# Course Title: C.1.1.1 Theoretical Foundations of International Entrepreneurship

# Abstract:

The aim of this session is to lay the theoretical foundations of the INTENSE teaching module. It starts with an introduction to ‘institutions’ and the role of institutions in more general terms. Building on this, it discusses different theoretical frameworks related to the study of internationalisation with a focus on New Institutional Economics. Using the example of a German SME, starting to internationalise, students familiarise with property rights theory, transaction cost theory, and principal agent theory. The session includes many interactive elements, such as group discussions, open brainstorms or group work, to actively engage students in class. Additional readings complement the presentation and discussions in class.

# Learning Objectives:

* Learning Objective 1: Students can explain the basic assumptions of New Institutional Economics and are able to link theoretical assumptions to the international management context
* Learning Objective 2: Students train their ability to critically reflect on the role of institutions and the broader political, cultural, and economic context of international business
* Learning Objective 3: Understand and become aware of the added complexity of working within multiple institutional environments in international business

# Potential Assessment Method:

* Final exercise (slide 32) using the case of a German SME, starting to internationalise.

# Comment:

* Depending on how much you want to engage your students in discussions, this session can take between 90 – 150 minutes. A blue font represents interactive exercises, orange text is recommended material for self-study.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| # of  Session | Session Contents | Method(s) | Learning Objectives of Session | Material | Time (mins.) | Comments |
| 1 | Introduction to New Institutional Economics | | | | 105 |  |
| Intro: Explain Learning Objectives + Agenda  Kick-off Discussion: What is a nation? Do we need them? (slide 4+5) | Open brainstorming with class; visualisation as a mind map by teacher on the board | Wake up  Reflect on the relevant terms of this course and their relations to daily live | Board  + 1 or 2 slides to summarise | 15 | The term “internationalisation” contains the term “national”. Hence, I get students started by reflecting on the terms by referring to current political debates on “no borders, no nations vs. more national sovereignty”  Result: nations have advantages in forming institutions |
| The Role of Institutions (slides 6-12) | Input (slides 6-10)  + short 1 min. video on mini case incl. short brainstorm session (slides 11 +12)  <https://www.youtube.com/watch?v=IlMLvfTdXEI&t=4s>  You can find the text version of the case in our teaching material. A teaching note is available to lecturers upon request via e-mail. | Understand the term “institution” and be able to differentiate it | Slides  (sound for video),  Board for brainstorming | 20 | Potential further reading as preparation or wrap up:  - North, D. C. (1994). Economic performance through time. The American economic review, 84(3), 359-368.  - Khalil, E. L. (1995). Organizations versus institutions. *Journal of Institutional and Theoretical Economics (JITE)/Zeitschrift für die gesamte Staatswissenschaft,* 445-466.  (5 hrs self-study time) |
| Basic Foundations of New Institutional Economics (NIE) (slides 13 -16) | Input (slide 14)  + short teamwork session (slides 15,16) | Understand the assumptions within NIE | Slides  Students need internet connection for smartphones |  | Potential further reading as preparation or wrap up:  - Williamson, O. E. (2000). The new institutional economics: taking stock, looking ahead. Journal of economic literature, 38(3), 595-613.  (2 hrs self-study time) |
| Property Rights Approach  (slides 18-19) | * Mini discussion: What rights do you have concerning the chair you are sitting on? And concerning your PC? (slide 18) * Short intro of the different bundles of rights + their relevance in internationalisation (slide 19) | Be able to differentiate different bundles of right and transfer this knowledge to international business | Slides | 10 | Link to 1.3.3 |
| Transaction Cost (slides 20 -23) | Input (slides) | Understand the concept of transaction costs | Slides | 15 |  |
| Principal Agent Theory  (slides 24-31) | 1. (slide 25) Market for lemons to introduce the concept of asymmetric information. 2 Options: a) Let students brainstorm what the results of the market for lemons are or b) show the linked video behind pic. (even includes quiz questions 2. (slide 26) Mini discussion: who is principal and who is agent in the student-teacher relationship 3. (slides 27-31) explain the 3 risks. The presentation includes links to additional videos | Understand the concept of principal agent theory and be able to apply it out of context | Slides  Internet connection for YouTube links | 25 | Potential further reading: - Akerlof, G. A. (1970). The market for" lemons": Quality uncertainty and the market mechanism. The quarterly *journal of economics,* 488-500.  (2 hrs self-study time) |
| Summary (slides 32-34) | Exercise on Principal Agent + mini case |  |  | 5 |  |