

Global Markets, National Politics and the Competitive Advantage of Firms

Section A: Mondays/Wednesdays, 10:00-11:30am, E51-372

Section B: Mondays/Wednesdays, 8:30-10:00am, E51-372

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15.223, Fall 2007, H2
Sloan Fellows
Mondays/Wednesdays
Classroom: E51-372

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Section A
Section B

Course website:

<http://stellar.mit.edu/S/course/15/fa07/15.223/index.html>

The world is changing in two fundamental ways. First, the development of a truly global market in products, services, capital and even certain types of labor is changing the basic terms of competition for an array of different firms and industries. Second, the rules and institutions governing the new international economic order are still in flux. National regulations are no longer adequate yet international accords over trade, intellectual property, labor standards and a host of other issues are fiercely and frequently contested by competing interests. The final results of these debates will determine who wins and who loses in the new global economy. Understanding the interaction between environment and business around the world is key to understanding both the possibilities for and constraints on either managing an existing or starting a new business in today's fast-changing economy.

This course provides students with the conceptual tools necessary to understand and work effectively in today's global world. We will do this in three closely related ways:

- Analyzing how the environment for business varies around the world, including what this means for business people and policy makers.
- Discussing efforts to construct "rules of the game" for the global economy. In particular we will examine contemporary debates and controversies surrounding intellectual property rights, trade policies and labor and environmental standards.
- Developing conceptual tools and frameworks that help make sense of our increasingly global and complex world.

In addition to traditional case/class discussions, we will have discussions with managers and policy makers around the world. The hope is that greater exposure to/interaction with these real-world practitioners will "bring to life" some of the issues discussed in the readings/cases.

Readings:

Readings include a combination of analytic articles and company case studies drawn from a variety of different industries (manufacturing and services) in Europe, Latin America, Asia and Africa.

A reading package, available at the MIT Copy Technology Center (basement of E52), includes all HBS cases. Additional articles, class notes, slides, and other resources related to the course will be posted on the Stellar course web site (<http://stellar.mit.edu/S/course/15/fa07/15.223/index.html>). Please check this site regularly.

Requirements:

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

1. 2 Case Write-ups (10% x 2)	20%
2. Group Research Paper	25%
3. Final Exam	20%
4. Class Participation	35%

These requirements are described in detail below:

1. Case Write-ups:

The case write-ups should be brief, no more than 3 double-spaced pages. You may choose any 2 cases to analyze. Cases include both the traditional cases and company/industry cases discussed in some of the readings. **Write-ups are due before class on the day the case is to be discussed.** They are intended to be analytic discussions of some issue central to the case. Please do not write a precis of the case or repeat case facts except to bolster your argument. Based on the information provided in the case materials, please be analytically judgmental and evaluative. You should propose alternate managerial views and action plans whenever appropriate and discuss the relevance and applicability of the frameworks proposed in the readings and lectures. In short, you should write what you think of the situation in the case and not merely what the author of the case says. **These case write-ups are INDIVIDUAL assignments.**

2. Country Report

This group project is due on **Monday, December 10**, and will count for 25 percent of the grade. You will need to write a **10-15 page** report on the business environment in one country (other than the U.S.) **This is a GROUP assignment. You can work in teams of 3-4 people on this project.**

3. Final Exam

A final exam will be given in class **on Wednesday, December 12**. The exam will be an essay exam based on questions discussed in class. Details will be explained in class.

4. Class Participation

Your active participation in the discussion in class is integral to the design of this course. **Class participation counts for 35% of your final grade.** Prior preparation of the cases and assigned readings are essential as this background is presumed in the lectures and case discussions. Those of you whose native language is not English and/or may have difficulty speaking up in class are encouraged to meet with me to discuss how your participation in class can be ensured. Additional discussion sections will be organized so that we can clarify/elaborate on any points raised in class. These discussion sections are optional, intended only for those of you who find these extra sessions helpful.

Schedule of Classes and Assignments

Readings for each session are available either on **Stellar** or in the **Course Packet**. HBS cases are only available in the Course Packet. All other readings are posted on Stellar. You are responsible for all **cases** and **readings**. Check Stellar for updates – you are responsible for any reading posted by 6:00 pm on the evening preceding a class.

Part I - Introduction

October 29 Why Bother Studying National Economies in An Era of Globalization?

Readings:

James Lardner, “Annals of Business, The Sweater Trade 1,” *The New Yorker*, (January 11, 1988), 39-73, James Lardner, “Annals of Business, The Sweater Trade 2,” *The New Yorker*, (January 18, 1988) 57-73.

Thomas L. Friedman, “It’s a Flat World, After All,” *New York Times Magazine*, April 3, 2005, 32-37.

Study Guide Questions:

1. Do you agree that national borders no longer matter?
2. Is globalization an economic or political phenomenon? Who are the winners and losers from globalization?

October 31 Alternative Approaches to Analyzing National Economies

Readings:

Michael Porter, “Determinants of National Competitive Advantage,” in *The Competitive Advantage of Nations*, NY: The Free Press, (May 1990), Ch. 3, 69-130.

David P. Baron, “Integrated Strategy: Market and Non-market Components,” *California Management Review*, vol 37, no. 2, (Winter 1995): 47-65.

Case:

Gerber Products Company: Investing in the New Poland (HBS Case # 9-793-069—July 18, 1994).

Study Guide Questions:

1. How does one integrate the various “frameworks” used to understand business environments?
2. Should Gerber go ahead with its purchase of the Alima plant? Why? Why not?

Part II – Different Types of Market Economies

November 5 Liberal Market Economies: The United States

Readings:

Michael E. Porter, “Capital Choices: Changing The Way America Invests in Industry,” Executive Summary, Council on Competitiveness, 1992: 3-19.

John D. Sterman, Nelson P. Repenning, and Fred Kofman, “Unanticipated Side Effects of Successful Quality Programs: Exploring a Paradox of Organizational Improvement,” *Management Science*, vol. 43, no. 4, (April 1997): 503-521.

Study Guide Questions:

1. What are the key features of the US political economy that shape business behavior in this country?
2. What is the “paradox” at Analog Devices? What role did macro-institutions play in bringing about these unanticipated side effects?

November 7 State-Driven Development: Singapore

Case:

Singapore Inc. (HBS Case 9-703-040 – August 11, 2003)

Study Guide Questions:

1. How do you account for Singapore’s success? In economics? In politics?
2. What were the sources of its growth?
3. Do you recommend Singapore Inc. as a model for other developing countries?

November 12 Veteran’s Day Holiday. No Class.

November 14 Emerging Markets/Uncertain Rules 1: Russia

Readings:

Related articles will be posted on the course web site.

Case:

Unified Energy System of Russia (HBS Case 9-702-068 - March 13, 2002)

Study Guide Questions:

1. Why did foreign minority shareholders oppose Chubais' proposal?
2. In what ways did foreign capital help promote or hinder economic reforms?

November 19 Emerging Markets/Uncertain Rules 2: Africa

Cases:

Note on Conflict Diamonds: Why Are Civil Wars, like Diamonds, Forever? (HBS Case 9-702-027 - January 09, 2002)

Botswana: A diamond in the rough (HBS Case 9-703-027 - March 31, 2003)

Study Guide Questions:

1. Why did Botswana succeed? How does one define success?
2. Does the success of Botswana offer useful lessons for other developing countries?

Part III – Beyond the Nation State? Who is Making the New Rules?

November 21 The Politics of Trade

Guest Speaker: **Mr. José Serrador, Director
Foreign Trade Policy & Planning
Embraer**

Case:

Bombardier: Canada vs. Brazil at the WTO (HBS Case 9-703-022 - February 20, 2003)

Study Guide Questions:

1. Is Embraer engaging in "unfair" competition? If so, how? If not, why not?
2. Why are the governments of Brazil and Canada involved in this industry?

November 26 Intellectual Property Protection

Readings:

Daniel B. Sterenberg, "Intellectual property laws in Brazil: Is breaking patents to save lives right?" MIT Sloan School of Management Case under the supervision of Richard Locke, May 23, 2003: 1-24.

Case:

Life, Death, and Property Rights: The Pharmaceutical Industry Faces AIDS in Africa (HBS Case 9-702-049 - June 13, 2002)

November 28 Global Business and Human Rights

Readings:

John Ruggie, "Human Rights Policies and Management Practices of Fortune Global 500 Firms: Results of a Survey" Harvard University John F. Kennedy School of Government. September 1, 2006: 1-30.

Richard Locke, John Van Maanen, Eleanor Westney, "Caspian Development Advisory Panel: Lesson Learned" MIT Sloan School of Management, April 29, 2007: 1-17.

Case:

The Burma Pipeline (HBS Case 9-798-078 - February 25, 1998)

Study Guide Questions:

1. Has Unocal violated any laws or norms as a result of its participation in the Yadana project?
2. What responsibility, if any, do global corporations have for people in countries where human rights are not fully protected? What can companies do?

December 3 NGOs and Private Non-Market Action

Readings:

Richard M. Locke, "The Promise and Perils of Globalization: The Case of Nike" in Thomas A. Kochan and Richard L. Schmalensee, eds, Management: Inventing and Delivering Its Future, Cambridge, MA: The MIT Press (2003), 39-70.

Case:

Diermeier, Daniel, "Shell, Greenpeace and Brent Spar" in David P. Baron, Business and Its Environment, 4th ed, Upper Saddle River, NJ: Prentice Hall, (2003), 109-113. **(posted on course web site)**

Study Guide Questions:

1. Why did Shell get itself in such a mess over the Brent Spar situation?
2. How should private companies engage with non-governmental stakeholders?

December 5 Sustainability: Is there a Business Case?

No class meeting. Please come to the [2007 MIT Innovations in Management Conference: Strategies for Sustainable Business Practices](#) held in the [Wong Auditorium, Tang Center \(E51\)](#). The agenda for the conference is noted below:

**2007 MIT Innovations in Management Conference
Strategies for Sustainable Business Practices**

December 5, 2007 - December 6, 2007

Wong Auditorium, Tang Center

December 5, 2007 – Day 1

7:30a.m. **Registration and Continental Breakfast**

8:30a.m. **Welcome and Introduction**

[Karl Koster, Director, MIT Office of Corporate Relations/Industrial Liaison Program](#)

8:35a.m. **Opening Remarks**

[David Schmittlein, John C Head III Dean, MIT Sloan School of Management](#)

8:45a.m. **Program Overview**

[Richard M. Locke, Alvin J. Siteman Professor of Entrepreneurship and Political Science, Director, MIT Italy Program \(MISTI\), MIT Sloan School of Management](#)

December 5, 2007 - Session I: Business Opportunities

8:55a.m. **Opportunities in Energy**

[John Sterman, Jay W. Forrester Professor of Management, Director of MIT's System Dynamics Group, MIT Sloan School of Management](#)

[Emanuel M. Sachs, Fred Fort Flowers '41 and Daniel Fort Flowers '41 Professor of Mechanical Engineering, MIT Laboratory for Manufacturing and Productivity](#)

9:45a.m. **Break**

10:15a.m. **Opportunities in Supply Chain Management**

[Richard M. Locke, Alvin J. Siteman Professor of Entrepreneurship and Political Science, MIT Sloan School of Management](#)

[Charles H. Fine, Chrysler Leaders for Manufacturing Professor of Management and Engineering Systems, Co-Director of the International Motor Vehicle Program, MIT Sloan School of Management](#)

11:00a.m. **Opportunities in Infrastructure and the Built Environment**

[Sarah Slaughter, Senior Lecturer, Behavioral and Policy Sciences, MIT Sloan School of Management](#)

[David H. Marks, Morton \(1942\) and Claire Goulder Family Professor of Civil and Environmental Engineering and Engineering Systems, Co-Director, Laboratory for Energy and the Environment \(LFEE\)](#)

[John E. Fernandez, Associate Professor of Architecture and Building Technology, Class of](#)

[1957 Career Development Professor, MIT Department of Architecture](#)

11:45a.m. **Lunch**

December 5, 2007 - Session II: Concurrent Workshops

1:30p.m. **Concurrent Workshops in Opportunities in Supply Chain, Energy, and Infrastructure**

3:00p.m. **Break**

December 5, 2007 - Session III: General Session

3:30p.m. **Session Reports**

[Richard M. Locke, Alvin J. Siteman Professor of Entrepreneurship and Political Science, MIT Sloan School of Management](#)

4:15p.m. **Getting There From Here: Sustainable Solutions for Transportation**

[John Sterman, Jay W. Forrester Professor of Management, Director of MIT's System Dynamics Group, MIT Sloan School of Management](#)

[Donald R. Sadoway, John F Elliott Professor of Metallurgy, Margaret MacVicar Faculty Fellow, MIT Department of Materials Science and Engineering](#)

5:00p.m. **Networking Reception and Poster Session**

December 6, 2007 - Day 2

8:00a.m. **Registration and Continental Breakfast**

8:30a.m. **Opening Remarks**

[Richard M. Locke, Alvin J. Siteman Professor of Entrepreneurship and Political Science, MIT Sloan School of Management](#)

December 6, 2007 - Session IV: Mobilizing the Organization

8:40a.m. **Stuck: Why It's So Hard To Do New Things In Old Organizations**

[Nelson P. Repenning, Associate Professor of Management Science and Organization Studies, MIT Sloan School of Management](#)

9:30a.m. **Break**

10:00a.m. **Crafting a Strategy for Sustainability**

[Rebecca M. Henderson, Eastman Kodak LFM Professor of Management, MIT Sloan School of Management](#)

10:45a.m. **Implementing Sustainability Strategies**

[Rebecca M. Henderson, Eastman Kodak LFM Professor of Management, MIT Sloan School of Management](#)

[Wayne Balta, Vice President, Corporate Environmental Affairs & Product Safety, IBM Corporation](#)

[Mark Buckley, VP Environmental Affairs, Staples](#)

December 10 Putting the Pieces Together?

Readings:

Samuel P. Huntington, "The West Unique, Not Universal," *Foreign Affairs*, vol. 75, no. 6, November/December 1996: 28-46.

Richard Locke, "Building Trust". Paper presented at the Annual Meeting of the American Political Science Association, September 1, 2001: 1-34.

December 12 In-Class Final Exam