



## **INTERNATIONAL TRADE**

SECOND TRIMESTER. ACADEMIC YEAR 2010-2011

### **TIMES:**

Tuesday: 17:00 - 18:15

Wednesday: 17:00 - 18:15

Thursday: 20:00 - 21:15

### **PRESENTATION AND OBJECTIVES OF THE COURSE**

Decisions taken at the beginning of an internationalization process will determine the future success or failure of a company willing to go abroad.

The course International Trade focuses on entry strategies for international markets and management of the internationalization process. We will study what are the steps we need to take in the internationalization process to make sure that our presence on the international markets is successful and sustainable.

Below is an orientative lecture plan.

***Orientative lecture plan - subject to adjustments***

<b>Lecture #</b>	<b>Lecture topics</b>	<b>Phenomena</b>	<b>References (obligatory reading material in bold)</b>
1-2	<b>Unit 1-2: Contextualizing international trade</b>		
	Introduction		
	Lecture plan-overview	A roadmap for learning	To be posted in Moodle (intranet)
	Guidelines for the learning process	Mutual expectations	
	An introduction to international trade and international business	Be curious - study actively	<b>Cateora, Gilly &amp; Graham (2009), Chapter 1</b>
	An international mindset - a mindset for learning		
	International trade - defined as buying and selling products and services (including knowledge transfers)	A holistic approach	Fletcher (2001)
	Complexities of international trade		Illustration: Import/Export trade-flows
	<b>Quiz:</b> What are the most important international products/services in your country? And why?		Fill out the "Getting to know you survey"
3	<b>Unit 3: Basic economic theory and international trade</b>		
	Discussion of last Quiz		
	Comment on survey-results		
	Supply & Demand	Basic economic concepts	
	Trade theories	Absolute & comparative advantage	Consult any textbook on international trade/international business, for example: Hill (2009), Chapter 5
		Factor endowments	<b>Albaum &amp; Duerr (2008), Chapter 2</b>
		New trade theory	Adam Smith (1723); David Ricardo (1772)
		First mover benefits	Heckscher-Ohlin model/Porter's Diamond
	Managerial implications		

	<b>Quiz:</b> Does the US current account deficit matter?		<a href="http://www.imf.org/external/pubs/ft/fandd/2006/12/basics.htm">http://www.imf.org/external/pubs/ft/fandd/2006/12/basics.htm</a>
			Hill (2009), Chapter 5, p. 200-203
4	<b>Unit 4: Managerial capability as a competitive advantage</b>		
	Discussion of last Quiz		
	May management capability and entrepreneurship be seen as example of factor endowment?	"The Five Minds of a Manager"	Gosling and Mintzberg (HBR, 2003)
	International expansion - The importance of having the rightminded person in charge?	The Global Mindset	<b>Cateora, Gilly &amp; Graham (2009), Chapter 17, p. 517-524</b>
	Strategic Human Resource Management	Cost of H&R errors	Hill (2009), Chapter 18
	<b>Quiz:</b> How would you go about evaluating a candidate's suitability for an international business position at the home office? What about if the position was abroad?		
5	<b>Unit 5: Internationalization models</b>	Models versus reality	
	Discussion of last Quiz		
	Psychic distance	Relevance of concept?	Stöttinger & Schlegelmilch (2000); Evans, Treadgold & Mavondo (2000)
	Internationalization models (descriptive theory)		Perspectives on Firm Internationalization (Kyvik, 2006)
	U-model (stages) => networking		Johannesen & Vahlne (2003)
	Innovation		Simmonds & Smith (1968)
	Entrepreneurship		McDougall & Oviatt (2000)
	Born globals		Moen & Servais (2002)
	Complexities, challenges & opportunities	Perception of complexity, resources, capabilities & risks	Interdisciplinary collaboration, imagination and innovation: "Importance of thinking outside of the box" (Chell, 2008, p. 173)
	<b>Quiz:</b> What is your reaction to the "model-thinking" - can international business be "modeled"? And if so, how and why?		
6	<b>Unit 6: The international contexts (trade-related organizations)</b>		<b>Cateora, Gilly &amp; Graham (2009), Chapter 2, p. 41-45</b>
	Discussion of last Quiz		
	Easing trade restrictions		<b>Albaum &amp; Duerr (2008), Chapter 3</b>
	GATT	Free trade	<b>Cateora, Gilly &amp; Graham (2009), Chapter 10</b>
	WTO		<b>Cateora, Gilly &amp; Graham (2009), Chapter 6, p. 162-163, Branch (2006), Chapter 1</b>

	IMF/World Bank		Follow link below for on-line video-debate):
	WTO - is WTO out of touch with business?	International finance	<a href="http://www.wto.org/english/forums_e/debates_e/debate16_e.htm">http://www.wto.org/english/forums_e/debates_e/debate16_e.htm</a>
	Anti-globalization movement	Free trade questioned	<b>Cateora, Gilly &amp; Graham (2009), Chapter 2, p. 47-48 &amp; Chapter 6, p. 172-174</b> - see also "Naomi Klein and the Anti-Globalization Movement" (Segerstrom, 2008 - pdf)
	<b>Quiz:</b> Globalization and internationalization - is it the same thing? - Discuss the two concepts.		
7-8	<b>Unit 7: Going International</b>		
	Discussion of last Quiz		
	The Importance of a Global Mindset	Mindset => behavior	Nummela, Saarenketo & Pumalainen (2004); Gupta & Govindajaran (2002) - illustrate graphically
	Reasons for internationalization (going abroad)	Motivations for internationalization	<b>Albaum &amp; Duerr (2008), Chapter 2, p. 74-88</b>
	Are we ready? The export diagnosis	SWOT-methodology for strategic analysis	The resource-based perspective on internationalization, Peng (2001)
	Holistic perspective on internationalization (as much about innovation & learning as exporting)		Paralysis by analysis (international entrepreneurship - do you have what it takes to make a decision and stay committed?)
	Managerial consequences (capabilities and resources)	Comment on 5Ps of the "marketing-mix"	<b>Cateora, Gilly &amp; Graham, Chapter 11</b>
	Cost-benefit approach (from plan to implementation) - a resource/capability-perspective	Variables, complexity and risk	Some perspectives from practice
		Small firm/big firm - piggybacking/value-chain membership	
	<b>Quiz:</b> Review and criticize the Canadian export diagnostic-program (see link)		<a href="http://exportdiagnostic.ca/index.cfm?lang=e">http://exportdiagnostic.ca/index.cfm?lang=e</a>
9-10	<b>Unit 8: Transportation modes - Managerial Insights from International Shipping (example of applied theory and analysis)</b>		
	Discussion of last Quiz		
	Setting the scene (the case of international shipping)		Stopford's shipping insights (2000) - pdf (note that history repeats itself)

	Market fluctuations (supply & demand)		
	Perceptions - boon or bust by market timing?	Analysis, intuition and gut-feel	
	Modeling for decision-making (only numbers matter?)	Decision-making in complexity	See unpublished research note on "Trust in Numbers" (Kyvik, 2005)
	Practical decision-making procedures	Heuristics: Strength & weaknesses	
	<b>Simulation:</b> The Banker and the Shipowner's Daughter	Negotiation-strategy	<b>Cateora, Gilly &amp; Graham, Chapter 19, p. 567- 581</b>
	<b>Quiz:</b> Barcelona is famous for creativity and design - imagine you have invented a new software able to predict the shipping markets. How would you introduce your product/service on the international market?		
11	<b>Unit 9: Internationalization in a holistic perspective</b>		
	Discussion of last Quiz		
	Outward & inward processes	Holistic perspective	<b>Albaum &amp; Duerr (2008), Chapter 1, p. 19-21;</b> Fletcher (2001); Welch & Luostarinen (1993)
	Glocal (Global + Local)	Learning effects - innovation	Kanter (1995); Gosling & Mintzberg (2003)
	Networking & value-chain interactions	Product/service integration & open innovation	Shelton (2009)
	<b>Quiz:</b> How do you see possible positive effects between internationalization (export/import of products or services) and firm-based innovation?		
12-13	<b>Unit 10: Exports: Initial Stage of Internationalization</b>		
	Discussion of last Quiz		
	Preparation: Get to know your market!	Marketing-mix	<b>Albaum &amp; Duerr (2008), Chapters 5-7</b>
	Market research methodologies		See Cateora, Gilly & Graham's Country Notebook, p.583 (included in course-material)
	Entry mode considerations	Resources and capabilities	
	Selling through agents	Distribution channels	<b>Cateora, Gilly &amp; Graham (2009), Chapter 14;</b> Welch (1992), Bortoluzzi & Balboni (2009)
	Piggyback sales	Network-collaboration & value-chain integration	
	Export Consortia	Strategic alliances	<b>Cateora, Gilly &amp; Graham (2009), Chapter 11</b>

	<b>Quiz:</b> What are some of the differences between a large company and a small firm (10-100 employees) when contemplating internationalization?		
14	<b>Unit 11: IT, the internet and globalization</b>		
	Discussion of last Quiz		
	Information technology & economics		Torre & Moxon (2001) - pdf. File
	Born or re-born global companies	Mindset matters	Bell et al. (2003)
	The world is flat or only flatter?	Impact of IT (Friedman, 2005) - see MIT-video	<a href="http://mitworld.mit.edu/video/519">http://mitworld.mit.edu/video/519</a>
		"Death of distance"?	
	IT, internet & economic development		<b>Cateora, Gilly &amp; Graham (2009), Chapter 9, p. 251-252</b>
	The internet & marketing	New channels, new markets & new customers? - Social media	<b>Cateora, Gilly &amp; Graham (2009), Chapter 14, p. 419</b> , see link below:
			<a href="http://www.chrisbrogan.com/50-ways-marketers-can-use-social-media-to-improve-their-marketing/">http://www.chrisbrogan.com/50-ways-marketers-can-use-social-media-to-improve-their-marketing/</a>
		Social media revolution - consider this!	<a href="http://www.youtube.com/watch?v=sIFYPQjYhv8">http://www.youtube.com/watch?v=sIFYPQjYhv8</a>
	<b>Quiz:</b> When the benefits of IT on economic growth seem to be well documented, however, how do you see IT and digitalization further narrowing the gap between developed and developing countries?		
15	<b>Unit 12: Exporting through Distributors</b>		
	Discussion of last Quiz		
	Exporting through distributors	Strategic context	<b>In Cateora, Gilly &amp; Graham (2009) - review Figure 14.4, p. 408 &amp; Figure 11.2, p. 319</b>
	Recruitment and contract	Trust, formalization of collaboration	<b>Cateora, Gilly &amp; Graham (2009), Chapter 14</b>
	Exclusive and non-exclusive agreements	Legal formalizations & trust	<b>Cateora, Gilly &amp; Graham (2009), p. 417</b>
	How to develop a marketing plan with a distributor		
	Key issues to succeed		
	Beyond a supplier-customer relationship	Open innovation revisited	Shelton (2009) & Chesebrough (2003)
	<b>Quizz:</b> Compare the strategy of INDITEX (Sara) and H&M - outline some differences		Locate data and information, interpret what you find, decide relevance and be prepared to present your findings (arbitrarily selected groups)

16-18	<b>Unit 13: Entering other markets in collaboration with other companies</b>		
	Discussion of last Quiz	Presentations of findings	
	Conceptual definitions		
	Collaboration capability		
	Collaborative market entry strategies	Strategy - cognitive evaluation	<b>Cateora, Gilly &amp; Graham (2009), Chapter 11 and Chapter 15</b>
	Licensing	Knowledge-types and temporary monopolies	
	Franchising	"Full package" - cost/benefit	
	Strategic alliances		<b>Albaum &amp; Duerr (2008), Chapter 8</b>
	The Joint Venture	Legal formalizations & control	
	<b>Casestudy (1):</b> Silvio Napoli at Schindler India (A)		Case-analysis due: (date to be advised)
	<b>Quiz:</b> What is the different roles of leadership and management in internationalization?		Differences between leadership & management
19-20	<b>Unit 14: Investing abroad (Foreign Direct Investments)</b>		<b>Cateora, Gilly &amp; Graham (2009), Chapter 10, p. 292 &amp; Chapter 11, p. 328</b>
	Discussion of last Quiz		
	The sales subsidiary: transfer prices, legal status	Fiscal legislation: tranfer-pricing to minimize overall taxes	<b>Cateora, Gilly &amp; Graham (2009), Chapter 18, p. 549</b>
	Manufacturing (and selling) in the country of destination	Costs versus benefits: note commitment, complexity & risks	Get help from international and local fiscal/legal experts
	Project evaluation & feasibility study	Discounted cash-flow	How good is our ability to predict the future (remember prior "only numbers matter?" discussion)
	Acquisition of a company - a going concern (an evaluation)	Evaluation procedure & complexity	The last stage (how to get a sound market value?) - what about hidden costs related to a "merger"?
	<b>Quiz lecture 19:</b> How would you take the final decision on establishing operation overseas and who would you involve in the decision-making process?		

	<b>Quiz lecture 20:</b> Considering our discussions so far, in your opinion, what is the motivations for investing directly in a foreign country rather than following the other entry-strategies?		
21	<b>Unit 15: Review of Casestudy (1)</b>		
	Group presentation and discussion in plenum		
	<b>Quiz:</b> Which managerial issues, are in your opinion most important when deciding entrance mode in a foreign market?		<b>Note:</b> There are many possible responses to this Quiz
	<b>Casestudy (2):</b> Koc Holding - Arcelik White Goods		Case-analysis due: (date to be advised)
22	<b>Unit 16: Countertrade</b>		
	Discussion of last Quiz		
	Introduction to Countertrade		<b>Cateora, Gilly &amp; Graham (2009), Chapter 18, p. 545-549</b>
	Commercial countertrade		Emphasize differences between consumer marketing and industrial commerce - products versus services
	Industrial countertrade		
	<b>Quiz:</b> Outline the extent of present-day countertrade. What is the main reasons for countertrade?		
23	<b>Unit 17: Documentation and Legal frameworks</b>		
	Discussion of last Quiz		
	Terms of sale - who's responsible and transfer of ownership		<b>Cateora, Gilly &amp; Graham (2009), Chapter 15</b>
	Export documentation		
	Complexities of international trade		HSH-lecture quote
	Intermodal transportation - one bill of lading		Cost/benefit - for whom?
	<b>Quiz:</b> "Terms of sale" - does the development of IT play a role?		
24	<b>Unit 18: Review of Casestudy (2)</b>		
	Discussion of last Quiz		
	Group presentation and discussion in plenum		
	<b>Casestudy (3):</b> Body Shop International		Case-analysis due: (date to be advised)

25-26	<b>Unit 19: Intercultural management</b>		Cateora, Gilly & Graham (2009), Chapter 5, p. 13-17; Albaum & Duerr (2008), Chapter 3, p. 113-135
	Discussion of last Quiz		
	Avoid conflicts - be sensitive, do your homework	Develop a learning mindset	
27	<b>Unit 20: Ethics and social responsibility</b>		
	Review main issues	Sustainability	Cateora, Gilly & Graham (2009), Chapter 5, p. 145-152
	Is globalization good - an ongoing philosophical debate?	Globalization	<b>Review links below and be prepared to discuss in class:</b>
		Economic growth	<a href="http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html">http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html</a>
			<a href="http://reason.com/archives/2005/10/01/rethinking-the-social-respons">http://reason.com/archives/2005/10/01/rethinking-the-social-respons</a>
	<b>Quiz:</b> "Does the free market corrode moral character?" - What is your personal opinion?		See pdf.file (John Templeton Foundation - 2009)
28	<b>Unit 21: Review of Casestudy (3)</b>		
	Discussion of last Quiz		
	Group presentation and discussion in plenum		
29-30	<b>Unit 22: Final review and outstanding questions</b>		
	Open time for unresolved questions and discussion		Comments on possible research-projects, etc.
	<b>Exam:</b> Open questions from curriculum	Distribute and collect "Teaching Evaluation-Questionnaire"	
	<b>References:</b> In separate document		

*Orientative lecture plan - subject to adjustment*

Lecture #	Lecture topics	Phenomena	References (obligatory reading material in bold)
2	<b>Unit 2: Contextualizing international trade</b>		
	Discussion of last Quiz		
	Comment on survey-results		
	An introduction to international trade and international business	Be curious - study actively	<b>Cateora, Gilly &amp; Graham (2009), Chapter 1</b>
	An international mindset - a mindset for learning		
	International trade - defined as buying and selling products and services (including knowledge transfers)	A holistic approach	Fletcher (2001)
	Complexities of international trade		Illustration: Import/Export trade-flows
	<b>Quiz:</b> What are the most important international products/services in your country? And why?		

## BASIC BIBLIOGRAPHY

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- Cateora, Philip R., Gilly M.C. and Graham, John L. (2009): International Marketing, Mc Graw Hill Irwin, 14th ed.
- Hill, C.W. (2009) International business: Competing in the global marketplace, Irwin McGraw-Hill, 7th Edition

## OTHER REFERENCES

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- Branch, A. (2006) Export Practice and Management, Thomson Learning
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- Welch, L.S. and Luostarinen, R.K. (1993) Inward-Outward Connections in Internationalization, Journal of International Marketing Vol. 1, Number 1, pp. 44-56.

#### **GRADING POLICY:**

- |   |     |
|---|-----|
| • Participation in case discussions:            | 10% |
| • Preparation of cases, articles and exercises: | 15% |
| • Mid term Exam:                                | 25% |
| • Final Exam:                                   | 50% |

Student participation and homework is essential for the development of the course. Students will be requested to prepare an assignment based on a case or an article before its discussion in class. Both mid-term and final exams might include questions about cases discussed in class.

Minimal grade needed to be obtained at the final exam, in order to consider the remaining course grading elements, is 4.0.

In the event of an evaluation in September, the grading policy will be as follows:

- Preparation of a special assignment : 30%
- Final Exam: 70%

The special assignment should be delivered before the Final Exam in September, and minimal grade needed to be obtained at the final exam, in order to consider the remaining course grading elements, will be 4.0.

## Calendar of lectures in International Trade

- 2nd Trimester 2010-2011 -

Lecture	Lecture	Date	Weekday	Week
1	1	11. January 2011	Tuesday	1
1	2	12. January 2011	Wednesday	
1	3	13. January 2011	Thursday	
1	4	18. January 2011	Tuesday	2
1	5	19. January 2011	Wednesday	
1	6	20. January 2011	Thursday	
1	7	25. January 2011	Tuesday	3
1	8	26. January 2011	Wednesday	
1	9	27. January 2011	Thursday	
1	10	01. February 2011	Tuesday	4
1	11	02. February 2011	Wednesday	
1	12	03. February 2011	Thursday	
1	13	08. February 2011	Tuesday	5
1	14	09. February 2011	Wednesday	
1	15	10. February 2011	Thursday	
1	16	15. February 2011	<b>Tuesday - MID-TERM EXAM (date to be confirmed)</b>	6
1	17	16. February 2011	Wednesday	
1	18	17. February 2011	Thursday	
1	19	22. February 2011	Tuesday	7
1	20	23. February 2011	Wednesday	
1	21	24. February 2011	Thursday	
1	22	01. March 2011	Tuesday - REVIEW OF CASE-STUDY 1	8
1	23	02. March 2011	Wednesday	
1	24	03. March 2011	Thursday	
1	25	08. March 2011	Tuesday - REVIEW OF CASE-STUDY 2	9
1	26	09. March 2011	Wednesday - Experiential learning exercise	
1	27	10. March 2011	Thursday	
1	28	15. March 2011	Tuesday - REVIEW OF CASE-STUDY 3	10
1	29	16. March 2011	Wednesday	
1	30	17. March 2011	Thursday	

