AEM 3070. RISK MANAGEMENT IN EMERGING MARKETS
NBA 5911. RISK MANAGEMENT IN EMERGING MARKETS
(combined)

3 credits

June 24 – July 12, 2019

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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 digital Reading Packet will be available for purchase from the campus store. Please call the Book Information Desk (607-255-2933) or email Leslie (lal18@cornell.edu) for the digital code to be mailed to you.

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 Canvas@Cornell (the new Blackboard version for Cornell).

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

(3) Discussion Board. There will be a Discussion Forum for each class session. Do you have to be on Canvas/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.

Course Requirements and Grading Policy

Your grade will be based on: (a) participation in class discussions on Canvas (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 daily class session. You will have the flexibility to post your comments throughout the day, or about 24 hours after the release of the lecture notes for the respective class session.

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) a comment on one of the assigned readings for the day; or (c) a brief analysis of a recently published news article that 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: 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 of the class session.

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

You have to write an essay of up to 1,300 words on one of the cases that will be discussed in class: Tesco PLC; Amazon in Emerging Markets; The Mozal Project in Mozambique; NES China; Shell in Nigeria; and Haier: Taking a Chinese Company Global.
Each write-up should be an answer to the respective discussion questions for the case (they are listed in the Syllabus). Please provide separate answers to each of the discussion questions for the case and use subheadings to indicate where the answer to one question ends and the answer to another question starts. You can find detailed guidelines on Canvas about Answering a Case Question.

**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>
</tr>
</thead>
<tbody>
<tr>
<td>Tesco PLC</td>
<td>June 26, 11 pm</td>
<td>June 27, Thursday</td>
</tr>
<tr>
<td>Amazon in EMs</td>
<td>June 30, 11 pm</td>
<td>July 1, Monday</td>
</tr>
<tr>
<td>The Mozal Project</td>
<td>July 1, 11 pm</td>
<td>July 2, Tuesday</td>
</tr>
<tr>
<td>NES China</td>
<td>July 4, 11 pm</td>
<td>July 5, Friday</td>
</tr>
<tr>
<td>Shell in Nigeria</td>
<td>July 7, 11 pm</td>
<td>July 8, Monday</td>
</tr>
<tr>
<td>Haier</td>
<td>July 9, 11 pm</td>
<td>July 10, Wednesday</td>
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</tbody>
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*(c) Final Paper (35%)*

On July 6th, Saturday, I will send you by email one or more recently published journal articles that will discuss issues of business organization or strategy in the context of emerging markets. I will also include a set of questions on the contents of the article/s. 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/s 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 2,700 words which is about 9-10 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 13th by 8 pm ET. Please send it to me by email.

**Other Important Class Policies**

*Academic Integrity*. You are expected to uphold the fundamental values of honesty, trust, fairness, respect and responsibility that characterize academic integrity. Please abide by Cornell’s Code of Academic Integrity which is to be found [here](#). I expect you to turn in all assignments written by you, in your own words, citing any references you may have used. When in doubt, cite!
“A Cornell student’s submission of work for academic credit indicates that the work is the student’s own. All outside assistance should be acknowledged and the student’s academic position truthfully reported at all times.” (Cornell Academic Integrity Code)

Please do the Exercise (available here) to check your understanding of plagiarism.

**Accessibility.** Students wishing to request academic accommodations to ensure their equitable access and participation in this course should notify the instructor as soon as they are aware of their need for such arrangements. Cornell’s Accessibility Policies can be found here. Excerpt:

"It is Cornell policy to provide reasonable accommodations to students who have a documented disability (e.g., physical, learning, psychiatric, vision, hearing, or systemic) that may affect their ability to participate in course activities or to meet course requirements. Students with disabilities are encouraged to contact Student Disability Services and their instructors for a confidential discussion of their individual need for academic accommodations. Student Disability Services is located in 420 CCC. Staff can be reached by calling 607.254.4545."

**Netiquette.** Please observe proper "Netiquette". Please treat your fellow classmates with respect, even if you strongly disagree with their positions expressed in the discussion forums. There is room for all opinions in our forums—we are here to share and learn, together. The Blackboard folder on Online Learning Basics provides netiquette guidelines on how to write and receive communications in an online course setting.

**Extensions.** Contact me as soon as you can if you fall behind. Extensions are not automatic; they must be requested and meet the criteria of having provided sufficient work for me to be able to state you are successful thus far.

**Keeping in Contact.** Please maintain contact with me. Ask questions when needed and please do not let problems go unresolved.

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**Detailed Class Schedule**

**June 24, Monday**


**Readings:**

4) PWC’s Ranking of the 32 Most Powerful Economies in the World by 2050. 

June 25, Tuesday
Module 2. Institutional Voids and Risk in Emerging Markets

Readings:

June 26, Wednesday
Module 3. Risk Assessment and Risk Mitigation Strategies

Readings:
2) The PRS Methodology @ http://www.prsgroup.com

June 27, Thursday
Module 4. Organization of the Risk Management Function

Readings:
1) **Case 1**: *Tesco PLC* (Reading Packet).

Discussion Questions for the Tesco Case:
(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?

June 28, Friday

Readings:


July 1, Monday

Readings:
1) Case 2: Amazon in Emerging Markets (Reading Packet).

Discussion Questions for the Amazon Case:
(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 2, Tuesday
Module 7. Deterrence/Structuring Approaches to Asset Expropriation in Emerging Markets

Readings:
1) Case 3: Financing the Mozal Project (Reading Packet).

Discussion Questions for the Mozal Case:
(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 3, Wednesday
Module 8. Regulatory Risk

Readings:

3) World Bank’s *Doing Business 2019 Report (Overview)*
   [http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB19-Chapters/DB19-Overview.pdf](http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB19-Chapters/DB19-Overview.pdf)

**July 4, Thursday**


Readings:
   [https://www.pwc.com/gx/en/services/forensics/economic-crime-survey.html](https://www.pwc.com/gx/en/services/forensics/economic-crime-survey.html)
3) *YouTube Video: The Fight Against Counterfeit Drugs:*
   [http://www.youtube.com/watch?v=6Djftj0bwus](http://www.youtube.com/watch?v=6Djftj0bwus) (13:12 min)

**July 5, Friday**

**Module 10. Corruption and Cross-Cultural Variation in Standards of Morality**

Readings:
2) **Case 4:** *NES China: Business Ethics (A)* (Reading Packet).

Discussion Questions for NES China Case:
(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 8, Monday**

**Module 11. Complicity in Human Rights Abuse**

Readings:
1) **Case 5:** *Royal Dutch Shell in Nigeria* (Reading Packet).

Discussion Questions for Royal Dutch Shell Case:
(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 9, Tuesday**

**Module 12. Global Sourcing and Reputational Risk**

**Readings:**

3) Materials on Mattel’s 2007 toy recalls (Canvas).
4) Rishi Iyengar, “PepsiCo is Suing Farmers in India for Growing the Potatoes it Uses in Lays Chips.” *CNN Business*, April 25, 2019 (Canvas).

**July 10, Wednesday**

**Module 13. Emerging Markets and Emerging-Market Multinationals as Competitors**

**Readings:**

4) **Case 6:** *Haier: Taking a Chinese Company Global* (Reading Packet).

**Discussion Questions for Haier Case:**

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 11, Thursday**

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

**Readings:**

July 13, Saturday

Final Papers are due by 8 pm