

INSTRUCTOR

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COURSE DESCRIPTION

The business environment in China is characterized by both uncertainty and complexity. On the one hand, it is changing fast; on the other hand, it is influenced by deep-rooted political, economic, and cultural forces that exhibit tremendous inertia. This course will help students—as potential managers, entrepreneurs, and investors—gain the knowledge and analytical skills necessary to compete effectively in China. We will discuss various types of firms in the Chinese economy—from large state-owned enterprises (SOEs) to newly minted Internet giants, from prominent multinational companies (MNCs) to virtually anonymous local suppliers—and the unique institutions in which these firms operate. Such discussions will also help managers whose firms compete or collaborate with Chinese firms on the global stage. We will use a combination of lectures, cases, debates, and role plays in class. You will also have the opportunity to apply your learning to real business scenarios.

TEXT AND READINGS

A required course packet will be available for purchase from Study.Net. Supplementary readings, both required and optional, will be distributed in class or posted on Canvas before the relevant class sessions. This course does not use a textbook.

EVALUATION

Your grade will be based on the following components:

- An individual mid-term assignment (20%)
This is an open-book, take-home assignment, but must be completed individually without consultation with anyone else. Specifically, you will be assigned to one of the two debate teams before the spring break. You are expected to conduct independent research on the topic, and write down *your* arguments in a brief essay. The essay should be no more than 3 pages (single-spaced on letter-sized paper, with 1" margin all around), including all references, tables, and figures. Demonstrate your understanding by incorporating your own observations, personal experiences, or comparisons with cases in other countries.
- Project presentation (20%)
Teams will be formed randomly, conditional on distributions of students from different programs. You will be asked to pick a real company (a Chinese company or the Chinese subsidiary of a

multinational enterprise) and a specific business opportunity that the company is considering in China. Your task is to use the concepts and frameworks discussed in class to

- Conduct a systematic analysis of the business environment faced by the firm;
- Assess the firm's unique capabilities, opportunities and challenges;
- Recommend the strategic move; (Note that doing nothing is a completely valid strategy as long as you back it up with good reasoning. Please discuss with me in advance if you are not sure whether your idea is falling within the realm of this course.)
- Lay out the steps you will take to implement the strategy; and
- Discuss how your strategy fits into the firm's overall growth in China.

All presentations occur in the last two classes of the course, but preparations should start much earlier. I will be happy to go through your proposals during office hours or lunch meetings.

- **Team project final write-up (20%)**

The project write-up is expected to reflect the feedbacks you receive during and after the in-class presentation. The write-up should not exceed 15 pages (single spaced on letter-sized paper, with 1" margin all around), including all references, tables and figures. Your grade in the team project presentation and final write-up will be based on a combination of team performance and peer evaluations. The write-up is due for online submission on Friday, April 29th.

- **Class participation (30%)**

You are expected to actively participate in discussions, case analyses and other exercises in class. Prepare to be "cold-called" on questions related to the readings. Good participation grades reward students who demonstrate good preparation, mastery of the materials, and an ability to build on the comments and contributions of others. If you are unable to prepare for a particular session, please put down your name tent and I will make every effort to avoid calling on you. Please see me as early as possible if you encounter personal difficulties in participating spontaneously in class discussion.

- **Post-class minute memo (10%)**

At the end of each week, you will submit a short memo on Canvas that should not exceed 1-2 short paragraphs. This is the direct channel of communication between us, especially for those too shy to talk in class. You can write a few lines about the most important take-away points from the class, questions that remain unanswered, concepts you do not fully understand, or applications you find particularly interesting. You may also suggest some current events that we should discuss in future classes. (Take advantage of the office hours if you want to engage in longer conversations on related topics.) You will receive the points simply for submitting the memos every week. The contents of the memos will not be graded.

OFFICE HOURS AND FACULTY LUNCHES

Office hours are Tuesdays 2-3pm. Please make an appointment if you need more than 15 minutes or if you prefer to meet at a different time.

I have also scheduled a number of student-faculty lunches throughout the semester. You may sign up for lunch on the Canvas page.

CLASSROOM EXPECTATIONS

- You are expected to attend all class sessions. Please contact me immediately if you experience any emergency or schedule conflict that will prevent you from coming to class. Up to two absences with legitimate reasons will be forgiven throughout the semester. Any unexcused absences or more than two excused absences will significantly affect your participation grade.
- We will start and end class on time. Late entries, reentries, and early departures are disruptive to class and are allowed only under exceptional circumstances.
- Please sit in the same seat as indicated by the seating chart and display your name tents in every class. (Put your name tent down if you do not want to be cold-called in class.)
- Please turn off all phones and electronic devices before class starts.

COURSE OUTLINE

(Each session spans two 1.5-hour classes, with the only exception of the debate session, which happens in the first class after spring break.)

Session 1 The Stage: The Political System

“The Operating Environment,” Chapter 3 in *Managing the China Challenge*, by Kenneth G. Lieberthal. Brookings Institute Press, 2011.

“The Party Organiser,” *Financial Times*, September 30, 2009

Case: Shanghai’s Quest for a Deep-Water Port (HKS case)

Session 2 The Stage: The Economic System

“China Unbalanced” (HBS 9-711-010)

“Levi Strauss and Other Global Brands are Revamping as Wages Rise and Robots Multiply,” *Wall Street Journal*, November 23, 2015

“As China’s Economy Slows, Consumers Pick up Some of the Slack,” *Wall Street Journal*, November 3, 2015

Session 3 The Players: The State-Owned Enterprises (SOEs)

Bremmer, Ian. “State Capitalism Comes of Age: The End of the Free Market,” *Foreign Affairs*, May/June, 2010.

“China’s State-Run Telecom Firms Announce Management Reshuffles,” *Wall Street Journal*, November 2, 2004

“China Telco Leadership Changes in Government Reshuffle,” *Bloomberg*, August 23, 2015
Case: China Construction America (A) and (B)

Session 4 The Players: The Private Enterprises

“Shanzhai: A Chinese Phenomenon,” Booz & Co (now PWC)

“Xiaomi’s Phones Have Conquered China. Now It’s Aiming for the Rest of the World”

Case: “Rags to Riches,” Chapter 1 in *China Shakes the World*, by James Kynge. Houghton Mifflin Harcourt, 2007.

Session 5 The Players: MNEs in China

David Bell and Mary L. Shelman, "KFC's radical approach to China," *Harvard Business Review*, November 2011.

"Multinationals: China Loses its Allure," *The Economist*, January 25, 2014

"Smaller Overseas Entrepreneurs Find China Too Frustrating," *New York Times*, Nov 3, 2015
Case: Levendary Café (HBS Brief Case 4357)

Session 6 The Players: MNEs from China

"Huawei Technologies: A Chinese Trail Blazer in Africa," *Knowledge @ Wharton*, April 20, 2009

"Chinatown in Africa" (Video)

"Angola's Boom, Fueled by China, Goes Bust," *Wall Street Journal*, October 28, 2015

Case: CITIC Pacific's Sino Iron project in Australia (Thunderbird International Business Review)

Session 7 The Market: More than a Reflection

"The Chinese Financial System: An Introduction and Overview," by Brookings Institution

"Kill the Chicken to Scare the Monkey": China Stock Crackdown Widens," *Wall Street Journal*, November 12, 2015

"Seeing Red: What Are the Costs of China's Currency Policy?" *Knowledge@Wharton*, January 2010.

"Elevator pitch" for team projects;

Spring break;

Midterm Assignment Due on Sunday, March 13

Two Debates as Transition Point

Team debates on two topics: The sharing economy in China, and the mobile phone industry

- Uber
 - "China has a new taxi app monopolist - and it isn't Uber," *Fortune*, February 16, 2015.
 - "Uber Rivals Form International Alliance," *Wall Street Journal*, October 16, 2015.
 - Case: Uber: Managing a Ride in China (Ivey W15425)
- Apple
 - "How U.S. Lost Out On iPhone Work," *New York Times*, January 22, 2012.
 - "Apple Earnings Lifted by iPhone Sales in China," *Wall Street Journal*, October 28, 2015.
 - Case: "Low-hanging Fruit? Apple in China" (Wharton case)

More relevant readings will be posted online before the debates.

Session 8 M&As and Strategic Alliances

"A Chinese Company Fights Its French Partner," *New York Times*, June 13, 2007.

"Danone Exits China Venture After Years of Legal Dispute," *New York Times*, Oct 1, 2009.

"Volvo: The \$11 billion gamble," *The Economist*, September 5, 2014

Case: Yahoo: Relationship Crisis with Alibaba in China (HKU 970)

Session 9 Innovation, Imitation, and Economic Transition

Regina M. Abrami, William C. Kirby, and F. Warren McFarlan, "Why China Can't Innovate?" *Harvard Business Review*, March 2014.

George Yip and Bruce McKern, "China's Many Types Of Innovation," *Forbes*, September 2014

Andreas Schotter and Mary Teagarden, "Protecting Intellectual Property in China," *MIT Sloan Management Review*, Summer 2014

Arruñada and Vázquez, "When Your Contract Manufacturer Becomes Your Competitor." *Harvard Business Review*, November 2006.

Session 10 Filling the Institutional Void

Tarun Khanna, Krishna G. Palepu, and Jayant Sinha: "Strategies That Fit Emerging Markets." *Harvard Business Review*, June 2005.

"Can Alibaba's Ant Financial Disrupt the Financial Industry?" *CKGSB Knowledge*, August 2015.
Case: Soho China (HBS 9-703-011)

Session 11 Internal Challenges: Pollution and Corruption

Economy and Lieberthal, "Scorched Earth," *Harvard Business Review*, June 2007

DeWoskin and Stones, "Facing the China Corruption Challenge," *Far Eastern Economic Review*, September 2006.

"China Fines GlaxoSmithKline Nearly \$500 Million in Bribery Case," *New York Times*, September 19, 2014

"J.P. Morgan Hires Were Referred by China IPO Clients," *Wall Street Journal*, Nov 30, 2015

Session 12 External Challenges: Currency and Trade Disputes

"At the centre of RMB internationalization," *Deutsche Bank*, March 2014

"IMF Lifts Chinese Yuan to Elite Lending-Reserve Currency Status," *Wall Street Journal*, November 29, 2015

"Free Trade Packs: America's Big Bet," *The Economist*, November 15, 2014

"Southeast Asia: Trends in U.S. and Chinese Economic Engagement," GAO, August 2015
(optional)

Team Presentations