AEM 4940. SPECIAL TOPICS IN APPLIED ECONOMICS AND MANAGEMENT: RISK MANAGEMENT IN EMERGING MARKETS
3 credits

June 27 – July 15, 2016

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Course Objectives
With the rise of emerging markets such as India, China, Brazil, Russia, Mexico, South Africa and many others, more and more companies are pursuing their major business objectives in these markets. What are the opportunities and market potential, as well as the challenges and risks of operating in such markets? This course has two interrelated goals: first, to introduce you to the business potential in the world of emerging economies; and second, to equip you with the tools by which you can assess and mitigate risk in these countries. More specifically, we will discuss the socio-political, economic and cultural environments of emerging-market countries. You will further learn about the various types of risk that international businesses face when operating in these markets, and the major approaches to risk assessment and management. Through a combination of readings, lectures and case discussions you will gain practical skills in evaluating and assessing risk, and in developing business models and strategies that are suitable for success in emerging markets.

Course Readings


A Reading Packet will be available for purchase at the campus store in early May. If you have already left Ithaca, you can call the Book Information Desk (607-255-2933) and order your reading packet. The store will ship it out to you at a designated address for a small shipping fee.

Additional Readings will be posted on Blackboard.
Distance Learning Organization of the Course

(1) **Lectures.** The course’s core conceptual material will be introduced through detailed lecture notes – you can download them from Blackboard.

(2) **Assigned Readings.** There will be assigned readings for each class session. You can find them on Blackboard in the Course Documents folder; and in a Reading Packet that you can purchase from Cornell’s Campus Store.

(3) **Discussion Board.** There will be a Discussion Forum on Blackboard for each class session. *Do you have to be on Blackboard/online for a specific time of the day in order to participate in group discussions?* The answer is No. Overall, the course has a flexible schedule - you are not required to be at your computer at a certain time of the day for class discussions.

(4) **Fulfilling the Course Requirements.** Finally, you have to fulfill the course requirements which are listed below.

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Course Requirements and Grading Policy

Your grade will be based on: (a) participation in class discussions on Blackboard (40 points); (b) one case write-up (25 points); and (c) a final paper (35 points).

(a) **Participation in Discussion Forums (40%)**

As the percentage breakdown indicates, participation in online discussions is an important part of the learning process. There will be a discussion forum for each class session, or a total of 15. You can get up to 4 points per discussion post, depending on the quality of your analysis.

**What counts as a post:** (a) an answer to one of the discussion questions (all discussion questions will be posted in advance); or (b) one separate comment on the assigned readings that is not directly related to the posted discussion questions for the day; or (c) a brief analysis of a recently published news article in the media which discusses topics relevant to the class themes (please attach the news article to your post or provide a web link if the article is publicly available).

**Length of the post:** 1-2 paragraphs, up to a page. Try to be clear and concise – clarity of thought and economy of words are important.

**Deadline for posting:** 11:59 pm on the day before the class session.

(b) **One Case Write-Up (25%)**

You have to write one essay on any of the following six cases that will be discussed in class: *Tesco PLC* (June 30); *Amazon in Emerging Markets* (July 4); *The Moza Project in Mozambique* (July 5); *NES China* (July 8); *Shell in Nigeria* (July 11); and *Haier: Taking a Chinese Company Global* (July 13).

Each write-up should be an answer to the respective discussion questions for the case (they are listed in the Syllabus). Please create a clear structure of your write-up by answering separately each of the discussion questions.
Length: Up to 1,300 words. Less words is not bad; I will be evaluating the quality of your logical thinking and critical assessment of the case, not the quantity of words with which you express yourself. In any case you have to assume that quantity and quality are often interdependent. With more space/words you can increase the general quality of your answer by bringing additional relevant evidence/data in support of your argumentation.

Your essays are due by 11 pm on the day before the respective case will be discussed in class. Please send them to me by email.

<table>
<thead>
<tr>
<th>Case</th>
<th>Case Write-Up Submission Deadline</th>
<th>Case Discussion in Class</th>
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<tbody>
<tr>
<td>Tesco PLC</td>
<td>June 29, 11 pm</td>
<td>June 30</td>
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<tr>
<td>Amazon in EMs</td>
<td>July 3, 11 pm</td>
<td>July 4</td>
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<td>The Mozal Project</td>
<td>July 4, 11 pm</td>
<td>July 5</td>
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<td>NES China</td>
<td>July 7, 11 pm</td>
<td>July 8</td>
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<td>Shell in Nigeria</td>
<td>July 10, 11 pm</td>
<td>July 11</td>
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<tr>
<td>Haier</td>
<td>July 12, 11 pm</td>
<td>July 13</td>
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(c) Final Paper (30%)
On July 9th I will send you by email a recently published journal article that will discuss issues of business organization or strategy in the context of the global marketplace. I will also include a set of questions on the contents of the article. Please write a concise essay in response to these questions, by using the theoretical framework and perspectives of the course readings and lecture notes. You are welcome to use additional materials beyond the assigned article in support of your arguments.

The standard for the paper is as follows: 12-point Times New Roman font, 1-inch margin, double-spaced, page-numbered, maximum 10 pages in length (double-spaced), and saved as a Word document. References and any exhibits/appendices you deem necessary do not count against this limit.

More detailed guidelines on your final papers will be provided during the last week of class sessions.

Your final paper is due on July 15th by 8 pm ET. Please send it to me by email.

**Detailed Class Schedule**

**June 27, Monday**

(1) Emerging Markets and the World Economy. Emerging-Market Potential

**Readings:**

*The Economist.* “Emerging vs Developed Economies: Power Shift.”

August 4, 2011 (Blackboard).


February 27, 2013.

June 28, Tuesday
(2) Institutional Voids and Risk in Emerging Markets

June 29, Wednesday
(3) Risk Assessment and Risk Mitigation Strategies

June 30, Thursday
(4) Organization of the Risk Management Function
Readings: Case: Tesco PLC (Reading Packet).
Discussion Questions:
1. What structures are used for risk management within Tesco?
2. How would you assess the effectiveness of the specific tools used by Tesco PLC to manage the risks associated with its position as a major global retailer?
3. How is risk management linked to performance management at Tesco?

July 1, Friday
(5) Business Models for Emerging Markets: A General Overview
July 4, Monday
(6) Business Models for Emerging Markets: Amazon’s International Expansion

Readings:
Case: Amazon in Emerging Markets (Reading Packet).

Discussion Questions:
1. Did Amazon make sensible choices in its emerging markets entry strategies? Consider location, entry mode, and timing.
2. What are the risks and rewards for early and late movers?
3. Should Amazon enter additional emerging markets immediately? If so, why and where? If not, why not and where should its focus be? More broadly, how sustainable is Amazon’s simultaneous pursuit of geographic, horizontal, and vertical expansion?

July 5, Tuesday
(7) Deterrence/Structuring Approaches to Asset Expropriation in Emerging Markets

Readings:
Case: Financing the Mozal Project (Reading Packet).

Discussion Questions:
1. Who are the Mozal Project’s partners?
2. What types of risk is the Project facing in Mozambique, and how are the Project partners managing them?
3. In your opinion, what are the three key factors for the success of the Mozal Project?

July 6, Wednesday
(8) Regulatory Risk

Readings:
The Economist Intelligence Unit. Regulatory Risk: Trends and Strategies for the CRO (Blackboard).

July 7, Thursday
(9) Intellectual Property Theft

Readings:

YouTube Video: The Fight Against Counterfeit Drugs;
http://www.youtube.com/watch?v=6Djftj0bwus (13:12 min)
July 8, Friday

(10) Corruption and Cross-Cultural Variation in Standards of Morality

Readings:
- Case: NES China: Business Ethics (A) (Reading Packet).

Discussion Questions:
1. Should NES China give “gifts” to government officials to facilitate the approval process for the establishment of a holding company in Beijing, to coordinate its investment in China?
2. Consider Chen’s views vs. the German team’s views: would gift-giving to Chinese government officials be unlawful? Would it be immoral?

July 11, Monday

(11) Complicity in Human Rights Abuse

Readings:
- Case: Royal Dutch Shell in Nigeria (Reading Packet).

Discussion Questions:
1. Despite its local community projects, Shell faced serious human rights issues in Nigeria. What were they, and how did the company respond to them?
2. In your opinion, did the company develop the right strategy in response to the human rights issues that it faced in Nigeria?
3. In your opinion, how should companies deal with human rights issues while operating in non-democratic countries?

July 12, Tuesday

(12) Global Sourcing and Reputational Risk

Readings:
- The Economist Intelligence Unit. Reputation: Risk of Risks. 2005 (Blackboard).
- Materials on Mattel’s 2007 toy recalls (Blackboard).

July 13, Wednesday

(13) Emerging-Market Multinationals as Competitors

Readings:
- Case: Haier: Taking a Chinese Company Global (Reading Packet).

Discussion Questions:
1. Why was Haier so successful in China?
2. Was Haier’s decision to globalize into developed markets early on a good strategy?
(3) Can Haier build on its success in niche products to become a dominant global brand in high-end white goods?

**July 14, Thursday**

**14) Concluding Discussion: How to Win in Emerging Markets?**

**Readings:**

**July 15, Friday**  
**Final Papers are due by 8 pm**