West to East - North America to Central and South America	
22	2	International trade and foreign direct Investment  -recognize why foreign direct investment follows export -discuss why host countries prefer FDI to import -why do foreign firms choose export entry model in their early foreign business operation?	Case 1-1 D
24	3	Theories of international trade & investment  -absolute cost advantage (Adam Smith) -comparative Cost Advantage (David Ricardo) -other trade theories -determining the benefit of specialization in international trade	
29		<i><u>Case 2-1:</u> Jabil Circuit Inc.'s Guadalajara Factory: Going Upscale to Survive against Low-Cost Competition from China. Based on the case as detailed in Ball et al on pp 69-71, explain how the low-cost competition from China affects Jabil Circuit Inc.'s Guadalajara Factory. What kind of strategies does Jabil Circuit need to adapt/apply in order to stay competitive in the global market? Discuss all possible alternatives and suggest the best one with justifying arguments.</i>	
31	4	The dynamic of international institutions  -The impact international institutions and organizations on international businesses - List the most important international organizations that have had significant impact on your life - Do regional groupings such as EU and NAFTA promote or hamper globalization of the world economy?	

*Case 4-1: The Role of International Organizations in  
-Assisting a 100% Owned Subsidiary in Overseas Operation: p. 143.*

*Assume that 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?)*

**07      Test 1 (ch 1-4)**

12      05      Understanding the international monetary system

- discuss the history of Gold Standard
- why did the era of Gold Standard end?
- what are the roles of IMF and World Bank?
- why did the U.S. seize to be a standard for currencies?
- can the Euro endanger the U.S currency?

14      6      Socio-cultural forces

- understand the cultural value systems of nations through Hofstede's five cultural dimensions
- discuss why Hofstede's cultural dimensions may not adequately grasp the cultural value of individuals
- explain why multicultural team building is not only ethical but also brings economic advantage and minimizes business failures
- discuss the arguments against "brain drain" in the context of Immigration.

19      *Cases 6-1 Be Attuned to Business Etiquette: pp. 212-213*

*"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 marketer 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, Central East European countries, Middle East, and in Northern Europe.*

*What are the common mistakes committed by Americans/westerners in doing business with the natives of the above regions? Use Hofstede's cultural dimensions to explain the reasons for creating such conflicts. Explain how you would find a synergistic solution to the conflicts.*

#### *PART I*

*-6-1-a) focuses on Saudi Arabia (Middle East)*

*-6-1-b) focuses on Finland (North Europe)*

*Sources: Axtel, Dos and Taboos; Rick's, D., International Business Blunders; CIA sources on Country Risk Assessment; Moody's Investor Service; Adler, N. International Dimensions of Organizational Behavior,*

#### 21 *PART II*

*-6-1-c) focuses on Chile (Latin America)*

*-6-1-d) focuses on Finland (North Europe)*

#### 26      7      Natural resources and environmental sustainability

*-explain how the topography of a country can affect international business operations*

*-explain why ICs need to be aware of the environment*

*-cornucopian and doom-Sayers on the rational use of resources*

#### 28      *Case 7-1 Environmental Disasters and Ethics of International Companies: The case of Bhopal: pp 246-247*

*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 is the steps one should have followed in order to avoid the disaster? Should international corporations be engaged in the production of such toxic materials for profit? Do multinational organizations have the responsibility of bringing awareness to the people who lack adequate knowledge about the negative effect of such business operation?*

*Sources: Berenbeim, Ronald, "Can Multinational Businesses Agree on How to Act Ethically?" Business and Society Review, Number 9/8, 1997*

- Oct 03 8 Economic & socioeconomic forces  
-explain why GNP/capita by itself is not a good indicator of the economic condition of a country
- 05 9 Political forces  
  
-what are the risks of doing business in politically instable countries?  
- discuss why doing business in a country where government ownership is high is risky  
-what are the threats of doing business in a highly unionized country?
- 10 Special project: Discuss whether there is a strong correlation between foreign direct investment and political stability. Hint: compare 20 high FDI and 20 low FDI countries and their respective political stability; political stability can be measured by number of conflicts and wars, unrest, imprisonment etc (source: CIA, World Bank Report, UN)
- 12 *Case 8-1: Predicting the Potential Market for World Laboratories: pp 268-269. 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/she will use to set quotas for the six countries in his/her division that have manufacturing plants. These plants 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. 269 (textbook).*  
  
*Based on provided 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. At the end of your analysis, use composite indicator in order to rank the countries according to market attractiveness. Source: World Bank Development Report; UNESCO, WHO, etc. provide additional data.*

17	10	Legal forces
		<ul style="list-style-type: none"> <li>-discuss why the extraterritorial application of laws is not universally accepted</li> <li>-discuss why private solution (arbitration) is preferred to solving conflicts in a public court.</li> </ul>
19		<b><u>Test II (ch.5-10)</u></b>
24	12	Labor forces
		<ul style="list-style-type: none"> <li>-determining the quantity and quality of labor force</li> <li>-global gender-based inequalities</li> <li>-explain how co-determination minimizes the militant nature of labor unions</li> <li>-explain why immigration can be considered wage equalizer between two nations ( Mexico-USA)</li> <li>-discuss the pros and cons of outsourcing</li> </ul>
26	14	Assessing and analyzing markets
31		<ul style="list-style-type: none"> <li>-understand the step by step assessment of the socio-economic assessment</li> <li>-use simple “linear regression and market estimation by analogy methods to predict the potential of specific markets.</li> </ul> <p><i>Case 15-1 Methods of Entry- The McGrew Company (p.447)</i>  <i>The McGrew Company, a manufacturer of pennant combines, has for years sold a substantial number of machines in Brazil. However, A Brazilian firm has begun to manufacture them, and McGrew’s local distributor has told Jim Allen, the president, that if McGrew expects to maintain its share of the market, it will also have to manufacture locally. Allen is in a quandary. The market is too good to lose, but McGrew has had no experience with foreign manufacturing operations. Alen has made some rough calculations that indicate the firm can make money by manufacturing in Brazil, but the firm’s lack of marketing experience in the country troubles him. He call in Joan Baxter, the expect manger and asks her to prepare a list of all the option open to McGrew, and the best options you might anticipate. What are your recommendations?</i>  <i>Video: Commanding Height on East European markets</i></p>
Nov	02	15
		Entry Modes
		<ul style="list-style-type: none"> <li>-recognize all types of entry modes</li> <li>-the advantage and disadvantage of indirect exporting</li> <li>-types of FDI ownerships</li> <li>-why is joint venture preferred to wholly owned subsidiary?</li> </ul>

Case 19-1 To Outsource or Not to Outsource: The Quandary Facing Delta Airlines (p565)

*Delta is one of the airlines in the United States and elsewhere which has suffered extremely in recent years due to factors such as economic recession, terrorism and soaring oil fuel. The company is looking into the option of outsourcing. However, there are many who oppose this due to many problems, but mainly due to issues related to lose of jobs and inferior quality of service. What are the prose and cons of outsourcing? Given that Delta is in a critical situation with a dilemma of survival or compromising the above concerns, what would you do if you were the president of the company? What will be your recommendation? In order to discuss the case effectively, it will be advisable that you define what outsourcing is and what it has done in particular to the American firms, employees, economy and the global economy in general.*

09      17      Marketing internationally

-differentiate between standardization and adaptation in marketing internationally.  
-explain why adaptation is preferred to standardization when marketing consumer products

14      Video on “Doing Business Abroad from Middle East to Mexico”  
- Guest speaker on international business opportunities and challenges

16      19      Human resource management

-explain the conflict between developing and developed nations on the question of child labor.  
-discuss ethnocentric, polycentric, regiocentric and geocentric management styles.  
-discuss the advantage of hiring executive managers from a home, host and third country

21      Case19-2 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 executives. They are also ambitious, and in your company, international experience is a must before an executive can hope to get into top management. An opining 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

Special lecture on Gender-based cultural values

23 Review

28 **Final Exam (Ch. 11-19) omit chapters: 13, 16 and 18**

### **Grading:**

Test 1 20 % (multiple questions and essay questions)

Test 2 20 % (multiple questions and essay questions)

Test 3 30 % (multiple questions and essay questions)

Group project 20 % (case presentation and research report)

Class participation 10%

### **Policy Exams, quizzes and assignments**

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

### **Case Presentation / Report Format:**

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 written paper should be typed and double space. Attach 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.

### **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)