IBUS 6402 MANAGING IN DEVELOPING COUNTRIES

FALL 2013

TUESDAYS 07:10PM - 09:40PM

DUQUES 152

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COURSE DESCRIPTION & OBJECTIVES

Due to global interdependence, very few enterprises operate exclusively within their national boundaries. Whether through off-shoring, strategic partnerships, direct equity participation, hiring of staff, or the spread of ideas, all companies are in a sense global.

At the same time, managers are being asked to extend themselves to new challenges that involve, inter alia, working in and with emerging and developing countries. This is seen in the world of business, in the non-profit sector, and of course in international organizations. In this environment, there is need to add to what traditional training has to offer because the political, economic, legal, institutional and social structures and practices in developing countries may differ markedly from what is the norm in the OECD countries. Although best practice in terms of finance and management may be a global good, much of the challenge in operating in emerging market and developing economies (EMDEs) can revolve around cultural differences, and successful firms and entities, and their managers will be those who have adapted well to their new environments.

This course is designed to train those managers in aspects that complement their
traditional business or international affairs curricula. Part of operating well in these new environments depends on a greater understanding of what the local economic, political, and institutional challenges will be, combining theory with practice, and learning from experience, both scripted case studies and broader and more generalizable lessons that draw upon economic development and business realities. The course aims to combine current real world topics with lessons of experience. Rather than using extensive reading lists, which can easily be out of date, students will be asked to delve into topics themselves, guided by the professor, and informed by guest lecturers who have dealt with specific issues of relevance. Topics to be addressed include public-private partnerships, the role of infrastructure, finance and innovation, competition and competiveness, gender issues, governance and corruption, and the environment.

Students will be asked to prepare short notes or briefs on specific issues and topics. They will be asked to address cases in a real world context. They will be asked to engage in role-playing exercises and negotiations. All of these exercises are aimed at better preparing the student for real world occurrences. In addition, students are to become more conversant in the discussion of policy problems facing many EMDEs so that they can interact more confidently with their counterparts, with strategic investors, with government officials, and with business leaders in new markets. There is a strong argument to be made that “the world is flat;” however, there is also an argument that the world is quite different depending on where you sit and what you do. Part of being successful in new market environments depends on broadening understanding of other societies and the economic issues that shape the interplay between business and policy.

COURSE REQUIREMENTS, THE APPROACH, AND GRADING CRITERIA

Attendance is not optional and class room participation and involvement is essential. There will be sign-up sheets to note attendance and a maximum of two absences is allowed without the explicit approval of the instructor for strong professional or personal reasons. There will be some required readings of background material or cases to be completed before the class covering the topic (Case materials available for purchase - link on Blackboard). The instructor reserves the right to cold call students on those assignments.

Since the course doesn’t cover a prescribed body of knowledge, there will be no long exams; instead there will be three assignments, due on a specified day. They will be given equal weight (30%) in the calculation of grades. The remaining 10% will be based on classroom contributions. Assignments will involve some research and analysis, but will place a premium on cogent argumentation. There will be no group projects as relates to assignments and grades, although there may be some group activities. Grade negotiation is frowned upon as is a preoccupation with grades at the expense of learning. The aim of the course to equip the student with better sources of information; more effective tools; stronger understanding of EMDEs as seen from inside and out;
and better honed abilities to assess, analyze, and present material of relevance in the global context.

ASSIGNMENTS - (SUBJECT TO MODIFICATION AS THE COURSE DEVELOPS)

Assignment #1: THE COUNTRY/SECTOR BRIEF

You have been asked to write a short note (6 pages single-spaced) to your boss dealing with one of the following problems:

1. There is concern about corruption that is likely to affect your firm’s decision to establish an office in Hanoi, Vietnam. Opponents of the branch office idea—you are a foreign bank—say that corruption is so endemic to Vietnam that no bank can function and still meet its prudential and regulatory requirements. It is best not to be there. They have used these arguments to delay the decision, but now it is coming to the Board of Directors for discussion and decision. You have been tasked to provide your boss with a briefing note to help him/her defend the branch idea. You can use any arguments at your disposal to make the case for going into Vietnam, but you must realize that the Board is well informed about the country and that others will also be well armed with information to oppose the move.

2. Africa’s infrastructure is so poor that it offers enormous possibilities for the private sector to invest there now, especially in power, roads and ports. There is a debate going on inside the senior leadership team of this major international engineering firm as to whether Africa offers the right regulatory environment for the private sector. There are concerns about corruption and the role of the public sector. You have been tasked with providing the management team with a brief that makes the case for actively seeking opportunities to invest in Africa’s infrastructure, using variants of PPPs, be they concessions or other forms of partnership. Another team will make the counter-argument to senior management. Draw on your experience and knowledge of Africa to make the case that the time is now and/or the circumstances that should guide your decisions.

What constitutes a good Briefing Note will be discussed in class.

Assignment #2: AN OPINION PIECE FOR THE FINANCIAL TIMES WEEKEND EDITION

You have been asked to write a 500 word piece on one of the following topics for the readers of the FT, arguing convincingly enough so that it gets published. You might think of it as writing up the equivalent of an Oxford debate in which you marshal any and all arguments to bolster your position. You should add a page of sources or supporting evidence as warranted. Select one of the following four
1. **Institutions and culture matter most in overseas business.** Standards of behavior are relative and local customs largely determine what is acceptable in the business environment; to think otherwise is both foolish and counter-productive. Global norms will never work, so why pretend they will. Going native is the only way to be successful.

2. **There are no relative standards in international business.** Part and parcel of the globalization process is the truth that no matter where you operate, you are a global citizen and subject to the rules, standards, and behavioral norms that the international business community accepts and that global entrepreneurs must abide by. Governments expect it, international organize expect, and the world’s citizenry expects it.

3. **Business schools provide us with general principles to be followed.** Successful firms in emerging and developing economies have followed Western, management principles as keys to success, proving not only that the world is flat, but also that the principles of management are universal. There is no substitute for good management, regardless of the environment, and certain basics truths apply everywhere.

4. **The recent prolonged global recession has changed everything.** Global business, like public policy, will not simply return to its previous, pre-crisis situation. This means that globalization as we know it has peaked and that national policies will now dominate with repercussions for those engaged in global business. Thinking globally may become a luxury, and retrenchment is the name of the game.

You should read some editorials and become familiar with the style and level of argumentation to be employed. Further guidance may be given in class.

**Assignment #3: THE NEGOTIATING BRIEF**

This is a short 4-page (single-spaced) assignment based on the case that will be distributed and later negotiated by some of you. You will be assigned either the case for the firm or for the government team. The Negotiations Brief will lay out your proposed strategy for the negotiations, indicating key and prioritized objectives, outcomes to be avoided, strengths on which to capitalize, and acknowledged weaknesses. While a SWOT analysis can help guide you, the exercise goes beyond this framework and asks you to plot a strategy and to allow for flexibility in how you respond to the negotiations. Think not only of the outcome that may or may not be achieved, but also of the price you are willing to pay for a deal. Indicate under what circumstances you would prefer no deal at all or alternatively, if you do make a deal but at less favorable terms that you would like, how you explain this to your superiors.

ALL ASSIGNMENTS SHOULD BE SUBMITTED TO THE CLASS
TEACHING ASSISTANT BY THE DEADLINE.
LATE SUBMISSIONS WILL BE PENALIZED.

COURSE OUTLINE

Class 1. August 27, 2013

Topics

- Course objectives, outline, and approach
- Introduction to Doing Business in Changing Global Environment

Lecture Themes

- What is different about developing countries?
- How is 2013 different from 2007?
- What is different about managing in developing countries?
- What standards should apply?
- What should expats know about local issues?
- Are there really cultural differences?

Assignments for Sept. 3rd


2. Downey, Liana. 2002. “Mobil in Aceh, Indonesia (A),” Graduate School of Business Stanford University Case No. IB-40A.


Reading for Sept. 3rd

Acemoglu, Daron, et. al., 2004. “Institutions as the Fundamental Cause of Long-run Growth.” (BLACKBOARD)
Class 2. Sept. 3, 2013

Topic

Local institutions

Lecture Themes

• How institutions differ and why it matters
• Discussion of cases of the private sector in new political and social environments
• What is good global citizenship and where does it begin and/or end?

Assignments for Sept. 10th


2. Rodrik, Dani, “Growth After the Crisis,” in Spence, M. and D. Leipziger, GLOBALIZATION AND GROWTH, Commission on Growth and development, Washington, D. C., Chapter 7 (BLACKBOARD)

Reading for Sept. 10th


Class 3, Sept. 10, 2013

Topic

The roles of government and business

Lecture Themes

• Alignment of policy objectives and links to government’s strategy
• How different are governments and what do they expect from foreign firms?
• What influences success of government policy and how to share in that success?
• Notions of industrial policy

Assignments for Sept. 17th


**Reading for Sept. 17th**


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**Class 4. FRIDAY, September 17, 2013**

**Topic**

🌱 Governance I

**Lecture Themes**

- The “C” words and its consequences
- The size of the problem.
- Country programs and international initiatives
- Discussion of cases

**Assignments for Sept 24**


**Reading for Sept. 24th**


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**Class 5. September 24, 2013**
**Topic**

Governance II

**Lecture Themes**

- Doing Business Surveys
- KK measures of governance
- Usefulness and limitations of Surveys
- How have governance standards and expectations changed?
- Hallward–Driemeier Analysis on governance
- Investment Climate Surveys

**GUEST LECTURER:** tbc

**Assignments for October 1st**

1. Read up on Logistics Performance Index
   (www.worldbank.org/external/transport)


**Reading for October 1st**

Elements of Project Analysis in “Economic Analysis of Investment Operations, World Bank Institute, Chapters 1 & 2 (BLACKBOARD).

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**Class 6. October 1, 2013**

**Topic**

Infrastructure and competitiveness

**Lecture Themes**

- Infrastructure and Growth
- Infrastructure and Firms
- Infrastructure assets for the poor
- The elements of project analysis

**Assignment for October 8**

Reading for October 8th


Class 7. October 8. 2013

Topic

Public/Private partnerships in infrastructure

Lecture Themes

- Lessons of privatization experience
- Issues of government policy and regulation
- Doing Good and Doing Well: Are They Compatible?
- Review of Project Outcomes

GUEST SPEAKER: tbc

Assignments for October 22


3. Google the Yacyreta Project in Argentina and be prepared to discuss it in class. It is a hydroelectric project on the Argentina-Paraguay border.

****NO CLASS ON OCTOBER 15TH****

FIRST ASSIGNMENT IS DUE ON OCTOBER 15th BEFORE MIDNIGHT. REMEMBER THAT IT IS A BRIEF—A CONCISE NOTE TO MANAGEMENT—
Class 8. October 22, 2013

Topic

Public-private deals, revenue management, and the environment

Lecture Themes

- Discuss the controversial Chad-Cameroon pipeline project
- Laos hydroelectric project: was it any different?
- What do we learn from the Yacyreta project?
- The basics of private-public partnership success

Assignments for Oct. 29th


Reading for Oct. 29th


Class 9. October 29, 2013

Topic

Regulation and Competition

Lecture Themes

- Who survives in a competitive environment?
- Negotiations between government and business
- Approaches to regulation and the role of the neutral arbiter
- Regulation Cases in Mexico and Argentina
Assignment for Nov. 5th

“Capital Controls in Chile in the 1990s”. HBS Case 9-705-031 (A).

Readings for Nov. 5th


Class 10, November 5, 2013

Topic

 Competition, Finance, and Firms Performance

Lecture Themes

• Who finances the real economy?
• Are capital inflows a benefit or a curse?
• Access to finance and growth
• Innovation, finance, and SMEs

GUEST SPEAKER: tbc

Assignment for Nov. 12th

Yusuf, Shahid, “Technology and Innovation in East Asia” (BLACKBOARD).

SECOND ASSIGNMENT, THE FT EDITORIAL, IS DUE ON NOVEMBER 10th BY MIDNIGHT, SUBMITTED ELECTRONICALLY TO ROHANSHETTY@GWMAIL.GWU.EDU

THE CASE HANDOUT FOR ASSIGNMENT #3 WILL BE PROVIDED ON NOV. 12th IN CLASS FOR YOU TO WRITE YOUR
NEGOTIATIONS BRIEF THAT IS DUE NOV. 24\textsuperscript{th} AT MIDNIGHT.

Class 11, November 12, 2013

\textit{Topic}

\begin{itemize}
  \item Technology and the Knowledge Economy
\end{itemize}

\textit{Lecture Themes}

- Access to Technology and Economic Growth
- The Korean Experience  The Role of Government and Industrial Policy
- Findings of the Growth Commission (www.growthcommission.org)

\textit{Assignments for Nov. 19\textsuperscript{th}}


Class 12, November 19, 2013

\textit{Topics}

\begin{itemize}
  \item Labor markets: many perspectives
  \item Issues of poverty, inclusion, and gender
\end{itemize}

\textit{Lecture Themes}

- Fairness and perceptions of fairness: case discussions
- Employment, poverty and distribution
- Gender Action Plan (video)

\textit{Assignment for Nov. 26th}

**Reading for Nov. 26th**


**ASSIGNMENT THREE IS DUE NOV. 24th AT MIDNIGHT TO BE SUBMITTED ELECTRONICALLY TO ROHANSHETTY@GWMAIL.GWU.EDU**

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**Class 13, November 26, 2013**

**Topic**

- The environment, climate change and green growth; pressure groups and the role of NGOs; global management of the commons

**Lecture Themes**

- Environment and growth: the big picture
- International perspectives and national responsibilities: what’s reasonable policy?
- Case discussion on alignments of objectives
  - The role of NGOs

**ASSIGNMENTS FOR THE NEGOTIATIONS EXERCISE—VOLUNTEERS FIRST**

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**Class 14, December 3, 2013 (NOTE ROOM CHANGE)**

**Topic**

- Pobreza Concessions Case  Team Negotiation Exercise  Discussion of the Case and Strategies for Negotiation