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Course Information and Syllabus
Strategic Challenges in Emerging Markets, STRT466, Spring 2020

Ameet Morjaria
4217 Global Hub
(847) 467-4683
a.morjaria@kellogg.northwestern.edu

Section 31: Mon/Thur, 08:30-10:00
Section 32: Mon/Thur, 10:30-12:00
Global Hub Classroom – 1130

Course Support Staff
Caity Willox
c-willox@kellogg.northwestern.edu

Course Overview

Globalization presents central opportunities and challenges for business growth. Whether a firm seeks new markets for its products, lower-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, achieving 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.

This course provides toolkits and frameworks to successfully confront these challenges. The course will integrate 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 major parts:

**Part I: National Institutions and Business Strategy** Sessions 1 – 9

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 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** Sessions 10– 19

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 issues that arise and the strategies firms can undertake to manage these issues successfully. We will identify key strategies to both limiting risks and seizing opportunities in cross-border activities, working to navigate the often unstable macroeconomic and policy environments of emerging market countries. We will further consider major international institutions – the WTO, IMF, and the World Bank group -- that 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.

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.

**Electronic Gadgets Policy**

To minimize distractions, no electronic items can be used at any time during the class. Mobile phones, tablets, iPads, laptop computers, or related devices should remain off throughout each session. If you are uncomfortable with taking notes by hand, this course is not for you.

**Attendance Policy**

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. In practice, missing class will also result in a lower course grade and, in extreme cases, removal from the course. Arriving late to class is also strongly discouraged for the same reasons as with attendance and to avoid distractions for the broader group.

The attendance and punctuality policy is as follows:

- You may miss or arrive late to up to two meetings with no penalty.
- You will be considered absent from the class if you miss more than half the class.
- Each additional late arrival will result in a one percentage point drop in your overall course grade. Leaving class early will be considered the same as arriving late.
- Each additional missed class will result in a two-percentage point drop in your overall course grade. Thus, missing classes beyond the first two can fairly quickly result in a lower letter grade for the course.
- If you miss more than six meetings, you will be automatically removed from the course.
Exceptions to the attendance and late arrival policy can be made for three reasons: a personal health matter, a religious observance that conflicts with the meeting, or a family emergency. In these cases, please email Caity Willox (c-willox@kellogg.northwestern.edu), the Strategy Department course support specialist.

Attendance is recorded at the beginning of each meeting using a new Kellogg technology tool that we will be piloting this quarter. The attendance check-in is time-stamped, and late arrivals will automatically be counted in this manner. Further, the tool integrates with Canvas, allowing you to see your attendance history. We will demonstrate the tool’s use in the first class.

For questions about attendance matters, please do not email me but rather contact Caity Willox.

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 Modules tab indicates the required reading for each meeting, as does the Course Outline below.

Homework Assignments

Homework assignments for each session will guide your reading and develop analytic concepts. These assignments are available on Canvas, under the Modules tab for each Session. The homework assignments will not be graded, but (1) students will be expected to discuss the questions in class (cold-calling will be used in every session), and (2) similar questions will reappear on the exams.

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 “extra reading” list therefore points to resources where you may find more extensive analysis, including some of the formal research and empirical evidence that help frame our discussions in class. 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 Modules tab on Canvas under each session (except in instances of books, which can be accessed via the library).

Assessment and Grading

The grade is made up of five components: class participation, a midterm exam, a group deliverable assignment and a final exam –

1. Class Participation: 20%
2. Mid-term: 25%
3. Group Assignment 15%
4. Individual Assignment 15%
5. Final Exam: 25%
1. **Class Participation [25%]:** 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. 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.

2. **Midterm Exam [25%]:** will be a closed book/closed notes in-class exam, given in regular class time in **Week TBD, Session 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, the first five weeks of the course. The midterm will place extra emphasis on the ideas drawn out in the homework assignments.

3. **Group Homework Assignment [15%]:** The course will feature in-class Lincoln-Douglas style debates in **Week TBD.** These debates will engage in one of the most contentious and difficult issues in international business. Each team will be assigned to prepare for the debate.

**Debate Topic: TBD (Session TBD)**

For the debate, the teams will be divided at random, with half the teams assigned to the “affirmative position” (agreeing with the resolution) and the other half assigned to the “alternative position” (disagreeing with the resolution).

The debates will follow a modified “Lincoln-Douglas” debate format that is described in detail on the Canvas site (see modules for Sessions TBD and TBD). In addition to building knowledge on the issues, these debates will develop skills and confidence in making persuasive arguments without PowerPoint slides.

On the day of the debate, the affirmative and alternative teams will be drawn from a hat to debate in front of the class. One team will be chosen randomly from the pool of affirmative teams and the other from the pool of alternative teams. Teams assigned to the debate but not drawn from the hat will still participate in the debate through a question and answer period. The judges of the debate will be the class members who were not drawn. At the close of the debate, the judges will vote on the winning team.

All teams assigned to the debate will be asked to turn in a memorandum—not to exceed 1,500 words of text. This word count does not include footnotes and references. It also does not include up to four figures, graphs, and tables that may go in an attached appendix. Teams will be graded based on the quality of the arguments and debate points in their memorandum.

The memorandum should (a) summarize the team’s opening argument, the specific points it intends to make, and the logic, reasoning, and evidence used to support these points; and (b) rebut the points that a team arguing the opposing position would be likely to make. Each memorandum must be submitted (on Canvas) prior to the beginning of class and should indicate the word count of the main text. There is no restriction on the sources that you can access for the debate. However, please be sure to footnote the sources that you draw from, being especially careful to note the URL and date of access of any sources you find on the web.

Group logistics and peer evaluation: Groups will be 5 members in size and randomly assigned (some groups may be 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 fully resolved. The final exam will ask for peer-evaluations of your team members regarding the group deliverable.
4. Individual Homework Assignment [15%]: the individual homework assignment is an important component of the grade. The individual homework assignment will give you a chance to dive deeper into the issues we discuss in our class. Your deliverable will be a response to an assigned case study. The submission will be on the canvas portal. The case assignment will be TBD and will be due on TBD.

5. Final Exam [25%]: will be given in the final exam week and will be of similar length and format as the midterm (1.5 hours). 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 10 – 19).

For students with mandatory and non-flexible early internship start dates (June 5th or prior) ONLY
The Dean’s office and the Academic Experience team support your academic experience by allowing you to design an individualized exam schedule for Evanston campus courses that have proctored exams. In Spring we will pilot, on an exception basis only, remote proctoring for students who have mandatory and documented early internship start dates (June 5th or prior) outside of the Chicago area. In order to request this exception to the final exam policy, please complete this survey no later than Wednesday, May 22nd

Course Webpage

The course uses Canvas. All required readings and homework assignments are available there. Links to the optional “Extra Readings” (save for the books, which are available from the library), and further information about the in-class debates and group deliverable can also be found on Canvas. Electronic copies of the lecture slides will be placed there, as will be additional articles of interest as the course progresses.

Course Outline

The below course outline is not meant to be super-precise; some of the material might spill over into later classes depending on the depth of our discussions.

Location of Readings Key: All readings are available on Canvas. The Modules tab outlines all our sessions, and under each session you will find all the material you will need for the class (required reading, lecture notes, homework, extra readings):

[M] indicates Modules
[CR] indicates Course Reserves
[SN] indicates Study.Net

(please note due to university policy some required reading material is deposited in Study.Net)
Week 1
Foundations

Session 1: Welcome and Overview

Readings:
2. [M] “Note on Growth and Income,” Kellogg, February 2020

Extra Readings:

Session 2: Why Are Emerging Markets Still Emerging?

Readings:

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:

Extra Readings:
3. Cohn, Marecchia, Tannenbaum, and Zund, “Civic Honesty around the Globe,” Science, 2019
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:
1. Browder Bill, Red Notice: A True Story of High Finance, Murder and One Man’s Fight for Justice, October 2015

Session 6: Intellectual Property Rights Challenges

Readings:

Extra Reading:
Week 4
Corruption and Political Strategies

Session 7: Corruption I – An Introduction

Readings:
1. [M] “The Road to Hell is Unpaved,” The Economist, December 19, 2002
3. [M] “How to get beer around Congo, a country with hardly any roads,” The Economist, January 18, 2020

Extra Readings:

Session 8: Corruption II – Management Challenges

Readings:

Extra Readings:
Week 5
Government & Business Strategy

Session 9: Government and Business Strategy I

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

Extra Readings:
4. Levitsky, Competitive Authoritarianism: Hybrid Regimes after the Cold War, 2010

Mid-term

Session 10: Midterm Exam (1.5 hours) TBD
Week 6
Government & Business Strategy – Continued

Session 11: Government and Business Strategy in Fragile and Conflict State

Readings:

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

International Trade

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

Readings:

Extra Readings:
1. “Note on Wages, Productivity, and Comparative Advantage.” Kellogg, February 2020
2. Irwin, Clashing over Commerce: A History of U.S. Trade Policy, 2017
Week 7

International Trade - continued

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

Readings:

Extra Readings:

DEBATE

Session 14: Topic, Group Deliverable and Session # -- TBD
Week 8
Financial Crisis

Session 15: Financial Crisis I: Understanding Currency Crisis

Readings:

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

Session 16: Financial Crisis II: Business Strategy – Examples

Readings:

Extra Readings:
1. “Notes on South Sudan,” Kellogg, February 2020
Week 9

International Development

Session 17: International Development: Problems and Potential Solutions

Readings:

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”
Week 10
Entrepreneurship and Review

Session 19: Entrepreneurship in Emerging Markets

Readings:

Extra Readings:

Session 20: Summary and Review

Readings:
1. Review course materials.
Finals Week

Final Exam on Part II: Multiple times available June 5 (evening) – June 9.
Registration required. Sign up for your specific exam time via Student Affairs.