The Political Economy of the Latin American Business Environment
Field Study: CHILE
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The Latin American Business Environment: Chile

Spring 2003

Course Objectives:

This course is designed to prepare students for the managerial agility necessary to face the decision-making challenges posed by volatile international business environments. Employing a robust mix of theory, case analysis, and “hands on” field experience in Latin America, students learn the need to develop a more diverse set of competencies from those required in the traditional MBA and to deepen their understanding of cultural, macroeconomic and business system variables in order to conduct business successfully and responsibly in emerging-market environments.

The course begins from the premise that effective management in the global marketplace requires the capacity to analyze, understand, and manage a volatile set of external forces enveloping the firm and outside of its immediate control. Managers must identify what to analyze in the business environment and determine its relevance to firm strategy. Contrary to the methodology of "learning a country", the course develops a framework for interpreting the environmental factors to be evaluated in any country--economic, political, cultural, and demographic--and cultivates strategic thinking in each of the core functional areas of business practice to manage both volatility and opportunity in international environments and across managerial cultures.

In more detail, the objectives of coursework preceding the country visit are:

- To develop an understanding of the impact of the business environment on firm survival and performance and the implications for the formulation of managerial strategy.
- To develop an understanding of the distinctive nature and challenges of the Latin American business environment, viewed from the vantage-point of developing economies.
- To heighten student awareness of the importance of economic and historical analysis for systematically examining the region’s diverse business environments.
- To broaden the scope of debate regarding policy formulation and the role of the state as it relates to the management of volatility in the business environment.
- To examine the role of technology in business formation, market competition, and national development.

A significant component of the on campus coursework is dedicated to exposing students to the development problems confronting Latin America. For many, this involves a first introduction to the region--its economic history, geography, economic and political structure, managerial culture, etc. Deeper examination will highlight the "context-dependent" character of lesser developed country (LDC) or newly industrializing country (NIC) studies: That theories and management practices developed for the North may yield very different and perhaps
undesirable results in the South. The importance and subtlety of mastering these differences constitutes justification for focusing a substantial segment of the course on the regional business climate. The more pronounced role of the state and the more volatile nature of the economic and political climate also warrant elevating business environment analysis from the background to the foreground of the course.

Course objectives for the fieldwork component in Chile include:

Building on the prior classroom preparation, the country visit segment of the course brings students prepared to "see" differences in contrasting business environments and understand the implications for managerial decision-making. Students will arrive with knowledge of what to look for and how to formulate questions for leading decision-makers in the region. On site, business, political, and academic, leaders will provide the rich contextual information to characterize the local business environment, identifying its opportunities and challenges.

Course Description and Course Venues:

The course consists of two parts:

- "The Political Economy of the Latin American Business Environment"

This is an intensive classroom-based offering designed provide the basic analytical background on Latin America for any offshore initiative to the region.

- The Chile country visit scheduled for March, 2003.

Motivation for the Country Venue:

Chile has long been praised as a model for development in Latin America. Equally, it has been the subject of international controversy for its legacy of human rights abuses. The radical free market program in Chile has generated robust medium-term economic performance. Capital market reforms implemented in Chile are often cited as a model for the region and even the developed world (e.g. the Bush and Cato Institute plans for private pension funds in the US). More recently, however, the Chilean model is being tested with slow economic growth and renewed political controversy for president Lagos.

The transition to the new millennium now focuses attention on the longer run viability of the Chilean model: Has Chile’s extractive primary-product international niche-marketing strategy exhausted itself? Should Chile look to harness new technologies to move up the value chain in its export-led development model? Answers to these questions regarding the Chilean business environment will have significant impact on the investment decisions and performance of foreign and national investors alike.

Potential themes to be addressed in Chile include (preliminary):

- The Chilean Business Environment: The Actors, History, and Contrasts
- Thirty Years of Chilean Macroeconomic Performance: The Political Economy of the Chilean Model
- The Economic Cabinet: State and
Markets in the New Economic Environment
• Entrepreneurship and the "Grupos": Individual Initiative, Families, and Professional Management in Chile
• Sectoral Analysis: Information Technology, Telecommunications and the new regulatory environment
• Sectoral Analysis: Mining
• Sectoral Analysis: Commercial Banking After the Peso Crisis--Bankers and Bank Regulators
• Capital Markets: Regulating Capital Surges and Financial Volatility in Emerging Markets
• AFP's -- Pension Funds: National Savings, National & International Administration, Fuel for Development While Adjusting for Lower Returns in Maturing Markets
• Consulting in Chile: Managing the Microeconomics of Macroeconomic Reform
• Negotiating Regional and Sub-Regional Trade: Argentina, Brazil, and MERCOSUR--Trade Creation or Trade Diversion?
• Women Managers in Chile
• Political Economy, Distribution, and the Social Consequences of Adjustment: Growth with Equity Evaluated
• The Role of the Military in Chilean Development and the Transportability of the Chilean Model to the Rest of Latin America

Course Format:
A 3 credit offering consisting of:

The Latin American Business Environment
On campus Sp '03 -- This will include an intensive half-course orientation to the political economy of the region, web-based study, group project formulation and presentation prior to departure. Scheduling to accommodate full time and evening student availability to be announced.

Fieldwork: Santiago, Chile - Spring Break 2003

Will involve a combination of invited speakers drawn from prominent executives, government ministers, and academics, along with a rich compliment of company and site visits. Institutional partners will include, Universidad Adolfo Ibañez, Universidad del Desarrollo, and CEPAL (UN Economic Commission for Latin America and the Caribbean).

Relation to the First year Curriculum

The obvious connection is the attempt to build upon the competencies developed in the Module IV--Managing in the Global Economy and National Business Systems streams. It is important to note, however, that the course objectives regarding "managing volatility" are targeted to address the "interface" of the macro environment with the various functional areas of firm decision-making. In this sense, the connection with the other first year modules is apparent. On the other hand, there will no doubt be areas where mainstream modern management practice may run at odds with the exigencies of the volatile business environments of the "tropics". The object of the course will be to understand and evaluate these regional differences in management practice.