MULTINATIONAL CORPORATIONS—CHINA

SAMPLE

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Course Overview

There is no longer any controversy in the assertion of China’s status as an economic juggernaut. However, there are a variety of perspectives on how China reached this status, and there is a good deal of misunderstanding surrounding the issue. Many scholars and pundits view China’s success as being tied to the deep (cheap) labor pool the country enjoys and the fact that the country was a primarily agricultural economy when it embarked on the economic reforms. A nuanced understanding of the economic reforms renders these readings simplistic. Instead, China made the transition from plan to market economy on its own time and in its own terms. Gradual reform has been the hallmark of China’s transition process, and it has been a process that began with experimentation and close state engagement in the transition process.

Multinational corporations (MNCs) have been a part of this process of development since the opening of China to the rest of the world in 1979. Understanding the ways in which MNCs have succeeded (and failed) in China is critical for understanding the opportunities that lie ahead. It also provides a critical lens through which to view the China’s economic reform process. This course will examine China’s economic reforms from the perspective of the MNC. It will look at the ways that MNCs have invested in China and what these processes of investment tell us about the economic changes that have transformed the world’s most populous nation over the last 29 years.

However, today it is not enough to think only about foreign MNCs in China, because many Chinese homegrown MNCs are becoming powerful economic players in their own rights. The names of Lenovo, Haier, Huawei, PetroChina, and Sinopec are no longer brands that can simply be ignored as homegrown competition for MNCs within China’s borders. On the contrary, these corporations will soon be ruling the global economy, competing with the very MNCs that rule the global economy. As such, this course will also spend equal time analyzing and understanding the domestic MNCs that are emerging in China’s economy to compete in the global economy.
COURSE MATERIAL

1. Cases and readings in reader {can be purchased in the Professional Bookstore}.


3. Additional materials to be distributed in class, as indicated in the course schedule.

GRADING DETAILS

**Grading Breakdown**

<table>
<thead>
<tr>
<th>Grading Breakdown</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>1. Team case analysis, written</td>
<td>25%</td>
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<tr>
<td>2. In-class final exam</td>
<td>30%</td>
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<tr>
<td>3. Team presentation</td>
<td>25%</td>
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<tr>
<td>4. Individual participation</td>
<td>20%</td>
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1. **Team case analysis, written**

   Your team is responsible for handing in a written analysis of one of the cases we will be analyzing in class. The page limit for the team case write-up is 6 pages. The analysis must be typed (12 point font), double-spaced, with normal 1” margins. Appendices, tables and/or figures do not count toward the 6-page limit. Papers are due in class at the beginning of the session in which the case will be discussed.

2. **In-class final exam**

   There will be an in-class final exam in the second-to-last class.

3. **Team presentation**

   Your final deliverable for the course will be straightforward and practical, and must be done within your teams. You will prepare a high-level business plan for an organization (preferably that one of the group members works for, but not necessarily) on a strategic issue for the company with respect to the Chinese market. This could be on new market entry, on building and growing a business in the Chinese market, or (for companies that are already there) on how to reassess or develop the company’s China strategy. The basic assumption is that you have been tasked with formulating the company’s new China strategy and you need to educate the audience on the key issues the top leadership team needs to consider in China today. The presentation should be a powerpoint presentation. You should plan on a 30 minute presentation (including a 10 minute question and answer session). Your grade will be based on the degree to which you flesh out the issues in a clear and thoughtful manner, and recommend a sensible path.

4. **Individual participation**

   Students are expected to actively participate in class in the analysis of cases, and in exercises and discussions. Doing so will require that you read the assigned material and prepare the assigned case(s) or exercise before coming to class. Participation should be positively productive. I emphasize *positively productive* because I am far more interested in the quality of what you have to say than in the amount of talking that you do. Your goal should be to contribute to the class discussions, not simply to talk for the sake
of talking. In order to do so, it will be necessary to listen to, and build upon, the comments of your classmates. Please don’t feel deterred if I pass over your hand or if I cut your comment short on occasion - it probably means that I think you have already contributed a lot and that others need the “air time” more. My goal is to foster a supportive classroom environment that emphasizes learning. We will all learn from each other. As such, I request that we treat everyone with respect. Because there is typically no single “right” answer for organizational and leadership problems, I encourage debate. I encourage you to experiment and take risks; there is certainly no harm in giving an answer that turns out to be ineffective or inappropriate for the issue under discussion (i.e., you won’t be penalized for “wrong” answers).

Case Analysis Preparation Guide (see Appendix)
This guide provides some guidance for the preparation of both team cases. The guidance generally comes in the form of questions that you should think about while you are analyzing the case. Writing answers to these questions does not constitute an appropriate approach to the written analysis of cases. Dealing with the issues raised in the guide is necessary but not sufficient for an adequate analysis.

Most students initially find case analysis of leadership issues to be very difficult and uncomfortable. This is often due to inexperience dealing with the relative lack of structure that is characteristic of complex management issues. No correctly answered list of questions or mechanical process will automatically lead to the “right” answer. In fact, there is no “right” solution to most managerial problems, rather there are apt to be many “right” answers, and unfortunately, even more “wrong” answers. In fact, cases are not necessarily examples of bad management. They may be about any quality of leadership. Often it is more difficult to explain why a situation is working than it is to analyze the causes of obvious problems. Often a situation may be going well but contain the seeds of future problems. Part of analysis is to define the issue(s). Another part is to explain the mechanisms that cause the problem(s) or why things are working. Finally, recommendations must be developed that are appropriate for the situation and those who must implement them. Read the guide “Case Analysis Preparation Guide” (Appendix) for an initial guide to how to analyze a case.

A note on teamwork
One concern that some students have about working in teams, and consequently about team grades, is the issue of equity. If you work harder and do better work than your peers why should your grade be dependent on them? This view is generally a function of coming from educational environments that only ask for and measure individual performance. Your output for many of the assignments in this school will be a team product, such as a group case analysis. The reader of a case analysis cannot determine individual contribution any more than a manager reading a group report. Some processes require groups and therefore should be evaluated on a group basis. Group tasks should be given group rewards. This means that you not only must make a direct contribution to the development of the written assignment, but that you also have an obligation to make your team work effectively.

An infrequent problem associated with group projects is a team member who does not do his/her share of the job. You are urged not to let problems develop to the point where they become serious. Everyone in this class is expected to carry an equal share of the team workload. I will not supervise the process any more closely than would most managers in similar circumstances. Rather, you are expected to get the work done and to manage each other. Groups often ignore problems wishing that they just disappeared. They typically don’t – they just get worse. Try to set up clear procedures regarding how the team cases will get done at the beginning of the semester (i.e., how the group should work together in very concrete and explicit terms). You are expected to solve any problems among yourselves. If you really can’t, bring it to me. However, I am extremely reluctant to intervene except in extreme circumstances, as I truly believe that making your teams work is part of the learning experience for this class.

A note on classroom organization
In terms of classroom organization, I enforce the basic Stern classroom rules. First, classes will start promptly at 6:00. Everyone is expected to be on time and in their seats at that time. The first half of the session will run for 80 minutes. There will be a break from 7:20-7:30. The second half of the class will run from 7:30-8:50. Again, I expect people to be in their seats on time when the second half of the class begins. Second, if you are going to miss class, I expect that you will send me an email ahead of time articulating the reason you will be missing class. Third, it goes without saying that cell phones, blackberrys, and any other mobile technology are not allowed in the classroom. Anyone emailing, texting, or using any such mobile technology during class will be asked to leave. Finally, in order to facilitate note-taking, I will pass out handouts of slides we will be discussing in the class. These slides will also be posted on blackboard after the session.
<table>
<thead>
<tr>
<th>Ses 1</th>
<th>Feb. 11</th>
<th>Basics of Chinese Economic Reforms</th>
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<tbody>
<tr>
<td>Read:</td>
<td>China and Globalization, Chapters 1, 2</td>
<td></td>
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<tr>
<td>Session 1a:</td>
<td>Introduction to the China’s Culture, History, and Politics</td>
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<tr>
<td>1a. Prepare:</td>
<td>No cases</td>
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<tr>
<td><strong>Study Questions:</strong></td>
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<tr>
<td>1.</td>
<td>What does the term culture mean to you?</td>
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<td>2.</td>
<td>What do you think of when you think of Chinese culture?</td>
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<td>3.</td>
<td>How important is culture and history for understanding business opportunities in a given country?</td>
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<tr>
<td>4.</td>
<td>How important do you think culture and history are to analyzing business opportunities in China?</td>
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| Session 1b: | The Foundations of Economic Reform in China: More on History and Politics |
| 1b. Prepare: | No cases |
| **Study Questions:** | |
| 1. | How important are the years 1949-1979 for understanding the current phase of economic reforms and economic opportunities in China? |
| 2. | Do the history of the Great Leap Forward and the Cultural Revolution matter for China today? |
| 3. | Does the Tiananmen Movement of 1989 still matter today? |

| Feb. 18 | No Class, President’s Day |

<table>
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<tr>
<th>Ses 2</th>
<th>Feb. 25</th>
<th>Different Kinds of Investment and the Impact of FDI</th>
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<tbody>
<tr>
<td>Read:</td>
<td>China and Globalization, Chapter 4</td>
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<tr>
<td>Session 2a:</td>
<td>China’s Economic Reforms: The Early Years</td>
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<tr>
<td>2a. Prepare:</td>
<td>Multinationals in China (#HKU360)</td>
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<tr>
<td><strong>Study Questions:</strong></td>
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<tr>
<td>1.</td>
<td>What are the advantages and disadvantages of different business models for operating in China and how have these changed over time?</td>
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<tr>
<td>2.</td>
<td>What key factors do (foreign) multinational corporations operating in China need to think about in setting up business?</td>
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| Session 2b: | China’s Economic Reforms: The ‘90s and Beyond |
| 2b. Prepare: | Motorola in China: Failure of Success? (#HKU440) |
| **Study Questions:** | |
| 1. | What was Motorola’s strategy in China? How has that strategy changed over the course of the economic reforms? |
| 2. | How does Nokia’s company structure and culture relate the successes and failures the company has experienced in China? |
3. What is the bigger threat to Motorola’s success in China—Nokia or home grown competitors?

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<th>Ses 3</th>
<th>Mar. 3</th>
<th>Social Transformation</th>
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<tbody>
<tr>
<td>Read:</td>
<td>“The Chinese Negotiation”; China and Globalization, Chapter 3</td>
<td></td>
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<tr>
<td>Session 3a:</td>
<td>The Chinese negotiating process</td>
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<tr>
<td>3a. Prepare:</td>
<td>Xtech in China (9-807-118)</td>
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**Study Questions:**
1. What type of venture should Xtech set up in order to set up its China sales and manufacturing operation?
2. What are the key issues the company should consider in thinking about its China operations strategy?

| Session 3b: | Navigating Chinese ventures |
| 3b. Prepare: | AccuForm (HKU622) |

**Study Questions:**
1. How important are social relations in setting up a Chinese venture like AccuForm?
2. What approach has Raymond Kim taken to building a corporate culture that makes sense for this industry?

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<tr>
<th>Ses 4</th>
<th>Mar. 3</th>
<th>The Political Economy of Local Development</th>
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<tr>
<td>Session 4a:</td>
<td>Local development</td>
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<tr>
<td>4a. Prepare:</td>
<td>Suzhou and Lijiaing (to be handed out in class)</td>
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**Study Questions:**
1. In what specific ways have local governments contributed to local economic development in their areas?
2. How have these actions contributed to overall economic development in China (there may be positive and negative aspects to this growth dynamic)?
3. If you were helping your company think strategically about setting up a business in China, how would you decide where to place your venture?

| Session 4b: | Internal and external politics of development |
| 4b. Prepare: | Taiwan and Tibet (to be handed out in class) |

**Study Questions:**
1. How have political and economic development in Taiwan and Tibet become intertwined?

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<tr>
<th>Ses 5</th>
<th>Mar. 10</th>
<th>Political Transformation</th>
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<tr>
<td>Read:</td>
<td>China and Globalization, Chapters 6-8</td>
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<tr>
<td>Prepare:</td>
<td>Google in China (P-54)</td>
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**Study Questions:**
1. What has Google’s China strategy been? Has it been effective?
2. In your view, was it the right move for Google to make the concessions it
did in entering China? Why or why not?

Prepare: Huawei: Cisco’s Chinese Challenger (HKU599)

**Study Questions:**
1. How has Huawei’s evolution made it economically strong (or vulnerable)?
2. In your view, what factors contributed to the resolving of Cisco’s lawsuit against Huawei?

**Ses 5 Mar. 31 Transforming Global Industries**

Read: “The Battle for China’s Good-Enough Market”

Prepare: Liz Claiborne, China (9-301-098)

**Study Questions:**
1. How well do Diane Long’s views of leadership and teambuilding fit with the Chinese market?
2. How would you imagine Diane’s job would have changed with China’s entry into the WTO?
3. Do you think that Liz Claiborne’s success is attributable primarily to Diane’s style and skills or to other factors?

Prepare: Shanshan Enterprise (HKU354)

**Study Questions:**
1. What has Shanshan’s strategy been to save the company from bankruptcy?
2. How have the changes in the industry changed the prospects for Shanshan’s survival?

**Ses 6 Apr. 7 The Rise of Chinese Multinationals**

Read: “The Rise of Domestic Multinationals”; to be handed out in class

Prepare: Haier: Taking a Chinese Company Global (9-706-401)

**Study Questions:**
1. What was Haier’s strategy for going global? How successful has that strategy been?
2. How has the company balanced domestic versus global expansion?

Prepare: Jili (to be handed out in class)

**Ses 7 Apr. 15 Global Players**

Session 7a: Branding and Blending Organizational Cultures

Prepare: Lenovo: Building a Global Brand (9-507-014)

**Study Questions:**
1. How has Lenovo handled the process of becoming a global company?
2. How has the organization handled the tensions that have arisen in the merging of the two organizational cultures?
### Session 7b: Energy, Social Responsibility, and Global Reach

**Prepare:** Restructuring CNPC and the Proposed Listing of PetroChina (9B04M043); PetroChina (9-701-040)

**Study Questions:**
1. What is the relationship between CNPC and the publicly-traded company PetroChina?
2. Was the listing of PetroChina a successful approach to restructuring the organization? Why or why not?
3. How has the company dealt with the pressures of international foreign sentiment against China’s relationship with the Sudan?

### Session 8: Organizational Transformation in the Global Economy

**Ses 8 Apr. 22**

**Session 8a: Heavy industry**

**Prepare:** The Transformation of China’s Steel Industry (HKU416)

**Study Questions:**
1. How has the evolution of China’s steel industry been similar and different from the evolution of other “pillar” industries?
2. What are the key factors that multinationals in this industry thinking about doing business in China need to take into consideration?
3. How has the evolution of China’s steel industry shaped foreign multinationals in the steel sector around the world?

**Session 8b: Mining**

**Prepare:** The Rio Tinto Merger (to be handed out in class)

### Session 9: Developmental Issues

**Ses 9 Apr. 29**

**Read:** “Scorched Earth”

**Session 9a: Local development and the environment: coal**

**Prepare:** Case to be handed out in class

**Session 9b: Local development and the environment: water**

**Prepare:** Case to be handed out in class

### Session 10: In-Class Final Exam

**Ses 10 May 5**

**Final exam:** To be handed out in class and conducted within the class

### Session 11: Group Presentation

**Ses 11 May 12**

**Format:** Team presentations; 30 minute presentations (including 10 minute Q&A) on the China strategy for the company you have analyzed.
Many students find case analysis to be difficult due to the relative lack of structure of most management problems. No correctly answered list of questions or mechanical process will lead to the “right” answer. In fact, there is no “right” solution to most managerial problems. When analyzing a case, remember that there are many possible approaches and solutions. The goal is not to figure out “the answer” but to sharpen your analytic, problem-solving, decision-making, and leadership skills. The following steps outline the basic approach that you should follow when analyzing a case, whether for class discussion or in preparation for a written analysis.

First, read the assigned reading material and review the relevant documents if any have been posted. The material in the reading and accompanying documents will likely play some role in your analysis of the case. Remember that case analysis in this course is cumulative. Thus material from earlier classes may be relevant and should be applied even if it means using concepts that were not discussed for several weeks.

Second, read the case and the Study Questions on the syllabus. Take notes about the important issues that the case raises and the text material that seems to apply. The questions provided should be considered a guide to issues that you must consider but you will need to go beyond merely answering the questions.

Third, analyze the case. You should be able to identify outcomes in the case and/or issues that the organization faces. These outcomes may be bad (e.g., shrinking market share, hostile employees, conflict among departments, inability to control operations), or they may be good. There may be numerous problems and issues. The goal of analysis is to explain the underlying mechanisms that are producing the outcomes or problems that you see in the situation. This process will require you to distinguish between symptoms and causal mechanisms. Consider the following example: You go to the doctor with the “problem” of a cough or a fever. It may be easy for the physician to treat the cough or fever with a number of medicines much like we could treat worker dissatisfaction by paying higher wages. However, it is important for the physician to determine the causes of the problem. If the cause of the cough is tuberculosis then only treating the cough is apt to lead to serious long-run consequences because the underlying disease process will still be at work. Clearly the cough is just a symptom of a deeper underlying problem, the disease of tuberculosis. Good analysis cleverly weaves symptoms into a causal map that gets to the underlying root of the situation. What I look for in the case analysis is the cogency of your explanation of the process leading to the symptoms. At the outset you are likely to struggle with this. It is a difficult and time-consuming process to develop clinical skills.

Remember that specific cases are assigned because they present good opportunities to practice using frameworks we will be developing in the course. Therefore, you know in every instance that some theory in the assigned chapter and possibly other theories from earlier chapters must be applicable to the case. You will likely find the frameworks and ideas we examine in the course to be helpful in supporting your analysis. You should view the theories as a way to explain the underlying causal mechanisms contributing to the outcomes in the case, and as a way to organize and justify your arguments. Avoid the tendency to throw in course terminology merely as “buzzwords.” If it does not advance your analysis, don’t use the ideas.

Recognize that some cases do not have problems as such. The organization may be doing quite well. Cases are situations, not necessarily examples of bad or even good management. Don’t make up problems when
none exist. Take the situation for what it is rather than approaching it with a point of view. Be alert for the
danger that some information in some cases is coming from biased participants and therefore must be taken
with a grain of salt.

A characteristic of cases is that you never have all the information that you want and there is often
considerable information that is irrelevant, trivial or even obfuscating. The absence of essential information
may force you to make one or more assumptions. Assumptions should always be clearly labeled and
explicitly state as such, they must be necessary and they must be realistic.

Assume that I have read the case and that I am aware of all the facts. If the assignment is a written analysis
(as with the group analysis or final exam), do not describe events in your written analysis. This is merely a
waste of space. Rather, you should use material in the case to support your analysis or to provide examples to
back up your arguments. Remember, your objective is to explain, not describe or report.

At the conclusion of each case analysis, you will need to offer recommendations or an action plan, or a
recommendation for how the situation could have been better handled. The action plan part of the analysis is
often where students falter the most. My sense, over the years, is that students spend most of their time
analyzing the situation, but then give limited space to their plan of action. Remember that analysis is
meaningless if it cannot be translated into a plan of action. This view has two implications. First, you should
give as much time to developing an action plan as you do to developing your analysis. Second, the action
plan should flow directly from the analysis. In other words, every issue you discuss in terms of implementing
an action plan should flow directly from your analysis of the problems the organization is facing. This last
point is very important: it makes no sense to analyze and diagnose a problem and then make a set of
recommendations that do not relate directly to that analysis. Also keep in mind that recommendations
typically have both positive and negative consequences. For example, a solution may eventually work but be
very costly, difficult to implement and take a long time to have a significant impact. You should develop the
recommendation that has maximum positive impact and minimum negative consequences.

Recommendations should logically follow from the analysis and they should be feasible. For example, firing
the boss and replacing her/him with a better manager may be a good “theoretic” solution but it may not be
feasible in a given set of circumstances. Recommendations must be effective and efficient. Killing a fly with
a bomb is effective but not efficient. Keep in mind that recommendations or solutions will represent 50% of
your grade. The remaining 50% will be based on your analysis.

Finally, if you are working on a written analysis, make sure that your paper is well-written, clearly organized,
and has a logical flow. It usually helps to provide a brief summary statement and “roadmap” at the beginning
of the analysis to orient and guide the reader. Also make sure that any recommendations you provide follow
directly from your analysis of the problem, and that your overall conclusions are consistent with your
analysis.

PARTICIPATING IN CASE DISCUSSIONS

1) Keep in mind that there is usually more than one right answer. A case is a problem-solving situation,
and managerial effectiveness often depends upon seeing different solutions.

2) Offer your ideas, substantiating them with facts from the case and course material.

3) Adopt an open-minded stance, entertain new ideas from others and consider how your
recommendations might change in light of these new insights.

4) Listen to your classmates and build on what they have to say. Resist the impulse to focus so strongly
on what you want to say next that you lose track of where the discussion has moved.