Purpose of the Course
This course will allow students to examine the challenges and opportunities of doing business in emerging markets using simple frameworks and tools developed at Harvard Business School. Students will use such frameworks to think about the design and execution of successful strategies in emerging and frontier markets. The course teaches students how to analyze the macroeconomic and political environment to then execute successful strategies in this markets. Most of the focus is on developing strategies for entrepreneurial ventures.

Who should be taking this course?
- Students interested in getting introductory knowledge of macroeconomics
- Students interested in doing business in emerging economies
- Students interested in the challenges entrepreneurs face in emerging markets
- Students interested in doing business at the base of the pyramid
- Students preparing for careers in economic or business consulting, entrepreneurship, asset management and managerial positions in companies and banks in emerging markets.

Learning Goals and Outcomes
1. Students will learn basic macroeconomics and its applications to business decisions
   - Students will learn basic GDP accounting, understanding of country development strategies, vulnerabilities in the balance of payments and banking systems, etc.
   - Students will learn to think about debt sustainability and how international debt markets operate, including the legal consequences of sovereign debt default
   - Students will be evaluated on these goals through a quiz and a midterm exam.

2. Students will learn how strategists and CEOs in large multinationals:
   - Design entry strategies into emerging and frontier markets
   - Tackle challenges when entering into a new market
   - Experiment and learn when implementing their business model under a new environment
   - We will evaluate these learning objectives doing discussions of case studies in class.

3. Students will also learn how entrepreneurs and intrapreneurs:
   - Think about developing new products or services
   - Develop prototypes for such products or services
   - Test those prototypes using real market data
   - Avoid introducing optimistic biases about their products and services
   - This learning objectives will be evaluated with a final team project aimed at launching a new product or service in emerging markets

4. Because the course has a strong focus on team work and decision-making with limited information and under high uncertainty, students will learn how to
   - Identify your own biases, stemming from both your background and your culture
• Work with a team under pressure, with limited resources and information, and when facing high uncertainty
• Recognize personality traits that may handicap you in your future career
• This learning objective will be evaluated with a team project that involves a series of presentations.

**Pre-requisites**
Basic knowledge of macroeconomics is recommended (or a pre-reading of David Moss, *A Guide to Macroeconomics*). Also, familiarity with competitive strategy is a plus.

**Text book**

**Expected workload**
Students should expect to invest ~8-9 hours/week outside of class on the course. The course is divided into frameworks and each framework will have three to four different case discussions (one per class session). Students must read all the background materials for each of the frameworks before coming to class. Not reading the background materials is equivalent to not preparing the case and is penalized with negative participation grades. Questions to prepare each session will be posted on Latte.

**Materials for the Course**
The case relies mostly on Harvard Business School case studies, which are available for purchase at [http://cb.hbsp.harvard.edu/cbmp/access/66141915](http://cb.hbsp.harvard.edu/cbmp/access/66141915). Course packs are comprised of copyrighted materials, so please respect intellectual property by purchasing your own copy of the materials.

**Emerging Markets Etiquette**
Because this is a course about doing business in emerging markets, we will emphasize respect to others people's cultures and beliefs. The course is design to make you realize what your cultural biases are when trying to do business in other countries. Therefore, we will take advantage of the diversity of students at IBS by making sure the classroom is a safe environment for everyone to talk, disregarding their religious and political beliefs.

**Grading**
The final grade will have the following components:

- Class participation 30%
- Macro quiz 10%
- Midterm (case writeup) 30%
- Group project 30%

*The group project will have two components, a grade assigned by the instructor (15%) and a grade assigned by students and team members (15%).

**Class participation** will be graded as follows:

- Students are expected to attend every class. Since the course is taught in 13 sessions, missing a session will carry a penalty. Missing two class sessions (3 hrs each) will automatically result in a failing participation grade.
- If you need to miss class for health reasons please discuss with the instructor
Participation grades will depend on quantity and quality factors. I use the following scale to grade participation on a daily basis:

-5 absent without prior notification
-3 absent with prior notification
0 present but without a class contribution
+1 contributed a case fact
+2-3 good analysis and structure and allowed others to see a new insight
+4-5 excellent analysis and structure and cracked the case

In order to be fair to students with participation grades, students will have assigned seating from the second session of the course. Please select your seat for the semester by the start of the second class, and use a name card, at least for the first several sessions.

**Group project**
The group project consists of a 20 slide PowerPoint (with quantitative appendices if necessary) and a 10-minute class presentation in which students will think about how to disrupt an existing industry, develop a new product or service as a startup, or launch a new product or service for an existing medium to large company all in emerging markets. This work has to rely on one or many of the different frameworks of the course. Teams will have to work all steps of the launching process: ideation, prototyping, testing, getting market data, refining, etc. Alternatively, some teams may be allowed to write a case study of a business model that fits one of the frameworks of the course, but that with an innovative insight.

The final project has three steps:

- **Step 1**: Developing three ideas that can work. Teams get together outside of class and spend time thinking about two or three project ideas. It is important that teams read the “Hypothesis-driven Entrepreneurship” note before developing these ideas.
  - Think about a product or service you could launch or a market you would want to disrupt (brainstorm, discuss, etc...)
  - Think about the launching of this product or service using the lean startup framework. What would the MVP look like? How would you test it? Think through these things
  - Think about the kind of market information you need to sell your idea to venture capitalists or to the executives of a large corporation (if you were an intrapreneur)
  - **PREPARE A PROPOSAL FOR SUBMISSION BEFORE**
  - 10 minute power point. Have a slide with alternative idea in case your main idea “perishes” during the discussion.
  - Each team will have 10 minutes to present and there will be 5-6 minutes of Q&A. The presentation should look like something you would present to a venture capitalist (there has to be a pain point, a solution, an MVP, and an explanation of how you would test this with a small budget).

- **Exercise 2** (to do with your team after class): How to test hypotheses with customer information
  - How to prepare: Read the note “Selling and marketing in the entrepreneurial venture”
  - Think about how you can go about obtaining market information for your product or service that you can use for your final project
- Go out or use the web to test interest in your idea. Get feedback from “potential customers.”
- Use the feedback you get to decide how you can pivot your business idea.
- Prepare a power point following the lean startup methodology to present in class on the last day.

**Disabilities**

If you are a student with a documented disability on record at Brandeis University and wish to have a reasonable accommodation made for you in this class, please see me.

**Academic Integrity**

You are expected to be familiar with and to follow the University’s policies on academic integrity (see http://www.brandeis.edu/studentlife/sdje/ai/). Instances of alleged dishonesty will be forwarded to the Office of Campus Life for possible referral to the Student Judicial System. Potential sanctions include failure in the course and suspension from the University.

**Office hours**

Office hours will take place on Mondays (2-5PM) and Wednesday mornings (10:00-noon). Students need to book appointments directly with Prof. Musacchio.
**SCHEDULE OF CLASS SESSIONS**

*All cases, notes and articles are part of the case packet you have to buy from Harvard Business Press here [http://cb.hbsp.harvard.edu/cbmp/access/66141915](http://cb.hbsp.harvard.edu/cbmp/access/66141915). There is also an optional, but highly recommended, textbook: David Moss, *Concise Guide to Macroeconomics*, Harvard Business Press (available at the bookstore).*

<table>
<thead>
<tr>
<th>Session</th>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>8/31</td>
<td>Doing Business in Emerging Markets</td>
<td>Metro C&amp;C HBS Case; Musacchio and Werker &quot;Frontier Economies&quot; HBR</td>
</tr>
<tr>
<td>2</td>
<td>9/7</td>
<td>Understanding Development Models: Macroeconomic accounting</td>
<td>Pakistan Case, GEM15 Note; Moss, Concise Guide... Chapters 1 and 5</td>
</tr>
<tr>
<td>3</td>
<td>9/14</td>
<td>Understanding Country Development Strategies 2: Growth Accounting and Exchange Rate Policy</td>
<td>China unbalanced?; GEM15 HBS Note; China and the Yuan-Dollar Exchange Rate; Moss, Concise Guide... Chapters 2 and 7</td>
</tr>
<tr>
<td>4</td>
<td>9/28</td>
<td>Emerging market crises: A primer using the Tequila Crisis (Mexico in 1994)</td>
<td>Mexico C; Moss, Concise Guide... Chapter 3, and 6</td>
</tr>
<tr>
<td>5</td>
<td>Tuesday 10/3 (Brandeis Thursday)</td>
<td>Strategy in Frontier Markets</td>
<td>Sherritt Goes to Cuba (A) (B) and C cases &amp; Institutional Voids Note HBS</td>
</tr>
<tr>
<td>6</td>
<td>Wed 10/11 (Brandeis Thursday)</td>
<td>Company strategy and &amp; macro risk</td>
<td>Vale: Global Expansion in the Challenging World of Mining</td>
</tr>
<tr>
<td>7</td>
<td>10/19</td>
<td><strong>Midterm exam</strong> + intro to entrepreneurship in EM</td>
<td>Hypothesis driven entrepreneurship</td>
</tr>
<tr>
<td>8</td>
<td>10/26</td>
<td>Strategy and Entrepreneurship in EM</td>
<td>A Note on Entrepreneurial Ecosystems in EM</td>
</tr>
<tr>
<td>9</td>
<td>11/2</td>
<td>Strategy and Entrepreneurship in EM</td>
<td>Selling and Marketing in the Entrepreneurial Venture + ****Student Presentations</td>
</tr>
<tr>
<td>10</td>
<td>11/9</td>
<td>Low cost competition &amp; strategy</td>
<td>Disruptive innovation &amp; Novozymes</td>
</tr>
<tr>
<td>11</td>
<td>11/16</td>
<td>Social Enterprise/Business at the Bottom of the Pyramid</td>
<td>The IPO of Compartamos</td>
</tr>
<tr>
<td>12</td>
<td>11/30</td>
<td>Mobile Payments revolution</td>
<td>M-Pesa (+ Buffalo Grid)</td>
</tr>
<tr>
<td>13</td>
<td>12/7</td>
<td>Student final presentations + the future of EM</td>
<td>****Student Presentations</td>
</tr>
</tbody>
</table>

**Notes:**
- **ECONOMICS 151X:** Section for the economics major.
- **ECONOMICS 251X:** Section for the economics major.
- **ECONOMICS 351X:** Section for the economics major.
- **ECONOMICS 451X:** Section for the economics major.
- **ECONOMICS 551X:** Section for the economics major.
- **ECONOMICS 651X:** Section for the economics major.
- **ECONOMICS 751X:** Section for the economics major.
- **ECONOMICS 851X:** Section for the economics major.
- **ECONOMICS 951X:** Section for the economics major.
- **ECONOMICS 1051X:** Section for the economics major.
- **ECONOMICS 1151X:** Section for the economics major.
- **ECONOMICS 1251X:** Section for the economics major.
- **ECONOMICS 1351X:** Section for the economics major.
- **ECONOMICS 1451X:** Section for the economics major.
- **ECONOMICS 1551X:** Section for the economics major.
- **ECONOMICS 1651X:** Section for the economics major.
- **ECONOMICS 1751X:** Section for the economics major.
- **ECONOMICS 1851X:** Section for the economics major.
- **ECONOMICS 1951X:** Section for the economics major.
- **ECONOMICS 2051X:** Section for the economics major.
- **ECONOMICS 2151X:** Section for the economics major.
- **ECONOMICS 2251X:** Section for the economics major.
- **ECONOMICS 2351X:** Section for the economics major.
- **ECONOMICS 2451X:** Section for the economics major.
- **ECONOMICS 2551X:** Section for the economics major.
- **ECONOMICS 2651X:** Section for the economics major.
- **ECONOMICS 2751X:** Section for the economics major.
- **ECONOMICS 2851X:** Section for the economics major.
- **ECONOMICS 2951X:** Section for the economics major.
- **ECONOMICS 3051X:** Section for the economics major.
- **ECONOMICS 3151X:** Section for the economics major.
- **ECONOMICS 3251X:** Section for the economics major.
- **ECONOMICS 3351X:** Section for the economics major.
- **ECONOMICS 3451X:** Section for the economics major.
- **ECONOMICS 3551X:** Section for the economics major.
- **ECONOMICS 3651X:** Section for the economics major.
- **ECONOMICS 3751X:** Section for the economics major.
- **ECONOMICS 3851X:** Section for the economics major.
- **ECONOMICS 3951X:** Section for the economics major.
- **ECONOMICS 4051X:** Section for the economics major.
- **ECONOMICS 4151X:** Section for the economics major.
- **ECONOMICS 4251X:** Section for the economics major.
- **ECONOMICS 4351X:** Section for the economics major.
- **ECONOMICS 4451X:** Section for the economics major.
- **ECONOMICS 4551X:** Section for the economics major.
- **ECONOMICS 4651X:** Section for the economics major.
- **ECONOMICS 4751X:** Section for the economics major.
- **ECONOMICS 4851X:** Section for the economics major.
- **ECONOMICS 4951X:** Section for the economics major.
- **ECONOMICS 5051X:** Section for the economics major.
- **ECONOMICS 5151X:** Section for the economics major.
- **ECONOMICS 5251X:** Section for the economics major.
- **ECONOMICS 5351X:** Section for the economics major.
- **ECONOMICS 5451X:** Section for the economics major.
- **ECONOMICS 5551X:** Section for the economics major.
- **ECONOMICS 5651X:** Section for the economics major.
- **ECONOMICS 5751X:** Section for the economics major.
- **ECONOMICS 5851X:** Section for the economics major.
- **ECONOMICS 5951X:** Section for the economics major.
8/31 Session 1: Strategy in Emerging Markets, the big picture

Readings:
- Metro Cash & Carry, HBS Case

Case summary:
This case analyzes the globalization of Metro Cash & Carry, a German wholesaler, which has flourished in many foreign markets but struggled to gain traction in India. It considers Metro’s experience in Russia and China to put the company’s challenges in India in comparative perspective. Pays particular attention to the institutional obstacles for a multinational to tap into the opportunities offered by emerging markets.

Questions to prepare for class:
1) How does the supply chain for fresh vegetables work in India? What is the Metro Cash & Carry business model? What are the key competitive advantages or differentiating factors of their business model? How are they trying to alter the typical supply chain for say vegetables in India?
2) How did Metro Cash and Carry adapt itself to enter Russia and China? What adaptations were necessary across the board, and what adaptations were idiosyncratic to particular country contexts?
3) What went wrong in India? How would you fix it?
4) Using the Frontier Economies (4 market) framework from Musacchio & Werker. Think about in which quadrant Metro C&C was operating in when they entered India? Are there any insights from the framework you could use to advise Metro C&C?

9/7 Session 2. PAKISTAN and GDP ACCOUNTING

Readings:
Pakistan: Is Foreign Aid Helping or Hindering Development? (HBS Case in packet) (*required)
GEM15 HBS Note (in HBS Packet. Please make sure to read the appendix as well) (*required)
David Moss, Concise Guide to Macroeconomics, Chapters 1 and 5 (*required)

Objective of the session:
This session is a bit ambitious. We are going to start applying what we know of country strategy analysis (4 Market framework) and we are going to learn to use new tools (GEM15 scorecard). Also, a large part of class will be devoted to learning the basics of GDP accounting and understanding macroeconomic aggregates. That is why it is key to read Chapter 5 of the Moss book.

Here are some questions to prepare for class:
First, make sure you understand GDP accounting. What is Consumption? What does it measure? What is gross fixed capital formation (known as aggregate investment)? What does it measure? What is Government Consumption? Doesn’t Government Consumption double count things we add up in C (Consumption) and I (aggregate investment)? Why do we keep track of the net between exports and imports? If you can figure out how to calculate gross domestic savings.

What is Pakistan’s development strategy? Is it working?
Work with the GEM15 scorecard and try to fill in the boxes as much as you can using the exhibits of the case.
If you were an investor looking to sell consumer goods in Pakistan, what would be the attractive features of this economy? What would be the non-attractive features?
If you were an investor in Pakistani sovereign bonds, what are the main risks you face? Would you invest in such bonds?

9/14 Session 3. China and GDP Growth Accounting

Readings:
China “Unbalanced” – HBS Case 711.010
China and the Yuan-Dollar Exchange Rate – HBS Case 711.110
Moss, Concise Guide, Chapter 2 and, especially, Chapter 7.

Objectives of this class session:
This class session will not only look into detail at some of the challenges of the Chinese development strategy of the last three decades, but it will use the case of China to help us understand two key macroeconomic concepts. First, we will use this case to talk about GDP growth accounting and to understand the importance of productivity growth (labor productivity and/or total factor productivity growth) for improving living standards in the long run. Second, we will spend some time discussing exchange rates, especially how fixed and floating exchange rates work and how the People’s Bank of China has intervened or managed the exchange rate market of that country. These macroeconomic concepts are key no only for macro investing, but also for value investing and to make investment decisions on the ground. The return on any investment in emerging markets (or developed markets for that matter) depend on the return in local currency plus say the US dollar exchange rate changes. In other words, no matter how good is a business plan, if investors and managers don’t take into account exchange rate fluctuations, the total return of the investment can be completely wiped out.

Questions to prepare for class:
1) Why did China grow so fast (and continues to grow over 6% per year)? Using the exhibits, explain China’s development strategy and prospects (use GEM15 and the 4M framework). Try to explain why China has such rapid growth in total factor productivity growth, labor productivity, and GDP per capita (use the GEM15 note appendix for this)
2) Among emerging markets, who wins and who loses from China’s accession to the WTO?
3) Using the note on China's exchange rate, how much does it cost to the People's Bank of China (PBOC) to manipulate the Yuan-dollar exchange rate every year? Is there a limit or could the PBOC keep on doing it forever? What are the main macroeconomic consequences of trying to keep the exchange rate undervalued?
4) Using what you learn in the David Moss Book Chapter 7, what would happen if China let its currency float freely?


### PUT TOGETHER TEAMS OF 4 FOR FINAL PROJECT BY TODAY--SIGN UP SHEET HERE###

Readings:

Mexico C, HBS Case study

Moss, Concise Guide to Macroeconomics, Chapter 3 and, especially, Chapter 6.

**Objective of this class:**
In this class we will develop a very simple framework to think about why crises are created, in particular in emerging markets. We will discuss the process of asset appreciation and rapid depreciation. This framework relies on simple ideas from economics on expectations, so please read Chapter 3 of the Moss book to prepare. We will also use this case to understand two key concepts in macroeconomic analysis, the balance of payments and the appreciation/depreciation of the real exchange rate and what that entails for competitiveness (so please read Chapter 6 of the Moss book and re-read Chapter 7). Even if this is an old crisis, it is a fantastic case study with important lessons for investors interested in emerging markets.

**Questions to prepare for class:**

1. Who is to blame for the crisis in Mexico? Was it the government’s fault? Investors?
2. Examine the balance of payments and identify the main signals that there was a crisis in Mexico. Could investors have known there was a crisis coming? Explain your analysis
3. Was the peso to US dollar exchange rate overvalued before 1994? What measures are used to disentangle such things?
4. Imagine you are a Portfolio Manager at Fidelity in 1993 and your performance was measured against the average return for the emerging markets index at the time. Would you have invested in Mexican stocks and/or bonds? Why or why not? Could you afford not to invest in Mexico?
5. After the crisis erupted, what did the Mexican government need to do to prevent a deep depreciation of the Mexican peso? What other options were there? If investor expectations are key for an economy, what was the best thing Mexico could have done to get back on track to getting foreign investment?

**Tue 10/3 Session 5. Institutional Voids and Successful Strategies in Frontier Markets (Brandeis Thursday)**

###TEAMS SUBMIT THEIR INITIAL IDEAS FOR THE FINAL PROJECT FOR REVIEW (SUBMISSION BELOW)###

**READINGS**
Institutional Voids Note, HBS.

*Sherritt Goes to Cuba [A] [B]* Harvard Business School Case 711-001, 002
Summary of Sherritt Goes to Cuba

Sherritt Goes to Cuba (A), (B), and (C) cases describe the adventurous investments of Sherritt International, a mining and energy company, in the island of Cuba. Ian Delaney, CEO of Sherritt International, decides to invest in Cuba in the early 1990s and has to create a framework to operate in the island from scratch. Moreover, as the economic situation of the island deteriorates in 2008 the government of Cuba starts to delay the payments it owes to Sherritt. As Fidel Castro falls sick and leaves his brother Raul Castro in charge political risk seems to increase for Sherritt.

Assignment Questions
1. In the A case. Examine the economic situation of Cuba in the 1990s? How are they doing? Is this a good place to do business? (download the macro exhibits here (C) case)
2. Given this macro framework, does it make sense for Sherritt to go to Cuba in the early 1990s? [i.e., think about institutional voids, etc...]
3. In what quadrant of the 4M is Sherritt operating?
4. Let’s analyze in detail the business lines of Sherritt and their business model in general. What institutional voids are they filling in? How? What’s their main competitive advantage? (or simply explain why they have managed to operate in Cuba for over twenty years)
5. The United States government announced that they may re-open diplomatic relations with Cuba and they will consider opening up trade with them. How is that going to affect Sherritt? Are you optimistic or pessimistic about this? What would you recommend Ian Delaney and the board of Sherritt to do now?

10/10 Session 5. Company Strategy & Macro Risk

Readings:

Vale: Global Expansion in the Challenging World of Mining (HBS Case 710-054)

Objective of this class: To understand how corporate strategy is linked to developments in political and economic realms, but in the home country and in the main markets of a global corporation. This case is also excellent to teach students how corporations make large investment decisions.

Summary
In 2009 the management of Vale, a Brazilian diversified mining company and the largest iron ore producer in the world, was under pressure from at least two fronts. First, the emergence of China as the most important consumer of iron ore in the last few years had changed the pricing system for iron ore from long-term contracts based on negotiated "benchmark prices" to contracts based on spot prices, usually forcing mining companies to pay for shipping. Second, for Brazil's charismatic president, Lula, a former union leader, Vale's layoffs during the global financial crisis and its perceived move away from Brazil (as Vale increased its exports to China and purchased Chinese vessels to ship iron ore to Asia) were reasons to start an open campaign to pressure Vale and Agnelli to invest in integrated steel mills in Brazil. In October of 2009, the CEO of Vale, Roger Agnelli was going to meet with Lula and had to decide what to do to attenuate these political pressures. What could Agnelli do to deal with political pressures at home? Was the purchase of large vessels to ship iron ore to Asia a good decision at a time when the shipping industry had spare capacity?
Assignment Questions

1) What could Agnelli do to deal with political pressures at home?
2) Map out the supply chain for a typical mining firm. What does Vale do different? What is it’s competitive advantage? Does it make sense for Vale to get into the steel business? (use exhibit 13 Top Iron Ore and Steel Producers in 2008 and the internet to examine how common is to have vertical integration in the mining and steel business). When would it make sense for a mining and steel firm to be vertically integrated?
3) Was the purchase of large vessels to ship iron ore to Asia a good decision at a time when the shipping industry had spare capacity?
4) Calculate the breakeven in years for the purchase of the Vessels. Make sure you understand the assumptions you are making.

10/11 Session 6. Mideterm test and introduction to entrepreneurship in emerging markets

***MIDTERM: the first two hours of class will be devoted to the midterm. The midterm is a case writeup. Students will have to answer two questions using information from the case. The case will be distributed the day before. Students will have 120 minutes to write their essays.

***BRING A LAPTOP TO CLASS.

FINAL HOUR OF CLASS:

Readings for the entire block:
-Tom Eisenmann, “Hypothesis-Driven Entrepreneurship: The Lean Startup”

Questions to prepare:
1. What is an MVP? How do you test your hypotheses re. a new product or service? How do you avoid false positives? How do you avoid false negatives?
2. What are the main components of a business model?
3. According to the note, when can we do strategic planning and when we should execute on the go?

10/17 Entrepreneurship in Emerging Markets

Reading:
-A Note on Entrepreneurial Ecosystems in Emerging Markets
-LIVE CASE AND EM Entrepreneur GUEST TODAY

10/19 Session 8: Understanding Consumers in Emerging Markets and Student Presentations

Readings for the day:

Disruptive Innovation Article, Harvard Business Review

Novozymes: Cracking the Emerging Markets Code, HBS Case Study 112-084

Case Summary
In 2011, the management of Novozymes, the industrial enzymes leader, reflected on the viability of their positioning in the fast growing, yet increasingly competitive Chinese market. Novozymes, a technological innovation pioneer, was prominent in China’s premium enzyme markets, but felt pressure from local low-cost rivals in volume-driven, commoditized segments. How should Novozymes relate to local competitors? By competing on technological innovation only in high-margin verticals? Or, through a separate subsidiary with a new low-cost business model for commoditized verticals?

Assignment Questions
1) Should Novozyme keep the B brand (Suhong), pin-off low-cost business, or abandon the textiles and brewing verticals?
2) If Novozyme pins off local’s businesses, what characteristics should it have?
3) What kind of manager will want to lead a new locals business?

11/16 Session 10: Business at the Base of the Pyramid

Readings:

-Rangan et al., “Segmenting the Base of the Pyramid” (HBR article R1106J)

- Banco Compartamos (Harvard Business School Case)

Optional reading: The promise of microfinance and women’s empowerment: What does the evidence say? (available here)

Case Summary
After an international IPO yielding extraordinary returns to original investors, Banco Compartamos, Mexico’s leading microfinance institution, contemplates its future strategic and competing priorities: maintaining growth, defending industry, leadership, preserving social mission and meeting the expectations of a demanding capital market. Additionally, Compartamos’ Co-CEOs must
decide how to face the highly polarized reactions in the microfinance industry to its IPO. In the process, the case examines the history of Compartamos, from its NGO origins to its license as a full service bank; describes the competitive context of low-income sector of financing in Mexico; and reviews the decisions leading to the IPO in the Mexican Stock Exchange.

Questions to prepare for class:

1. What is a social enterprise? Why bother selling to the bottom of the pyramid?
2. Why do traditional banks in Mexico not serve the poor?
3. How does microfinance work? What is the business model of a microfinance company? Is this a social enterprise or purely for-profit business?
4. The founders of Compartamos made a fortune during the IPO of the company. Are the critics of compartamos right that it is a business to benefit the founders?
5. Should Compartamos lower its interest rates?
6. If you were to form a microfinance company in Mexico, what would you do differently? (use the frameworks you know to think about whether it would make sense to create a microfinance company in Mexico)
7. If you were an asset manager in the United States would you deploy funds in Compartamos shares? Why? Why not?

11/30 The Mobile Payments Revolution

Readings:

-Mobile Banking for the Unbanked, HBS Case (on M-Pesa, Kenya)

Questions to prepare:

1. Workout the economic profitability of the business? Do they create social value? If so, calculate it?
2. 

12/7 LAST session 13: Student presentations

- Each team will present for 10-15 minutes and we will have a 10 minute discussion to evaluate the idea.
- All the other teams will grade the idea and presentation.