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## **1231.3652.01 – Doing Business in Emerging Markets**

### **Semester A – 2013/2014**

**Lecturer:** Tally Zingher, Esq

**Course Time:** Wednesday 15:45-18:30 **(First half)**

**Student Audience:** MBA students with an interest in exploring business opportunities and future work in emerging markets or involvement in business and economic development in the developing world.

#### **Course Aims:**

This course offers a conceptual framework for analyzing emerging markets from multiple perspectives in order to prepare business leaders to address the challenges of succeeding in a globalized world. This course fits into the Strategy curriculum by providing a deeper exploration of the “PEST” analysis as it applies to emerging markets. Increasingly in today’s market, sources of production, innovation and consumption arise from or have some connection to emerging markets. Any business leader seeking to engage in business of a global nature will likely come into contact with emerging markets over the course of his or her career. This course aims to equip such future leaders with the ability to make sense of the challenges and make the most of the opportunities presented in emerging markets and the developing world more generally.

#### **Course Materials:**

The course will rely on a combination of academic research and business school cases to bridge theory and practice as they come to life in emerging markets. The case method will be used to give students the chance to think through the challenges and opportunities met by decision-makers facing the unique challenges of emerging markets. Case materials will be complemented by economics literature providing a theoretical framework for the concepts presented. The course materials are available in a reading packet prepared for the course and available for purchase.

**Instructor Background:** Tally Zingher has a background in international business with particular experience in the Middle East market. She worked for a leading investment banking boutique and a top global law firm in New York, then worked for the government sovereign wealth fund of Dubai, the UAE. She currently works on transactions that seek to bring innovative technologies and companies to new markets and provides companies with legal as well as business development advice.

**Course Structure:** Students will be expected to prepare for case discussions or class discussions on reading material. Each class session will include either a case discussion or a lecture followed by discussion of the relevant reading material.

**Work Product:** Each group of 3-4 students will pick an emerging market country to follow closely throughout the semester. They will be expected to explore the issues raised in the readings and class discussion from the perspective of their chosen country over the course of the semester. For each class 3 out of the 7 class meetings, each group shall submit a 1 – 2 page “Assessment” of two issues raised in the case study being discussed in class with respect to the group’s chosen country. A “Final Project” will be required in which each group will be asked provide a more in-depth analysis (8-10 pages) of one of the Assessments submitted for a class discussion. The Final Project should reflect insights gained during the class discussion and subsequent classes that took place following the initial submission of the Assessment. I will provide guiding questions for the Final Project. It is anticipated that thoughtful completion of the case study reviews will facilitate the completion of the final project.

**Grading:** 20% Class participation, 40% Written Preparation for Cases, 40% final project.

**Course Outline:** The course is divided into 4 sections across 7 class meetings:

1. **Historic overview of approaches to developing countries:** An examination of classical approaches to sources of economic growth and opportunity in emerging markets and the developing world
  - a. **Class Session 1: Introduction and Overview**
    - i. Course Materials:
      1. Casson, Mark and John S. Lee “The Origin and Development of Markets: A Business History Perspective”, *Business History Review*, 85(1), pp. 9-37. 2011.
      2. Stiglitz, Joseph “Markets, Market Failures, and Development”, *The American Economic Review*, vol. 79, no.2: pp.197-203. 1989.
      3. *Optional:* Banerjee, Abhijit V. and Esther Duflo. “Giving Credit Where it is Due”, *Journal of Economic Perspective*, Vol. 24(3):61-79.
2. **Competitiveness:** An examination of competitiveness and its implications for the business sector as well as the manner in which development policies pursued by government affect the shape and structure of the market.
  - a. **Class Session 2: Introduction to Competitiveness**
    - i. Porter, Michael “The Competitive Advantage of Nations”, *Harvard Business Review*, Vol. 68, no 2 (March-April 1990).
    - ii. “China ‘Unbalanced’” Harvard Business School case 711-010 (on China’s management of its exchange rate).
    - iii. “Angola and the Resource Curse” Harvard Business School Case 711-016 (on natural resources in Angola).

**b. Class Session 3: Examination of Different Approaches to Competitiveness**

- i. “Dubai: Debt, Development, and Crisis” Harvard Business School Case 710-069 (on Dubai’s approach to competitiveness) and Dunn & Bradstreet country report on the United Arab Emirates.
- ii. Hausmann, Ricardo and Dani Rodrik. 2005. “Self-Discovery in a Development Strategy for El Salvador,” *Economía: Journal of the Latin American and Caribbean Economic Association*, 6(1): 43-102.

3. **Institutional Voids and Opportunities in Emerging Markets:** An analysis of the role of institutions in shaping emerging markets. This section will examine obstacles faced by multinationals and entrepreneurs in emerging markets and the prospects of market access to the “bottom of the pyramid”. This section will also address the challenges presented by uncertainty in the rule of law in emerging markets and the role of corruption and corporate social responsibility when operating in emerging markets.

**a. Class Session 4:**

- i. Course Materials:
  1. “Silver Lake and Private Equity in Brazil: Carnival or Calamity?” Harvard Business School Case 712-004 (exploring the growth of a private equity firm into Latin America).
  2. “Veracity Worldwide in Syria: Assessing Political Risk in a Volatile Environment,” Harvard Business School Case 712-009. (exploring the influence of political risk on corporate decision-making).

**b. Class Session 5:**

- i. Course Materials:
  1. “Metro Cash & Carry” Harvard Business School Case 707-505 (analyzing the expansion of a multinational company into India, Russia and China).
  2. Banerjee, Abhijit and Esther Duflo. 2007. *The Economic Lives of the Poor*, *Journal of Economic Perspectives*, 21(1), 141-167.
  3. Batra, Geeta, Daniel Kaufmann, and Andrew H. W. Stone. 2003. *The Firms Speak: What the World Business Environment Survey Tells Us about Constraints on Private Sector Development*, in *Pathways out of Poverty*, G. Fields and G. Pfefferman, eds., Boston: Kluwer Academic Publishers.
  4. *Optional*: Stein, Peer, Tony Goland, and Robert Schiff. 2010. *Two Trillion & Counting: Assessing the Credit Gap for Micro, Small, and Medium Sized Enterprises in the Developing World*, McKinsey & Company, International Finance Corporation of the World Bank Group.
  5. *Optional*: De Mel, Suresh, David McKenzie, and Christopher Woodruff. 2008. “Returns to Capital in Microenterprises: Evidence from a Field Experiment,” *Quarterly Journal of Economics*, 123(4): 1329-1372.

4. **State capitalism and corruption in emerging markets:** This section will address a common characteristic of emerging markets – the large role of the state; whether through the creation of Sovereign Wealth Funds, state-owned enterprises, or simply an active hand of the state in local markets. Cases studied in this section present the decisions faced by sovereign wealth fund managers, a Russian fund facing expropriation, a state-owned enterprise and Argentina’s debt-holders.

**a. Class Session 6:**

i. Course Materials:

1. “Sovereign Wealth Funds: Barbarians at the Gate or White Knights of Globalization?” Harvard Business School Case 712-022 (exploring the decision-making challenges facing Sovereign Wealth Funds).
2. “The Barber of Buenos Aires: Argentina’s Debt Renegotiation” Harvard Business School Case 706-034 (analyzing the effect of Argentina’s aggressive debt renegotiation).

**b. Class Session 7:**

i. Course Materials:

1. “Hermitage’s Russian Quandary” Harvard Business School Case 711-054 (describing the challenges faced by a Russian hedge fund due to government expropriation).
2. “The IPO of Agricultural Bank of China” Harvard Business School Case 712-006 (analyzing the effect of state capitalism in China on a bank IPO).
3. *Optional:* Khwaja, Asim and Atif Mian. 2005. “Do Lenders Favor Politically Connected Firms? Rent Provision in an Emerging Financial Market,” *Quarterly Journal of Economics*, Vol. 120(4), pp. 1371-1411.
4. *Optional:* Fisman, Raymond. 2001. “Estimating the Value of Political Connections,” *American Economic Review*, Vol. 91(4), pp. 1095-1102.