

RSM2018HS.2020-0208. STRATEGY IN EMERGING MARKETS – Summer 2020

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<http://www-2.rotman.utoronto.ca/william.mitchell/>
- Dates: Monday May 4 to Thursday May 7 and Monday May 11 to Thursday May 14
- Distance-based (BB Collaborate)
- Times: 6:00 – 9:00
- Office hours: Please contact me as needed)

Syllabus date: 23 April 2020

Course Materials Information

There are two sources of materials for the course.

A. Website downloads: I will post non-copyrighted material on the course website.

B. Electronic purchase: You will need to purchase the copyrighted materials.

B1. Electronic purchase – most cases:

- Go to the Coursepack link (you may need to copy the link into the browser):

<https://www.iveycases.com/CoursepackView.aspx?id=26148>

- Please [log in](#) or [create an account](#)

Access to your digital coursepack is for a period of 30 days from date of purchase

For assistance with electronic purchase, please contact Ivey directly during business hours:

- Monday to Thursday: 8:00am-4:30pm (EST)
Friday: 8:00am - 4:00pm (EST)
- Email: cases@ivey.ca
- Phone: 519-661-3208 | 800.649.6355

B2. Electronic purchase – BPTN case for class 8:
The BPTN case for class 8 comes from a different source – the instructions for ordering the case are with the class 8 materials.

These copyrighted materials are for your personal use; please do not share or distribute the material. Please keep in mind that you are receiving an academic rate for the cases.

Overview

The course focuses on strategies that firms based in emerging market economies around the world are adopting in order to compete in their home markets and, increasingly, in regional and global markets beyond their boundaries. By emerging market economies, I mean countries that have established a moderate degree of market-based commercial infrastructure such as labor markets, legal transparency, capital markets, and external supply chains. These markets – ranging from the BRICS countries of Brazil, Russia, India, China, and South Africa to myriad countries in Africa, Latin America, Asia, and the Middle East – are now the most dynamic economies in the world. Quite simply, this is where the growth is.

Seizing growth is challenging. Firms operating in these countries are adopting strategies that partly reflect what we have come to think of as traditional business strategy, but also incorporate important elements of strategy that arise from the distinct conditions of the emerging market context in general and of their home countries in particular. The course explores similarities and key differences of business strategy in these emerging market environments. In doing so, we will work with a concept called “voids in market-based institutions” (VIMBI), which shape the nature of strategy that firms need to adopt.

We will explore multiple factors that create differences in both kind and intensity of strategies in emerging markets. Four dominant issues arise that reflect differences in the VIMBI characteristics of the markets: Volatile competitive advantage, complex management of resources, inherent uncertainty, and political strategy. In turn, these issues lead to a range of questions involving value chain positioning, supply chains and human resources, cost structure pressures, business model innovation, diversification, and other dimensions of strategy. We will explore how firms based in emerging markets around the world have developed strategies to deal with these issues, sometimes successfully, other times struggling to compete effectively at home and abroad.

We will approach the issues from the perspective of firms based in the emerging market economies. Of course, the issues are also relevant for firms based in established market economies that are competing with emerging markets firms, either in their home markets or as they expand around the world. The core point, from whichever perspective, is to understand the nature of competitive strategy in contemporary emerging markets.

The course is aimed at all managers, whether you have general management responsibilities or work within a specialist position. Due to increasing complexity and specialization, it is critically important that specialists acquire the capability to perceive the company as a whole, to understand its mission, and to work effectively with specialists in other functions within the company or within the company's business partners. You need to know the general purposes that you serve as a specialist in order to manage well.

The course has several core premises. Strategic management involves decisions that require long-term commitments of resources that influence firm-wide actions and performance. Strategic management is integrative, in that it draws on multiple people and resources within and across firms. Strategy often requires quick responses to short-lived opportunities. Strategy is often ambiguous, but requires that you act in the face of the ambiguity.

In order to capture the pragmatic, action-oriented nature of strategic management, I teach this course through the case method, supplemented with readings, lectures, and discussions. My objective is for you to develop your personal synthesis and approaches for identifying and solving the key problems that you face as business managers.

Preparation and participation

Important parts of your learning in this course will take place in the virtual classroom and during use of on-line preparation materials for the sessions. Attending sessions and actively participating in discussions is essential.

Preparation

Preparation is the most important assignment for the sessions. In addition to the cases, I will provide background materials that will help you prepare for each discussion. I expect you to be familiar with the core material during each discussion and to have developed a personal point of view concerning the issues that arise in the material.

Preparation means that you read the materials, consider the issues raised by the case and assignment questions, and carry out appropriate quantitative and qualitative analysis in order to arrive at a thoughtful position concerning the options that face the firms and managers in the case. Preparation also involves developing a personal position on the issues raised in

the case and readings. Unless you have thought about and adopted a personal position, it is difficult to learn from others' contributions.

Participation

For the learning process to be effective, you will need to participate actively during class and/or in on-line discussions. Active participation in discussions helps you sharpen your own insights and those of your classmates. You will learn the content of the course and, as importantly, the process of analysis and implementation that is central to successful strategic management. I expect you to analyze, comment, question, discuss, and build on others' contributions. Participation enables you to learn from your colleagues and to help them learn from you.

Class participation involves being clear about your own position and defending it, while also being willing to seek alternative perspectives on the situation. The ability to present one's ideas concisely and persuasively, and to respond effectively to the ideas of others, is a key success factor in any management position. I value effective participation. I do not reward those who talk simply for the sake of being heard.

Even more importantly, participation in all its direct and indirect forms means respecting each other. I take seriously the commitment of the University of Toronto to equity, human rights, and respect for diversity. I expect all members of the learning environment in this course to strive to create an atmosphere of mutual respect where all members of our community can express themselves, engage with each other, and respect one another's differences. The university, school, and I do not condone discrimination or harassment against any persons or communities.

Grading

I will base your grade on class participation, class prep assignments, a learning journal, and a term paper.

- **Class participation (20%).** Includes contributions during class sessions and to on-line discussion boards.
- **Class prep assignments (10%):** You will be responsible for submitting four short assignments before the relevant classes. Grades will be awarded on a done-not done basis.
- **Learning journals (32%).** Day 1 can be submitted before class 5 (optional, submitted to the Assignment link on Quercus) and after the end of the term.

- **Term paper (38%):** Due at end of term (one page précis due before class 5, submitted to the Assignment link on Quercus).
- **End of term deadline for final learning journals and term paper:** Monday, May 25, 11:59 PM.

Final grades: Rather than pre-specify specific points for grading levels, I award final grades based on logical break points in the grading distribution.

Daily Learning Journals (LJs)

As you reflect on the discussion for each class, please prepare a summary (1 page per class) of the key learnings that you have taken from that material and discussion. The summary has three parts:

- Briefly identify and summarize one or two points from the on-line materials that were particularly important for you (~ 1/4 page)
- Briefly identify and summarize one or two points from the class discussions that were particularly important for you (~ 1/4 page)
- Describe the implications of one or two of those points for your own career and aspirations (~ 1/2 page).

Please complete each LJ in a maximum of 1 page of text (1 line spacing, Times New Roman 12 point font, 1" margins).

You will be responsible for submitting your journals on the course web site on the above schedule. I will assess the LJs based on your identification of (1) a focused set of key implications from the course materials and discussion, and (2) a thoughtful discussion of how the implications are relevant for your future career and/or aspirations.

Contact

I enjoy the material and would be happy to discuss it outside of class. Please feel free to visit with me during office hours or schedule another time. I am also available by telephone and email. Finally, if you're not too tired after three hours of class, please feel free to stay after to visit.

Course materials

The course materials include a course pack of cases and readings, as well as background readings that we will post on the course web-site. The discussions in class will focus on the case material, using the readings to provide background concepts that assist the discussion.

Term paper

You will complete a term paper for the course. The paper may be an individual paper or a group paper with a maximum of five people per group. The paper will study a strategic topic of your choice, focusing on a business-related organization based in an emerging market. Each paper will be about 10 to 15 pages (1.5 line spacing), plus exhibits and references. An electronic version of the term paper will be due by the above date.

Please submit a one page outline of your term paper before class 4 (to the assignment link on Quercus). The outline should contain enough information on the main points, such as the organization you will write about, the issue involved, and provide indication of that you will have access to enough information to carry out a thoughtful analysis. The outline should also identify the members of the team who will work on the project (1 to 5 people).

Your paper will address a strategic question that is important to you. I will expect you to identify an important question and then to gather and integrate sufficient information to provide a reasonable answer to your question. I expect the paper to be focused, while providing enough detail to support your arguments.

Format: The term paper should include the following sections (for simplicity, I refer to firms and businesses, but you are welcome to focus on other entities including government agencies, hospitals, non-profit organizations, or other organizations that operate in the health care sector).

- **Issue statement.** Identify the problem or opportunity that your firm faces. State the issue in sufficient detail and with enough precision that it will be possible to undertake strategic actions that address the issue. Place the issue in a broader strategic context for your firm, including your firm's existing vision and/or a new vision that you recommend for your firm.
- **Customer value analysis.** Outline the market and industry context in which your firm competes or will compete. Use the "Five Forces plus Three" model of competitive analysis that I will post in the strategy primer on the course site, or an alternative that you prefer.
- **Targeted:** Focus your analysis on identifying the qualitative and quantitative competitive factors that are relevant for your firm, as opposed to a general broad-brush assessment of an industry. To the extent possible, given available data, undertake

financial analysis relevant to the issue. In particular, focus on identifying and summarizing the implications of the factors that are most relevant to the strategic issue that your firm faces.

- **Customer:** No matter what framework you use for this section, the voice and face of your customer(s) should come through clearly – it is often useful to illustrate the analysis with one or more prototypical customers, describing the problems and opportunities that they face that your strategy will be able to address. By the end of the section, it should be clear to a reader who your customer is and why there is an opportunity to create value that they will be willing to pay their time, money, and passion for.
- **VIMBI:** This section should also include an assessment of the relevant market in terms of the VIMBI characteristics; in turn, your strategy should take these characteristics into account.
- **Business capabilities.** Identify the key qualitative and quantitative business capabilities that your firm can bring to bear to address your issue and/or must develop in order to do so. Focus your analysis on the capabilities that are relevant to your issue, rather than undertaking a general assessment of the firm's skills. To the extent possible, given available data, undertake financial analysis relevant to the issue. By the end of this section, it should be clear what capabilities you will need to deliver the value that you identified in the customer value analysis.
- **Analysis summary:** After the competitive analysis and business capabilities section, pull together the insights from those analyses into a focused set of strengths and weaknesses (from the capabilities analysis), plus opportunities and threats (from the competitive analysis) summary, quite possibly with a table. Please note that this is not simply a traditional SWOT analysis that risks pulling a set of unconnected factors from arbitrary sources, but instead is a focused outcome of your structured analysis of the market environment and organizational context. The recommendations in the next session should link directly to the summary analysis.
- **Recommended actions.** Outline a set of specific actions for the company's management, taking all relevant issues into account. The set of actions should address the quantitative and qualitative issues you identified in your earlier analyses. To the extent possible, evaluate the

financial requirements and impact of your recommendations.

- **Implementation plan.** Outline a feasible implementation plan for your recommendations. Please review how long and in what sequence the company should take implement your recommendations; what resources the firm will need to implement the recommendations; which people will be responsible for implementation; what incentives and information the firm will need to put in place to ensure that the people implement the plan, what barriers to implementation you believe are likely to arise and how you will address the barriers, and any other relevant issues.
- **Overall.** Above all, I value papers that provide thoughtful analysis, rather than simple descriptions and lists of facts. Your paper should provide me with a clear understanding of an opportunity, the major options that are available to seize the opportunity, and a way of accomplishing the solution. I should understand the logic of your argument and understand the assumptions you have made to arrive at your conclusions. You should obtain and develop financial support for your analysis to the extent available given your topic; I recognize that papers that rely on publicly-available information may have less financial data than papers that can access internal information. I will grade the paper based on the strength of the individual sections plus the degree to which you integrate across sections – outstanding papers provide strong recommendations that are well grounded in logical support.

Hints about good practices and common problems to avoid in your paper

- **Focus** - Strive to develop a small set of actions or tactics that will work together in a coherent manner. By contrast, do not throw all possible ideas into your paper. Creativity is good – and logical consistency for a viable set of actions is just as important.
- **Pay attention to assumptions** - You will have to make assumptions in any project. For instance, you will likely make assumptions involving: 1) competitive reactions (e.g., if and how competing firms will respond to actions you consider), 2) the outcome of various company actions (e.g., product development efforts), 3) consumer responses (e.g., whether citing market and/or technical studies is enough to convince end users that an opportunity has value). Try to make these assumptions as reasonable as possible, and indicate why you think your assumptions are reasonable. Also, try to think

through the possible implications for your recommendations if each assumption is wrong. Above all, make sure that you explicitly identify the assumptions you make. An important part of effective strategy is making sure you know what you don't know.

- **Specify your proposals in a concise and concrete manner** - Put recommendations into concrete terms that managers and/or policy makers will understand and be able to act on. For instance, it is much more direct to specify that a product "should run consumer testimonial advertisements in magazines targeted to medium- to high-income people over 50 years old" than it would be to simply state that the product "should engage in direct to consumer advertising."
- **Balance analytics and creativity** - The most rigorous analytical work does not necessarily lead to a great idea - ideas can be correct without being exciting. In parallel, the most creative ideas do not necessarily hold up to analytical scrutiny - ideas can be exciting without being correct. In the early phase of your work, try to cycle back and forth between brainstorming (for creative ideas) and careful analysis (for correct ideas). This is particularly important when you are trying to identify the concrete offering (e.g., product/service/intervention) that you will evaluate.

Keys to success in the class

- Be fully prepared for each class because I may call on you at any time to start the discussion or answer a specific question. If there is a rare occasion that you are not prepared, please email me ahead of class so that I do not inadvertently embarrass you in class.
 - Participate effectively by introducing new ideas and building on others' contributions. I do not reward people who talk simply for the sake of being heard.
 - Continue discussion from the real-time class sessions in the on-line discussion boards. Some issues will receive only partial discussion in class, given time constraints, so use the on-line discussion to make your point and to consider ideas that others raise.
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COURSE TOPICS

Background preparation

Background materials

- **“Traditional developed market” strategy:** I have prepared a primer that provides an introduction to strategic management, customer value analysis, and business capabilities. The primer is available via the course web-site. The reading provides a basic platform for strategic analysis; the class will expand on this platform to address additional issues that arise in emerging markets.
- **Optional readings and other materials:** There will be extensive background materials on the course site, including a series of background videos. I typically will not cover this material in depth in class, though will be happy to address questions about the content.
- **VIMBI indices:** A spreadsheet with the base “voids in market-based institutions” (VIMBI) data that I use to calculate business strategy indices is available on the website.

Each of the classes will emphasize the issues that arise in the cases. Focus your attention on these issues, using the background materials, plus your experience to help you decide on a course of action for the firms’ managers.

Class 1. India – Uber and OlaCabs

The class will introduce the notion of voids in market-based institutions (VIMBI) and compare how two firms operating in the same market have taken different strategies to address relevant voids.

On-line preparation: I will post materials on the Quercus site that outline issues of emerging market strategy.

Optional reading: Are Market-Based Economies More Equitable? (Mitchell, 2017)

- This reading will be part of the background discussion for the class.

Case: Uber in India – Dealing with VIMBI – available on Quercus

Preparation question: What are the key differences in how Uber and OlaCabs have addressed the VIMBI challenges that taxi aggregator businesses face in India? Which aspects of the strategies are likely to

create competitive advantages? Which are more likely to be ineffective?

Note: A full set of recent VIMBI data is available on Quercus, if you want to compare other countries.

Class 2. Chile – Cumplo.com

This class will consider a company that has established itself in Chile and is considering expansion elsewhere in Latin America.

Case: Cumplo.com (HBS case 9-818-039)

Preparation: Consider the following questions.

- Why has Cumplo.com succeeded in Chile? In addressing this question, please consider the characteristics of the demand side of the market, as well as the steps that Cumplo has undertaken to address institutional challenges in the market.
- Evaluate the growth options that Cumplo is considering at the time of the case: Which, if any, should Cumplo prioritize and how should it undertake any relevant expansion? In addressing this question, please consider the differences in the nature of VIMBI in the markets that Cumplo is evaluating.

Class prep assignment (due by 5:00 PM, before class): On the Quercus site, please complete the short quiz with your answer (graded on a done-not done basis).

Class 3. India & Korea – Tata-Daewoo Commercial Vehicle Acquisition

This class considers an emerging market multinational that is attempting to undertake a cross-border acquisition.

Case: Tata Motors acquisition of Daewoo commercial vehicle company (Ivey case 9B08M094)

Preparation: Consider the following questions.

- Why did TM acquire DWCV and what did DWCV want in a buyer?
- Why did TM emerge as the successful bidder of DWCV?
- What explains the success of this acquisition?

Class 4. West Africa – Fan Milk

Class 4, Part 1: West Africa

This session examines a company that has become established as an iconic brand in west Africa.

Case: Fan Milk in West Africa (Rotman case, 2014) – **case available on Quercus**

Preparation question: Consider Fan Milk's evolution over time.

- What is the basis of Fan Milk's success?
- How should Fan Milk respond to ongoing changes in retail channels and consumer demand?

Class prep assignment (due by 5:00 PM, before class): On the Quercus site, please submit a short statement (up to one page) with your answer (graded on a done-not done basis).

Class 5. China – Huawei & Electric Vehicles

5a. China: Huawei

Readings

- Huawei – Transforming A Chinese Technology Business to A Global Brand (Martin Roll)
- China's Innovation Ecosystem (World Economic Forum)
- Huawei faces a life and death crisis

Preparation: Please consider the following questions.

- What aspects of China's innovation ecosystem support growth for a firm such as Huawei?
- What aspects of Huawei's business strategy have been particularly important for its growth?
- What does Huawei need to do to deal with the challenges that it faces in the current market and political environment?

5b. China: Electric Vehicles

Readings

- Technology and China's green development
- Nine companies trying to be the Tesla of China

Preparation

- What is the role of business in China's goals for environmental sustainability?

- Why are there more environmentally-focused vehicle companies in China than in North America?

Class prep assignment (due by 5:00 PM, before class): On the Quercus site, please submit a short statement (up to one page) with your answer concerning either the Huawei or environmental sustainability questions; i.e., you are responsible for a write-up for one of the questions, not both (graded on a done-not done basis).

2c. China and pandemics: I will post relevant material and we will discuss the strengths and weaknesses of China's response to pandemics such as the coronavirus.

2d. China: e-Tech

Note: Depending on time, we may also discuss the growth of e-tech in China, including firms such as Byte Dance (TikTok), Alibaba, and Tencent. I will post optional readings. In all honesty, it is unlikely that we will have time for this material during the class (though one never knows); if not, we can use the on-line discussion boards for the material.

Class 6. Russia - Lenta

This class examines a company that has established a strong position in one point of its domestic market and now seeks to expand.

Case: Lenta of St. Petersburg, Russia (Babson case BAB123, March 2006)

Preparation: Consider Lenta at the time of the case.

- Where should Oleg lead Lenta?
- What key factors will Oleg need to deal with as the company expands?

Class 7. Egypt – Azza Fahmy

This session focuses on a firm that is considering multiple expansion options in both emerging and traditional developed markets.

Case: Azza Fahmy Jewellery: International Expansion

Preparation: Consider the company's position at the time of the case.

- Which factors should the company take into account when considering the three options? How should it weight the factors?
- Project the sales value for expansion in each country, using target market size, competitor shares, purchases per person per year, and price.
- What choices should the company make, including country(ies), entry mode, sequence of steps, and resource allocations among subsidiaries?

Class prep assignment (due by 5:00 PM, before class): On the Quercus site, please complete the short quiz with your answer (graded on a done-not done basis).

Class 8. Indonesia – BTPN

This session highlights a firm that provides financing for small scale firms. We will also talk more generally about strategies to address limits in capital markets in many emerging markets.

Case: BTPN A: Banking for the Bottom of the Pyramid in Indonesia (William Davidson Institute Case 1-429-330, April 1, 2013)

Note: You will need to purchase this case from a different source.

WDI Publishing Case # 1-429-330 (BPTN case)

- The cost for one pdf copy of this case is **\$3.95 USD**. Please have a major **credit card** ready to complete your transaction. If you have any problems, email draheims@umich.edu
1. First, go to this link: <https://wdi-publishing.com/register/> and register as a **STUDENT**.
 2. Once registered, go to: <https://wdi-publishing.com/product/btpn-a-banking-for-the-bottom-of-the-pyramid-in-indonesia/> (Detail page for "BTPN" case)
 3. On the right hand part of the page, make sure the quantity is "1" and then click the **ADD TO CART** button.
 4. Click the **View Cart** button at the top of the page.
 5. On the **SHOPPING CART** page, confirm the correct item and quantity is displayed.
 6. If all looks correct, click on the **PROCEED TO CHECKOUT** button and fill out the

billing information to complete your purchase.

7. Upon completing your purchase, a pdf of the case will be available to you within the **PURCHASES** section of your **ACCOUNT**.

Preparation questions: Consider BTPN at the time of the case.

- What are the company's objectives – revenue, profit, something else?
- Which option delivers greater profit?
- Which option delivers greater growth?
- What challenges with BTPN face in pursuing either option?

Rotman's Standard Policies

The following policies are in force for this course. Full details for each of these policies can be found on the [Registrar's Office website](#):

- [Academic Accommodations](#)
- [Academic Integrity](#)
- [Accessibility Services](#)
- [Assignment Cover Sheet](#)
- [Class Attendance](#)
- [Code of Behaviour on Academic Matters](#)
- [Course Drop Deadline](#)
- [Grading Policies](#)
- [Group Work and Behaviour](#)
- [Use of Technology](#)

RSM2018HS.2020-0208 (MBA program). STRATEGY IN EMERGING MARKETS - Summer 2020

Course pack contents (copyright)

- **Class 2.** Cumplo.com (HBS case 9-818-039)
- **Class 3.** Tata Motors acquisition of Daewoo commercial vehicle company (Ivey case 9B08M094)
- **Class 6:** Lenta of St. Petersburg, Russia (Babson case BAB123, March 2006)
- **Class 7:** Azza Fahmy Jewellery: International Expansion (Ivey case W13657)
- **Class 8:** BTPN: Banking for the Bottom of the Pyramid in Indonesia (William Davidson Institute Case 1-429-330, April 1, 2013) – purchase instructions in class 7 description

Other materials: Available on the course site.