

GIM: Doing Business in Latin America 2015

Winter 2015 - B – Spring 2015 - A

Thursday, 6:30 – 9:30 PM

Professor Daniel Lansberg-Rodríguez

D-Lansberg@kellogg.northwestern.edu

Phone: **203-824-5739**

Office hours: Jacobs Center, Room 5234, by appointment

GIM Program Objectives

The GIM Program enables Kellogg students to:

- Gain an understanding of the economic, political, social, and culture characteristics of a country or region outside the United States.
- Learn about key business trends, industries, and sectors in a country or region outside the United States.
- Conduct international business research on a topic of interest.
- Further develop teamwork and leadership skills.

Course Description and Objectives

In theory, there is no difference between theory and practice. In practice, and certainly in Latin America, that difference can be pretty extreme. Despite being a diverse region, rich in resources and human capital, many Latin American countries routinely rank near the bottom of the World Bank's Annual Ease of Doing Business Index. Even so, in our increasingly globalized world, a working knowledge of Latin American economics, business norms, and etiquette is of increasing importance given the importance of the region to energy markets, logistical chains, tourism and agriculture. Likewise, as domestic economies in countries like Brazil, Mexico and Colombia adapt to the changing retail and service needs of growing middle classes, many American companies have come to see Latin America not just as a potential target for investment, but for expansion as well.

For students with pre-existing interests or ties to the region, this course seeks to reconcile many of the assumptions of a traditional business education in the United States – that markets are free, corruption is minimal, infrastructure extant, and direct government intervention rare – with very different national realities. Meanwhile, for those students being immersed in Latin America for the first time, this class will offer a thorough introduction to the most salient challenges and dynamic opportunities facing the region today.

The first five weeks of this class will lay the groundwork by taking up common historical, cultural, macroeconomic and political themes that manifest themselves in the region. Then the class will explore the “on-the-ground” realities by traveling to Argentina, Brazil and Chile, three countries that represent very different points in Latin America's political and economic spectra. Following our return, the second half of the course will seek to recognize various best practices in context, considering issues such as the market effects of rising middle classes, cyclical shifts to trade and export models, overcoming infrastructure limitations, understanding cultural etiquette, staying ahead in rapidly changing

regulatory environments, and recognizing and adapting to country risks common in the region.

Course Objectives:

- 1. Garner a comprehensive understanding as to the business, economic and political climates in various parts of Latin America and a sense of the region's various challenges, strengths, and opportunities.**
- 2. Through lectures and guest speakers, learn practical knowhow for successfully navigating the Latin American business world, identifying opportunities, and getting things done (while at once staying on the safe side of the 1977 Foreign Corrupt Practices act!).**
- 3. Take part in an industry-specific "deep dive" chosen by groups of students.**
- 4. Visit Chile and Argentina, two countries on very nearly opposite ends of the economic spectrum, as well as Brazil, the region's largest economy.**

Attendance Policy

Due to the nature of the GIM program, attendance for all GIM classes is mandatory as is participation in the two-week field trip. Attendance on the first day of class is also mandatory. If a student misses more than one class throughout the term, one letter grade will be deducted from his or her final grade. Individual exceptions may be made in cases of extreme circumstances, subject to professorial approval.

Note on Participation

This course utilizes the case method and practical examples of real situations will be discussed each week. For students to benefit from the course, they must prepare thoroughly for, and actively participate in, each class. Class participation and contribution represent an important part of the grade and each student should aim to make at least one substantive contribution for each class.

10% of overall grades will likewise be based on your participation in the plenary meetings and engagement in other activities as assessed by the in-country advisor. In order to achieve a high grade, students are expected not only to attend all plenary meetings but to be actively engaged during those meetings as well as all other learning opportunities in the host country.

The class participation grade will reflect the timeliness of email responses, and class polls or responses, as well as punctuality to meetings with faculty or advisors.

Role of the In-Country Advisor

Throughout your GIM trip, you will be accompanied by an in-country advisor, Christine Dunn, who is the GIM program manager at Kellogg. The in-country advisor is the faculty member's representative while in-country. Among other logistical roles during the trip, she will be assessing each student's level of participation during the plenary meetings and will be assigning 15% of the students' overall grade.

Kellogg Honor Code

The students of the Kellogg School of Management regard honesty and integrity as qualities essential to the practice and profession of management. The purpose of the Kellogg Honor Code is to promote these qualities so that each student can fully develop his or her individual potential. Upon admission, each student makes an agreement with his or her fellow students to abide by the Kellogg Honor Code. Students who violate the Kellogg Honor Code violate this agreement and must accept the sanction(s) imposed by the Kellogg community.

The Kellogg Honor Code is administered by students and is based on the concept of self-government. The efficacy of such a student-administered honor code is dependent upon a high degree of dedication to the ideals of honesty, integrity and equal opportunity reflected by the code. The Kellogg Honor Code requires that each student act with integrity in all Kellogg activities and that each student hold his or her peers to the same standard. In agreeing to abide by the code, the Kellogg students also agree to report suspected violations. By not tolerating lapses in honesty and integrity, the Kellogg community affirms the importance of these values.

Course Materials

Required reading materials:

The Economist: Guide to Emerging Markets, edited by Aidan Manktelow

GIM Latin America Course Pack.

Course Schedule and Assignments

Week 1	February 12th, 2015
<i>Topics:</i>	Introduction to GIM and overview: geography, politics and Latin American business
<i>Speaker:</i>	
<i>Assignments:</i>	Familiarize yourself with the Ease of Doing Business Index – Latin America and the Caribbean – come prepared to discuss in class <u>Readings:</u> Daniel Lansberg-Rodríguez – The Road Back to Sucre , Los Angeles Review of Books Robert Kaplan - The Revenge of Geography pp. 29-30, 91-95 The Economist: Guide to Emerging Markets pp. 120-124, 200-209

Week 2	February 19th, 2015
<i>Topics:</i>	Historical perspectives: colonialism, inequality, neoliberalism and it's discontents
<i>Speaker:</i>	
<i>Assignments:</i>	(In class) VIDEO: Civilization, the West and the Rest, Niall Ferguson, Chapter 2, "Property" <u>Readings:</u> Latin America's Cold War, Hal Brand, Chapter 1: Convergent Conflicts Institutions and Paths of Development in the New World, Kenneth Sokoloff and Stanley Engerman, pp.217-232 "La United Fruit", Pablo Neruda (available in English, Spanish)
<i>Additional:</i>	All project teams meet with faculty to discuss project proposals

Week 3	February 26th, 2015
<i>Topics:</i>	Boom and bust cycles: the pros and cons of privatization

<i>Speaker:</i>	Commissioner Guillermo Zúñiga Martínez , Mexico's chief energy regulator Tomás Bilbao , Executive Director of Cuba Study Group
<i>Assignments:</i>	<u>Readings:</u> Was Latin America Too Rich to Prosper? James Mahon, Journal of Development Studies, 1992 China and the Latin American Commodity Boom, K. Gallagher, PERI Report, 2009 Richard Feinberg, Cuba's Foreign Investment Invitation: Insights into Internal Struggles, Brookings report available here <u>Case Study:</u> Chile's Copper Surplus: The Road Not Taken (A and B) <i>Project proposals and Background Research Review due</i>

Week 4	March 5th, 2015
<i>Topics:</i>	Business culture, etiquette and corporate governance
<i>Speaker:</i>	Iván Lansberg , Director of Family Enterprise Executive Program at Kellogg School of Management
<i>Assignments:</i>	<u>Readings:</u> Achieving Effective Boards: A comparative study of corporate governance frameworks and board practices in Argentina, Brazil, Chile, Colombia, Mexico, Panama and Peru; IFC Report, June 2011, Ben Ross Schneider, Economic Liberalization and Corporate Governance: The Resilience of Business Groups in Latin America, Comparative Politics, 40,4 (2008), 379-397. An Overview of Brazilian Corporate Governance, Black, Bernard S., Gedson de Carvalho, Antonio and Gorga, Erica, Cornell Law Library Publication, July 2008. Lansberg, Ivan and Gersick, Kelin, Mark of the Family: Culture and Governance in Latin American Family Enterprises, Harvard Business Review Encyclopedia of business: Doing business in Argentina <u>Case Study</u> Lansberg, Ivan et al. Carvajal, S.A.: Building on a Century of Business

	Growth and Family Values
--	--------------------------

Week 5	March 12th, 2015
<i>Topics:</i>	The Gulliver of Latin America: how is Brazil different and the same? Trip Preparations
<i>Speaker:</i>	Christine Dunn, Cultural prep presentation: "Social Trends in Latin America"
<i>Assignments:</i>	Brazil, Michael Reid, Chapters 1,2,12 Encyclopedia of business: Doing business in Brazil Dressing for Lula, Rebecca Mead, The New Yorker, March 17 2003, pp. 82–91. Daniel Lansberg-Rodríguez, Financial Times, Latin America stops dancing to the populist beat , February 15 th , 2014
<i>Additional:</i>	<i>In-Country Plan due</i> , all project teams meet with faculty to discuss in-country plan

In-Country Field Research - March 15th or 16th – March 28th or 29th
--

Week 6	April 2nd, 2015
<i>Topics:</i>	Open for business: regulations, corruption and human capital
<i>Speaker:</i>	Dennis Chookaszian , UChicago Booth Corporate Governance Professor, former CEO of CNA
<i>Assignments:</i>	<u>Readings:</u> 1977 Foreign Corrupt Practices Act (amended to 2014) Perceptions of Political Corruption in Latin America, Damarys Canache and Michael E. Allison, Latin American Politics and Society, Vol. 47, No. 3 (Autumn, 2005), pp. 91-111 <u>Case Study:</u> Growing Big While Staying Small: Starbucks Harvests International Growth." Kellogg Case # 5- 309-503; Starbucks in Latin America

Week 7	April 9th, 2015
<i>Topics:</i>	Retail, infrastructure, target markets and innovation

<i>Speaker:</i>	Mois Cherem, founding partner and chief executive of Enova
<i>Assignments:</i>	<p><u>Readings:</u> S&P Latin America Infrastructure Index, Standard and Poors</p> <p>Samba in the valley, Belo Horizonte, The Economist, 20 Apr. 2013</p> <p>Innovation and Productivity: Evidence from Six Latin American Countries, Gustavo Crespi, Pluvia Zuñiga, InterAmerican Development Bank Report, 2012</p> <p>The Economist: Guide to Emerging Markets, chapters 5-7</p> <p><u>Case study:</u> HBS: Startup Chile 2012</p>

Week 8	April 16th, 2015
<i>Topics:</i>	Manufacturing and services: capital controls, employment regulations and government intervention
<i>Speaker:</i>	
<i>Assignments:</i>	<p><u>Readings:</u></p> <p>World Bank report: The Impact of Intel in Costa Rica, 2011</p> <p>The Economist, Intel outside, April 19th, 2014</p> <p>An Empty Revolution, The Unfulfilled Promises of Hugo Chávez, Francisco Rodríguez, Foreign Affairs, March/April 2008</p> <p>Goodbye Washington Consensus, Hello Washington Confusion?, Dani Rodrik. Journal of Economic Literature, 44 2006: 973-987.</p> <p>Desperate for Coffee in Caracas, Daniel Lansberg-Rodríguez, Foreign Policy</p> <p>Bretton Woods report: ICSID and Latin America, December 2013 http://www.brettonwoodsproject.org/wp-content/uploads/2013/12/At-Issue-ICSID.pdf</p> <p>Reversal of Fortune, the New Yorker, January 2012</p> <p><u>Case Study:</u> The Argentine Oil Nationalization of 2012</p> <p><i>All project teams meet with faculty to discuss final presentations and reports.</i></p>

Week 9	April 23rd, 2015
<i>Topics:</i>	Markets, opportunities and risk: future trends in Latin America
<i>Speaker:</i>	Pierpaolo Barbieri
<i>Assignments:</i>	Enter the Dragon: Risks from China to Latin America, Brookings Institution Special Report, 2014 Argentina's Rational Default, Dan Rosenheck, the New Yorker, August 2014 <u>Case study:</u> Barber of Buenos Aires: Argentina's Debt Renegotiation

Week 10	April 30th, 2015
<i>Topics:</i>	Final Presentations and Conclusions
<i>Speaker:</i>	
<i>Assignments:</i>	Final project presentations; written report and peer evaluations due to faculty at 6 PM

Assessment

Research Project	70%
Background Report	10%
In-Country Research Plan	5%
In-Class Presentation	30%
Written Report	25%
Peer Evaluation	10% (optional)
Participation	30%
In-Class Participation (attendance, discussion, engagement)	20%
In-Country Participation (plenary meetings; determined by GIM advisor)	10%

GIM Research Project

The core of the GIM class is an independent research project. Groups of 4 to 6 students will select an international business, economic or management issue to study in depth. The students begin secondary research on their topic during the winter term, incorporating perspectives from the class readings and speakers, and spend considerable time in-country speaking with resident experts, gathering local data, and testing their hypotheses

and recommendations in the field.

*Students must conduct interviews for their projects in **every** city that they visit throughout the trip.*

Research Topics

Student teams typically develop their own research project, though they refine their topics with the help and advice of their faculty member. Good GIM projects are generally built around interesting, clear, and relatively narrow research questions. Weak GIM projects have often been lengthy and unfocused industry descriptions, e.g., “An Overview of the Brazilian Beverage Industry,” or “Challenges and Opportunities in Japanese Real Estate.”

Project Report Structure

Results of the research must be presented in a report of approximately 20-25 pages in length before exhibits. Students, in consultation with their professor, may choose from the following report formats:

- Traditional analytical research paper – A research question is described; competing answers to the question are discussed; evidence collected on the trip is used to argue for or against the alternative answers.
- Industry analysis – A particular industry is surveyed in order to examine a narrowly focused, well-defined topic pertaining to the competitive dynamics of the industry. An example would be an analysis of a market entry opportunity presented to a foreign multinational.
- Business recommendation report – A consulting report recommending specific strategic, operational and organizational actions to solving a clearly defined business issue (e.g.: strategies for overcoming cold-chain logistics and distribution challenges in India.).

Project Deliverables

- **Research Project Proposal** – Each project group will submit a 2-page description of their proposed research topic, including:
 - A description of the specific and focused research queries to be addressed
 - Description of the topic’s importance, timeliness, economic, or social significance

- Identification of possible in-country visits with companies, governmental agencies, NGOs, etc.
- **Background Research Review**– Before departing for the in-country portion of the class, each project team must submit a review examining secondary information relevant to its research topic. This review may serve as a first draft of the background section of the final project report.
- **In-Country Plan** – This is a detailed matrix of five or more investigative research meetings arranged in country. The best plans will include day/time/location of meeting; name/description of organization; name/title/bio of interviewee; agenda and interview guide for each meeting.
- **In-Class Presentation** – During the final class, each project group will make a presentation in class summarizing their research findings. The purpose of this deliverable is to allow faculty members and students to learn about and provide feedback on the project groups' final findings. It is suggested that each team be given 15 minutes to present and 5 minutes for audience questions and suggestions. Presentations will be assessed and graded by peers on a series of specific rubrics, and the class response to each presentations will be taken into account for grading.
- **Written Report** – The final report, maximum 20 pages before exhibits and appendices prepared according to one of the formats discussed above. In addition to turning in their papers to their professors, students should submit an electronic copy to the Global Programs Office on the agreed upon date.
- **Peer Evaluation** –Each group can choose among the following options:
 - 1) *The Neoliberal Option*: Each member within the IPG will assess every other member's contributions to the project, including their own, with a confidential peer review form that takes into account each member's intellectual contribution, initiative and organization, workload contribution and overall contribution.
 - 2) *The Socialist Option*: Peer reviews will be submitted but will not affect individual grading.
 - Choose your path...