COURSE DESCRIPTION

This mini-course (of 2 credits) is designed to introduce managers in both domestic U.S. and global firms to the major international environmental influences on their future decisions, and to basic analytical tools such as foreign expansion alternatives, hedging of foreign exchange risk, and analysis of international alliances.

Over one-sixth of the American economy is now accounted for by the foreign sector. Imports and investment decisions by U.S. and other firms affect jobs and economies far removed from the locus of the decisions. Even simple actions, such as executing import and export orders denominated in foreign currency, require hedging decisions to minimize foreign exchange risk. Managers in overseas environments must make decisions not based on economics alone, but should also incorporate social and political factors into their judgments. All is not based on economic rationality. Cultural factors also influence the success of global business operations.

COURSE MATERIALS

Reading Materials and Requirements

Required Readings: Readings pack you purchase from University Publishing Solutions: http://www.upublishing.com

( NOTE: In each section key readings are marked with a heavy bullet “○”)


GRADING

Test on last day of class. (Note: There is no such thing as a “make-up” test. If you cannot take the test on the announced exam date then please do not take this section of the course. Many alternative sections are available every semester).

READINGS

The reading list has key readings marked by a heavy bullet in each section. Supplementary readings from business and general journals or the text are shown as a dash. These should be treated as second priority. The dates for the reading and case assignments will be announced in class. Students should realize that, in a multi-disciplinary course such as this one, readings will not necessarily replicate the class discussion exactly. Rather, they are meant to amplify it and provide auxiliary material for independent reading. The
The recommended text is for background reading, in order to prepare for class discussion of a topic. While not mandatory, it contains necessary information and is very well-written.

Two cases are included. Odysseus deals with international expansion options into the European market and Fire in a Bangladesh Garment Factory treats questions of corporate social responsibility, global supply chains and price-driven garment competition. Global labor, environmental and other issues relating to multinational firms frequently boil over in street protests in many parts of the world. As managers you should be aware of the positive and negative aspects of globalization.

The focus for your study should be on good class notes of the classroom discussion, the eight to ten key readings in the copied readings pack, case discussions, and textbook (in descending order of importance).

I. Overseas Expansion: Strategies and Options

- Text, pages 10-12; 14-19; 224-228; 490-491; 455-456; 231-232;
- Contractor, “Strategies For International Expansion” (Revised 2013)
- Contractor, “International Entry Strategies – Criteria for Choices”
- Text, pages 604-605; 212; 556 (Antidumping)
- Shaw, “Transfer Students: Companies Must Study Their Options or Risk a Painful Lesson in the Perils of Transfer Pricing,” CFO Magazine, April 1, 2007.
- “Bangkok In Second Tollway Contract Row,” Financial Times, September 6, 1995
- Case: Odysseus, Inc.
- Study Questions for Part I

“Globalization has changed us into a company that searches the world, not just to sell or to source, but to find intellectual capital - the world's best talents and greatest ideas.”

-- Jack Welch (CEO, General Electric)

II. The Economics Basis for International Business

- Contractor, Comparative Advantage Notes
- Contractor, Comparative Advantage Exercise
- Contractor, Purchasing Power Parity
- Contractor, Effects of Overvalued and Undervalued Currencies (revised 2015)
III. Foreign Exchange Rates: Their Impact on International Operations

A. Hedging Foreign Currency Receivables and Payables
- Text pages 297-300.
  - Contractor, Problems in FX (Revised May 2014) Numbers 1,2,3, 4 and related Solutions
  - Contractor, “Underlying Logic and Assumptions for ‘Money Market’ Hedges.”

B. Interest Rates and Foreign Exchange Rates
- Text pages 308-309.

IV. Foreign Exchange Rates and Pricing In International Markets

A. Economic Exposure and Operational Planning
- Text, Pages 314-316 (Economic Exposure).
  - Contractor, Problems in FX (Revised May 2014) Numbers 5,6,7,8 and related Solutions

B. Optimal Pricing as a Function of Exchange Rates
  - Contractor, Problems in FX (Revised April 2011) Numbers 9,10,11 and related Solutions
  - Contractor Problems in FX (Revised April 2011) Number 11 and related Solution

Powder and ball, muskets and bayonets cannot conquer us, but we are to be subdued with British gee-gaws (cheap British imports, then flooding the U.S.). We can deal with an open enemy; but now, like worms, they are eating through the bottom of the vessel, and we go down without seeing our destruction.”
- Letter writer to the New Jersey Gazette, July 1782.


  “Merchants have no country. The mere spot they stand on does not constitute so strong an attachment as that from which they draw their gains.”

  Thomas Jefferson

V. Global Management In A Still-Fragmented World

A. Local vs. Global

- Text pages 27-29; 393-400.
- Case: Fire in a Bangladesh Garment Factory
- Study Questions for Part V

“If you're totally illiterate and living on one dollar a day, the benefits of globalization never come to you.”

Jimmy Carter

V. Dealing With A Still-Fragmented World (Continued...)

B. Cultural And Economic Differences

- Nielsen, "In Bulgaria a Nod Means No," Creative Living, Autumn 1993
- Lancaster “How You Can Learn To Feel At Home In Foreign Based Firm,” Wall Street Journal June 4, 1996
- Text, pages 93-99; 107-112.

“I do not want my house to be walled in on all sides and my windows to be stuffed. I want all the cultures of all lands to be blown about my house as freely as possible. But I refuse to be blown off my feet by any.”  

Mohandas K. Gandhi

ADDITIONAL COMMENTS:

No recording (audio, camera or video) of any class materials is permitted.

Besides the “Study Questions” at several places in the readings package, pay attention to possible test questions I will indicate throughout our class discussions.

The educated manager must be able to critically analyze events in the global economy and in multinational companies. In order to keep the course up to date, a few additional recent news analyses (from sources such as the Wall Street Journal, Economist, or Financial Times) may therefore be distributed in class. Students are encouraged to bring such items to my attention, for possible distribution to the class as a whole. Please send relevant articles to me by e-mail.

PowerPoint slides are no substitute for actually reading an article. By looking at slides you may think you are capturing educational value, or learning from the course. But this is not so. Grappling with the ideas by actually reading the articles provides real value. If an article is included in the readings I may not share the slides.

There is no such thing as a “make-up” test. If you cannot take the test on the announced exam date then please do not take this section of the course. Many alternative sections are available every semester.

Grading is done slowly and carefully. The Rutgers system may not allow posting of grades until the very end of the semester. Do not ask me for your grades. These are only available from the Registrar. Faculty are not encouraged to let students know their grades individually.