# 15.220 -- GLOBAL STRATEGY & ORGANIZATION

**Spring 2011, H2**
**Section C: TU-TH 1:00-2:30 E62- 223**
**Section D: TU-TH 2:30-4:00 E62- 223**

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Companies today confront an increasing array of choices regarding markets, locations for key activities, and processes for managing across borders. This course provides students with the conceptual tools for understanding principal global strategy issues facing executives in the 21st century. The aim of the course is to prepare students to understand and work effectively in today's interconnected world by understanding this changing environment, principles of global strategy, and the fit between global strategy and organization.

The first section of the course discusses motivations for international expansion and introduces main strategic dilemmas faced by managers as they globalize. First, we introduce the multi-dimensional CAGE framework for thinking broadly but systematically about differences between countries and Porter's diamond framework for understanding the nature of a firm's "home base" advantage. Then, using virtual diamond and RATs frameworks, we proceed to examine strategic choices managers face in taking their company global.

The second section of the course focuses on firm-level strategy and the creation of organizational capabilities necessary for successful strategy execution. First, we examine how firms create efficiency through achieving greater economies of scale/scope. Second, we discuss how firms build responsiveness through country-by-country adaptation. Third, we focus on how firms can exploit opportunities for learning created by global arbitrage. We conclude with a discussion of global leadership.

## Readings:

The course draws on a mix of time-tested, current and forward-looking materials. The intellectual backbone of the course consists of Ghemawat's *Redefining Global Strategy*. We will complement Ghemawat's perspective on global strategy with a selection of readings drawing on now classic works of Barlett and Ghoshal on global organization.

1. The required text is Pankaj Ghemawat, *Redefining Global Strategy: Crossing Borders in a World Where Differences Still Matter*, Harvard Business School Press, 2007.
2. A reading package, which will be available at the MIT Copy Technology Center (basement of E52), includes all articles and cases.
3. Class slides and other resources related to the course will be posted on Stellar site (http://stellar.mit.edu/S/course/15/sp11/15.220CD ).

**Requirements:**

The requirements for the course and the contribution of each towards the final grade are:

| | |
|---|---|
| 1. Class participation | 30% |
| 2. Individual case memos | 30% |
| 3. Group final paper | 40% |

## 1. Class participation

Your active participation in the discussion in class is integral to the design of this course. For each class, I have provided a number of study guide questions. There are suggested questions to help you prepare for class and think about the issues that may arise in the course of class discussion. Because we value exchange of ideas as an effective way of learning, we encourage debates among students and expressions of your own views. Those of you whose native language is not English and/or who may have difficulty speaking up in class are encouraged to meet with me to discuss how your participation in class can be ensured.

## 2. Individual case memos

Two short paper (maximum 3 pages double spaced, 12 font size, excluding figures and tables) analyzing cases assigned in class. We will assign cases during the second week of class (**April 7th**). You will pick 3 cases, including at least one case in Strategy and one case in Organization. We will assign you 2 of your 3 choices. These memos should focus on study questions listed in the syllabus. You should not repeat case facts, but be analytically evaluative. Memos should proposal alternate managerial plans and discuss applicability of frameworks discussed in class. **Please use at least two but no more than three frameworks in each memo.** These are individual projects and each write-up counts for 10% of your grade.

## 3. Group final paper

Identify a company with a non-obvious problem or decision choice that relates to its global strategy. **Your analysis should make use of at least four frameworks presented in class.** Possible frameworks include CAGE, Porter's diamond, virtual diamond, ADDING, AAA, and I-R. Your analysis should discuss both issues of strategy and organization. To work on this assignment, every student is expected to participate in a self-formed group of 3-4 (you should e-mail the membership of your group to your TA by **April 7th**). Papers should be no longer than 10 pages double space, 12 font size, excluding figures and tables.

Attendance policy

Attendance is mandatory. If you have to miss the class, email your TA before class to let her know. Class absences will negatively affect your class participation grade.

**Class Overview:**

| WEEK | DATE | | TOPIC | CASE |
|---|---|---|---|---|
| 1 | March 29 | PART I: ADDING VALUE ACROSS BORDERS | 1: The Changing Global Landscape | Bollywood |
| | March 31 | | 2: Strategy in the World of Differences | AmorePacific |
| 2 | April 5 | | 3: Homebase Advantage | Nokia |
| | April 7 | | 4: Exploiting Homebase Advantage | Shimano |
| 3 | April 12 | | 5: Enhancing Homebase Advantage | Haier |
| | April 14 | PART II: LINKING STRATEGY AND ORGANIZATION | 6: Aggregation (S) | ICICI |
| 4 | April 19 | | *Student HOLIDAY – No Class* | |
| | April 21 | | 7: Managing Aggregation (O) | P&G |
| 5 | April 26 | | 8: Adaptation (S) | GE Medical |
| | April 28 | | 9: Managing Adaptation (O) | Novartis |
| 6 | May 3 | | 10: Learning (S) | Siemens |
| | May 5 | | 11: Managing Learning (O) | InterSoft |
| 7 | May 10 | | 12: Complex Strategies (S) | MTC |
| | May 12 | | 13: Global Leadership (O) | Nissan |

*Notes:* (S) denotes strategy case, (O) denotes organization case.

## Schedule of Classes and Assignments

Readings for each session are available either on **Stellar** or in the **Course Reader** as indicated below. You are responsible for all **cases** and **readings**. Background readings are optional and link course materials to concepts taught in 15.331 and 15.900. HBS background readings can be purchased at the student discount price on the Harvard Business Publishing website at http://hbsp.harvard.edu/.

# PART I – ADDING VALUE ACROSS BORDERS

### CLASS 1. THE CHANGING GLOBAL LANDSCAPE –Tuesday, March 29

***Learning Objectives:***

1. Understand changes in degree and nature of globalization and its consequences for product markets and business models.
2. Begin to identify differences across countries and to delineate the scope for global strategy.

***Readings:***

Ghemawat, Chapter 1: "Semiglobalization and Strategy." ***[TEXT]***

CASE: Can Bollywood Go Global? (HBS 9-806-040) ***[COURSE READER]***

***Study Guide Questions:***

1. What are some key differences between film markets in India and the US? What kind of opportunities does Bollywood present for American studios?
2. What is the best strategy for Bollywood to go global? Should they pursue a niche market of global Indian Diaspora? Or should they try to reach a non-Indian audience? What kind of relationships should Indian filmmakers build with the Hollywood movie industry?
3. Over time will Hollywood and Bollywood converge in products and business models? Or do you expect that globalization will create divergence, as different countries specialize in particular products and business models?

### CLASS 2. STRATEGY IN THE WORLD OF DIFFERENCES – Thursday, March 31

***Learning Objectives:***

1. Develop ability to identify and analyze differences between countries using CAGE framework.
2. Understand how differences between countries create constraints and opportunities for multinational firms.

***Readings:***

Ghemawat, Chapter 2: "Differences Across Countries." ***[TEXT]***

CASE: AmorePacific: From Local to Global Beauty (HBS 7-064-411) ***[COURSE READER]***

***Study Guide Questions:***

1. Where does AmorePacific make most of its money? How has it been able to dominate the Korean market against local firms such as LG Household and Healthcare (HHC)? Against multinationals such as L'Oreal?
2. Which of AmorePacific's three principal international targets (France, China and the United States) seems the most promising? Using CAGE framework, lay out key reasons and assumptions behind your position.
3. Given a presence in all three markets, should AmorePacific strategy for the U.S. and Europe differ from that for China?

## CLASS 3. HOMEBASE ADVANTAGE – Tuesday, April 5

***Learning Objectives:***

1. Using Porter's diamond, identify and analyze elements of "home base" advantage for firms competing internationally.
2. Understand evolution of global market segments and of those factors that may cause one market or another to emerge as a "lead market."

***Readings:***

Michael E. Porter and Scott Stern. (2001). "Innovation: Location Matters." *MIT Sloan Management Review*, 42(4), 28-36. ***[STELLAR]***

CASE: Finland and Nokia: Creating the World's Most Competitive Economy (HBS 9-702-427) ***[COURSE READER]***

Update: "Bears at the Door; Nokia Tries to Reinvent Itself." (2010, Jan). *The Economist.* ***[STELLAR]***

***Study Guide Questions:***

1. What were the primary characteristics of Finland that allowed Nokia to build a global leadership position in mobile phones? Which of these was the result of explicit policy choices?
2. To what extent did Nokia "reach beyond" these "home base" characteristics in establishing its leading position?
3. Do you think the same cycle of establishing advantage (and the associated business model) in an advanced country and diffusing it to other markets (including emerging markets) is still relevant in this industry? Why or why not?

## CLASS 4. EXPLOITING HOMEBASE ADVANTAGE – Thursday, April 7

***Learning Objectives:***

1. Use ADDING framework to analyze how firms create value by internationalizing.
2. Understand relation between comparative advantage (based on country characteristics) and competitive advantage (based on firm-level configuration and competencies).

***Readings:***

Ghemawat, Chapter 3, "Global Value Creation." ***[TEXT]***

CASE: Shimano Inc., *MIT Sloan Courseware.* ***[STELLAR]***

Background: "Two Main Routes to Competitive Advantage." In *Competitive Advantage: Creating and Sustaining Superior Performance* (pg. 41-53). (position vs competencies) ***[STELLAR]***

***Study Guide Questions:***

1. How has Shimano's business model changed over time? How has this reflected the changing advantages conveyed by its Japanese "home base"?
2. How did Shimano's internationalization strategy in the 1960s differ from its internationalizations strategy in the earlier decades? What role did learning play in this new strategy?
3. At present, what steps should Shimano take to improve its competitive position? Should it, for example, develop additional functions in North America (besides sales and service) as it has in Asia and in Europe? Why or why not?

## CLASS 5. ENHANCING HOMEBASE ADVANTAGE – Tuesday, April 12

***Learning Objectives:***

1. Use ADDING framework to analyze how firms create value by internationalizing.
2. Analyze how internationalization enables firms to create new organizational capabilities and to enhance homebase advantage.

***Readings:***

Stephen Tallman and Karin Fladmoe-Lindquist. (2002). "Internationalization, Globalization, and Capability-Based Strategy." *California Management Review*, Vol. 45, No.1. ***[COURSE READER]***

CASE: Haier: Taking a Chinese Company Global (HBS706401) ***[COURSE READER]***

1. Why was Haier so successful in China?
2. Was Haier's decision to globalize into developed markets early on a good strategy?
3. Can Haier build its success in niche products to become a dominant global brand in high-end white goods?
4. Is Haier's "three thirds" strategy a viable or wise approach?

# PART II – LINKING STRATEGY AND ORGANIZATION

## CLASS 6. AGGREGATION – Thursday, April 14

***Learning Objectives:***

1. Develop ability to identify business models that extend across national boundaries.
2. Develop "out of the box" thinking regarding potential global market segments.

***Readings:***

Ghemawat, Chapter 5: "Aggregation – Overcoming Differences." ***[TEXT]***

CASE: ICICI's Global Expansion (HBS 9-706-426) ***[COURSE READER]***

Update: "For I'm a Jolly Good Fellow; Indian Banks." (2009, April). *The Economist.* ***[STELLAR]***

***Study Guide Questions:***

1. Do you think it is a good idea for ICICI to go international or should they focus on the retail business in India? Does ICICI internationalization pass ADDING test? Why?
2. Which product / geography mix should ICICI focus on? Using CAGE framework, evaluate potential markets for ICICI to enter into.
3. What mode of entry should ICICI follow in its international expansion? Which capabilities are common to these different international thrusts, which differ? How can ICICI create a match between a coherent logic/set of capabilities and its international business model?

## PATRIOTS DAY HOLIDAY – Tuesday, April 19 – No Class

## CLASS 7. MANAGING AGGREGATION – Thursday, April 21

***Learning Objectives:***

1. Identify and analyze the role of platforms in balancing global integration and local responsiveness.
2. Understand how to use formal organizational structure and managerial incentives to successfully pursue aggregation strategies.

***Readings:***

Sumantra Ghoshal and Lynda Gratton (2002). "Integrating the Enterprise," *MIT Sloan Management Review,* Vol. 44, No.1. ***[STELLAR]***

CASE: P&G Europe: Ariel Ultra's Eurobrand Strategy (INSEAD 300-085-6) ***[COURSE READER]***

Background: Note on Organization Structure (HBS 9-491-083) ***[HBS WEBSITE]***

***Study Guide Questions:***

1. What are the benefits of a (unified) pan-European product/brand? What are the drawbacks? Which elements of the product/brand benefit most from a Pan-European approach, which least?
2. How should P & G respond to the Lever Skip Micro initiative in France? To what extent does your proposed response challenge the Euro-branding approach?
3. What kind of formal managerial incentives and organizational structure would help P&G achieve successful aggregation?

## CLASS 8. ADAPTATION – Tuesday, April 26

***Learning Objectives:***

1. Learn to design appropriate adaptation strategies.
2. Understand the tradeoff between integration and responsiveness.

***Readings:***

Ghemawat, Chapter 4: "Adaptation – Adjusting to Differences." ***[TEXT]***

General Electric Medical Systems, 2002 (HBS 9-702-428) ***[COURSE READER]***

***Study Guide Questions:***

1. What is the underlying logic behind the Global Product Company idea?
2. Should the Global Product Company philosophy be altered to suit the needs of the medical diagnostics market in China?
3. Should GEMS be pursuing genomics and health care-IT opportunities aggressively in addition to, or instead of, the China opportunity?

## CLASS 9. MANAGING ADAPTATION – Thursday, April 28

***Learning Objectives:***

1. Evaluate costs and benefits of adapting HR to particular national contexts.
2. Learn how to adopt HR practices to successfully manage a workforce that spans national borders.

***Readings:***

Siegel, Jordan I. and Barbara Zepp Larson. "Labor Market Institutions and Global Strategic Adaptation: Evidence from Lincoln Electric." *Management Science* 55, no. 7 (September 2009): 1527-1546. ***[STELLAR]***

CASE: Global Talent Management at Novartis (HBS 9-708-486) ***[COURSE READER]***

Background: Alfie Kohn, "Why Incentive Plans Cannot Work", *Harvard Business Review*, Sept-Oct 1993. (incentive alignment) ***[HBS WEBSITE]***

***Study Guide Questions:***

1. Is there one universal way for a multinational company to motivate its employees (including professionals) around the world to exert maximum effort and be accountable for their results?
2. Evaluate the potential effectiveness of Novartis's standardized system for performance measurement around the world. In addition: (a) Would you advise Novartis to require the use of a normal distribution around the world? (b) What would your strategy be for managing those who rank consistently at the bottom of Novartis's distribution?
3. Evaluate Novartis's strategy for dealing with talent management challenges in China. If you were put in charge of the China operation, what changes would you make to deal with the turnover problem?

## CLASS 10. LEARNING – Tuesday, May 3

***Learning Objectives:***

1. Understand the opportunities and challenges of global R&D networks.
2. Develop ability to use meta-national innovation can enhance competitive advantage.

***Readings:***

Santos, Jose, Yves Dos, and Peter Williamson. (2004). "Is Your Innovation Process Global?" *MIT Sloan Management Review*, Vol. 45, No. 4. ***[STELLAR]***

CASE: Siemens AG: Global Development Strategy (HBS 9-602-061) ***[COURSE READER]***

***Study Guide Questions:***

1. Why does Siemens have regional development centers (RDCs) around the world? What are the differences between RDCs in India, Germany and the US? How are these issues managed and resolved?
2. What has gone wrong with ADMOSS and NetManager projects? Please consider the Bangalore and Munich perspectives.
3. How should Siemens reconfigure its innovation strategy for the future?

## CLASS 11. MANAGING LEARNING – Thursday, May 5

***Learning Objectives:***

1. Understand conditions under which meta-national innovation can provide competitive advantage.
2. Learn how to use social networks and team building to successfully manage teams that span national borders.

***Readings:***

Jeanne Brett, Kristin Benfar and Mary C. Kern. (2006). "Managing Multicultural Teams." *Harvard Business Review*. ***[COURSE READER]***

CASE**:** InterSoft of Argentina (A) (HBS 9-497-025) ***[COURSE READER]***

Background: Rob Cross, Nitin Nohria & Andrew Parker. (2002). "Six Myths About Informal Networks – and How to Overcome Them". *MIT Sloan Management Review*, Vol. 43, No. 3 (social networks) ***[STELLAR]***

***Study Guide Questions:***

1. Based on your analysis of the software industry, why was InterSoft under pressure to internationalize? What made the acquisition of Orgland appealing to InterSoft?
2. What went wrong and how could it have been prevented? Was the problem that technological complexity, cultural differences or inadequate management?
3. How can InterSoft use social networks and team building to promote meta-national learning? What are you top three recommendations to InterSoft's VP, Emilio Lopez?

## CLASS 12. COMPLEX STRATEGIES – Tuesday, May 10

***Learning Objectives:***

1. Examine challenges of simultaneously pursuing aggregation, adaptation and arbitrage.
2. Review tools for strategic decision making in a dynamic context.

***Readings:***

Ghemawat, Chapter 7: "Playing the Differences." ***[TEXT]***

CASE: MTC's Journey through Africa (HBS 9-708-477). ***[COURSE PACKET]***

***Study Guide Questions:***

1. What are MTC's key strengths and weaknesses? To what extent do they reflect the conditions of its home market? To what extent to these advantages take advantage of and/or require regional or global scope?
2. What, if any, are the significant commonalities and differences across the various African markets in which MTC operates? Are there meaningful groupings of these markets (in African and the Middle East) that you think should sensibly inform MTC's strategy?
3. What would you advise Dr. Saad to do in Nigeria? In Saudi Arabia?

## CLASS 13. GLOBAL LEADERSHIP – Thursday, May 12

***Learning Objectives:***

1. Apply Sloan Leadership model in the global context.
2. Lean tools for effective cross-cultural management.

***Readings:***

Christopher Bartlett and Sumantra Ghoshal. (1992). "What is a Global Manager," *Harvard Business Review*. ***[COURSE READER]***

CASE: Carlos Ghosn, "Saving the Business without Losing the Company," *Harvard Business Review*, January 2002. ***[COURSE READER]***

Background: Deborah Ancona. (2005). "Leadership in Age of Uncertainty", MIT Leadership Center. (Sloan leadership model) ***[STELLAR]***

***Study Guide Questions:***

1. Describe and evaluate Ghosn's key acts of leadership in the Nissan turnaround in terms of the Sloan Leadership Model (sensemaking, visioning, relating, inventing).
2. For interventions Ghosn discusses , which are most saliently instances of global leadership? What makes Grosn 's approach work in Japanese context?
3. What experiences do you think help to create capabilities for global leadership? How would you proceed to develop in yourself qualities of a global leader?