



## MANAGEMENT 871: MULTINATIONAL BUSINESS STRATEGY

Syllabus - Spring 2012

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Professor Ethan Kapstein

*Lectures:* Mondays, 3-6pm (beginning January 23)

*Office Hours:* By appointment

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### PURPOSE OF THE COURSE

This course will provide students with the understanding of multinational business strategy through the exploration of issues that firms and managers face in the context of the developing world. To achieve this understanding, the course will provide Wharton students with a unique opportunity to analyze and influence the strategy of the world's preeminent institution devoted to private sector financing in the developing world: the International Finance Corporation (IFC). Through detailed assessments of the IFC's global investment portfolio in a number of different sectors (e.g. energy, mining, finance, and agribusiness), students will provide senior IFC managers with "lessons learned" from their lending decisions and recommendations for how the IFC might be even more effective in financing the private sector going forward. The class will culminate with a briefing to IFC managers at IFC Headquarters in Washington, DC on 23 April 2012. These (power point) briefings and a related briefing note will also be posted on the IFC's website ([www.ifc.org](http://www.ifc.org)) upon approval by IFC managers.

The course will be organized as follows. During the first half of each session, we will begin with a brief "news hour," in which students (and the instructor!) will share news stories they have found that are relevant to development finance and that have appeared in the world's press during the previous week. We will then have a lecture/discussion on a prominent topic related to the IFC's operations and to doing business in the development world. During the second half of the class session, students will work in their groups, which will have a sectoral focus, doing the research and preparation necessary for the briefings to IFC management. As a consequence, students will have tremendous exposure to a range of companies and countries as they conduct their sectoral analysis, gaining insight into a wide-range of issues facing managers who are operating in the developing world. It should be noted that students who take this course will sign a Non-Disclosure Agreement (NDA) with the IFC.

### PROFESSOR BIO

Ethan B. Kapstein holds the Chair in Political Economy at INSEAD and is currently Visiting Professor of Management at the Wharton School, University of Pennsylvania, and a Research Affiliate at the National Bureau of Economic Research; he is also a Visiting Fellow at the Center for Global Development in Washington, DC. Previously he was Executive Director of the Economics and National Security Program at Harvard University, Vice President of the Council on Foreign Relations, and Principal Administrator at the Organization for Economic Cooperation and Development. A former naval officer and international banker, Kapstein is the author or editor of ten books, including most recently *Economic Justice in an Unfair World* (Princeton) and *The Fate of Young Democracies* (Cambridge). His current research focuses on the relationship between economic development and counterinsurgency in Afghanistan and the Philippines. Kapstein serves as an economics and strategy consultant to public agencies and multinational corporations, including the International Finance Corporation, Coca-Cola, and SabMiller.

### TEXT AND READINGS

The course readings and cases are collected in a course pack available on Study.net. You may order a printed copy from Wharton Reprographics.

## SOURCES

A variety of websites will provide your group with useful information as you prepare your briefings. These include:

- International Finance Corporation (IFC): [www.ifc.org](http://www.ifc.org)
- World Bank: [www.worldbank.org](http://www.worldbank.org)
- Harvard Business School Project Finance portal: <http://www.people.hbs.edu/besty/projfinportal/index.htm>
- Good practice standards for evaluation of private sector investments (2006)  
Available at:
  - Each team will be provided with a set of After-Action Reports for their sectors. This will serve as your primary source for your projects.
  - Guidance on evaluation of IFC Investments: <http://www.ifc.org/ifcext/ieg.nsf/Content/EvalInvOps>
  - Information about results measurement for IFC Investments: [www.ifc.org/results](http://www.ifc.org/results)

## GRADING

Your grade will depend on demonstration of knowledge of the concepts through class participation and through a midterm examination, and on application of this knowledge through your sectoral projects. You will notice that half of your grade will come from assessment of individual performance, and the other half from group-based assignments.

Deliverable	Weight
Class Participation	25%
Midterm Examination	25%
Midpoint Briefing	10%
Final Project Paper and Presentation	40%
Total	100%

## CLASS SESSIONS AND PARTICIPATION

Given the intensive nature of this project, students are expected to attend each session and be prepared to participate in class discussion and in their work groups. Class participation includes four components: (a) class attendance, (b) frequency of class participation; (c) quality of class participation; and (d) contribution to group project.

As noted above, each session will consist of two parts. The first half of each session will be dedicated towards the discussion of the day's topic, and the latter half towards meetings with your individual project teams. For most lectures, we will analyze and discuss an assigned case to explore the relevant issues of each topic. Your careful preparation is critical in fostering a productive learning environment that is borne out of active engagement of all class participants.

Standard Wharton concert rules apply for each session. Classes will start on time and each student is expected to be prompt. Students should be in attendance for the duration of the class, except for emergencies. Students are to display their name tents to help facilitate discussion. All cell phones and electronic devices must be turned off. Students may utilize laptops to take notes, but are expected to be engaged only in class-related activities.

Due to the duration of the sessions, Professor Kapstein will give a 10-minute break at around the halfway point of the class when a natural break occurs.

## CASE DISCUSSIONS

In preparing cases for discussion in class, you should be ready to comment on (1) the case's background and context, (2) the key issues and problems, (3) a framework for analyzing the issues and problems, and (4) a course of action for designing and implementing solutions. You should also make reference to any additional readings that might have been assigned.

## MIDTERM EXAMINATION

The midterm examination will be a take-home exam, given out at the end of class on March 19, 2012. It will consist of a "mini-case" (perhaps taken from a newspaper or magazine article) and will focus on your understanding of some of the key concepts that we have reviewed. The midterm examination is due by **11:59pm on Monday, March 26<sup>th</sup>**. **Note there is no class that day!**

## LESSONS LEARNED PROJECT AND TEAMS

The IFC “Lessons Learned” Project (LLP) will be executed in teams of up to 5 people. A list of group members with ranked preferences for sectors is due via email to Professor Kapstein by **5pm on Tuesday, January 31<sup>st</sup>**. Prof. Kapstein will do his best to match individual interests to sectoral groups but cannot promise that this will work out in all cases!

A meeting with our IFC point-of-contact, Dr. Roland Michelitsch, on January 30<sup>th</sup> will help us set expectations for the Lessons Learned Project. During the course of the semester, Prof. Kapstein will meet with the groups during and after class as needed to ensure we are on track for the April 23<sup>rd</sup> briefing. As necessary, the groups can also arrange calls with relevant IFC managers.

## MIDPOINT PRESENTATION

Due to the importance of the final project and deliverables, we will devote a majority of Session 9 to short 15-20 minute presentations (including Q&A) for each project team. Each team will provide an update on their project by giving a presentation that includes a discussion of their sectoral pre-analysis, methodologies, and frameworks.

## FINAL PRESENTATION AND DELIVERABLES

The final Powerpoint presentation and 2-3 page briefing note will be handed in to Prof. Kapstein no later than **Monday April 16, 2012** at the end of class for review before our trip to IFC Headquarters. Each group will need to assign a briefer who is able to go to Washington on **Monday April 23, 2012** for the day.

## PAPERWORK

- Non-Disclosure Agreements will need to be signed and submitted to Professor Kapstein **during Session 2** or dropped off at his office (SHDH 2106) by **5pm on Tuesday, January 31**. You can find NDA Agreements under IFC Documents folder in Webcafé.
- Travel Expenses to IFC Headquarters in Washington, DC for one briefer per group will be reimbursed by Prof. Kapstein. You will find reimbursement submission forms under IFC Documents folder in Webcafé. Expenses are due to Professor Kapstein by **5pm on Monday, April 30**.

## SUMMARY OF WEEKLY CLASS SESSIONS

Week	Topics and Readings	Date
1.	<b>Institutional Voids in the Developing World</b> <i>Readings:</i> Khanna and Palepu, “Institutional Voids in the Developing World” Keefer, “Political Economy of Development”	January 23
2.	<b>Introduction to the International Finance Corporation and Lessons Learned Project</b> <i>Guest Lecturer:</i> Roland Michelitsch, Manager, Development Impact Dept at IFC <i>Readings:</i> Review in detail the IFC’s website, <a href="http://www.ifc.org">www.ifc.org</a> . Good practice standards (2006): <a href="#">Link</a> IFC, “Policy on Social and Environmental Sustainability” <i>Housekeeping item:</i> Sign Confidentiality and non-disclosure forms.	January 30
3.	<b>Development Finance after the Crash of 2008</b> <i>Reading:</i> GDF 2009, Ch. 2: “Private Capital Flows at a Time of Global Financial Turmoil”	February 3
4.	<b>Assessing Development Impact (Part I) and The “Triple Bottom Line”</b> <i>Readings:</i> HBS Case, “An Economic Framework for Assessing Development Impact” HBS Case, “Nghe An Tate & Lyle Sugar Company” <i>Recommended:</i> Kapstein and Kim, “The Socio-Economic Impact of Newmont Ghana Gold Ltd” <i>Assignment:</i> Peruse your sectoral portfolios and be prepared to discuss on 2/20 different approaches to evaluating its developmental impact	February 14
5.	<b>Assessing Development Impact (Part 2) and Bottom of the Pyramid</b> <i>Readings:</i> Prahalad and Hart, “The Fortune at the Bottom of the Pyramid” Monitor Group, “Is the Bottom of the Pyramid Really for You?” Akins and Mbiti, “Mobile Phones and Economic Development in Africa”	February 20

6.	<b>Extractive Industries: The Natural Resource Curse &amp; Environmental Impact</b> <i>Reading:</i> Ross, "The Natural Resource Curse" World Bank, "Extractive Industries and Sustainable Development" Hart, "Beyond Greening"	February 27
7.	<b>SPRING BREAK (No Class)</b>	March 5
8.	<b>Infrastructure</b> <i>Reading:</i> The World Bank, "Private Sector Participation in Infrastructure Development" KSG, "Cancun, Mexico: Water System Privatization"	March 12
9.	<b>Midpoint Project Reviews</b> <i>Assignment:</i> Each group will provide a "draft" analysis/briefing of its assigned sector <b>**Midterm Exam to be handed-out after class!**</b>	March 19
10.	<b>Midterm Examination (No Class)</b> <i>Assignment:</i> Take-home Midterm Examination uploaded to Webcafé by 11:59pm	March 26
11.	<b>Internal Barriers to Private Sector Development: Corruption and Governance</b> <i>Readings:</i> Malesky, "Corruption and Firm Investment" Review the World Bank Governance Indicators at <a href="http://info.worldbank.org/governance/wgi/index.asp">http://info.worldbank.org/governance/wgi/index.asp</a> <i>Assignment:</i> Each sectoral group will review the governance ratings for the countries in its portfolio and report how these ratings would influence their investment decisions.	April 2
12.	<b>International Barriers to Private Sector Development: The Trade Regime</b> <i>Readings:</i> Subramanian, "The WTO Promotes Trade" <i>Assignment:</i> Review the WTO's website at <a href="http://www.wto.org">www.wto.org</a> , especially the sections on the origins and functions of the WTO and on the "Doha Development Round."	April 9
13.	<b>Dry Run of Final Presentations</b>	April 16
14.	<b>Final Class: Group Presentations at IFC Headquarters in Washington, DC</b>	April 23

#### SUMMARY OF IMPORTANT DATES

January 31:	Team Formation and Sector Selection due at 5pm
January 31:	Signed IFC non-disclosure agreements due at 5pm
March 19:	Midpoint Project Reviews & Presentation
March 26:	Take-Home Midterm Examination due at 11:59pm
April 16:	Dry Run of Final Presentation
April 23:	Final Presentation at IFC in Washington, DC
April 30:	Expenses and Receipts due to Prof. Kapstein