# Global challenges and firm strategies

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## ***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

Territorial/national competitiveness is becoming a crucial driver for firms’ performance in a globalized world. Most of the firm level decisions are for different reasons related to the territorial context where the firm is located. The objective of the course is to identify the most important elements in decisions made by firms in establishing a presence in Europe and internationally. After setting the stage with a discussion of globalization, the course opens with a review of readings about strategies, country risk, innovation measurements and territorial competitiveness and proposes a series of practical tools for analyzing national economies and their potential. The main points of reference are the instruments proposed by European and international organizations and by the principal agencies for rating the business environment of the points of destination for direct foreign investment.

Upon successful completion of the requirements for this course, students will be able to:

1. understand the driving forces of globalization and its consequences;
2. understand the driving forces of innovation;
3. compare differing territorial performance based on competitiveness rankings;
4. define the business environment of a given territory in terms of competitiveness and respond to the demand of firms regarding the evaluation of location strategies;
5. assess the impact of innovation on labour and employment
6. comprehend the relationship between competitiveness, terms of trade and exchange rates;
7. identify the elements that cause an increase in country risk, including from an empirical profile
8. define the innovation strategies for companies and banks.

***COURSE CONTENT***

1. (4 hours of lecturing): Stylized Facts about Globalization
2. (8 hours of lecturing): Driving Forces of Innovation
3. (6 hours of lecturing): Competitiveness Indicators and Doing Business
4. (6 hours of lecturing): Competitiveness and the Krugman critique
5. (6 hours of lecturing): When things go wrong: Assessing Country Risk
6. (8 hours of student presentations/exercises/case study): 2 hours per topic
7. (8 hours of lecturing): Assess the impact of innovation on labour and employment
8. (8 hours of lecturing): Innovation Strategies for companies and banks
9. (3 lessons x 2 hours): Testimonials from industry experts

***READING LIST***

1. **Stylized Facts about Globalization**

* Dani Rodik, Symposium on Globalization in Perspective, Journal of Economic Perspectives, Vol 12(4), 1998. <https://www.aeaweb.org/articles?id=10.1257/jep.12.4.3>
* Robert C. Feenstra, Integration of Trade and Disintegration of Production in the Global Economy, Journal of Economic Perspectives, Vol 12(4), 1998. <https://www.aeaweb.org/articles?id=10.1257/jep.12.4.31>
* J. Richard Huber, Effect on Prices of Japan's Entry into World Commerce after 1858, Journal of Political Economy, Vol 79(3), May/June 1971. <https://www.journals.uchicago.edu/doi/abs/10.1086/259771>

1. **Driving Forces of Innovation**

Innovation score European union, Innovation indicators for regions and sectors (Startup Genome)

1. **Competitiveness Indicators and Doing Business**

* The Global Competitiveness Report, World Economic Forum, last year available. <https://www.weforum.org/reports/how-to-end-a-decade-of-lost-productivity-growth/>
* Rapporto sulla competitività dei Settori Produttivi, ISTAT, last year available. <https://www.istat.it/it/competitivita> (only in Italian)
* J. Stiglitz-A. Sen-J.P. Fitoussi, Report by the Commission on the Measurement of Economic Performance and Social Progress, 2009.
* S. Lall, Competitiveness indices and developing countries, an economic evaluation of Global Competitiveness Report, World Development, Vol. 29, N.9, pp. 1501-1525, 2001.

1. **Competitiveness and the Krugman critique**

* Robert Feenstra and Alan M. Taylor (2017), International Macroeconomics, 4th edition, Macmillan, Chapters 2, 3, and 4.
* Paul Krugman, Competitiveness: A Dangerous Obsession, Foreign Affairs, Vol 73(2), March/April 1994. <https://www.jstor.org/stable/20045917?seq=1>
* Desai, Mihir and Mark Veblen (2006), Foreign Exchange Hedging Strategies at General Motors: Competitive Exposures, Harvard Business School Case 9-205-096. <https://www.hbs.edu/faculty/Pages/item.aspx?num=32133>

1. **When things go wrong: Assessing Country Risk**

* Robert Feenstra and Alan M. Taylor (2017), International Macroeconomics, 4th edition, Macmillan, Chapter 9.
* P. Manasse, N. Roubini,"Rules of Thumb" for Sovereign Debt Crises, IMF working paper, WP/05/42.<https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Rules-of-Thumb-for-Sovereign-Debt-Crises-17889>
* Carmen Reinhart, Kenneth Rogoff, 2008, This Time is Different: A Panoramic View of Eight Centuries of Financial Crisis, NBER Working Paper No. 13882. https://www.nber.org/system/files/working\_papers/w13882/w13882.pdf
* The State of Public Finances Cross-Country Fiscal Monitor: November 2009, IMF Staff Position Note, November 3, 2009, SPN/09/25.

1. **Assess the impact of innovation on labour and employment**

Various papers by Daron Acemoglu and others

1. **Innovation strategies for companies and banks**

Technology transfers examples

*Library Resources*

The Università Cattolica del Sacro Cuore’s Library provides a range of learning resources including texts, journals, periodicals, magazines, and access to online databases and information services. It also offers a virtual library accessible via the University’s website.

*Online Learning*

Icatt is the Università Cattolica del Sacro Cuore's online learning environment. It is used to support traditional face-to-face lectures, tutorials and workshops at the University. Icatt provides access to various features including announcements, course materials, discussion boards and assessments for each online course of study.

***TEACHING METHOD***

The course uses frontal lectures and student presentations to discuss readings, exercises, cases.

***ASSESSMENT METHOD AND CRITERIA***

Students will be evaluated on the basis on a written exam with open questions and optional group work (up to 30% of the final grade).

The answers to the questions, aimed at testing the understanding of fundamental theoretical issues, will be evaluated by looking at the degree of the candidate’s knowledge, as well as at her/his ability to convey key messages in conceptually consistent ways through a clear and precise exposition.

The goal of the work group is the applications of learned theoretical issues to a case study, and it will be evaluated by looking at the degree of the analysis and class presentation.

***NOTES AND PREREQUISITES***

In order to successfully follow this course, students should be familiar with basic Microeconomic, Macroeconomic and International Economics concepts.

Suggested reading:

Krugman-Obsfeld-Melitz (2015), International Trade.