STRATEGIC DECISION MAKING IN INTERNATIONAL BUSINESS: NATIONAL CULTURE PERSPECTIVES

Course Coordinator:
Prof. Ramya Tarakad Venkateswaran

Permanent faculty member who will be teaching the course: Prof. Ramya Tarakad Venkateswaran

Guest faculty member who will be teaching the course: One or two guest lecture sessions by an industry member with background in strategic decision making in cross-cultural business contexts.

Course objectives:

While making strategic decisions in a cross-border context, firms need to make sense of the institutional environment of the target country, apart from the industry and firm context. The institutional environment consists of ‘formal’, i.e. visible and tangible elements such as country regulations; as well as ‘informal’, i.e. subtler and intangible but nevertheless significantly impactful elements. This informal institutional environment, consists of the norms, mores, religion and culture of the nation, and these elements are often known to introduce a great deal of uncertainty into the international business environment. Firms also need to be aware about the influences of their own home country informal institutional environment on its own strategic decisions and actions.

One critical aspect of the informal institutional environment that influences cross border strategic business decisions is national culture. Differences and similarities in the culture patterns of countries have deep historical roots and societal mechanisms along with shared national institutions such as common language, political, legal, education and administrative systems permit the maintenance of stability in these culture patterns across several generations. The ramifications of national culture in cross cultural strategic decision making (SDM) extends from key internationalization decisions such as the globalization decision, the choice of location, to the choice of entry and establishment mode, with significant implications for firm competitiveness and performance. Anecdotal evidence suggests that firms are overwhelmed by the complexity of national culture and often rely only on experience and intuition to deal with their cross-cultural challenges in SDM.

This course helps top management sense-making through articulation and understanding of national culture through the lens of cultural frameworks and perspectives as derived from the literature. Through this course, students can also appreciate the differences and synergies between firms due to national culture through the experience of a real international business project, while also understanding the limitations in applicability of such knowledge.

All students shall be enrolled into the X-culture project (http://www.x-culture.org) that enables a strong experiential angle to the learning of international business topics. X-culture employs global virtual student collaboration over live international business projects that solve the real problems of companies across the globe (Check http://www.x-culture.org/challenges.html for a sample of the projects). Approximately over 6,000 students from nearly 100 universities in 40 countries work in the global virtual teams of X-culture every season, a not-for-profit initiative on international management education that has received the Best Academy of Management, Management Education Symposium Award. In 2015-16, the international projects in X-culture were from 10 companies based in Italy, Lithuania, China, India, USA, Egypt, Somalia, and Sudan. IIMC students participated in webinars with the company’s management that facilitated Q&A on the business issues.
The coursework covers frameworks and case studies in strategic decision making in an international business environment with focus on cross cultural frameworks, and the students are guided to apply these frameworks directly in the X-culture project. Through this experience, students also learnt to collaborate effectively across borders in a closer-to-real business context, with valuable takeaways for their future at any global organization. Most students found it helpful to add this as a live, cross-cultural project to their CVs and also report their CQ score improvements in job interviews.

Course pre-requisites, if any:

All students must take a standard pre-project training on X-culture. All training materials are located at www.x-culture.org/training.html. Students will be required to review the materials and complete the X-Culture Readiness test. Approximately one week before the project start day, each registered participant receives an email with a personalized link to the Readiness Test, to be completed before the start of the project. The test ensures that all participants are sufficiently familiar with how X-Culture works, the task the teams will be working on, deadlines, available communication tools, and other project-related issues. Only students who successfully pass the Readiness Test will be allowed to participate in the project. Most students pass the test, but a few fail and are asked to review the training materials more carefully and retake the test.

Students work in global virtual teams \(^1\) over a 2-month period (Track 2: Oct 1 - Nov 25). During this time, they have to meet weekly deadlines. Since this a globally distributed project involving complex coordination, participation in the project is demanding. Students need to invest at least 4-5 hours per week, and closer to 10 hours per week in the first and last weeks of the project. Before enrolling, you will need to provide a written declaration that you can commit this quantum of time and effort during this period.

This course is intended for an audience that seeks an appreciation of the cultural aspects over and above the business aspects of strategic decision making. Courses such as International Business Management and Global Strategic Management are therefore strongly recommended complementary courses.

Restrictions on course registration and criteria for restriction, if any:

The total number of registrations shall be capped at 45 for administrative reasons. Any registrations outside of the cap may be considered for inclusion at the discretion of the instructor.

Pedagogy:

Lectures; Cases; X-culture project

The class lectures and cases schedules are independent of the X-culture project however the instructor shall regularly communicate with students to provide necessary coaching and guidance, and normally devote at least a few minutes each lecture to discuss student progress, address concerns and answer questions. Students who successfully pass the readiness test are randomly assigned to global virtual teams (typically 7 students, 7 different countries) and receive personal emails on the first day of the project with the names and contacts of their team members. The teams will be presented with an international business challenge and have about two months to develop a solution. There will be weekly deadlines that the teams have to meet. Each team member will receive a personal email with a link to the weekly progress update survey and will have to report if the team has completed that week’s task. At the end of the project, the

---

\(^1\) On exception, a student may opt to complete the project individually rather than as a part of the global virtual team.
teams will present their challenge solutions in a form of team reports. The team reports will be evaluated by at 6-7 independent experts who are part of the global X-culture team of instructors along with this course’s instructor.

Evaluation method (weightages to various components):

X-culture related components:
- X-culture Project Report 30%
- Individual weekly progress 10%

Other components:
- Group Presentations 20%
- Quizzes 15%
- Experience Diary 15%
- Guest lecture attendance 10%

The post-project survey (completed before the deadline, % questions answered, with a check for response non-randomness) must be completed to receive project grade/mark.

Team members need to submit their international business proposals via TurnItIn, an online platform that checks submissions for plagiarism. The students also complete an online post-project survey that includes peer evaluations. Peer evaluations are as evaluated by the other team members in terms of effort, intellectual contribution, help with writing the report, coordinating team efforts, other comments). Each instructor grades/marks reports submitted by teams with his/her students. This way, each report is evaluated separately by 5-7 instructors (depending on the team size). Completion of the post-project survey is the qualifying milestone for grades to be provided.

Session-wise outline

<table>
<thead>
<tr>
<th>Session</th>
<th>Module 1: Introduction to Strategic Decision Making in International Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Topic: Getting started: Introduction to the course and X-culture project</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Description:</strong> This session is devoted to briefing the students on the details of the course outline and logistics and mainly on the X-culture project so as to get onto an early start on the training materials. Students can familiarize themselves with the resources and do’s and don’ts. Best practices at X-culture indicate that this is beneficial, along with early emphasis on the compulsory use of TurnItIn software before making the submissions.</td>
</tr>
</tbody>
</table>
|         | **Readings:**  
|         | 2. [http://www.x-culture.org/training](http://www.x-culture.org/training)  
|         | **Discussion Questions:** |


The session may be spent on clarifications pertaining to the X-culture project and its linkage with this course.

**Additional references:**
https://www.facebook.com/XCultureProject

### 2 Topic: The Institutional Context of International Business

**Description:** This session provides an introduction to the perspective of a strategic decision maker in a firm that is in an internationalization context. The formal and informal institutions in different nations are highlighted through a case, and readings provide the background for the country institutional context.

**Case:**

**Readings:**

**Discussion Questions:**
1. Identify aspects of formal and informal institutional environment in the case. Enlist the elements for Poland and Hungary and give them your score on a scale of 1 to 5 where 1 represents “extremely easy to do business in this environment” and 5 represents “extremely difficult to do business in this environment”.
2. Which kind of institution do you think is more important and why?
3. Is nation a valid and meaningful unit of analysis in international business?
4. Questions 1 and 5 bullets at the end of the case.

**Additional references:**

### 3 Topic: Strategic Decision Making in the International Business Context: Country and Opportunity Analysis

**Description:** This session shall build on the previous session and illustrate the process of international SDM and the specific influence of institutions in the decision. Sample projects from the X-culture project are discussed along with a brief on popular decision frameworks and tools.

**Case:** R.R. Donnelley: Country and Opportunity Analysis in Eastern Europe, HBS (2003) (*contd.*).

**Readings:**
2. Chapter 5: Multinational and Participation Strategies: Content and Formulation, Cullen and Parboteeah.

**Links:**
http://www.gmms04.com
### Discussion Questions:

1. Which of the two countries must Jim Mauck choose and why? Can he choose both?
2. What entry mode choice is optimal for Donnelley in Poland and in Hungary? Why?
3. Compare the decision frameworks in GMMSO4 to the X-culture decision sequence. How does this contrast with the other frameworks discussed in the session or from the textbook chapter? What will you use for your X-culture challenge?

### Additional references:


### Topic: Strategic Decision Making in the International Business Context (contd.): Example: Market Entry Strategy

#### Description:
This session shall be a specific instance of a strategic decision making process. Who are the decision makers and how do they decide? What are the contextual factors that matter?

#### Case:

#### Readings:


#### Discussion Questions:

1. What aspects of the strategic decision making are similar and different in the 3 MNCs?
2. For each company, make your recommendation for the following questions: (a) How to enter? (b) When to enter?
3. Based on the reading by Meyer and Nguyen (2005), now try to recommend where within Vietnam should each of the companies locate themselves? Which city and/or which kind of zone?

#### Additional references:

**Module 2: National Culture in International SDM**

### Topic: Home Country Influences in Strategic Decision Making

**Description:** In this session students shall have assessed their own individual Cultural Intelligence using the tool in Earley and Mozakowski (2004), before they begin the X-culture project. They will also repeat this at the end. This helps them to be aware of their cultural moorings and value preferences. We then examine the mechanisms of home country national culture influences on strategic decision making.

**Case:** Lost in Translation, HBR (2011)

**Readings:**
2. Questionairres to be filled in class, sourced from:
   a. Cultural Intelligence, by Christopher Earley and Elaine Mosakowski, HBS (2005).

**Discussion Questions:**
1. Apart from failure, notions of what other concepts can culture influence, and why?
2. What influences does home country national culture have on organizational culture?

**Additional references:**
1. Gibson, Maznevski and Kirkman book chapter on when does culture matter, with implications for the success or failure of management initiatives in foreign cultures, and
other times when the norms of culture will not be so salient.


<table>
<thead>
<tr>
<th>7</th>
<th>Topic: Introducing National Culture in International Business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description:</strong></td>
<td>This session shall build on the previous session and introduce the informal institution of national culture into strategic decision making into the international business context.</td>
</tr>
<tr>
<td><strong>Case:</strong></td>
<td>Lincoln Electric, HBR (2008)</td>
</tr>
</tbody>
</table>
| **Readings:** | 1. Chapter 2: Culture and Multinational Management, Cullen & Parboteeah.  
| **Discussion Questions:** | 1. What challenges have Lincoln Electric faced in the 1980s expansion? What have they learnt from the experience?  
2. Using what modes have they entered different countries since 1996? How do these modes map to their global competitive advantage in Exhibit 8?  
3. Using what modes have they entered Asia? What have they learnt from the experience?  
4. If you suggest an acquisition, recommend the firm and the EBIDTA multiple for the price. If JV, recommend the degree of ownership, required to maintain the desired degree of control.  
5. What are the aspects of strategy implementation that needs focus in India? Will the performance incentive system work well in India’s institutional environment? How should it be adapted? |

<table>
<thead>
<tr>
<th>8</th>
<th>Topic: Introduction to Hofstede’s cultural dimensions framework</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description:</strong></td>
<td>We understand the assumptions behind the study, the framework, interpretation of each of the five dimensions, and the latest sixth one as well. This is around the time when the X-culture project is about to begin.</td>
</tr>
<tr>
<td><strong>Case:</strong></td>
<td>Lincoln Electric, HBR (2008) (contd.)</td>
</tr>
</tbody>
</table>
| **Reading:** | Chapters 2 from Hofstede, Hofstede & Minkov (2010)  
| **Discussion Questions:** | 1. |
1. Compare Japan, Korea, China and India on the basis of Hofstede’s cultural dimensions (Refer chapter 2).
2. How do they rank in terms of cultural distance from the US?
3. What are your inferences about the transferability of the above learnings?
4. More specifically, what conflicts arose in the JV in China? Which dimension is it reflective of this conflict?
5. How does that dimension compare between China and India? Is a similar conflict likely in India?

**Additional references:**

<table>
<thead>
<tr>
<th>Module 3: National Culture frameworks and metaphors in International Business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>9</strong></td>
</tr>
<tr>
<td>Description: We have a number of in-class exercises to understand Hofstede’s cultural dimensions from an experiential angle. These are taken from Hofstede, Pederson and Hofstede (2002). Teams could be organized mono-culturally in the session, to observe personality, cultural and universal commonalities in answers.</td>
</tr>
<tr>
<td>Reading: Chapters 3, 4, 5, 6, 7, 8 from Hofstede, Hofstede &amp; Minkov (2010)</td>
</tr>
<tr>
<td>Discussion Questions:</td>
</tr>
<tr>
<td>Identify the dominant dimension(s) contrasted in the caselet.</td>
</tr>
<tr>
<td>Additional references:</td>
</tr>
</tbody>
</table>

| 10 | Topic: Application of cross-cultural frameworks in an International Business context |
| Description: Level of analysis issues to be discussed - fallacy of applying societal/country level values to individuals and arriving at conclusions.Limitations of empirical research using Hofstede's framework, Alternative frameworks: Schwartz, GLOBE, World Value Survey, comparison with Hofstede. |
| Case: Wipro Technologies Europe (A) |
| Reading: Chapters 9, 10: Cultures in Organizations, in Hofstede, Hofstede & Minkov (2010). |
| Discussion Questions: |
| 1. What is Sudip Nandy’s problem and how can he achieve his goals? |
2. What are the different roles, geographies and activities involved?
3. What elements of the organization structure and authority are relevant to the case? How are these influenced by the cultural dimensions?
4. What other elements of organization are involved in executing Sudip Nandy’s strategy? Which cultural dimensions can cause conflict and which ones can cause synergy? (Each multicultural team could creatively imagine a scenario of conflict and present the caselet to the class)
5. What possible options (refer Mintzberg’s framework in the text) can Nandy consider for organizational structure between sales and delivery?
6. Apply GLOBE and Schwartz in the context of the case.

Additional references:


<table>
<thead>
<tr>
<th>Module 4: National Culture in International Business Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>11  Cross-cultural marketing: Branding and Pricing: Guest faculty #1</td>
</tr>
<tr>
<td>12  Cross-cultural marketing: Distribution and Promotions: Guest faculty #1</td>
</tr>
<tr>
<td>13  Cross-Cultural Mergers and Acquisitions</td>
</tr>
<tr>
<td><strong>Description:</strong></td>
</tr>
<tr>
<td>Broaches different theoretical and methodical approaches to the study of the cultural complexities involved in international mergers and acquisitions.</td>
</tr>
<tr>
<td><strong>Case:</strong> Speed Race: Benelli and QJ Compete in the International Motorbike Arena, HBS (2010)</td>
</tr>
<tr>
<td><strong>Reading:</strong></td>
</tr>
<tr>
<td><strong>Discussion Questions:</strong></td>
</tr>
<tr>
<td>1. What are the broad set of problems facing Marta Zhang? What is the strategic intent behind the merger?</td>
</tr>
<tr>
<td>2. What are the cross cultural issues that Marta Zhang needs to address?</td>
</tr>
<tr>
<td>3. Create a few imaginary scenarios of the conflict in the specified areas. An exemplar scenario would be like the text snippets we discussed in an earlier session that highlights the key cultural differences.</td>
</tr>
<tr>
<td>4. Compare Italian and Chinese cultures using Hofstede, and if possible also GLOBE. now analyze your imagined scenarios.</td>
</tr>
<tr>
<td>5. What are the cultural differences that may impede success of the M&amp;A?</td>
</tr>
<tr>
<td>6. There are three options for the cultural integration, which one should Marta Zhang choose?</td>
</tr>
<tr>
<td>a. Transplant corporate culture (Chinese) onto Benelli in Italy.</td>
</tr>
<tr>
<td>b. Let local cultures be, and allow Benelli to operate standalone</td>
</tr>
<tr>
<td>c. Plan for complementary cultures with intense and expensive cross-cultural trainings</td>
</tr>
</tbody>
</table>
### 7. What are the implications of the cross cultural differences for firm strategy?

**Additional references:**


### Topic: National culture and its effect on joint ventures and alliances.

**Description:** Through a case, we understand the effects of national culture on the dynamics of JVs.

**Case:** Komatsu and Dresser: Putting Two Plus Two Together, HBS (1998)

**Reading:**

How to Make a Global Joint Venture Work, HBS (1982).

**Discussion Questions:**

1. You are a management consultant hired by KDC at the time of formation of the JV. What would you do differently?
2. Among all issues, do you consider cultural differences to be extremely important/somewhat important/peripherally important to the case? Why?
3. If you were to recommend cross-cultural training, how would you design it - When would you do it and how? (Japanese staff to receive training on US culture or US staff to receive training on Japanese culture, who all should receive the training, and on what aspects of national culture? What about organizational culture?)
4. Assume you are a management consultant brought in at the end of the case. What would you do now?

**Additional references:**


### Module 5: Applying national culture frameworks to Strategic Decision Making in International Business

### Topic: Metaphors for culture in International Business

**Description:** In this session we examine the use of various metaphors such as cultural distance, cultural friction, cultural difference, cultural profiling, cultural positioning and the more recent notion of value centrality.

**Reading:**


**Discussion Questions:**

**Additional references:**

1. Shenkar, O. 2012. Beyond cultural distance: Switching to a friction lens in the study of
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6.</td>
<td>Brouthers and Brouthers 2002</td>
</tr>
<tr>
<td>7.</td>
<td>Foreign entry, Cultural Barriers and Learning</td>
</tr>
</tbody>
</table>

**16**

**Topic:** National culture and the competitive advantage of nations

**Description:** How can national culture contribute towards building the competitive advantage of a nation?

**Case:** Finland and Nokia: Creating the World’s Most Competitive Economy (Solvell & Porter, 2011)

**Reading:**

**Discussion Questions:**
1. Analyze the case wrt the reading.
2. Analyze the reading wrt the case.
3. A high Masculinity score indicates that the society will be driven by competition, achievement and success, with success being defined by the winner/best in field. Finland has a low score on Masculinity. How come they became so successful? (Clue: I want you to interpret this dimension in depth, why Femininity can help you succeed as well. The textbook may be of help).
4. Similarly Finland is high on Indulgence! How do you explain the success of an indulgent society? (I want you to refer the Hofstede textbook and go beyond the stereotype definition of this dimension as well)
5. Additionally, if time permits, look up the reading for the next class on Hofstede's dimensions for Finland and India. Feel free to share your insights.

**Additional references:**

**17**

**Topic:** Guest lecture (Guest faculty #2)

**Description:** Practitioner perspectives from a due diligence team leader of a cross-border acquisition.

**Case:**

**Reading:** Cultural dimensions from Hofstede and GLOBE for Finland and India.

**Discussion Questions:**

**Additional references:**
| 18 | Topic: X-culture progress update by mono-cultural groups  
Description: Each member to present a brief summary of project progress. Group to share their common experiences and relate to culture theory. |
| 19 | Topic: International Expansion Failure and the influence of national culture  
Description: We focus specifically on the entry mode decision as a decision of high impact, high visibility and longer term implications for the firm. The case tries to highlight how the decision is often perceived as a rational one with consideration towards facts and figures. This should also help students think through their X-culture project. We understand how a lack of understanding of the cultural aspects can lead to failure.  
Case: Lincoln Electric's Harsh Lessons from International Expansion  
Reading:  
Discussion Questions:  
Additional references:  
| 20 | Topic: Review and Integration of learnings  
Description: Summary of all modules so far and integration of learnings in the course. The experience sharing sessions may spill over to this session. The students conclude the course by once again assessing their cultural intelligence after the X-culture project and check if they are better off!  
Case:  
Reading:  
Re-administer Earley and Mozakowski survey on Cultural Intelligence; as well as extended CQS questionnaire by Ang et al.  
Discussion Questions:  
Additional references:  
Textbook, course material, reference books, cases:  
Textbook:  
Reference books:
- International Strategy: Context, Concepts and Implications (2014), David Collis
- The Cultural Environment of International Business (1991), Vern Terpstra and Kenneth David

Additional benefits:

Based on the expert evaluations, best teams will be awarded the X-Culture Best Team Awards. Additionally, individual performance records and peer evaluations will be used to select each season’s Best Student Award recipients.

X-Culture Symposium: At the end of each X-Culture season, instructors and students are invited to the X-Culture Symposium (e.g., the most recent X-Culture Symposium hosted by Mercedes-Benz). It provides students a great opportunity to meet in person other X-Culture participants, exchange ideas, expand professional and personal network. Subject to funding availability, members of the best student teams may receive travel stipends to attend the meeting. Best Student Award recipients are eligible for the X-Culture Travel Stipends.

Global Collaboration Certificate: All X-Culture participants who successfully complete the project receive Global Collaboration Experience Certificates. X-Culture certificates have helped students get jobs, promotions and get into International Business graduate programs. When the workplace goes global, a certificate of experience in global collaboration can make a difference. With thousands of X-Culture alumni worldwide, being a part of the “club” is a huge asset. And the X-Culture certificate provides documented international collaboration skills and experience that do matter when you’re on a job hunt.

Source: http://www.x-culture.org/for_students.html