

# MGT541

## Managing China Cross-Border Development

### Module 3, 2015-2016

#### Course Information

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**Classes:**

Lectures: Monday & Thursday 13:30-15:20

Venue: PHBS Building, Room 335

Website URL: <http://cx16.phbs.info>

## 1. Course Description

### 1.1 Context

Course overview:

This course fortifies students' global perspective and develops their awareness and understanding of the interdisciplinary nature of contemporary global business management, specifically as related to business traversing China's geo-political border. Course content includes practicalities surrounding China-specific matters such as inbound and outbound Cross-Border Mergers & Acquisitions, the Go-out Strategy, One Belt program, and domestic and international Special Economic Zones. Moreover, this course provides the historic context essential to understanding the present landscape, and examines current events that are representative of the real-world complexities of such activity—thus, advancing students' ability for managing a business that extends its activities across China's border. Completing this course has additional implications for students' understanding the broader context of international, strategic and cross-cultural management involving other countries as well.

Prerequisites:

Students should have at least a passing acquaintance of many business-oriented themes. Non-required prerequisites for this class include undergraduate-level courses such as: (a) Financial Accounting, (b) Introduction to Management, (c) Organizational Behavior, (d) Macro Economics, (e) Business Strategy, and (f) Corporate Finance. Graduate-level completion of such courses would situate the enrolled student for greater learning and deeper understanding of the course material.

### 1.2 Textbooks and Reading Materials

Featured reference texts (specific readings will be provided to the student):

- *Dealing with China: An insider unmask the new economic superpower* (2015), by Henry M. Paulson, Jr., Hachette Books.
- *On China* (2012), by Henry Kissinger, Penguin Books.

- *China outbound investment: A guide to law and practice* (2011), by Lutz-Christian Wolff, CCH.
- *Asian mergers & acquisitions: Riding the wave* (2012), by Vikram Chakravarty & Chua Soon Chee, Wiley.
- *Best practices for mergers and acquisitions in China* (2011), by Thomas Chou, Aspetore Publishing.
- *A guide to the top 100 companies in China* (2011), by Wenxian Zhang & Ilan Alon, World Scientific.

Academic readings will be provided to students, including:

- *China 2030* (2012), the World Bank & Development Research Center of the State Council, PRC
- *The thirteen Five-year Plans (#1-13)* of the Central Committee of the PRC.
- Tull, D. M. (2006). *China's engagement in Africa: Scope, significance and consequences*. *The Journal of Modern African Studies*, 44(03), 459-479.
- A brave new world: The climate of Chinese M&A abroad (2010), Economist Intelligence Unit.
- *Acquisition of technological capability through special economic zones (SEZs): The case of Shenzhen* (2000) SEZ, Xie Wei, *Industry and Innovation*, 7:2, 199-221.
- Yue-man Yeung, Joanna Lee & Gordon Kee (2009) *China's Special Economic Zones at 30*, *Eurasian Geography and Economics*, 50:2, 222-240.
- *Vision and actions on jointly building silk road economic belt and 21st-century maritime silk road* (2014), PRC State Council, issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, see:  
<http://english.cntv.cn/2015/04/10/ARTI1428647112175457.shtml>

Materials and reading will be supplemented with recent industry reports and current news articles and video-reports covering present-day M&A issues and transactions.

## 2. Learning Outcomes

### 2.1 Intended Learning Outcomes

#### Course Unit Learning Outcomes

Unit	Unit Title (sub-topics)	Outcomes <i>At the completion of the unit, the student should be able to:</i>
1	<b>Historic Foundations of Trade &amp; Commerce with Imperial &amp; Republican China</b> (Silk Road; history of China economy and engagement with foreigners; demographics)	a) describe past key political, social and economic events affecting trade and commerce involving China since the Qing Dynasty; b) typify the commerce-related policies of past China; c) describe the characteristics of the ancient Silk Road; d) describe key events occurring within China that affect present-day domestic commerce and international trade; e) compare population demographics between China and world; f) characterise the commerce-related encounters with foreigners prior to the year 2000; and g) articulate the historical and present-day transitional social (i.e., consumers) characteristics of China.

2	<p><b>China's Opening-Up &amp; Cross-Border Development Plans and Strategies (1978-present)</b> (History of Opening-Up; key figures in the history; current policies and strategy)</p>	<ul style="list-style-type: none"> <li>a) discuss the market and economic reforms and the opening-up strategy and policy of China;</li> <li>b) articulate the history of and the recent cross-border commerce policies of China;</li> <li>c) present the ideas and reform ideas supported by Deng Xiaoping and other thought leaders;</li> <li>d) describe the political players influential (and against) the opening up policies; and</li> <li>e) explain the economic priorities and developments of past five-year plans.</li> </ul>
3	<p><b>Evolution of China's Opening-Up &amp; Incoming Foreign Direct Investment (IFDI)</b> (Chinese diaspora; Closer Economic Partnership Arrangements with special areas; historic IFDI; QFII)</p>	<ul style="list-style-type: none"> <li>a) describe the history and reach of Chinese diaspora;</li> <li>b) describe the incoming FDI history and levels;</li> <li>c) explain the Qualified Foreign Institutional Investor (QFII) program;</li> <li>d) explain the concepts laid-out in the CEPAs with HK &amp; Macua &amp; Taiwan;</li> <li>e) discuss the current trends of foreign direct investment into China; and</li> <li>f) develop a view of the future IFDI trend.</li> </ul>
4	<p><b>Development of China's Special Economic Zones (SEZs): Domestic and Foreign</b> (Guangdon SEZs; Shanghai SEZ; SEZs abroad; Hong Kong, Macau, &amp; Taiwan)</p>	<ul style="list-style-type: none"> <li>a) describe the history and policies of special economic zones within China, i.e., Guangdong, Shekou, Qianhai, Hengqian, Nansha, &amp; Pudong; and</li> <li>b) describe the Chinese SEZ sites and policies set-up outside of China, i.e, Africa, Americas, Europe, Middle-East.</li> </ul>
5	<p><b>China's Go-Out Strategy</b> (Strategy; Evolution; The Belt and Road Initiative; The Asian Infrastructure Investment Bank—AIIB; Silk Road Infrastructure Fund; New Development Bank )</p>	<ul style="list-style-type: none"> <li>a) describe the history, policies, and aims of the China Go-Out strategy;</li> <li>b) articulate the principles and goals of the Go-Out strategy;</li> <li>c) discuss the goals and objects of the AIIB;</li> <li>d) report on and discuss the aims of the Belt and Road strategy;</li> <li>e) discuss current process and issues occurring in the Belt and Road strategy;</li> <li>f) report on and discuss the aims of the Silk Road Infrastructure Fund;</li> <li>g) report on and discuss the aims of the New Development Bank; and</li> <li>h) develop a view of the future of the Go-Out strategy.</li> </ul>
6	<p><b>Going-Out: State-Owned Enterprise (SOE) Mergers &amp; Acquisitions</b> (State-Owned Enterprises going-out; competitive strengths; policies, targets, history, recent transactions, future trends; foreign regulations; Sino-phobia; Committee on Foreign Investment in the United States)</p>	<ul style="list-style-type: none"> <li>a) discuss USA's CFIUS and other foreign review committees, Europe, etc.</li> <li>b) describe challenges posed by SOE transactions abroad;</li> <li>c) describe recent trends in SOEs going-out;</li> <li>d) discuss the competitive strength in areas such as shipping, rails, and other infrastructure; and</li> <li>e) identify possible outbound FDI</li> </ul>

		transactions for the next 12-18 months.
7	<b>Going-Out: Private Enterprise Mergers &amp; Acquisitions</b> (going-out relative to China's private firms; policies, targets, history, recent transactions, future trends)	a) Discuss recent cross-border transactions involving private enterprises and foreign entities; b) Identify recent trends in areas such as e-commerce; c) identify specific challenges with specific cross-border transactions; and d) develop a personal view of cross-border M&A for the coming 18 months.
8	<b>Managing and Integrating Organizations across China's Borders</b> (soft-issues with cross-border engagement; management of the issues; current events; future trends)	a) discuss the current 13th five-year plan; and b) develop a personal view and forecast for going-out strategy for next 2-3 years.

### ***Associated PHBS Program Outcomes***

<b>Learning Goals</b>	<b>Objectives</b>
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.
	2.2. Students will be able to apply leadership theories and related skills.
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyse business problems and identify the ethical aspects, provide a solution and defend it.
	3.2. Our students will practice ethics in the duration of the program.
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.
	5.2. Our students will be prepared to face problems in various business settings and find solutions.
	5.3. Our students will demonstrate competency in critical thinking.

### ***2.2 Assessment/Grading Details***

<b>Assessment task</b>	<b>Weighting</b>
Midterm Exam (Units 1-4)	25%
Group Project (Oral Presentation)	20%
Participation in project-feedback	5%
Final Exam (Comprehensive)	50%
Total	100%

Exams: (Midterm & Final) will be closed-book. Exams will be multiple choice, fill-in-the-blank(s), and short answer. Exam content will be derived from in-class lectures, and course readings and materials. The mid-term will be proctored during a scheduled, regular class meeting. The final exam will be proctored during the module final-exam period as per PHBS administration scheduling. Any personal conflict for exam attendance must be resolved with the professor at least 15 days in advance of the conflict.

Participation in project-feedback: Students will actively participate in the evaluation of and

contribute to the grading of group project presentations.

Project: Group membership [4-5 students in each group] should be self-organized early in the module. Each group shall select one of the options listed below; only one group can cover a specific subject. The group should plan to prepare a 30-minute oral presentation to be presented during a class meeting scheduled during the final sessions of the course [roughly, the last two weeks of the module]. The specific presentation date will be arranged during the second week of the course.

At least one week prior to the group's scheduled project presentation: (a) the group should submit a complete draft of the presentation PowerPoint file to the professor; (b) the group should then meet with the professor outside of the classroom for one-hour to discuss the project plans and their progress. The group leader should arrange the specific time to meet with the professor; all group members must attend this pre-presentation review meeting.

After the classroom presentation, the group's Powerpoint file and the video-tape of the oral presentation will be posted online under the course website for self-viewing.

Presentation grade computation [same value for all presentation-group members]:

- Evaluation from professor 50%
- Evaluation from audience [classmates] 50%

Project grading criteria [subject to change]:

- Presentation professionalism
- Utilized material learned in class
- Equality in group members' contribution
- Overall presentation effectiveness
- Degree to which held the audience interest
- Audience engagement level
- Content relevance; appropriate level of detail and factual support
- Presenter understands the material they present
- Critical thinking is an essential aspect of this project and will be a significant part of the project evaluation process.

Option #1: Cross-Border Sino-M&A

The presentation should tell the story of the company(ies) and of the specific cross-border deal(s) of interest. Content should include relevant company profiles, corporate growth situation and strategies, industry position & analysis, deal profile & analysis of all types of risks.

Presentation subjects:

1. Dailan Wanda Group & a counterparty
2. COSCO & a counterparty
3. Vanke & a counterparty
4. ChemChina & a counterparty
5. Fosun & a counterparty
6. Hon Hai, a.k.a, Foxconn/Sharp acquisition
7. Zoomlion/Terex merger
8. Shuang Shan China General Nuclear Power Corporation (CGN)/ Edra Global Energy Bhd acquisition
9. Self-proposed deal [Seek professor's approval in advance]

Option #2: One Belt, One Road Initiative

Introduce and present the comprehensive aspects this topic (both the Silk Road Economic Belt and the 21st-century Maritime Silk Road); go in-depth in three specific important areas or issues: present the background, the relevance, present advancements or setbacks, why is important, pros and cons, etc. Focus on subtle but impactful areas that are of particular importance or of high relevance as it relates to the success or failure initiative over time.

Option #3: Regional Partnerships

Introduce the Asian Infrastructure Investment Bank (AIIB) and present in-depth analysis of three self-chosen areas of the AIIB that

are of particular interest, importance, or of high relevance to its success. Also introduce the relevant features of both the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP) and discuss how the aims and policies of these three initiatives overlap, complement and conflict with one another. In areas of conflict, suggest possible and practical resolutions to the conflict(s).

Option #4: Engagement with South America & Cuba

Assimilate the historic and current types and levels of commercial engagement between China and countries on the South American continent, including Cuba. Describe and assess the historical and current commercial engagement between the two entities. Speculate on the most likely future of the engagement. Speculate on an unlikely, yet possible, highly impactful future that could possibly occur, for positive or negative. Cover broad areas plus go in-depth for one area that is of particular importance or of high relevance.

Option #5: Engagement with Your Home Country [Non-Chinese nationals]

Compare and contrast relevant characteristics between the bi-lateral commercial engagement and relevant aspects between the two countries/region: 1) China, and 2) your home country/region. Describe and assess the historical and current commercial engagement between the two countries. Speculate on the most likely future of the engagement. Speculate on an unlikely, yet possible, highly impactful future that could possibly occur. Cover broad areas plus go in-depth for one area that is of particular importance or of high relevance.

### **2.3 Academic Honesty and Plagiarism**

It is important for a student’s effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

### **3. Topics, Teaching and Assessment Schedule**

<b>Unit</b>	<b>Unit Title (sub-topics)</b>	<b>Class Meeting Dates</b>	<b>Core Readings</b>
1	<b>Historic Foundations of Trade &amp; Commerce with Imperial &amp; Republican</b>	Mon Feb 22 Thu Feb 25	Kissinger Ch1, 2

	<b>China</b> (Silk Road; history of China economy and engagement with foreigners; demographics)		
2	<b>China's Opening-Up &amp; Cross-Border Development Plans and Strategies (1978-present)</b> (History of Opening-Up; key figures in the history; current policies and strategy)	Mon Feb 29 Thu Mar 3	Paulson Ch18; Kissinger, Ch18  <i>The thirteen PRC Five-year Plans</i>
3	<b>Evolution of China's Opening-Up &amp; Incoming Foreign Direct Investment (IFDI)</b> (Chinese diaspora; Closer Economic Partnership Arrangements with special areas; historic IFDI; QFII)	Mon Mar 7 Thu Mar 10	Chou, pp. 7-32
4	<b>Development of China's Special Economic Zones (SEZs): Domestic and Foreign</b> (Guangdong SEZs; Shanghai SEZ; SEZs abroad; Hong Kong, Macau, & Taiwan)	Mon Mar 14 Thu Mar 17	Wei (2000) Yeung (2009)
	<b>Midterm Exam</b>	Mon Mar 21	
5	<b>China's Go-Out Strategy</b> (Strategy; Evolution; The Belt and Road Initiative; The Asian Infrastructure Investment Bank—AIIB; Silk Road Infrastructure Fund; New Development Bank )	Thu Mar 24 Mon Mar 28	PRC State Council (2014)  Financial Times Wall Street Journal Bloomberg Reuters
6	<b>Going-Out: State-Owned Enterprise (SOE) Mergers &amp; Acquisitions</b> (State-Owned Enterprises going-out; competitive strengths; policies, targets, history, recent transactions, future trends; foreign regulations; Sino-phobia; Committee on Foreign Investment in the United States)	Thu Mar 31 [no class Mon Apr 4] Wed Apr 6 Thu Apr 7	A brave new world: The climate of Chinese M&A abroad (2010), Economist Intelligence Unit;  Wolff, Ch 2  Financial Times Wall Street Journal Bloomberg Reuters
7	<b>Going-Out: Private Enterprise Mergers &amp; Acquisitions</b> (going-out relative to China's private firms; policies, targets, history, recent transactions, future trends)	Mon Apr 11 * Thu Apr 14 *	Financial Times Wall Street Journal Bloomberg Reuters
8	<b>Managing and Integrating Organizations across China's Borders</b> (soft-issues with cross-border engagement; management of the issues; current events; future trends)	Mon Apr 18 * Thu Apr 21 *	Chakravarty, Ch 8  Financial Times Wall Street Journal Bloomberg Reuters
	<b>Final Exam</b>	Mon Apr 25 1:00-3:00pm	

\*Group project presentations will be delivered to the class during regularly scheduled class meetings approximately at a time scheduled in advance during the final two weeks of the module.

## 4. Miscellaneous

Student note: This is a multi-disciplinary, business-management, graduate-level course. As the course is graduate-level, each student must take responsibility for the quality of their own personal learning. The instructor's role is to provide relevant and insightful information to advance the course objectives and facilitate the learning outcomes; therefore, the student is expected to engage themselves into the course and the material, and ultimately does their own learning in the manner that best suits him- or her-self.

The course website: (listed above) is the primary communications vehicle for outside-of-class communications and course documentation. The student is expected to routinely check the site for information and class-related announcements— perhaps daily. Instructions on using the website will be provided on the first day of class.

Video Recording: All class lectures will be video-recorded and posted online after the class meeting

Classroom Technology: During class meetings, this course will involve using online technology during most classroom meetings; students should bring their personal/individual Internet access capability to the classroom for each class meeting, ie, smart phone, or laptop.

About the Instructor: Dr. Terrill Frantz is an Assistant Professor of Management. He joined the faculty of PHBS in 2010. He has 20 years of corporate experience in global investment banks (Morgan Stanley and JP Morgan) in New York, London, and Hong Kong, and in consulting for organizations in industries, such as chemicals, US presidential politics, and numerous SMEs. His academic specialty is in Organization Behavior during M&A, with a primary research focus on Post-Merger Integration—he has published numerous academic articles and book chapters on the subject. Dr. Frantz has a life-long orientation in software technology, finance, and international business management, buttressed by both work experience (Asia-Pacific Operations Officer for Technology at Morgan Stanley, Assistant to the CIO at Morgan Stanley, etc.) and advanced degrees from the Stern Business School, New York Univ., and two Doctorate degrees (Computer Science from Carnegie Mellon Univ., and Organization Change from Pepperdine Univ.). His first Doctorate dissertation (Pepperdine University) is entitled, "Patterns of Change in Organization Performance." And the second doctorate thesis (Carnegie Mellon University) is entitled, "A Behavioral Theory of the Merger: Dynamics of the Post-Merger Integration Process." Prof. Frantz has lived in China (Hong Kong & Shenzhen) for 12 years.