



## **IBUS 6402 MANAGING IN DEVELOPING COUNTRIES**

**SPRING 2017**  
**TUESDAYS - 7:10PM - 9:40PM**  
**GOV 102**

**Professor:** Danny LEIPZIGER ([Dleipzig@gwu.edu](mailto:Dleipzig@gwu.edu))

**Office:** Duquès 450 – Department of International Business

**Contact:** 202-994-8202

**Office hours:** Best by appointment

**TA:** Anukriti Kunwar

[anukritikunwar@gwu.edu](mailto:anukritikunwar@gwu.edu)

### **MANAGING IN DEVELOPING COUNTRIES**

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 circumstances on the ground; successful firms and entities will be those whose managers have understood and adapted well to their new environments.

### **COURSE DESCRIPTION & OBJECTIVES**

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 generalized 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 Rather than using extensive reading lists, which can easily be out of date, students will be asked to delve into topics themselves, guided by the professor, and informed by guest lecturers who have dealt with specific issues of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 competitiveness, gender issues, governance and corruption, and the environment.

### **STUDENT OBJECTIVES**

Students will be asked to prepare short notes or briefs on specific issues and topics, address cases in a real world context, and 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.

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 mandatory** and classroom 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.

The instructor will cold call students on required readings of background material or cases to be completed before the class covering the topic (Case materials available for purchase - link on *Blackboard*).

There will be **no exams**; instead there will be:

- 3 major assignments (with specific due dates)

#### **Grades:**

- 3 major assignments:
  - Assignment 1 will be 30%
  - Assignment 2 will be 30%
  - Assignment 3 will be 30%
- Classroom contributions--10%

Assignments will involve some research and analysis, but will place a premium on persuasive arguments. There will be no group projects as relates to assignments and grades, although there may be some group activities.

*NOTE:* 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 (5 pages single-spaced) to your boss dealing with one of the following problems:

- 1. A Brief Supporting the Opening of a Bank Branch in Vietnam.** 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. A Brief for the Minister of Infrastructure of an African Country on the Role of PPPs for Electricity.** 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 cabinet as to whether or not to involve the private sector in the sensitive energy sector. Some see the private sector as greedy and exploitive and point to poor experiences on the continent with PPPs. Others feel that the investment requirements are too large for the country to handle and those PPPs can provide the solution. There are concerns about corruption and the role of the public sector. You have been tasked with providing the Minister of Infrastructure with the arguments necessary to promote the involvement of the private sector in the energy sector, most probably in the area of hydro-power. You may expect another team will make the counter-argument to the cabinet.
- 3. A Brief to the Head of Swedish Aid on How to use Governance Measures to Allocate Aid More Effectively.** The press in Sweden has been pursuing stories of corruption and misuse of funds in aid programs world-wide, and has highlighted some celebrated cases involving Swedish aid as well. This has not only been embarrassing, but has also put parliamentary pressure on the Swedish Aid Ministry to show that its programs are effective. Its programs are primarily in health, education, water management, and community development. The Aid Minister wants to use governance measures and best practice to show value for money to the citizenry. You have been tasked with writing a brief that explains how governance indicators can be used to improve aid allocations. The Minister is familiar with governance indicators and is wary of simply using measures constructed by others to determine her aid program. Your brief is to lead her thinking on this subject and to provide concrete proposals to

factor in governance concerns. You can expect others to be arguing that this is a foolhardy proposition.

#### **HINTS FOR THE EXERCISE:**

- A Briefing Note is not simply a short paper.
- Every word counts so don't waste time on generalities.
- Use bullet points or short sentences.
- Put all supporting evidence, such as footnotes at the end on page 6.
- Don't make insupportable statements. Provide facts and evidence that can be used to sway an argument within the board, cabinet or ministry.

The briefs will be evaluated using the following criteria:

- ✓ Country and/or sector-specific content - maximum of 30 points.
- ✓ Structure and Organization - 20 points.
- ✓ Effective use of supporting evidence and experience - 30 points
- ✓ Persuasiveness and quality of written arguments - maximum of 20 points.

#### **Assignment #2: AN OPINION PIECE FOR THE FINANCIAL TIMES**

You have been asked to write a 750 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 topics. You may argue the point as stated or you may choose to argue the opposite proposition.

**1. The world is flat when it comes to best management practices.** So much has been written about the need to adapt business practices to local conditions, and business school cases are replete with the failed companies that didn't adapt. What is neglected is the basic fact that best practice exists for a reason. It is the wise manager who understands this. Adapting to local circumstances is a matter of implementation, but good management practices are universal. **Hint: Avoid generalities, be specific, and avoid cultural stories.**

**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 those global entrepreneurs must abide by. Governments expect it, international organizations expect it, and the world's citizenry expects it. If this is at odds with local norms and customs, so be it. **Hint: Deal with specifics and indicate how you may have to make some tough decisions.**

**3. 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. GVCs will be pre-empted by disruptive technologies and nationalist sentiment. Thinking globally may become a luxury, and retrenchment is the name of the game. **Hint: Think though**

**the ramifications of some recent global phenomena, such as slowdown of trade.**

**HINTS FOR THE EXERCISE:**

- 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, but the style must be crisp and sharp.
- Don't be long-winded and get your arguments out there in a declarative and firm manner.
- A good editorial is one that convinces the reader.

The opinion brief will be evaluated using the following criteria:

- ✓ Quality/content of the argument - 33 points
- ✓ Organization and written presentation - 33 points
- ✓ Persuasiveness - 33 points

***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. What are you willing to concede and under what circumstances? Indicate under what circumstances you would prefer no deal at all or alternatively, if you do make a deal but at less favorable terms than you would like, how you explain this to your superiors.

**HINTS FOR THE EXERCISE:**

- Think broadly about what you want to achieve and consider what may be important to the other party in the negotiation.
- Since you are not working with actual financial data, stick to the principles that will be observed in the contract and who is responsible for what.
- What are the major risks that you face in these negotiations?
- Try and establish good will and search for areas of compromise that do not affect your bottom line objectives in a major way.
- Making demands that are impossible for the other side to meet serves no purpose.
- Analyze your own position and seek to deflect areas of weakness in your position.
- In the negotiations themselves, be open-minded to new offers and avoid the "macho" approach to negotiations that serves no useful purpose.

The negotiating brief will be evaluated using the following criteria:

- ✓ Quality/content of the argument - 33 points
- ✓ Organization and written presentation - 33 points
- ✓ Persuasiveness - 33 points

**ALL ASSIGNMENTS SHOULD BE SUBMITTED TO THE CLASS TEACHING ASSISTANT BY THE DEADLINE.**

**LATE SUBMISSIONS WILL BE PENALIZED.**

### **COURSE OUTLINE**

**Class 1: January 17, 2017**

#### **Topics**

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

#### **Lecture Themes**

- What is different about developing countries?
- How is 2016 different from 2004 or 2009?
- What is different about managing in developing countries?
- What standards should apply?
- What should expats know about local issues?
- Are there really cultural differences?

#### **Class Readings for Jan. 24<sup>th</sup>: Read these cases and be ready to discuss**

1. "Heineken NV: Workplace HIV/AIDS Programs in Africa (A)" Harvard Business School (HBS) 2003, Case No. 9-303-063.
2. "Mobil in Aceh, Indonesia (A)," Graduate School of Business Stanford University 2002, Case No. IB-0A.
3. "Barrick Gold Corporation- Tanzania," Richard Ivey School of Business, 2011, Case No. 910M20

#### **Optional Background Readings for Jan. 24<sup>th</sup>**

1. North, Douglas, 1991, "Institutions" in Jour. of Economic Perspectives (BLACKBOARD)
2. Acemoglu, Daron, et. al., 2004. "Institutions as the Fundamental Cause of Long-run Growth." (Blackboard)
3. Glaeser, Edward, et. al., 2004. "Do Institutions Cause Growth?" Harvard University Working paper (Blackboard)

## Class 2: January 24, 2017

### Topic

✚ Local institutions

### Lecture Themes

- How institutions differ and why it matters
- What does the evidence say about the effect of institutions on country performance?
- Discussion of cases of the private sector in new political and social environments
- What is good global citizenship and where does it begin and/trend?
- Discussion of Heineken, Mobil, and Barrack cases

### Reading for Jan. 31<sup>st</sup>

1. Leipziger, Danny and Thomas, Vinod. 1997. *The Lesson of East Asia: An Overview of Country Experience*. Overview chapter. University of Michigan Press. (BLACKBOARD)
2. Easterly, William and Ross Levine, 1997, "Africa's Growth Tragedy: Policies and Ethnic Divisions" (Blackboard)
3. La Porta, Rafael et. al., 1999, "The Quality of Government". Jour. of Law and Economics (Blackboard).
4. Case of "Singapore Inc.," 2010, HBS No. 9-703-040
5. Leipziger, D. M., 1998, "Public and Private Interests in Korea: Views on Moral Hazard and Crisis Resolution, EDI Working Paper, The World Bank (Blackboard)

## Class 3: January 31, 2017

### 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?
- Which governments have been successful at implementing economic policies and how does that affect business?
- Notions of industrial policy

### Class Readings for Feb. 2<sup>nd</sup>: Read these cases and be ready to discuss

1. Healy, Paul and Loumioti, Maria. 2009. "Corruption at Siemens (A)," HBS Case 9-108-033.

2. Abdelal, R., Di Tella, R., and Kothandaraman, P. 2007. "Infosys in India: Building a Software Giant in a Corrupt Environment," *HBS Case No. 9-707-030*.

**Optional Background Readings for Feb. 7<sup>th</sup>**

1. Svensson, Jakob, 2005, "Eight Questions about Corruption," *Journal of Economic perspectives*.
2. Campos, J. Edgardo and Pradhan, Sanjay. eds. 2004. *The Many Faces of Corruption: Tracking Vulnerabilities at the Sector Level*. World Bank. Pp.1-43 (Blackboard)

**Class 4: February 7, 2017**

**Topic**

 Governance I

**Lecture Themes**

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

**Class Readings for Feb. 14<sup>th</sup>: Read these cases and be ready to discuss**

1. Kaufman, Daniel and Kraay, Aart. Spring 2008. "Governance Indicators: Where Are We, Where Should We Be Going?" *World Bank Research Observer*, Vol. 23, No.1. Pp. 1-30. (Blackboard)
2. Li, Shaomin. Spring 2004. "Why is Property Right Protection Lacking in China? An Institutional Explanation," *California Management Review*, Vol. 46, No. 3. (Blackboard)
3. Hallward-Driemeier, Mary, 2009, "Who Survives: The Impact of Corruption, Competition, and Property Rights across Forms," World Bank Working Paper # 3485

**Optional Background Research for Feb. 14<sup>th</sup>**

1. World Bank. 2013. *Doing Business Report* (retrieve online at [www.worldbank.org](http://www.worldbank.org). Look it up and become familiar with it.

**Class 5: February 14, 2017**

**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: TBD**

***Read before Feb. 21<sup>st</sup> class***


1. Read up on Logistics Performance Index ([www.worldbank.org/external/transport](http://www.worldbank.org/external/transport))
2. World Economic Forum, Global Competitiveness report 2013-2014 ([www.weforum.org/reports/global-competitiveness](http://www.weforum.org/reports/global-competitiveness)) Read Chapter 1 and review the Appendix on the methodology.
3. Foster, Vivien and Briceno-Garmendia, Cecilia. eds. 2010 “Africa’s Infrastructure: A Time for Transformation” The World Bank. Pp.43-86 (Blackboard)

***Optional Background Reading for Feb. 21<sup>st</sup> class***

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

<b>Class 6: February 21, 2017</b>
-----------------------------------

***Topic***

 Infrastructure and competitiveness

***Lecture Themes***

- Infrastructure and Growth
- Infrastructure and Firm Competitiveness
- Complex Story of Doing Business in India
- The elements of project analysis

***Class Readings for Feb. 28<sup>th</sup>: Read these cases and be ready to discuss***


1. Guasch, Jose Luis. 2004. “Overview: Granting and Renegotiating Infrastructure Concessions” World Bank Institute. pp.1-21 (BLACKBOARD)
2. Yogyakarta Bus terminal: The Private Provision of Municipal Infrastructure, 2013, Case HKS734

***Additional Readings for Feb. 28<sup>th</sup>***

1. Estache, A., Gomez-Lobo, A., and Leipziger, D. 2001. "Utilities Privatization and the Poor: Lessons and Evidence from Latin America." *World Development*. Vo. 29, No. 7, pp. 1179-1198 (Blackboard)
2. Fay, Marianne et. al., 2005, "Achieving Child - Health MDGs: The Role of Infrastructure", World Development. (Blackboard)

**Class 7: February 28, 2017**

**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: TBD**

***Class Readings for Mar. 7<sup>th</sup>: Read these cases and be ready to discuss***

1. Wicks, A., Werhane, P., and Mead, J. 2008. "Exxonmobil and the Chad-Cameroon Pipeline." *Darden Business Publishing University of Virginia Case No. UVA-E-0262*.
2. Independent Evaluation Group. 2009. "The World Bank Group Program of Support for the Chad-Cameroon." *Program Performance Assessment Report*. No. 50315. Pp. 1-50. (BLACKBOARD).
3. International Rivers Network and the Bujagali Dam Project (A), 2005, HBS Case No. 9-204-083

FIRST ASSIGNMENT IS DUE ON MARCH 5<sup>th</sup> BEFORE MIDNIGHT. REMEMBER THAT IT IS A BRIEF— NOT A SHORT TERM PAPER. IT IS A FIVE PAGE BRIEF WITH SOURCES APPENDED. SEND IT TO [anukritikunwar@gwu.edu](mailto:anukritikunwar@gwu.edu)

**Class 8: March 7, 2017**

**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 Mar. 21<sup>st</sup>**


1. Swarna, Hepsi and Gonela, Saradhi K. June 2009. "Mexican Telecom Industry: (Un)wanted Monopoly?" *IBS Case Development Centre*. Case No. ME0018. (Blackboard)
2. Wells Jr., Louis T. and De Royere, Alexandra. 2005. "Aguas Argentinas: Settling a Dispute." *HBS Case 9-705-019*

### **Reading for Mar. 21<sup>st</sup>**

1. Ariceta, Maria Fernanda, "Privatization in Argentina: When Accountability Suffered," *J. of Development & Social Transformation*. (Blackboard)
2. Di Tella, Rafael et. al. , 2012, " Reality versus propaganda in the formation of beliefs about privatization," *J. of Public Economics* (Blackboard)

<b>Class 9: March 21, 2017</b>
--------------------------------

### **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

### **Class Readings for Mar. 28<sup>th</sup>: Read these cases and be ready to discuss**

1. "IKEA's Global Sourcing Challenge: Indian Rugs and Child Labor," 2006, HBS Case No. 9-906-414
2. "Monitoring factories Around the Globe: The FLA and the WRC", Stanford University Graduate school of Business case no. SI-108

### **Background Optional Readings for Mar. 28<sup>th</sup>**

1. Harrison, Ann and Jason Scorse, " 2006, " Improving the Conditions of Workers" Minimum Wage Legislation and Anti-Sweatshop Activism, " *California management review*, v.48, n.2, pp.144-161 (Blackboard)

<b>Class 10: March 28, 2017</b>
---------------------------------

## Topic

 Labor markets, Poverty, Inclusion and Gender

### Lecture Themes

- Labor markets—comparative advantage and social concerns
- Gender issues at home and abroad
- Issues of poverty and inclusion

### Read Blackboard before class April 4<sup>th</sup>

1. “East of Africa (and West of China): Chinese Business in Africa, 2010”, U. of Hong Kong Case No. HKU8
2. “Angola and the Resource Curse 2010”, HBS Case No. 711-016
3. “Turkey---Work in Progress”, HBS Case No. 9-713-018
4. “Brazil’s Enigma: Sustaining Long-Term Growth”, HBS Case No. 9-713-040

SECOND ASSIGNMENT, THE FT EDITORIAL, IS DUE ON March 26<sup>th</sup> BY MIDNIGHT, SUBMITTED ELECTRONICALLY TO [anukritikunwar@gwu.edu](mailto:anukritikunwar@gwu.edu)

THE BRIEF FOR ASSIGNMENT #3 WILL BE PROVIDED ON MAR. 28<sup>th</sup> FOR YOU TO WRITE YOUR NEGOTIATIONS NOTE FOR EITHER THE FIRM OR THE COUNTRY. ASSIGNMENT IS DUE APRIL 9<sup>th</sup> AT MIDNIGHT. THIS ASSIGNMENT IS IN LIEU OF A FINAL EXAM.

## Class 11: APRIL 4, 2017

## Topic

 Growth Strategies: How to Fuel It, Sustain It and Share It

### Lecture Themes

- Findings of the Growth Commission ([www.growthcommission.org](http://www.growthcommission.org))
- The Korean growth experience
- What can we say about the constraints to growth in Angola, Brazil, or Turkey?
- What should be country reactions to attention from China?

***Case will be handed out for final negotiation exercise***

***Class Readings for Apr.11<sup>th</sup>: Read these cases and be ready to discuss***

1. “Capital Controls in Chile in the 1990s”, HBS Case No. 9-705-031

2. Argentina: Anatomy of a Financial Crisis, Thunderbird Case A03-04-0006 (Blackboard)
3. Liliana Rojas-Suarez, "Emerging Market Macroeconomic Resilience to External Shocks: Today versus Pre-Global Crisis" (Blackboard)

**ASSIGNMENT THREE IS DUE APRIL 9<sup>th</sup> AT MIDNIGHT TO BE SUBMITTED ELECTRONICALLY TO [anukritikunwar@gwu.edu](mailto:anukritikunwar@gwu.edu)**

**Class 12: April 11, 2017**

**Topic**

**Financial Crises: Causes, Management and Aftershocks**

**Lecture Themes**

- What causes financial crises and how can they be avoided?
- What have been global experiences with financial crises?
- What did we learn from the East Asia Crisis of 1997?
- How did heterodox Chilean policy on capital controls become main stream?
- What lessons did we learn from the Argentina Convertibility Crisis?
- What can countries do to reduce the chances of contagion?

**Class 13: April 18, 2017 (NOTE ROOM CHANGE)**

**Topic**

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

**Class 14: April 25, 2017 (NOTE ROOM CHANGE)**

**Topic**

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