IBUS 590-1, -3: International (Business) Environment(al) Analysis  
Instructor: Bruce Heiman, PhD  
Office: Sci 350; Office Hours: Mon 10:30am-1:30pm & 5pm-6pm; also by appointment in Palo Alto or at Stanford.  
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Class Meetings: M 2:10-4:55pm (Sec. 1, in BUS 130); 7:00pm-9:45pm (Sec. 2, BUS 210)

COURSE DESCRIPTION
IBUS 590 is designed to expose students to a variety of issues in the international business environment that impact country policies as well as sector and firm strategies. The class builds students’ capability to create meaningful country-level and international-sector-level analyses under a comparative lens in a systemic manner. We examine many issues relevant for comparative international analysis, for example globalization, ethics, legal issues, innovation trade policies, emerging markets, human resource and international marketing strategies. Students also focus on developing in-depth knowledge of a particular sector in a foreign country. In addition to the class lectures, class meetings will involve student discussions and presentations. As opportunities arise, there may be an occasional outside speaker brought in to add depth to the materials covered in class.

The class rewards cogent critical thinking as demonstrated in required writing, speaking (presenting) and questioning/probing/inquiring tasks. The goal is for students to be able to research and competently analyze international business environments and make good suggestions for a firm’s action based on the analysis. This course follows several ideas developed by Prof. R. Simeon, SFSU, to whom I offer my gratitude.

Required Readings:

(2) Reader (to be made available at Bookstore during the semester).

(3) Financial Times Newspaper, print edition (Subscription via in-class forms)  
Daily Newspaper (the Instructor will pass out deep-discount subscription forms in class, but students may also read this paper in the library without subscribing or online through SFSU Library). Daily reading IS required.

Other Required Reading:
In addition to reading the FT, students are also expected to review leading business publications such as the Wall Street Journal, Business Week, The New York Times and the Economist for current, application-oriented treatments of international business-related topics. This is an important part of the class, as students are expected to develop their own cases and examples for presentation and discussion of readings in class (see below). Additionally, students need to be very up-to-date regarding the present status of any firm, industry or country for which they are responsible in-class or in written submissions. Your performance will be improved with the
regular reading (daily) of just ONE source as noted above—multiple sources are highly encouraged. It is also required to scan the instructor’s web page twice per week minimum for announcements. Information critical to the class will regularly be posted there-Students are responsible for reading and acting on these announcements—which may not be mentioned in class.

**Evaluation Breakdown: Determinants of the Final Grade**
All activities/assignments are graded on a scale of 1-10. The final grade is weighted as follows:

<table>
<thead>
<tr>
<th>Activity/Assignment:</th>
<th>% weight in final grade</th>
<th>% from Peer Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Attendance—indiv.</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>b. Participation—indiv.</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>c. Readings presentations—Group-based -- 2</td>
<td>30% = 2 x 15% each</td>
<td>35%</td>
</tr>
<tr>
<td>d. Final Project Presentation—Group-based</td>
<td>15%</td>
<td>35%</td>
</tr>
<tr>
<td>e. Final Project Paper—Group-based</td>
<td>15%</td>
<td>35%</td>
</tr>
<tr>
<td>f. Critical Notes</td>
<td>20% = 2 x 10% each</td>
<td></td>
</tr>
<tr>
<td>g. Quizzes – top 2 of 3 short tests 0</td>
<td>10% = 2 x 5% each</td>
<td></td>
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</tbody>
</table>
| **Total**                                                | **100%**                | **Note:** 21% of the final grade that is based on group work (items c, d, and e, above) is determined by your fellow group members (21% = 35% of the 60% that is the sum of items c., d., and e.). Again: peer-grades count for 21% of the final grade of each student. The instructor determines the remaining 65% of the group work grades (39% of the final grade). Also, excessive absences (more than 1) will lead to a reduction in the course grade.

**Grading Breakdown:**

**a. 5%: Attendance of individuals.** Attendance is taken at the end of each class by each student turning in an index card with name, signature, and an original, unanswered question from the class presentation written on it. Cards are passed out ONLY at the start of class (first 5 minutes) to encourage on-time attendance, and cards are collected ONLY at the end of class—students must turn in their own card each class. The grade is pro-rated from a 10 based on the fraction of all classes attended.

**b. 5% Individual Participation.** Individual participation during others’ discussion leadership (when you are in the audience). Ask questions, challenge the presenters if you disagree, offer critical reflections. In every class, oral participation is monitored directly by the instructor and through a sign-up list at the end of class.

**c. 30%: In-class reading presentations.** Group-based (2 @15% each). Your group will present one Part 1 and one Part 2 presentation during the semester. These will be discussed extensively in class. Here are the basics (next page):
Part 1 is comprised of three tasks:
- reading summary (4-6 minutes)
- critique of the reading (something(s) your group disagrees with and why—justify your thoughts with outside evidence or arguments)
- Case that illustrates one aspect of the reading (may be an example or a counter-example). The case is a story from the real world, not a hypothetical firm or country. Students may use a case from the book, but will get a higher grade for using outside material. Students are strongly encouraged to use an outside case, i.e., not book-based.

Part 2 has 2 tasks:
- Outside Original Group-Researched Case (not from the book) illustrating one important aspect of the reading
- An exercise or activity that creates an ‘experience’ for students based on one of the ideas in the reading.

All topics noted above must be covered in each Part 1 or Part 2 presentation. Use or COUNTEREXAMPLES—arguing against the reading—for Part 1 and Part 2, it is allowed (and rewarded) to provide cases that contradict the reading convincingly, instead of supporting the reading (which is also fine).

Regarding when it is your group’s turn to lead the class discussion, you will be graded on the quality of your work (content, presentation), but you will also be graded on how well you stimulate relevant, insightful discussion among other students. This is an important part of the experience in the class—can you lead the other students to participate heavily and remain interested, engaged, and on-topic? See also * under the table above for how peer-evaluations of group-based assignments affect this element of evaluation.

d., and e., 30%: Final Project (Group-based). Presentation (15%) and Paper (15%).
The Final Project consists of a detailed case (a real story, that your group researches in an original manner) that identifies an international business opportunity and reports on the potential for exploiting this opportunity by looking at and analyzing the international business environment. At its minimum a final project contains at least one country analysis and one sector (for that country) analysis. You must use and cite (in-text and in references at the end) TWO readings from the textbook in your analysis.

Choose a firm, and analyze the international business environment for that firm (country analysis, sector analysis) using techniques discussed in class, and/or in one or more of the readings discussed in class or from the book (but not discussed in class) or from outside sources discussed with and approved by the instructor. Your analysis should be detailed and illustrate how a specific opportunity, problem or issue is addressed by analyzing the international business environment and making the appropriate recommendations. Your group may choose, for example, to research the potential for Brazilian firms to export shrimp to the U.S., or to examine the potential for Krispy Kreme in the UK, or to analyze India’s attractiveness to foreign electric-power contractors, or to examine the dramatic decrease in market share of domestic automobile manufacturers in the US. In all cases, a country’s potential is analyzed, then a sector (industry from that country) is analyzed, followed by the crafting of firm-level recommendations that are sensitive to the findings of your international environment analysis.

THE BEST WAY TO GET A HIGH GRADE ON YOUR PROJECT IS TO GET STARTED WITH YOUR PROJECT NOW (EARLY IN THE SEMESTER)!
Thought on the Project: I have noticed that many of the best projects shy away from “major” firms everyone has heard of—better (sometimes) to research a small/medium-sized firm and analyze their strategy. Data is often easier to get and you can talk to founders and other top executives. Boutique industries (e.g., Tech. startups, energy drinks, haut couture, antiques, framing shops, restaurants, small hotels, etc.) are often more interesting to your fellow students. That said, the choice of firm remains up to your group. Remember, access to data is an issue, which sometimes is more challenging for smaller firms (but not always).

Written paper (15%): Due last class meeting, start of class. Length: maximum 12 pages double-spaced text (~3500 words). Avoid penalties: Do NOT exceed the length requirements (either number of pages OR number of words). See also * above for how peer-evaluations of group-based assignments affect this element of evaluation.

Presentation (15%): Presentations will take place on the last day of class, and are to be no longer than 10 minutes, plus 5 minutes for student and instructor questions and critical reflections.

f. 20%: Critical notes (Individual) (2 x 10%) pertaining to specific readings in the textbook (and occasional other materials as mentioned in class). Critical notes examine how well the student thinks critically about the material before it has been discussed in class. Due: at start of any class, but it is not allowed to turn in a critical note AFTER a given reading has been discussed in class. No exceptions. This suggests a payoff to reading ahead and attacking the critical notes aggressively. Length--1 page MAX. double-spaced, Times Roman font, 12 point font minimum, 1 inch margins all around the page. Yes, that is a very short length-penalties (typically – 1pt.) apply for breaking ANY of these rules. This part of the class is an exercise in writing concisely to enable managers to quickly read and understand your thoughts. Do not submit a second page—it will not be read. Only the first page will be graded. No title pages, please. Individual efforts only for these submissions (do not work together). If you do not turn in the required 2 critical notes, any unsubmitted notes will be graded 0. You may turn in up to 3 critical notes, and only the two highest will be counted towards your grade. See the website for advice in the form of many hints and tricks regarding how to write a good critical note.

AT LEAST ONE CRITICAL NOTE IS REQUIRED TO BE SUBMITTED AT THE START OF EITHER CLASS MEETING 2 or 3—YOU MAY BE DROPPED FROM THE CLASS FOR FAILING TO MEET THIS REQUIREMENT. This is so I can get some idea as to the level of the class’ writing and critical thinking skills. After that, it is up to individual students to decide for which readings they wish to write critical notes, and to manage their workloads.

As noted above, if you are unhappy with your grades for your critical notes (after you have turned in two notes), you may optionally submit up to one extra critical note, and the lowest grade of three will be thrown out and your grade will only reflect your two highest-graded critical notes. All critical notes turned in under this condition must also meet the other requirements for critical notes stated above (notably, timing). That is, it is very possible to run out of time for submitting four critical notes, since the student is allowed to select the readings for which he/she submits notes—manage your time accordingly.

g. 10%: 3 quizzes on the readings, in class (Individual)—“Pop” quizzes—dates not announced! Be prepared!
NOTE: These quizzes are more “objective” answer than the other evaluation elements, in order to make certain that you are doing the reading. Quizzes may be T/F, multi-choice, and/or short
essay/short answer format. NO WARNING IS GIVEN AHEAD OF QUIZZES. ONLY YOUR TWO HIGHEST QUIZZES WILL COUNT at 5% of your final grade each). This element of the class is designed to create an incentive for doing the readings in a timely manner. IMPORTANT: Quizzes may cover ANY reading up to and including the reading for class the day of the quiz—you are responsible for ALL readings assigned up to and including the readings for the day of the quiz.

**Some important details:**
The book breaks down as follows into 7 parts, lettered A-G:

A. Introduction (Ch. 1)
B. Global Economic Environment (Ch. 2)
C. Cultural Environment (Ch. 3)
D. Political-Legal environment (Ch. 4)
E. IT and Global Business (Ch. 5)
F. Planning, Organization and Control in the Global Enterprise (Ch. 6)
G. Ethics and Int’l Business (Ch. 7)

We add the following elements not covered by the book using a short reader, class-handouts, and student-led research results:

H. Getting a Job in International Business (student-researched)
I. Marketing in a Globalized World
J. Innovation, Design and the Future—An International perspective

For the group in-class presentations of readings, each group presents one Part 1 and one Part 2 (different readings, but may be the same class session, though this is not recommended).

Each group will be assigned (in the first class) their topics for presentation. For example, Group 5 might be assigned Topics J (Part 1) and C (Part 2) for their presentations. Groups that present more than twice will receive extra credit.

I have made strong efforts to use up-to-date materials. If, for an in-class group-based presentation of one of the readings, your group decides that the reading is outdated (it is possible) then tell us why it is outdated, and update us on the current situation and the relevance of the reading to the present situation. Be critical.
Policy on re-grading material.
Any material may be submitted for re-grade (except presentations). The conditions of the re-grade are as follows:

0. Before you submit something for re-grading, you should be aware, that once you submit it for a re-grade, the original grade may go UP OR DOWN. Your original grade is not “safe.”

1. Submit original work with instructor comments on it (if any). Also submit attached to the original work, a 1-page, typed, explanation of why the grade should be changed. No emails, faxes, orals, etc.

2. Instructor will review materials submitted in this format. No material will be reviewed unless it conforms to this format for review.

3. Instructor will notify you of the results of the re-grade.

Still More Important Stuff You Need to Know:
The relevant SFSU and College of Business Policies regarding adding and dropping courses are hereby incorporated into this document by reference. Become familiar with these policies to avoid getting a “W” or even an “F” grade.

Students are strongly encouraged to adhere to the deadlines made publicly available regarding add/drop and other relevant administrative deadlines. This information is readily available in the Student Services Center, BUS 137, Main Campus.

Pay attention to the deadlines for adding and dropping and act accordingly.

Students with disabilities who need reasonable accommodations are encouraged to contact the instructor. The Disability Programs and Resource Center is available to facilitate the reasonable accommodations process.
# Schedule

<table>
<thead>
<tr>
<th>Date (session number)</th>
<th>Reading</th>
<th>Activities</th>
<th>Comment</th>
<th>Part 1</th>
<th>Part 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>28 Aug. (1) (no class 4 Sep.)</td>
<td>None</td>
<td>Introduction to the class, PBL lecture, Group formation, questions</td>
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<tr>
<td>11 Sep. (2)</td>
<td></td>
<td>2 Groups present Reading A, Ch. 1 (Part 1, Part 2)</td>
<td>Extra credit: +1 for grade if you present this day!</td>
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<tr>
<td>18 Sep. (3)</td>
<td></td>
<td>2 Groups present Reading B, Ch. 2 (Part 1, Part 2)</td>
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<tr>
<td>25 Sep. (4)</td>
<td></td>
<td>2 Groups present Reading C, Ch. 3 (Part 1, Part 2)</td>
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<tr>
<td>2 Oct. (5)</td>
<td></td>
<td>2 Groups present Reading D, Ch. 4 (Part 1, Part 2)</td>
<td>Meeting 8 reading materials distributed to class by Group.</td>
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<tr>
<td>9 Oct. (6)</td>
<td></td>
<td>2 Groups present Reading E, Ch. 5 (Part 1, Part 2)</td>
<td>Final Project update I—2 min., 1 person, 1 transparency;</td>
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<tr>
<td>16 Oct. (7)</td>
<td></td>
<td>2 Groups present Reading F, Ch. 6 (Part 1, Part 2)</td>
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<tr>
<td>30 Oct. (9)</td>
<td></td>
<td>2 Groups present Reading I, Marketing (in Reader) Part 1, Part 2</td>
<td>Project update II: Tell us what progress you have made.</td>
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<tr>
<td>6 Nov. (10) Ethics Week at COB! Do something ethical!</td>
<td>2 Groups present Reading G, Ch. 7 (Part 1, Part 2)</td>
<td>Required: use outside material approved by Instructor.</td>
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<tr>
<td>13 Nov. (11) (no class 20 Nov.)</td>
<td>2 Groups present Reading J, Innov., Design, the Future, Reader/handouts (Part 1, Part 2)</td>
<td>Required: use outside material approved by Instructor.</td>
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<tr>
<td>27 Nov. (12) None</td>
<td>Workshop-final project—come prepared to work on your project in-class with your group. Instructor-mentoring/advising.</td>
<td>Possible guest speaker</td>
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<tr>
<td>4 Dec. (13) None</td>
<td>Final Project Presentations I</td>
<td>Group Papers and peer evaluations accepted for submission</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 Dec. (14) None</td>
<td>Final Project Presentations II</td>
<td>Peer evaluations and Group Papers due (hard copy only, at start of class).</td>
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</tbody>
</table>
These outlines may help you with your final project. They are **OPTIONAL** (pick and choose what works for you and leave the rest).

**Country Analysis: Example Structure** (optional—this means you may use what works best for your project and ignore the rest—you must **exercise your good judgment** here).

**General Background of Country**
- Brief description of the Country: location, politics, people
- Main demographic (population) characteristics
- Main Social Practices (customs, attitudes)
- Main government activities to stimulate domestic & international business
- Main regulations impacting general business activities. (Business in General)

**Domestic Environment & Sector Competitiveness**
- Brief description of the **sector chosen**
- Any recent major government policy impacting the sector’s outlook
- General regulation and/or deregulation activities
- Major national/local developments or projects impacting sector growth
- Competitiveness of the sector (between domestic) & int’l firms
- Importance of the sector to the economy (employment etc.)

**Composition of the Sector (More Internal)**
- General size of the sector (number of firms)
- Age & patterns of ownership; Main alliances, M&A activities.
- Main leaders, followers, & challengers
- Main management style & HRM factors of firms in the sector

**Your firm and how it relates to the situation in the chosen country**
- Describe your firm, and the implications your analysis has for it. Make some tentative suggestions.

The above analysis also focuses on the sector somewhat, but in a rather shallow manner. The next structure (bits of which could be used in your paper) offers more depth for a sector analysis:
**Sector Analysis: Example Structure** (optional—this again means you may use what works best for your project and ignore the rest—you must exercise good judgment here).

**International Exposure of the Sector**
- A brief description of the sector chosen (1 page version).
- Non-domestic markets served
- Importance of trade (exports/imports)
- Foreign Direct Investment (FDI) activity- Outward: Any impact
- Foreign Direct Investments- Inward (Foreigners): Any impact

**Strategic Analysis of the Sector**
- SWOT analysis of the sector: strengths, weakness, opportunities, & threats.
- Five Competitive Force Analysis (Michael Porter)… see below.
  - [1. The threat of new entrants 2. The bargaining power of suppliers, 3. The bargaining power of customers, 4. The threat of substitute products and services, and 5. The intensity of rivalry between competitors.]
- Which forces rate “high” and require strategic responses?
- A brief discussion of the strategies of the most innovative firm(s) in the sector

**Conclusion: Overall outlook for the sector and recommendations**
- Main factors affecting change in the sector (future directions)
- Potential domestic & international performance
- Recommendation for your firm given the directions indicated by the analysis.

**Grading of Projects:**
A variety of references, tables & graphs, properly presented (in both presentations and written submissions) will improve the chances for a good grade. Factors affecting Paper Grade (in no particular order):
- 1. Citations
- 2. Bibliography
- 3. Structure
- 4. Content,
- 5. Presentation
- 6. Analysis

Also Regarding the Final Project: I look for three things when grading for content. **These are the main grading criteria:**
- 1. CONNECTIONS. Do your suggestions for action (recommendations) connect clearly (i.e., flow) from the two textbook readings you are using in your paper?

- 2. TRANSITIONS. Do you have a coherent (short is fine) transition between the perspectives in the readings? Why does one reading fail to do the whole job? You need a reason to bring in the second reading—this is the transition.

- 3. IMPLEMENTATION. Is there some part of the paper (frequently at the end) that discusses issues around implementing your recommendations? Do you show an awareness of the fact that executing your suggestions in the real world is different than just writing down your suggestions? How would your group suggest dealing with this issue (be specific to your firm’s story).
IBUS 590-section 1: International Environmental Analysis

Michael Porter's Five Forces Model

Two works that influenced the development of Business Strategy Theory were published in *Competitive Strategy* (1980) and *Competitive Advantage* (1985) by Michael Porter.

In 1980, Michael Porter described a concept that has become known as the "five forces model". This concept involves a relationship between competitors within an industry, potential competitors, suppliers, buyers and alternative solutions to the problem being addressed.

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**Entry Barriers**
- Economies of scale, product differences, brand identity, switching costs, capital requirements, access to distribution, cost advantages, government policy, expected retaliation

**Supplier Power**
- Differentiation of inputs, switching costs, substitute inputs, supplier concentration, importance of volume, impact of inputs on cost or differentiation, level of supplier integration by main firms.

**Substitution Threat**
- Relative price performance of substitutes, switching costs, buyer's tendency to substitute

**Buyer Power**
- Buyer concentration, buyer volume, buyer switching costs, buyer information, ability to backward integrate, substitute products, price sensitivity, product differences, brand identity, impact of quality, buyer profits

**Rivalry**
- Industry growth, trend of overcapacity, product differences, brand identity, switching costs, concentration, diversity of competitors, exit barriers

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For more info, get the 1980 book (see above) by Porter, from the Library.