

Future Business: Meeting Global Challenges

5th Term 2016

Instructor: José Tavares

Short Biography: José Tavares holds a PhD in Economics from Harvard University, where he specialized in Political Economy and Public Policy. José is currently professor of economics at *Nova School of Business and Economics* and researcher at the *Centre for Economic Policy Research (CEPR)*, in London. José taught at *Harvard University*, *University of California Los Angeles (UCLA)*, and *Universidade Católica Portuguesa*, and conducted consulting work with entities such as the *World Bank*, the *Asian Development Bank* and the *Government of Portugal*, among other institutions. José's research focuses on a broad set of issues, such as democracy, corruption, globalization and economic growth, and it has been published in academic journals and commented in *Time Magazine*, *The New York Times*, *Handelsblatt*, *La Repubblica*, *Expresso*, and *Público*.

Contacts: jtavares@novasbe.pt

COURSE AIMS

The **future** means business. The future is everywhere. The world of business is changing in substantive and unexpected ways. Globalization has seeped into all matters of life: culture and lifestyle, trade in goods, movement of people, corporate culture, and individual expectations. The locus of economic activity is moving to emerging economies in Asia, Latin America, and the Middle East. A world middle class has emerged, reinforcing and sometimes opening new avenues in consumption and investment. Strategic matters have gone truly global. Economic and financial crises have deep and uneven effects across the world. Government is present as ever, able to deliver growth and equity but extremely capable of hindering both. Technology has opened business more powerful but also more intrusive means of communication. Companies are ever more integrated vertically, dependent on vulnerable value chains, which are spread wide and far. The opportunities for business are numerous and not always evident. The future of business deserves being addressed in a systematic and motivating fashion.

The course "Future Business" characterizes and addresses the opportunities and threats to business corporations stemming from **the evolving nonmarket environment**. By non-market environment we understand all elements of the business

context that are beyond the direct control of the firm, not mediated by explicit markets, prices and contracts. These include trends in growth, technology, demography and lifestyle, changes in global economic integration and the emergence of new economies, the evolving role of government, the mass media and social activism. Many of the opportunities for future business come from non-market areas. These require a special training and attention on the part of managers. They progressively intertwine technology, culture, economics, politics, and management processes in ways that are far from obvious.

LEARNING OBJECTIVES

On completion of this course a student should be able to:

A. Knowledge and Understanding:

- Understand the relationship between economic growth, technological progress, and business opportunities
- Understand the process of globalization, including the nature and role of emerging markets
- Map the business and government nexus of co-dependencies
- Examine and prepare for new challenges in the role of new and traditional media outlets and social activist organizations

B. Subject-Specific Skills:

- Apply fundamental concepts in management and economics to specific real world business situations
- Relate concepts with figures and data-like hard evidence
- Assess current global transformations and their likely impact on specific business ventures

C. General Skills:

- Combine individual skills with group thinking and delivery
- Present information in a logical yet motivating fashion
- Combine empirical and conceptual knowledge
- Extract relevant insight and motivate action from a wide set of inter-related information

TEACHING AND LEARNING METHODS

Teaching will integrate concepts from management and from economics to class, analyse, and draw lessons from a variety of case studies that are illustrative of opportunities in the non-market environment. The course will combine analytical tools and traditional case studies with video case studies and illustrations from cinema, literature and other media. As general background, the course relies on the textbook developed at Stanford University by David Baron, *“Business and its Environment”, 5th Edition, Prentice-Hall*. In terms of specific teaching methods, students will be exposed to a varying set of:

1. Case studies - exploring a set of important and diverse situations, developed by top business schools and consulting firms, and providing opportunity for an in-depth discussion of complex issues on the creation of future value;
2. Video case studies – short videos, at most 15 minutes long, that require an immediate and interactive response, providing a real-life situation where logical and persuasive argumentation is key;
3. Call to concepts - clear presentation of important concepts from economics and management that have a bearing on developing a corporate non-market strategy, providing a strong background of clear, logical thought to further strategic insights;
4. Empirical exposure – ways to use and analyse data in novel and creative ways, so to extract valuable strategic insight from hard evidence.

Students will be asked to form groups in order to produce an original and valuable non-market strategy for a real, existing, international corporation. The group will prepare and deliver three class presentations, of 15 minutes each. The first presentation will be a comprehensive summary of the corporation’s nature and activities; the second an analysis of the nonmarket challenges to company performance; and, finally, the third will propose and argue for a specific nonmarket strategy, concentrating on one or (at most) two major relevant nonmarket issues.

Each group will be asked to produce a final written report, due by the exam date, no more than 15 pages long. The report will incorporate all the presentations’ material in a comprehensive proposal for a nonmarket strategy, specific to the corporation under study. All class material can and should be used to formulate and support the nonmarket strategy. The objective is to provide a framework for a competitively superior fit between the organization and its nonmarket environment that fosters future firm performance.

The group project tests the creative application to real corporations and real world situations of all the tools and thinking acquired in class. In class presentations and in the final report, groups are strongly encouraged to use standard tools of business analysis and apply them to the corporation's specific nonmarket environment. Those include, but are not limited to, SWOT analysis – Strengths, Weaknesses, Opportunities and Threats -, PEST analysis – Political, Economic, Social, and Technological Changes -, Porter's 5 Forces, as well as tables, graphs, statistical applications, photographic and video sources, etc. Creativeness in applying these and other analytical tools will be highly rewarded. Grades are awarded on the basis of illustrative and motivational power, as well as depth in the use of analytical and logical tools.

ASSESSMENT

The group presentations and a final report will constitute the bulk of the course's grade, accounting for 50 % of the grade. The student's grade depends also on a final exam that individually assesses understanding of concepts and issues addressed in the course, with a weight of 40% in the final grade. The remaining 10 % will assess class participation.

COURSE CONTENT

Week 1 – Market and Non-market: Integrated Strategy

Reading – Integrated Strategy: What the CEO Must Know
Call to Concepts – Behavioral Economics and the Firm
Video Case Study - Communicating Issues: The "I Have a Dream Speech" by Martin Luther King

Week 2 - Growth and Transformations: Income, Distribution, and Lifestyles

Empirical Exposure: The Evolving World Income Distribution, Xavier Sala-i-Martin
Video Case Study – The Rise of Asia: Hans Rosling at TED Conferences
Case Study – Online Luxury Fashion, McKinsey and Company

Week 3 - The Ongoing Globalization: Trade, Investment, Emerging Markets

Empirical Exposure – The Future of Manufacturing, McKinsey and Company
Reading - Harnessing the Power of Shifting Global Flows, McKinsey and Company
Case Study - "Made in America, Again", Boston Consulting Group

FIRST PRESENTATION: Nonmarket Challenges to the Corporation

Week 4 – Government and Business: Regulation, Corruption, Coordination

Reading – Confronting Corruption, McKinsey and Company

Case Study – Singapore, Inc, Harvard Business Review

Week 5 – Hearing the Masses: Mass Media and Social Activism

Reading – The Price of Sexism, Time Magazine

Case Study – How To Save a Brand in Crisis, Stanford Business School ??

Call to Concepts – An Introduction to Social Media in Business

Video Case Study – The Barbie Case: Dolls, Prices, and Ethnicity

Week 6 - Nonmarket Strategies: A Course Wrap-Up

Case Study – Starbucks For America, Time Magazine

SECOND PRESENTATION: Developing a Corporate Nonmarket Strategy.

BIBLIOGRAPHY

The course relies on the textbook developed at Stanford University by David Baron, *“Business and its Environment”*, 5th Edition, Prentice-Hall.

RESOURCES

Case studies

Video case studies

Background concepts

Power point presentations