

UNIVERSITY OF ILLINOIS
PROFESSIONAL SCIENCE MASTERS - BUSINESS

MODULE NAME: GLOBAL STRATEGY

YEAR: 2010

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MODULE DESCRIPTION

The purpose of Global Strategy module is to provide an overview of competition in the global environment. The module has three sessions, corresponding to three inter-related topics. First, we will consider the challenges globalization presents and how to understand how to analyze the potential of a country as supplier, market and competitor. Second, we'll examine how globalization can create or destroy value for firms. Lastly, we'll examine strategies firms can use to capture that potential value. The course builds on innovative managerial theory, and applies key learning using cases and managerial exercises.

LEARNING OBJECTIVES

- *Building understanding of the idea of global strategy*
- *Introduce a set of frameworks and tools for understanding competition in the global setting*
- *Practical application of theoretical concepts. We will especially highlight how to apply some of these concepts during difficult economic times.*

DESIGN AND DELIVERY

The course will involve a combination of lectures, case analyses, and managerial exercises. Learning will be assessed through class participation. Students are encouraged to participate actively in class, and to ask questions during class.

MATERIALS

1. *Course packet of readings (available electronically)*
2. *Text: Redefining Global Strategy by Pankaj Ghemawat (optional)*
3. *Slides/Handouts (to be posted on Compass).*

STUDENT EVALUATION

Assignment 1 (Due session 2) – Individual, 30 points

Based on the reading “Can Brazil Become a Global Competitor in the IT Outsourcing Business” (from Ball, Geringer, Minor, and McNett, *International Business*), prepare a one-page report applying Porter’s Diamond (and extensions we discuss, if appropriate) to Brazil’s IT industry. In specific, for each element of the Diamond, identify positives or negatives for Brazil. Bullet points are preferred to an essay.

Assignment 2 (Due session 3) – Team, 30 points

Based on the article “Gates in China” *Fortune*, July 9, 2007, provide a report of no more than 4 pages discussing Microsoft’s potential in China. The memo should address the following points:

- Which of the three A-A-A strategies did Microsoft initially attempt to apply in China (the answer may be in the plural)?
- Did this strategy succeed or fail? Why?
- What is Microsoft’s current China strategy in terms of A-A-A?
- Does it seem to be succeeding or failing? Why?
- In terms of A-A-A strategies, how would you suggest Microsoft proceed in China and why? Feel free to suggest it continue its current strategy or change.

It may be worth referring to earlier frameworks, including CAGE and ADDING, as you do this memo.

Final exam (Due March 2, 5:00 p.m.) – Individual, 40 points

The final exam is a take-home, open book, open notes exam, which will ask you to apply the concepts from all three sessions. . . , but it is an individual (not group) assignment.

SCHEDULE AND OUTLINE

February 9, 2010

Session 1(a) Topic: Distance still matters [First 90 minutes]

Readings: Ghemawat, P. 2001. Distance still matters - The hard reality of global expansion. Harvard Business Review, 79(8): 137-+.

“Pharma’s generics opportunity in Central and Eastern Europe”, McKinsey Quarterly, August 2008

Overview: In this session, we’ll discuss why globalizing poses both challenges and opportunities for firms. We’ll start by discussing the idea popularized by Thomas Friedman that the world is “flat”, that is, that technology has rendered distance unimportant and made every country essentially “next door”. We’ll then focus on the differences that remain across countries, using the CAGE framework, which identifies four types of distances between countries: Cultural, Administrative, Geographic, and Economic.

The Ghemawat article presents the CAGE framework. We’ll use the information in the McKinsey Quarterly article to demonstrate the CAGE framework. So, please first read the Ghemawat article and then read the McKinsey article with the concepts of CAGE in mind.

Session 1(b) Topic: Understanding individual countries [Second 90 minutes]

Readings: No new readings.

Overview: Having discussed how countries differ from each other, we'll now examine two frameworks for understanding individual countries. Both help us identify the potential of countries and the firms based in them as suppliers, competitors and markets.

PEST analysis encourages us to understand the macro environment in a country through the Political, Economic, Social and Technological factors present in a country. Various authors have identified other factors that merit consideration. We'll study a version called "ESTEMPLE", which includes Economic, Social, Technological, Ecological, Media, Political, Legal and Ethical factors.

Michael Porter of Harvard Business School argued that the competitive advantage of countries could be largely explained through four factors—popularly known as *Porter's Diamond*. We'll examine the diamond and extensions of it.

February 16, 2010

Session 2(a) Topic: Creating value by globalizing: The ADDING Framework [90 minutes]

Readings: Ghemawat, P. 2007. "Global Value Creation: The ADDING Value Scorecard" (Ch. 3 from *Redefining Global Strategy*)

Overview: Firms often globalize without fully considering how doing so will create (and/or *destroy*) value. The ADDING framework, which builds on the concepts we studied in our first session, identifies six dimensions along which globalization affects value. We'll return to the example of generic pharmaceuticals in Central and Eastern Europe to illustrate the concepts.

Session 2(b) Topic: Strategies for creating value as a multinational corporation

Readings: No new readings.

Overview: Having identified the potential value to be created by globalizing, we now turn to the strategies a firm can employ to capture that value. We will focus on three—adaptation, aggregation, and arbitrage—that firms can apply separately or (sometimes) jointly. Again, we'll use the example of generic pharmaceuticals in Central and Eastern Europe to illustrate the concepts.

February 23, 2010

Session 3(a) Topic: Organizing the multinational corporation

Readings: Philips vrs. Matsushita: A New Century, a New Round, HBSP #9-302-049

Overview: With a strategy in place, we now turn to how firms should organize themselves to derive maximum value from being global. We'll consider the role of a firm's history on the forms it is likely to take and how firms should enter foreign markets, and how regional operations should relate to HQ and each other.

Session 3(b)

Topic: Negotiating local risks and conflicts

Readings:

Bougainville Copper Ltd. (B), HBSP #9-174-104

Overview:

Multinationals do not operate in a vacuum. Because of their high profile and foreignness, multinationals are often targets of negative attention from local governments and populations. We will close by considering how a firm can anticipate and (hopefully) avoid or mitigate conflicts with local populations and governments.