The Hebrew University of Jerusalem

Syllabus

EMERGING MARKETS STRATEGY - 55747

Last update 17-10-2018

<u>HU Credits:</u> 1

<u>Degree/Cycle:</u> 2nd degree (Master)

<u>Responsible Department:</u> Business Administration

<u>Academic year:</u> 0

<u>Semester:</u> 2nd Semester

<u>Teaching Languages:</u> English

<u>Campus:</u> Mt. Scopus

<u>Course/Module Coordinator:</u> Professor Sharon Belenzon

<u>Coordinator Email:</u> sharon.belenzon@duke.edu

<u>Coordinator Office Hours:</u>

<u>Teaching Staff:</u>

Prof sharon belenzon

Course/Module description:
  The course focuses on firms based in emerging market economies. By emerging market economies, I mean countries that have established a moderate degree of commercial infrastructure such as labor markets, legal transparency, and capital markets. These markets – ranging from the BRIC countries of Brazil, Russia, India, and China to countries in Africa, Latin America, Asia, and the Middle East – are now the most dynamic economies in the world. Success in these countries requires modifying conventional business strategy to reflect the distinct conditions of the emerging markets. The course explores key similarities and differences of business strategy in these emerging market economies.
We will explore why and how strategies in emerging markets differ in both kind and intensity. Four reasons stand out: dynamic competitive advantage, complex management of resources, inherent uncertainty, and political environment. In turn, these affect a range of strategic decisions such as positioning in the value chain, managing human resources, innovation, and growth and expansion.
Understanding what a firm should do requires an appreciation of its context – the country it is operating in and the broader socio-economic and political characteristics of the country. There are broad similarities across emerging economies in this respect as well as important differences, and we shall discuss them at various points throughout the course.
Though the course takes the perspective of firms based in the emerging market economies, the issues are also relevant for firms based in established market economies that are competing with emerging market firms, either in their home markets or as they expand around the world. Whatever the perspective, the aim is to understand the competitive strategy in emerging markets.
The course is aimed at all managers, whether you have general management responsibilities or work in a specialist position. Due to increasing complexity and specialization, it is important that specialists acquire the capability to perceive the company as a whole, to understand its mission, and to work effectively with specialists in other functions within the company or within the company's business partners. You need to know the general purposes that you serve as a specialist in order to manage well. To this end, the course will briefly review key concepts and frameworks introduced during the core strategy course and extend them to emerging market contexts.
In order to capture the pragmatic, action-oriented nature of strategic management, I teach this course through the case method, supplemented with readings, lectures, and discussions. My objective is for you to develop your personal synthesis and approaches to identifying and solving the key problems that you may face as business managers.

Course/Module aims:

<u>Learning outcomes - On successful completion of this module, students should be able to:</u>
  develop your personal synthesis and approaches to identifying and solving the key problems that you may face as business managers.

<u>Attendance requirements(%):</u>

Teaching arrangement and method of instruction: Preparation and participation Important parts of your learning in this course will take place in the classroom. Attending classes and actively participating are essential. I expect you to prepare and participate in discussions. Each class builds on material covered in previous classes. There is no textbook, and thus missing classes will have a critical effect on your ability to fully internalize the insights that we will develop in this course.

Preparation is the most important assignment for the sessions. I expect you to be familiar with the core material during each discussion and to have developed a personal point of view concerning the issues that arise in the material.

Preparation means that you read the materials, consider the issues raised by the case and assignment questions, and carry out appropriate quantitative and qualitative analysis in order to arrive at a thoughtful position concerning the options that face the firms and managers in the case. Preparation also involves developing a personal position on the issues raised in the case and readings. Unless you have thought about the relevant issues and adopted a personal position, it is difficult to learn from others' contributions.

For the learning process to be effective, you will need to participate actively during class. Active participation in discussions helps you sharpen your own insights and those of your classmates. You will learn the contents of the course and, as importantly, the process required for analysis and implementation, which is central to successful strategic management. I expect you to analyze, comment, question, discuss, and build on others' contributions. Participation enables you to learn from your colleagues and to help them learn from you.

I consider class participation to be 'hygiene': you are expected to be engaged in class discussions. There are two ways by which you can contribute. One is by volunteering to participate in the discussion of current events held at the beginning of each class. For this to count, you will have to explain why the news story that you share with the class has strategic implications – i.e., just saying 'I found 'X' event interesting' will be appreciated but will not influence (positively or negatively) your

class participation grade. The other, more substantive, way you can influence your class participation grade is by engaging actively in class discussions. 'Quality' and not 'quantity' is what matters. That is, a good contribution depends not only on speaking up in class but on your input towards moving the discussion forward and improving the learning experience of your colleagues.

Late assignments

Late assignments will not be accepted.

Course/Module Content:
  COURSE TOPICS

Class 1. China – BYD

This class examines a firm that is flourishing in its original industry and is attempting to move into a very different value chain.

Case: BYD Company Ltd. (HBS case 9-606-139, 2009)

Preparation: Consider BYD at the time of the case.

• Should BYD vertically integrate from batteries into cars (by buying a small auto company)? Support your answer by analyzing the auto industry and by analyzing whether the factors that have driven BYD's success to this point will extend to the automobile business as well. Note any other considerations involved in your decision.

• If BYD were to enter the car market, what should the strategy be? Should it produce electric cars? For which geographic markets?

• As an investor, would you buy BYD's stock? Consider BYD's core capabilities that you will be paying for as an investor/owner.

Class 2 Indonesia – BTPN* (homework assignment)

This class considers a sleepy Indonesian bank, which has recently attracted investment from a US based PE group. It has grown by expanding its business to under-banked customers and is choosing its growth strategy for the future.

Case: BTPN: Banking for the Bottom of the Pyramid in Indonesia (William Davidson Institute, 1-429-330, April 1, 2013)

• What choices and factors have driven BTPN's recent success?

• What are the pros and cons of targeting new customers (productive poor) versus additional products to existing customers? Which is more attractive? Which is a better fit with existing capabilities?

• What is the long run objective of BTPN shareholders?

Class 3. Mexico – Grupo Torre Medica (GTM) * (homework assignment)

This class focuses on a private equity-backed Mexican health care provider that is looking for rapid growth primarily in Mexico City in the private clinics/hospital segment. We will discuss sources of growth and optimal execution. Be prepared to discuss your recommendation in class.

Case: Grup Torre Medica (GTM)
• What is the business opportunity presented in the Mexican health care industry?
• How does GTM position itself in the industry?
• How should GTM grow:
a. Should it grow by introducing new products (TM Contigo? TM Prevent?)
b. Should it replicate its existing business model in other parts of Mexico City?
c. Should it replicate its existing business model in other cities in Mexico and Latin America?

Class 4. Malaysia/Airlines– AirAsia
The class focuses on understanding your competitive environment and creating a business that can thrive in that environment.
Case: The Asian Airline Industry (NUS case, 2006-11-2006)
Air Asia: Now Everyone Can Fly (NUS case, 2006-08-11)
• What explains AirAsia's success?
• Will AirAsia's success attract traditional carriers to enter its segment?
• Can AirAsia sustain its success?
• How should AirAsia respond to the recent crash of one of its planes?

Class 5. West Africa – Fan Milk
This class focuses on responding to local country conditions. As part of the discussion, we will discuss the adaption Uber should make to its US-centered business model to be successful in India
Case: Fan Milk in West Africa, 1950s to 2014
• What are the key institutional challenges facing Fan Milk?
• How did Fan Milk address the underdeveloped local institutions?
• Reflect on Danone's acquisition of Fan Milk. What are the potential synergies between the two firms?

Class 6. Georgia – AES
This class examines a firm that is struggling to achieve success with a major expansion in a challenging environment.

Case: AES-Telasi: Power Trip or Power Play?" (Bennet Zelner; 2006).

• Should AES go into Georgia?
• What are the key actions that it needs to take that will give it a chance of both short term and long term success?

Class 7. India - Uber
This class focuses on responding to local country conditions. As part of the discussion, we will discuss the adaption Uber should make to its US-centered business model to be successful in India
Case: Uber India
• What are the foundations of Uber's business model in the United States?
• Can Uber successfully implement its existing business model in India?

• What are the differences in Ola's and Uber's business model in India?
• Who do you think it more likely to succeed in the Indian market—Ola or Uber? Why?

Class 8. Brazil – Vale
This class examines a firm that has been privatized, but must decide how to respond to political pressures, both from its own government as well as that of its major customer.
Case: Vale: Global Expansion in the challenging world of mining. HBS Case. Oct 14, 2010. 9-710-054
• Should Vale pay for shipping costs for its customers in China? If so, should it purchase its own vessels or contract with independent shipping companies?
• Can Vale hedge against political & governance risk in Brazil?
Class 9. Jordan – Aramex
Aramex is a Jordan based logistics company, which has globalized through partnering. The case considers its future growth strategy.
Case: Aramex: Delivering the Future. (Davidson Institute, Michigan. Case 1-428-776)
• What should Aramex's strategy be for developed markets?
• What should Aramex's strategy be for emerging markets? What criteria would you use to distinguish among various emerging markets?
Class 10. Mexico/Cement – Cemex* (homework assignment)
This class considers a firm that has led the globalization of a once-domestic industry.
Case: The Globalization of CEMEX (HBS case 9-701-017, 2004)
• How has CEMEX out-competed its leading global competitors?
• What accounts for the sequence in which CEMEX entered foreign markets?
• What recommendations would you make to CEMEX concerning its strategy going forward?

Required Reading:
 See course content.

 Additional Reading Material:

  Course/Module evaluation:
  End of year written/oral examination 0 %
  Presentation 0 %
  Participation in Tutorials 50 %
  Project work 0 %

Assignments 0 %
Reports 0 %
Research project 0 %
Quizzes 0 %
Other 50 %
-Industry Analysis -Positioning Analysis -Pro

Additional information:

Preparation and participation
Important parts of your learning in this course will take place in the classroom. Attending classes and actively participating are essential. I expect you to prepare and participate in discussions. Each class builds on material covered in previous classes. There is no textbook, and thus missing classes will have a critical effect on your ability to fully internalize the insights that we will develop in this course.

Preparation is the most important assignment for the sessions. I expect you to be familiar with the core material during each discussion and to have developed a personal point of view concerning the issues that arise in the material.

Preparation means that you read the materials, consider the issues raised by the case and assignment questions, and carry out appropriate quantitative and qualitative analysis in order to arrive at a thoughtful position concerning the options that face the firms and managers in the case. Preparation also involves developing a personal position on the issues raised in the case and readings. Unless you have thought about the relevant issues and adopted a personal position, it is difficult to learn from others' contributions.

For the learning process to be effective, you will need to participate actively during class. Active participation in discussions helps you sharpen your own insights and those of your classmates. You will learn the contents of the course and, as importantly, the process required for analysis and implementation, which is central to successful strategic management. I expect you to analyze, comment, question, discuss, and build on others' contributions. Participation enables you to learn from your colleagues and to help them learn from you.
You should expect to be "cold-called" and be prepared accordingly. Please bring your "name tent" to class with you. If you are not prepared to be called upon on a particular day, please let me know before class. Your participation grade is based on attendance and in-class participation. I shall also solicit feedback from the class as input into my grading for class participation as needed.
Course website
The website, located on the Canvas platform, plays a central role in the class. All class materials appear on the website, and completed assignments and survey responses must be submitted through the website.
Late assignments

Late assignments will not be accepted.

FSB honor code and academic integrity

No member of the class may engage in or tolerate academic fraud, such as cheating, plagiarism or lying. We believe strongly in giving certain liberties to students, and in return we expect honest and honorable conduct, including compliance with the FSB honor code. You may discuss case assignments with your classmates, but you may not use materials obtained from students who took this course in previous years. You must complete the final exam individually. If at any time you have a question concerning the honor code and course work, please email the professor directly.

Grading

Grading Percentage Points earned for each grade component will be summed to obtain a total score of 100 possible points for the course. As per school policy, final grades will be based on a curve such that 25 percent of students within the section receive "SP", 40 percent receive "HP," and at least 35 percent receive "P," "LP," or "F." Some flexibility may be introduced into this distribution (in either direction) depending on how well the class as a whole performs. Thus, it is in everyone's best interest to perform as well as possible.

Preparation for and Contribution to Class (PCC), including 2 1-page case submissions 50%

Consulting Report

-Industry Analysis 12.5%

-Positioning Analysis 12.5%

-Problem and Solution Recommendation 15%

-Team evaluation 10%

Total 100%

Individual case analysis: Homework

Three cases are assigned for analysis: classes 2 (BTPN), 3 (GTM) and 10 (Cemex). Each student must write an individual analysis and submit an electronic copy through the course website. Your answers should be no longer than 400-500 words (one page). You can use bullet points and references to the case material to economize on space. Questions for each case are included below under the relevant classes. Each case submission accounts for 3.3% of your final grade (as part of your overall participation grade). The case submissions are not graded. You receive full credit for submission, unless the quality of the submission is very low.

In addition, you will receive survey questions prior to class with questions about the case to be covered in class. Please answer the survey questions by 10am at the day of each class. Your survey answers are not graded and are used to fuel class discussion. Expect your name to appear on a slide with your answer. Be ready to defend it in class.

Consulting Reports (50%) (Team Assignment)

The key assignment for Strategy 840 is a three-part analysis of a company to be completed with your team. The final assignment focuses on the fast food industry in

Latin America. Please choose one of these companies: 1. The recently IPOed Burger King Brazil, and 2. Arcos Dorados -- MacDonald's franchisee in Latin America and a direct competitor of Burger King Brazil.

Your job is to analyze your company of choice, compare it to its competitors and provide 1. a buy/sell recommendation for invetors, or 2. Strategic course of action to the company's board of directors on how to position the firm to maximize its value. In both cases, you will follow the same logic and analytical structure of analyzing the industry forces and the firm specific capabilities and positioning to support your conclusions and recommendations. Below you will find detailed instructions on the deliverables and the analytical structure you should follow.

Goals
The goal of these assignments is to have you practice the skills necessary to do competitive analysis on your own. Given that, the structure of the assignment is designed to match the structure of a competitive analysis you will do on the job.

As you know, executives making strategic decisions often have limited time. Thus we will require these deliverables to be very short but very substantive. Each portion of the assignment will require significant thinking and refining. The teams that do the best will write something several times the length of the final assignment and then whittle it down to its essence for the final submission.

Assignment details
The three components of this project are: (A) a written Industry Analysis, (B) a written Positioning Analysis, and (C) Presentation of Problem and Solution.

The two written portions of the write-up should not exceed two (2) double-spaced typewritten pages, with 1" margins and 12-point font. We will only read the first two pages of text, so please stay within the page limit. The limit does not include a cover page or appendices, which you can use to provide charts, figures, or other background material, but these sections should be no longer than five (5) additional pages. Appendices that are not directly referenced in the text will not be read. The appendix is not a catch-all for anything that might be relevant, but is to be used to carefully support your points. Always include page numbers. Staple papers only (no binding, folders, clips, etc.). The Presentation of Problem and Solution will take place on the last day of class and your team will present a key problem your client is facing and offer a solution to that problem. This presentation will also include the findings from your first two analyses.

You are expected to apply all materials covered during Strategy 840 to produce a concrete recommendation to T. Rowe Price or the company's board of directors. Your recommendation has to take into account the:
1. Competitive conditions in the markets/segments that you recommend to target;
2. Type of advantage (cost, product differentiation, both) that the company could have over competitors already in those segments;

3. Resources & capabilities that will support the company's competitive position;
4. Synergies that can be (potentially) unfettered between the different lines of business the company operates in (geography or products)
5. Portions of the value-chain that have to be directly controlled by the company vs. those that could be outsourced to external suppliers.
Your recommendations need to be contained in a two-page memo (1,100 words) with references to a series of appendices containing your analysis and estimations. This document has to abide by the highest professional standards. You also need to produce a 10 minute presentation outlining your proposal.
Materials (all available in Canvas):
• Burger King Brasil - Preliminary Offering Memorandum English
• Arcos Dorados (ARCO) – Citi outlook
You are free to use any other source of information to support your analysis. I will upload more relevant material as they become available.
Part A – Industry Analysis (12.5%). Due September 27th
The most important features of the industry analysis are:
1) A careful explanation of why you defined the industry as you did
2) A clear assertion of whether the industry is an attractive one or not
3) A cogent and thoughtful defense of your assertion using factual arguments from your research and discussion of their implications using the material from class.

Below, please find our grading rubric for Part A.

  Full points Partial/No point response
Definition Persuasively argues the definition of the industry (i.e. coffee vs. bagged coffee sold at super markets vs. beverages). (2-3 points) Describes an industry that is too broad to coherently analyze or too narrow for the analysis to be applicable to other businesses. (0-1 point)
Five Forces Makes an assertion of the profit implications of each of the five forces, using facts and numbers when appropriate. Fails to assert the direction of impact of a particular force or argues the position unpersuasively. This may include ignoring key facts, misinterpreting the force or the facts, or missing an important step in the logical argument.
  Barriers to Entry (2 points) (0-1 point)
  Rivalry (2 points) (0-1 point)
  Buyer Power (2 points) (0-1 point)
  Supplier Power (2 points) (0-1 point)
  Substitutes/Complements (2 points) (0-1 point)
Conclusion Makes an assertion about the overall average profitability of the industry and argues it persuasively using the five forces analysis (2-3 points) Fails to assert the average profitability of the industry, or argument is not sufficiently persuasive. This could include arguments that do not build on the preceding analysis or rely on unspoken or undefended assumptions. (0-1 points)
Presentation Document demonstrates care and professionalism (2 points)
Document demonstrates unsatisfactory care or professionalism. This might include grammatical errors, inconsistencies between sections, etc. (0-1 points)

Part B – Positioning Analysis (12.5%) Due Distance week 1, 11:55pm day of class
You should analyze the business you chose in great depth; the primary goal of this document is to demonstrate your understanding of the material.

The most important features of the positioning analysis are (in no particular order):
1) The clear articulation of the business's attempted competitive positioning relative to the other firms within their industry.
2) An assertion about the firm's success at achieving that positioning and cogent and thoughtful defense.
3) An assertion about the sustainability of that position and cogent and thoughtful defense of your position including the resources/capabilities/isolating mechanisms the firm is a) using to achieve sustainable competitive advantage or b) failing to use or doesn't have, resulting in no competitive advantage or unsustainable competitive advantage.

Below, please find our grading rubric for Part B.

Full points Partial/No point response
Definition Persuasively argues the unit's attempted competitive positioning relative to other firms in the industry. (2 points) Argument about firm's attempted positioning relative to other firms in the industry is overly vague or unpersuasive. (0-1 point)
Resources/ Capabilities/ Isolating mechanisms Persuasively argues the resources/capabilities/isolating mechanisms necessary for this position yield sustainable competitive advantage. (2 points) Unpersuasively argues which resource of capability will lead to competitive advantage. This could include missing steps in the logical argument, "selling" the company instead of evaluating it critically, or misinterpreting VRIN. (0-1 point)
Conclusion Persuasively argues whether the firm has those necessary resources/capabilities/isolating mechanisms and, by extension, whether they have a sustainable competitive advantage (2 points) Unpersuasively argues whether the firm has the R/C/IM for sustainable competitive advantage. Includes "orphaned" facts or fails to include necessary logical steps in argument. (0-1 point)
Professionalism Document demonstrates care and professionalism (2 points) Document demonstrates unsatisfactory care or professionalism. This might include grammatical errors, inconsistencies between sections, etc. (0-1 point)

Tips for the written components
• The space allocated is very short, but that does not mean that these assignments require little thought. As a first step, try writing a document that you feel completely answers all the questions. Past groups have found this to be double or triple the allowed space. Once you've done that, go through and remove sentences

that don't directly support the main argument.
• Proofread the complete document. This includes making sure you did things like spelling your group members' names correctly.
• Assume your reader, like most managers, has other pressing concerns and a general lack of enthusiasm for your issues. Convince your reader that it is crucial to do something. Convince the reader of the importance of each particular action.
• Be as concrete as possible. Try to make specific arguments. Use facts and graphics where appropriate.
• If something seems too easy, it probably is.
• An argument supported by hard data is much more powerful than qualitative arguments.
• REMEMBER, WE WANT TO SEE HOW YOU THINK.

Part C – Problem and Solution Recommendation (15%). Distance week 9, upload slides day before class
Part C will not be submitted as a written assignment, but will be presented in class. You will submit your slides for peer review. The presentation will be graded according to the rubric below.

Full points Partial/No point response
Definition Identifies a single problem facing the firm, consistent with prior analyses, and persuasively argues that this is the key impediment to better performance (2 points) Fails to clearly describe a single problem, presents a problem that seems inconsistent with the facts from prior analyses, or argues a point that seems to be the result of some deeper problem. (0-1 point)
Recommendation Makes a recommendation of a precise course of action and argues it exceptionally coherently and thoughtfully. Recommendations should be at the level of the C-Suite. It should include enough detail to be implementable, but needs to include operational details. The recommendation can be for studying alternatives, but must be precise about those alternatives and the means of studying them. Back up recommendations with facts when appropriate. (2 points) Description of the course of action is too vague to be refutable, the recommendation would not solve the previously articulated problem, or would cause additional problems. This score can also be the result of well-chosen recommendations that are not persuasively argued. (0-1 point)
Professionalism Presentation demonstrates care and professionalism (2 points) Document demonstrates unsatisfactory care or professionalism. (0-1 point)

You may structure the presentation however you see fit. One persuasive format is to begin with a thesis statement for your argument (probably framed as the results of the analysis of the industry and of the unit's competitive position in it) and what steps should be taken going forward. Next, you should defend your identification of the problem with facts. Finally, after articulating your recommendations, you should

address potential downside risks comprehensively.
The plan must include descriptions of what is to be done, who should do it, and when it should be done. Be precise. We would like to see tangible, specific recommendations rather than generic, broad recommendations. Your recommendations should be consistent with your industry and unit analyses. The goal will be, first and foremost, to demonstrate your understanding of the material. This means that you will want to pay special attention to the sustainability of the solution and the resources underlying it. You should draw on and integrate course readings, case discussions, and lecture material in formulating your recommendations.

As important as your recommendation is, the most important part of this assignment is not the choice of recommendation, but its defense. Ideas that we disagree with but consider well defended will receive high marks. Ideas that we agree with but consider under-supported will receive low marks.

Each group will have approximately 5 minutes for presentation, plus 5 minutes reserved for Q&A. We will promptly stop your presentation after 10 minutes; no exceptions. We would like to see everyone involved in the presentation in some fashion.

Tips for the presentation component
• Prepare a professional looking presentation. "Professional" is defined by whether it looks like you took the assignment seriously and are capable of carrying out the recommendations.
• When you present, you should be familiar enough with the material that you do not need to look at your slides or notes.
• Creativity will be rewarded when it adds to the presentation.
• Professional attire for your group presentation is encouraged, but not required.
• Respect the time of your peers. Practice your presentation together as a group several times before standing in front of the class.

Calendar
Session Module Sub-module Case Industry Country Topic/key concepts Submission
1. Sep. 23trd EM Entrepreneurship Introduction, Frugal innovation BYD Batteries/Electrical cars China Growth, Innovation None
2. Sep. 24th Business model innovation
 BTPN Micro-finance Indonesia Bottom-of-the-pyramid 1-page case answers (before class)
3. Sep. 25th GTM Health care Mexico Local expansion 1-page case answers (before class)
4. Sep. 25th AirAsia Airlines Malaysia Cost leadership None
5. Sep. 27th Growing an existing business Fan Milk Food and beverages West Africa Experimentation Industry analysis report
6. Sep. 28th Global EM Strategy

DM entering EM AES Energy Georgia Political risk, corruption None
Distance week 1 Uber IT/Transportation India Missing institutions/competition Positioning analysis
Distance week 3 EM going global Vale Metals and mining Brazil Alliances, political risk None
Distance week 5 Aramex Logistics Jordan Alliance stability None
Distance week 7 Cemex Cement Mexico Competition 1-page case answers (before class)
Distance week 9 FINAL PRESENTATIONS Upload slides before class