

## **Engineering Tripos Part IIB, 4E5: International Business, 2019-20**

### **Module Leader**

[Dr J Kroezen](#) [1]

### **Timing and Structure**

Lent term. 8 x 2 hour sessions. Assessment: 100% coursework

### **Aims**

The aims of the course are to:

- Improve understanding of the international business environment through class lectures and discussion on (i) globalization; (ii) socio-cultural and political variation in business environments; and (iii) international business strategy.

### **Objectives**

As specific objectives, by the end of the course students should be able to:

- appreciate the complexities of the international organizational environment when making strategic decisions;
- understand and apply the concepts and theories of international business strategy.
- understand and apply key concepts related to the institution-based view in strategic management;
- conduct a comparative analysis of institutional environments in different countries;
- develop strategies to reduce political risks and manage cultural differences;

### **Content**

This course builds on the state of the art in academic thinking to provide future managers with an enhanced understanding of international business. It moves beyond the analysis of market opportunities and industry competitiveness by paying extensive attention to the social, political and cultural differences that businesses need to consider when their activities cross borders. An appreciation of this broader “institutional” environment is essential for managers in order to accurately identify international opportunities and threats.

Through the analysis of various cases and readings pertaining to different industries and countries we will touch upon several key managerial issues that require mastery of the organization’s institutional context. These include: responding to globalization, expanding into foreign markets, managing the multinational firm, and competing in emerging economies.

The course is structured around eight two-hour sessions comprising lectures and firm-level case discussions.

1. Introduction to international business;
2. Globalization: historic and current trends;
3. The institution-based view in international business;
4. Formal institutions I: differences in legal and political systems;
5. Formal institutions II: differences in economic systems;
6. Informal institutions: cross-cultural differences;

- 7. Institutional voids: differences in institutional development;
- 8. Recap and/or in-class case study.

**Course Outline (Subject to Change)**

**ENGINEERING TRIPOS PART IIB – 2019-20      Module 4E5: International Business**

**TABLE 1: Preliminary Course Outline (Subject to Minor Change)**

*More detailed reading list, including suggested further reading per session available elsewhere through [Booklist \[2\]](#)*

Session	Time and Location	Learning Points	Required Reading Materials to be Prepared Before the Session
1. Defining International Business	Tue. 18 February 4:00pm-6:00pm  LR4	- Defining what international business is about  - Understanding the aims and structure of the course	Course Syllabus
2. Globalization: Historic and Current Trends	Wed. 19 February 3:00pm-5:00pm  LR4	- Defining what globalization is and how it may affect business  - Understanding the different sides of debates around globalization	Friedman, Thomas. 2005. "It's a Flat World, After All." <i>The New York Times</i> , April 3 <sup>rd</sup> 2005. (10 pages)  Ghemawat, Pankaj. 2007. "Why the World Isn't Flat" <i>Foreign Policy</i> . (7 pages)
3. The Institution-Based View in International Business	Tue. 25 February 4:00pm-6:00pm  LR4	- Understanding what an institution is  - Being able to apply the institution-based view as a lens to international business issues through the use of the notion of "institutional distance"	Peng, M.W., Sun, L.S., Pinkham, B., & Chen, H. 2009. "The Institution-Based View as a Third Leg of a Strategy Tripod" <i>Academy of Management Perspectives</i> . (15 pages)  Scott, Richard W. 2013. <i>Institutions and Organizations: Ideas, Interests and Identities</i> . Chapter 3. Crafting an Analytical Framework I: Three Pillars of Institutions (31 pages)
4. Formal Institutions Part I: Differences in Economic Systems	Wed. 26 February 3:00pm-5:00pm  LR4	- Being able to classify different economic system in accordance with the varieties of capitalism vocabulary  - Understanding the different dimensions across which economic systems may differ and the impact on business	Friel, Daniel. 2005. "Transferring a Lean Production Concept from Germany to the United States: The Impact of Labor Laws and Training Systems" <i>Academy of Management Executive</i> . (8 pages)  Hall, Peter A. & David Soskice. 2001. "Chapter 1. Introduction to Varieties of Capitalism" In: <i>Varieties of Capitalism: The Institutional Foundations of Comparative Advantage</i> . (68 pages)

Session	Time and Location	Learning Points	Required Reading Materials to be Prepared Before the Session	
5. Formal Institutions Part II: Differences in Political and Legal Systems	Tue. 3 March 4:00pm-6:00pm  LR4	<ul style="list-style-type: none"> <li>- Being able to classify different legal and political systems.</li>   <li>- Understanding the impact of legal and political systems on business</li> </ul>	<p>Armour, John, Henry Hansmann, &amp; Reiner Kraakman. 2009. "Agency Problems and Legal Strategies." In: Kraakman et al. (eds) <i>The Anatomy of Corporate Law: A Comparative and Functional Approach 2<sup>nd</sup> edition</i>. Chapter 2. Pg. 35-53)</p> <p>Siems, Mathias M. 2016. "Varieties of legal system towards a new global taxonomy." <i>Journal of Institutional Economics</i> (23 pages)</p>	
6. Informal Institutions: Cross-Cultural Differences	Wed. 4 March 3:00pm-5:00pm  LR4	<ul style="list-style-type: none"> <li>- Being able to classify different cultures according to Hofstede's dimensions</li>   <li>- Understanding the impact of cultural differences on international business</li> </ul>	<p>Ibarra, Herminia. 1996. "National Cultures and Work-Related Values: The Hofstede Study" <i>Harvard Business School</i> (7 pages)</p> <p>Hofstede, Geert. 1993. "Cultural Constraints in Management Theories." <i>Academy of Management Executive</i>. (13 pages)</p> <p>Kogut, Bruce and Singh, Harbir 1988. "The Effect of National Culture on the Choice of Entry Mode." <i>Journal of International Business Studies</i></p>	
7. Institutional Voids: Differences in Institutional Development	Tue. 10 March 4:00pm-6:00pm  LR4	<ul style="list-style-type: none"> <li>- Being able to classify differences in institutional development</li>   <li>- Understanding the impact of institutional development on international business</li> </ul>	<p>Khanna, Tarun, Krishna G. Palepu &amp; Jayant Sinha. 2005. "Strategies that Fit Emerging Markets" <i>Harvard Business Review</i>. (14 pages)</p> <p>Khanna, Tarun, and Krishna G. Palepu. 2006. "Emerging giants: Building world-class companies in developing countries." <i>Harvard Business Review</i>. (pages)</p>	
8. Recap / In-Class Case Study	Wed. 11 March 3:00pm-5:00pm  LR4	<ul style="list-style-type: none"> <li>- Recollect main learning points from the course</li>   <li>- Develop an informed opinion on how the international business environment is going to evolve</li> </ul>	TBD	

**Coursework**

**ENGINEERING TRIPOS PART IIB – 2019-20**

**Module 4E5: International Business**

Coursework	Format	Due date & marks
<p><b>Analysis of Institutional Distance and Recommendation on Internationalization Strategy</b></p> <p>You will investigate the “institutional distance” between two different countries of your choosing and make an informed recommendation for the internationalization strategy of a fictitious firm. The aim of the assignment is to provide you with the opportunity to directly apply the concepts learned during the course to an empirical setting and encourage you to critically reflect on the different manners in which firms can cross borders. Detailed guidelines are provided below.</p> <p><u>Learning objective:</u></p> <ul style="list-style-type: none"> <li>• Apply the institution-based view to analyze institutional distance;</li> <li>• Learn how to critically evaluate and make use of available data sources to understand institutional distance;</li> <li>• Apply theory on international entry strategy to an empirical setting;</li> <li>• Appreciate the complex strategic choices that are involved with international expansion.</li> </ul>	<p>Individual Report</p> <p>Anonymously marked</p>	<p><b>DEADLINE:</b> Tuesday 21 A</p> <p><b>HAND-IN LO</b> Moodle</p> <p><b>MARKS:</b> [60/60]</p>

**INDIVIDUAL ASSIGNMENT GUIDELINES**

**Assignment Description**

You will investigate the “institutional distance” between two different countries of your choosing and make an informed recommendation for the internationalization strategy of a fictitious firm. The aim of the assignment is to provide you with the opportunity to directly apply the concepts learned during the course to an empirical setting and encourage you to critically reflect on the different manners in which firms can cross borders.

You can imagine the following situation:

*You are the internationalization team of a large MNE that operates in {insert sector}. The firm’s headquarters are based in {insert home country} and top management has asked you to assess the possibility of expansion toward {insert host country}. Top management has determined that there are considerable business opportunities in {insert host country}, but has limited local knowledge of this country nor does it have any prior experience with doing business in countries that are similar to this country. As such, top management is uncertain if and how the identified opportunities can be captured. Assess the institutional distance between your home country and the proposed host country and make an informed recommendation regarding the entry strategy your firm should follow. In your assessment, you can assume that there are no resource constraints as top-management has assured you that it has all the resources available to execute any recommendation you make.*

**Assignment Steps**

1. Select a sector of interest in which your fictitious firm is active;

Think of a sector that you are personally interested in or imagine a MNE that you are interested in and use this as inspiration for your fictitious firm. Make sure to develop an idea of what line of business the fictitious firm is in exactly, apart from the general sector. For example, if you want to model your fictitious firm after Tesla you could say that your fictitious firm is a large car manufacturer that develops, manufactures and sells electric vehicles. You

do not have to be very detailed in this as long as you can get a good sense of how your fictitious firm makes money (i.e. what its business model and competitive advantage is) in its home country.

*2. Select a home country and a host country;*

Base the headquarters of your fictitious firm in a country of your choosing and select a host country in which it may be interested in operating. Ideally, you should pick at least one country that you are relatively unfamiliar with in order to enhance your learning experience. Setting up a realistic scenario may be helpful, but is not required. As stressed in the scenario, you can assume that there are considerable business opportunities in the host country you decide to choose. For example, if your fictitious firm operates in the mining industry you can assume that there is an abundance of relevant unexploited minerals in the host country that you have selected regardless of whether this is true in real life.

*3. Observe institutional distance between home and host country with help of concepts discussed during sessions 3 – 7;*

After each session from session 3 until session 7 of the course, take some time to assess the institutional distance across the two countries that you have selected based on the concepts discussed in class. Make use of the sources provided below and do some of your own research. At this stage, you do not have to write a report but be prepared to be able to discuss your initial findings in class.

*4. Select two dimensions of institutional distance that you will focus on in your paper;*

After session 7 you should have acquired a good understanding of the institutional distance between your home and host country. At this stage, you should select two dimensions of institutional distance that you deem to be most relevant for your fictitious firm. Ideally, you would want to focus on dimensions for which (a) distance appears to be the greatest and that are (b) most relevant to the sector in which your fictitious firm operates.

*5. Write an investigative paper in which you analyse the relevant institutional distance between your selected home and host country and make an informed recommendation for an entry strategy.*

Your paper should make use of course concepts, provide own definitions (not quotes) and cite appropriate course literature. Make sure your paper follows the structure outlined below.

## **Structure of the Paper**

The paper should be between 2,500 and 3,000 words (excluding references) and has to contain the following parts:

- **Title page:** Title and Candidate Number
- **Introduction:** Introduce the fictitious firm, including the sector in which it is active, its basic business model and in which country headquarters are located. Briefly describe the internationalization problem by introducing the host country and summarizing the scenario provided above.
- **Theory:** Introduce and define the notion of institutional distance. Briefly describe the various types of entry strategies that firms can follow.
- **Method:** Describe which dimensions of institutional distance you will focus on and justify your choice. Discuss which sources you will use in your assessment.
- **Analysis:** Report on your analysis of the two dimensions of institutional distance between the home and host country. Refer to your sources where appropriate.
- **Conclusion and Discussion:** Conclude with a recommendation for an entry strategy that your firm should follow when entering the host country. Discuss any other issues that the firm may need to consider in relation to your recommendation. Discuss any limitations of your analysis and make suggestions for further research.

- **References:** Select a particular citation style and apply consistently throughout the document

**Please note that the above is an indication of necessary elements for the report. You will need to add other elements to make the paper complete and logical!**

### **Assessment Criteria**

- Clarity of constructed vignette (5%): Is the fictitious firm properly introduced? Is the internationalization problem clearly described?
- Coverage of relevant literature (25%): Does the student engage with the literature in a constructive and concise manner? Has the student used additional academic articles, other than the ones covered in lectures?
- Critical analysis (25%): Are the reported claims questioned and compared in a constructive manner, with clear and coherent argumentation? Is evidence provided?
- Practical implications (25%): Does the report include clear and coherent advice on the topic? Are potential limitations taken into account??
- Originality (10%): Is the analysis creative and original? Does the report provide some new angle on ?the topic? ?
- Style and structure (10%): Is the paper clear and well written? ?

### **Suggested Resources**

The following sources provide most of the information that you will need to complete your analysis. However, you should not necessarily limit yourself to these sources. Also note that some of the sources listed under one category may have some relevance for another category. For example, many of the resources under developmental distance may give an indication of economic distance as well.

#### **General**

a. The World Factbook (CIA)

Provides information on the history, people, government, economy, geography, communications, transportation, military, and transnational issues for 267 world entities.

<https://www.cia.gov/library/publications/the-world-factbook/> [3]

b. Nationmaster

NationMaster is a vast compilation of data from hundreds of sources. Using the forms below, you can get maps and graphs on all kinds of statistics with ease.

<http://www.nationmaster.com/> [4]

c. Marketine and EMIS

Provide reports which include international country and market data, as well as political, social and cultural characteristics. Access can be gained to both databases on the CJBS Information and Library Services database

page: <https://www.jbs.cam.ac.uk/faculty-research/information-library-services/databases/> [5]

If you are **not** a CJBS student you need to register **first** through:

[https://jbs.eu.qualtrics.com/jfe/form/SV\\_cT8ij1zSwBIQjFr?Q\\_JFE=qdg](https://jbs.eu.qualtrics.com/jfe/form/SV_cT8ij1zSwBIQjFr?Q_JFE=qdg) [6]

### **Economic Distance**

d. Articles with data for different countries and regions will be provided through the Moodle Booklist.

### **Legal Distance**

e. The World Factbook (CIA): Legal Systems

<https://www.cia.gov/library/publications/the-world-factbook/fields/308.html> [7]

f. See assigned Siems (2016) article, available through Moodle Booklist

### **Political Distance**

g. The World Factbook (CIA): Government Type

<https://www.cia.gov/library/publications/the-world-factbook/fields/299.html> [8]

h. Dow Database: Political Systems

Differences in the political systems amongst countries is measured in two distinct dimensions. The first dimension is the degree of democracy. This dimension is measured using four scales. The second aspect of differences in political systems concerns the political ideology of the group in power. This dimension is unfortunately only measured with one single indicator:

<https://sites.google.com/site/ddowresearch/home/scales/democracy> [9]

### **Developmental Distance**

i. Global Competitiveness Report (World Economic Forum)

Assesses the competitiveness landscape of 144 economies, providing insight into the drivers of their productivity and prosperity. Particularly useful are the Economy Profiles that allow for inspection of the characteristics of individual countries for 12 “pillars” that together contribute to a score for the Country Global Competitiveness Index. The pillars are: Institutions, Infrastructure, Macroeconomy, Health and primary education, Higher education and training, Goods market efficiency, Labor market efficiency, Financial market development, Technological readiness, Market size, Business sophistication, Innovation.

<http://reports.weforum.org/global-competitiveness-report-2014-2015/economies/#economy=CHE> [10]

j. World Development Indicators (The World Bank)

World Development Indicators 2014 provides a compilation of relevant, high-quality, and internationally comparable statistics about global development and the fight against poverty. Six themes are used to organize indicators—worldview, people, environment, economy, states and markets, and global links.

Full text pdf files available through Cambridge library: <http://idiscover.lib.cam.ac.uk> [11]

Look, for instance, at the States and Markets chapter:

<https://libsta28.lib.cam.ac.uk:2062/docview/1898059058/fulltextPDF/77FF068881AE46AFPQ/6?accountid=9851>  
[12]

k. Worldwide Governance Indicators.

Reports aggregate and individual governance indicators for 215 economies over the period 1996–2013, for six dimensions of governance.

<http://info.worldbank.org/governance/wgi/index.aspx#home> [13]

l. Index of Economic Freedom (The Heritage Foundation)

Includes basic data on economic performance as well as overall country “IEF” including 10 indicators of economic freedom on which the index is based: trade, fiscal burden, government intervention, monetary policy, foreign investment, banking/finance, wages/prices, property rights, regulation, and informal markets.

<https://www.heritage.org/index/> [14]

m. World Investment Report (UN Conference on Trade and Development)

Includes detailed FDI flows data on regions and countries and summary FDI statistics including FDI potential index, FDI performance index and others. Country Fact Sheets provide most of the relevant information.

<http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1782> [15]

n. Corruption Perception Index

First launched in 1995, the corruption perceptions index has been widely credited with putting the issue of corruption on the international policy agenda.

<http://www.transparency.org/cpi2016> [16]

o. Dow Database: Industrial Development

Differences in the degree of industrial development amongst countries is measured using nine scales

<https://sites.google.com/site/ddowresearch/home/scales/industrial-development> [17]

### **Cultural Distance**

p. Hofstede’s Cultural Dimensions Index

Provides country-level data with description for all six Hofstede dimensions (including a recent addition: indulgence) of culture and allows for cross-country comparison.

<https://www.hofstede-insights.com/product/compare-countries/> [18]

q. Globe Clusters

Similar to Hofstede’s Cultural Dimensions. Clusters countries in broader regions based on underlying differences in culture.

<http://globeproject.com> [19]

r. World Values Survey

The World Values Survey is a global network of social scientists studying changing values and their impact on social and political life, led by an international team of scholars. The survey, which started in 1981, seeks to use the most rigorous, high-quality research designs in each country. The WVS consists of nationally representative surveys conducted in almost 100 countries which contain almost 90 percent of the world's population, using a common questionnaire.

<http://www.worldvaluessurvey.org/WVSContents.jsp> [20]

***Religious Distance***

s. The World Factbook (CIA): Religions

<https://www.cia.gov/library/publications/the-world-factbook/fields/2122.html> [21]

t. Nationmaster: Religion

<http://www.nationmaster.com/country-info/stats/Religion/Religions> [22]

u. Pew Research Center: The Global Religious Landscape

<http://www.pewforum.org/2012/12/18/global-religious-landscape-exec/> [23]

also see: <http://www.pewforum.org/2012/12/18/global-religious-landscape-exec/> [23]

v. Dow Database: Religion

Differences in language amongst countries is measured using three scales:

<https://sites.google.com/site/ddowresearch/home/scales/religion> [24]

***Linguistic Distance***

w. The World Factbook (CIA): Languages

<https://www.cia.gov/library/publications/the-world-factbook/fields/2098.html> [25]

y. Dow Database: Language

Differences in religion amongst countries is measured using three scales:

<https://sites.google.com/site/ddowresearch/home/scales/languages> [26]

**Booklists**

Please see the [Booklist for Group E Courses](#) [2] for references for this module.

**Examination Guidelines**

Please refer to [Form & conduct of the examinations](#) [27].

**UK-SPEC**

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This syllabus contributes to the following areas of the [UK-SPEC](#) [28] standard:

[Toggle display of UK-SPEC areas.](#)

### **GT1**

Develop transferable skills that will be of value in a wide range of situations. These are exemplified by the Qualifications and Curriculum Authority Higher Level Key Skills and include problem solving, communication, and working with others, as well as the effective use of general IT facilities and information retrieval skills. They also include planning self-learning and improving performance, as the foundation for lifelong learning/CPD.

### **IA1**

Apply appropriate quantitative science and engineering tools to the analysis of problems.

### **IA2**

Demonstrate creative and innovative ability in the synthesis of solutions and in formulating designs.

### **KU1**

Demonstrate knowledge and understanding of essential facts, concepts, theories and principles of their engineering discipline, and its underpinning science and mathematics.

### **KU2**

Have an appreciation of the wider multidisciplinary engineering context and its underlying principles.

### **S1**

The ability to make general evaluations of commercial risks through some understanding of the basis of such risks.

### **S3**

Understanding of the requirement for engineering activities to promote sustainable development.

### **P3**

Understanding of contexts in which engineering knowledge can be applied (e.g. operations and management, technology, development, etc).

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### **Links**

[1] <mailto:j.kroezen@jbs.cam.ac.uk>

[2] <https://www.vle.cam.ac.uk/mod/book/view.php?id=364101&chapterid=54011>

[3] <https://www.cia.gov/library/publications/the-world-factbook/>

[4] <http://www.nationmaster.com/>

[5] <https://www.jbs.cam.ac.uk/faculty-research/information-library-services/databases/>

[6] [https://jbs.eu.qualtrics.com/jfe/form/SV\\_cT8ij1zSwBIQjFr?Q\\_JFE=qdg](https://jbs.eu.qualtrics.com/jfe/form/SV_cT8ij1zSwBIQjFr?Q_JFE=qdg)

- [7] <https://www.cia.gov/library/publications/the-world-factbook/fields/308.html>
- [8] <https://www.cia.gov/library/publications/the-world-factbook/fields/299.html>
- [9] <https://sites.google.com/site/ddowresearch/home/scales/democracy>
- [10] <http://reports.weforum.org/global-competitiveness-report-2014-2015/economies/#economy=CHE>
- [11] <http://search.lib.cam.ac.uk/?itemid=|eresources|58925>
- [12] <https://libsta28.lib.cam.ac.uk:2062/docview/1898059058/fulltextPDF/77FF068881AE46AFPQ/6?accountid=9851>
- [13] <http://info.worldbank.org/governance/wgi/index.aspx#home>
- [14] <https://www.heritage.org/index/>
- [15] <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1782>
- [16] <http://www.transparency.org/cpi2016>
- [17] <https://sites.google.com/site/ddowresearch/home/scales/industrial-development>
- [18] <https://www.hofstede-insights.com/product/compare-countries/>
- [19] <http://globeproject.com>
- [20] <http://www.worldvaluessurvey.org/WVSCContents.jsp>
- [21] <https://www.cia.gov/library/publications/the-world-factbook/fields/2122.html>
- [22] <http://www.nationmaster.com/country-info/stats/Religion/Religions>
- [23] <http://www.pewforum.org/2012/12/18/global-religious-landscape-exec/>
- [24] <https://sites.google.com/site/ddowresearch/home/scales/religion>
- [25] <https://www.cia.gov/library/publications/the-world-factbook/fields/2098.html>
- [26] <https://sites.google.com/site/ddowresearch/home/scales/languages>
- [27] <https://teaching26-27.eng.cam.ac.uk/content/form-conduct-examinations>
- [28] <https://teaching26-27.eng.cam.ac.uk/content/uk-spec>