Course Information and Syllabus
Strategic Challenges in Emerging Markets, STRT466, Spring 2019

Ameet Morjaria

Section 31: Mon/Thur, 1:30-3:00, Global Hub

Section 32: Mon/Thur, 3:30-5:00 pm, Global Hub

Course Overview

Globalization presents central opportunities and challenges for business growth and development. Whether a firm seeks new markets for its products, low-cost production opportunities, or high-yield investment vehicles, many of the most attractive opportunities internationally lie in “emerging markets” in Asia, Latin America, Africa, and elsewhere. At the same time, these business environments present special risks and challenges.

Indeed, beyond traditional factors such as cost and market size, the ability to achieve competitive advantage through globalization is increasingly determined by the firm’s ability to manage critical "non-market" factors. These factors include the risks posed by weak legal systems that limit the enforceability of contracts and property rights (including intellectual property rights) while amplifying the challenges of corruption. Furthermore, financial crises provoke massive downward shocks to economies, and managers increasingly must manage businesses with careful attention to these macroeconomic events. Contentious international policy issues such as labor rights, free trade, and access to advanced technologies together with international organizations such as the WTO, the IMF, and the World Bank further influence risks and opportunities in a given national environment.

Our goal in this course is not to become experts on particular regions or counties. Instead, our goal is providing toolkits and frameworks to successfully confront these challenges across many countries, markets and sectors. The framework derives primarily from the field of economics, but the significant departure from your core classes is the assumption of efficient markets. Emerging economies are characterized in part by significant market, information and contracting failures, the analysis of which will play a large role in our discussions. We will learn about these issues by integrating numerous business examples with insights from the latest economics, business strategy, and political science research to provide the international business manager with a cutting-edge, integrated perspective on globalization and a set of strategic solutions to manage the most prevalent business risks in emerging markets.

In articulating the risks and considering strategies to mitigate them, we will also touch on deep issues in international development, and we will see that firms can have significant impacts – both positive and negative – in the places they operate. The opportunity to impact the local environment raises the possibility of ancillary social benefits on the one hand and possible ethical concerns on the other. This course further considers strategic choices in light of social ethics.

Course Structure

The course is divided into two parts:

Part I: National Institutions and Business Strategy Sessions 1 – 10

Here we consider specific challenges that managers are likely to confront within many national business environments. While these issues can appear all over the world, they are often especially acute in emerging markets. We consider the challenges around contract enforcement, information access, property rights (including intellectual property rights), corruption, and the over-arching challenges of aligning with government interests. For each issue, we will begin by characterizing risks it poses and then analyze where
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and when it is likely to be important. We then consider important strategic responses that managers can take to successfully mitigate risks and realize opportunities.

Part II: International Institutions and Business Strategy

The second part of the course encompasses major cross-border opportunities and challenges, including core features of international trade, financial crises, and international development. For each area we will analyze key non-market issues that arise and the strategies firms can undertake to manage these issues successfully. We will further consider major international institutions – the WTO, the IMF, and World Bank group – that substantially influence global and national policies around trade, financial crisis, and cross-border investment, and further consider how businesses can interface with and potentially leverage these institutions. We will consider specific risks and opportunities these institutions bring to cross-border business activities and discuss strategies to ensure that your firm ends up on the “right side” of the policies and activities these institutions undertake.

As with many strategy courses, the material in this course can be complicated, and multi-dimensional examples can be challenging to analyze at first. For this reason, the course takes a modular approach to isolate specific challenges and strategies and often uses “caselets” – short, streamlined examples to elucidate specific concepts. As the course progresses, we will begin integrating these building blocks to provide holistic analysis of more complicated situations, with longer-form case discussions that integrate strategic tools appearing increasingly toward the end of the quarter.

Contact Information

You can reach me by email at a.morjaria@kellogg.northwestern.edu. I am also happy to meet with you by appointment; my office is 4127 in the Global Hub. If you need to reach me by phone, my office number is 847 467 4683. Email is a much more reliable way to leave me a message than voicemail.

No-Laptop/Tablets Policy

You may not use tablets, laptops, mobile phones, or related devices during class unless directed to do so.

Attendance

This course is designed as an integrated whole. Later material builds on earlier material, and the whole picture will not be properly understood if you miss the parts. As a result, you should make every effort not to miss class. I do not take attendance and do not grade on attendance. I do, however, grade your participation in class discussions. If you don’t attend a class, you obviously cannot participate in that class, and, as a result, your participation grade will suffer. There is no need to email me if you will miss a class.

Seating Chart

I use assigned seats to facilitate class interactions. Your assigned seat will be the seat you choose for the second-class meeting.

Class Preparation

Readings

For each topic, there is a set of assigned readings. These readings help develop the underlying concepts and/or provide examples. It is essential that you read these materials prior to class.
The required readings are available online on Canvas. The *Pages* tab indicates the required reading for each meeting.

**Homework Assignments**

Homework assignments for each session will guide your reading and develop analytic concepts. These assignments are available on Canvas, under the *Pages* tab each Session. Students will be expected to discuss the homework questions in class and similar questions will reappear on the exams. Cold calling will be used in every session to facilitate class discussion, so this requires that you will have done the mandatory reading and given thought to the assigned questions.

Two of the homework assignments are assigned as group assignments. These two assignments will be graded and will count towards your final grade in the course. The group assignments are due before our session 9 and session 16, in week 5 and week 8, respectively. For the group assignments, you will be assigned a group.

**Extra Readings**

This course provides a broad survey of many issues, and at times you may want to read further about issues of personal interest. The reading list therefore also points to resources where you may find more extensive analysis. These extra readings are entirely optional, and are meant simply to provide a reference for you now or in the future. These readings are available through the *Pages* tab on Canvas under each session (except in instances of books, I have provided an amazon link and you can also access the book through the library).

**Assessment and Grading**

The grade is made up of four components: class participation, a midterm exam, a final exam and two group homework assignments:

1. Class Participation: 20%
2. Mid-term: 25%
3. Group Assignment 25%
4. Final Exam: 30%

1. Class Participation [20%]: learning opportunities are maximized when all students are actively engaged in class discussion, and active engagement requires preparation. Participation will also be essential as we discuss the questions in the homework assignments, which will largely consist of specific questions about the readings. If a question is in the homework assignment, then I will expect that everyone has something to say about it, and I will cold call class participants at every meeting.

   The subject matter of this class should naturally stimulate a lot of discussion, and I am eager to have an active dialogue. Particularly valuable types of participation will be those that move the discussion forward, often by adding useful facts to the discussion or by providing a new insight on the issue at hand. Requests to clarify concepts being presented are also encouraged. If you are confused by something, then other people are probably confused as well, and participation that seeks to clarify an idea will likely be valuable for the whole class.

   There will be ample opportunity for each of you to participate. Do not be discouraged if, after the first few classes, you have yet to participate much. If you feel that you are preparing well but not being called on enough, please let me know so that I can address the problem. And please realize that as long as you have invested quality time in the readings and worked through the questions, you will almost certainly have valuable contributions to make during the discussion.
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I will cold call class participants at every meeting. If for any reason you have not prepared for the class please inform me before the class so I do not call upon you. Obviously without legitimate excuses this will lead to a reduced participation grade.

2. Midterm Exam [25%]: will be a closed book/closed notes in-class exam, given in regular class time in Week 6, Session 11 on TBD. The exam will be 1.5 hours and will consist of multiple choice and short answer questions, and will cover all lectures, cases, and readings from Sessions 1 – 9, the first five weeks of the course. The midterm will place extra emphasis on the ideas drawn out in the homework assignments.

3. Final Exam (30%): will be given in the final exam week and will be of similar length (1.5 hours) and format as the midterm. Like the midterm, the final will place extra emphasis on the ideas drawn out in the homework assignments. Note the final exam will only cover material from the second half of the course (Sessions 12-20). Student Affairs will determine final exam dates.

** Please do not make plans that conflict with either exam, exam dates are not flexible **

4. Group Homework Assignments (25%): the two group homework assignments are an important component of the grade. The homework assignment will give you and your group a chance to dive deeper into the issues we discuss in our class. Your group’s deliverable will be a response to the assigned homework assignment. The submission will be on the canvas portal.

Logistics for group assignment: groups will be 4-5 members in size and assigned by me (some groups maybe slightly smaller or larger depending on the number of students in the section). Group designations will be determined after the second week of the quarter, once any course add-drop changes are resolved.

Peer evaluation: to help ensure fairness, I will ask you on the mid-term and final exam to assess the relative contributions of your group members.

Important dates for Group Homework Assignments: TBD

Course Webpage

The course uses Canvas. All required readings are available there. Electronic copies of course materials, including lecture slides and homework assignments, will also be placed there. Links to the optional “Extra Readings” can also be found on Canvas, and I will post additional articles of interest as the course progresses.

Course Outline

All readings are available on Canvas. The Pages tab outlines all our sessions, and under each session you will find all the material you will need for the class (required reading, homework, extra readings). Please note due to university policy some required reading material is deposited in Study.Net, you will need access to Study.Net. Note Study.Note material location is indicated by [SN] in the course outline.
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Week 1

Foundations

Session 1: Welcome and Overview

Readings:
2. “Note on Growth and Income,” Kellogg, December 2017

Extra Readings:

Session 2: Why Are Emerging Markets Still Emerging?

Readings:
2. Acemoglu and Robinson, “The Economics of the Rio Grande” and “The Economics of the 38th Parallel” excerpts from Why Nations Fail, 2012
3. “Zimbabwe – An Economic Collapse” Kellogg, December, 2017

Extra Readings:
1. Acemoglu, Johnson, and Robinson, “Institutions as a Fundamental Cause of Long-Run Growth” Handbook of Economic Growth (Chapter 6), 2005
Week 2
Foundations – Continued

Session 3: Institutions, Market Failures, & Firm Strategy: An Introduction

Readings:

Extra Readings:

Contracts and Property Rights

Session 4: Contractual Challenges

Readings:
1. “Oyu Tolgoi – Mining Troubles in Mongolia,” Kellogg, December 2017

Extra Readings:
Week 3

Contracts and Property Rights – Continued

Session 5: Property Rights Challenges

Readings:
1. [SN] Case: “Gazprom and Hermitage Capital: Shareholder Activism in Russia”

Extra Reading:

Session 6: Intellectual Property Rights Challenges

Readings:

Extra Reading:
Week 4
Corruption and Political Strategies

Session 7: Corruption I – An Introduction

Readings:
2. “The Road to Hell is Unpaved,” The Economist, December 19, 2002
3. “Notes on Petrobas,” Kellogg, December 2017

Extra Readings:

Session 8: Corruption II – Management Challenges

Readings:

Extra Readings:
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** Week 5 **

Corruption and Political Strategies – Continued

** Session 9: Business in Fragile and Conflict States I **

Readings:

Extra Readings:
1. Doing Business in the DR Congo, World Bank 2018
2. Netflix, Anthony Bourdain: Parts Unknown – Seasn 1, Episode 7 - Congo

** Homework for Session #9 is Group Assignment #1, one group member to submit on Canvas by **

Session 10: Government and Business Strategy

Readings:
1. [SN] Case: “Manulife in Indonesia (A)”
2. [SN] Case: “Manulife in Indonesia (B)”

Extra Readings:
Week 6
Mid-term and International Trade

Session 11: Midterm Exam (1.5 hours)

Session 12: Trade, Comparative Advantage, and the Non-Market Perspective

Readings:
2. “Trade Policy and Strategies in the Auto Industry - Examples from Brazil, Russia, and the U.S.” Kellogg, December 2017

Extra Readings:
1. “Note on Wages, Productivity, and Comparative Advantage.” Kellogg, December 2017
Week 7

International Trade - continued

Session 13: Trade Rules (I) and Trade Volatility (II)

Readings:

Extra Readings:

Financial Crisis

Session 14: Financial Crisis I: Currency Crisis

Readings:
3. “International Institutions,” Kellogg, December 2017 [read section on IMF only]

Extra Readings:
3. Reinhart and Rogoff, This Time is Different: Eight Centuries of Financial Folly, 2009
4. Blustein, And the Money Kept Rolling In (And Out), 2005
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Week 8
Financial Crisis – continued

Session 15: Financial Crisis II: Business Strategy

Readings:

Session 16: Business in Fragile and Conflict States II

Readings:
1. **Case**: “Doing Business in Dangerous Places: Southern Sudan Beverages Ltd,” Kellogg 2017
2. “Notes on South Sudan,” Kellogg, February 2017

Extra Readings:

** Homework Assignment #16 is Group Assignment #2, one group member to submit on Canvas **
Week 9

International Development

Session 17: International Development and International Development Agencies

Readings:
1. Easterly, “To Help the Poor,” in The Elusive Quest for Growth, 2001, Ch. 1.
2. “One Acre Fund,” Kellogg, December 2017

Extra Readings:
3. Banerjee and Duflo, Poor Economics, 2011

Session 18: Strategic Advantages of International Development Agencies

Readings:
1. [SN] Case: “Nghe An Tate & Lyle Sugar Company”
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Week 10
Integration and Review

Session 19: Integrative Case

Readings:

Extra Readings:

Session 20: Summary and Review

Readings:
1. Review course materials.
Finals Week

Final Exam on Sessions 12-20: Multiple times available TBD.
Registration required. Sign up for your specific exam time via Student Affairs.