

The University of Pennsylvania
The Wharton School
Management 288/788
Governance and Management of Chinese Firms
Fall, 2009

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Class hours: MW 3-4:30
Classroom: JMHH

Course Description and Objectives

The course provides an intensive examination of the governance and management of some of the largest business firms in the Peoples Republic of China. From 1949 to 1988, business firms as we know them did not exist in the PRC. In 1988, independent legal status was granted to state-owned enterprises, which were made responsible for profits and losses; in 1993, state enterprises were redefined as business corporations, and private businesses were allowed to incorporate as limited liability or stockholding companies. China's economy has grown rapidly since, but the development of Chinese firms has been uneven. A few have large domestic market share and are global competitors, but most outside of state-controlled monopoly or quasi-monopoly industries like electrical power, petroleum, and telecommunications remain regional competitors at best and are small by Western standards. The governance of Chinese firms remains work in progress. Repeated reforms aimed at corporatizing firms while preserving state ownership have created extremely complicated ownership structures and governance practices, which differ from industry to industry and from region to region.

The course has several purposes:

- To acquaint students with the governance and management—both management structures and top management teams—of some of the largest and best known Chinese firms.
- To acquaint students with the capabilities and liabilities of Chinese firms and hence their strategic options.
- To provide students tools needed to assess the investment potential of Chinese firms.
- To provide students the opportunity to do original research on issues of governance and management of Chinese firms.

Inevitably there is a bias toward studying the best rather than typical Chinese firms, but this bias notwithstanding there remains the question of whether norms of best practice have emerged given China's pace of development to date. This is a nice way of saying that there are few typical firms or templates for firms in China compared to the West. As a consequence, Chinese firms must be studied case-by-case, as will be done in this course.

Course Requirements

The course will meet Mondays and Wednesdays from September 9 through December 9 with exceptions as noted on the course outline. ***An additional evening session may be scheduled after the Thanksgiving break depending on the number of group presentations.*** Class sessions are 1½ hours. Students are expected to read assigned materials with care, to attend all class sessions, to prepare four 2-page reaction papers on cases of their choice, to participate actively in class discussions, and to contribute to a group report on the governance and management of a Chinese firm. Some details are as follows:

Reaction papers

These are short papers where you describe what you found that was new, different, interesting, disappointing, or simply puzzling about the firms that are the subject of the assigned cases—in short, your reaction to the cases and what you learned from them and other sources. ***Each student must submit four reaction papers, two of them no later than October 26th.*** The initial choice of cases is left to individual students, and I will ask students for their preferences at the beginning of the September 14 class meeting. However, since it is important to have at least 4-5 reaction papers per case, preferences may have to be negotiated in some instances.

Reaction papers should not exceed 2 single-spaced pages plus footnotes, references, and exhibits. Reaction papers should be emailed to mgtmeyer2@wharton.upenn.edu no later than noon on the day the case is discussed in class. Please note that I cannot accept reaction papers submitted after class discussion of a case.

Participation

All students are expected to participate actively in class discussions by bringing to the classroom their insights on assigned cases resulting from research (mainly on the internet) on the firms described in these cases. Chinese firms morph quickly, and cases can be incomplete and in some instances inaccurate. Hence, even though most of the cases are new or recent, there are gaps in each that can be filled only by on-line research.

Group reports

The class will be divided into groups of five or six. Each group will prepare a report not to exceed 20 double-spaced typewritten pages plus footnotes, references, and exhibits

analyzing issues of governance and management of a Chinese company not covered in the course. Groups will be formed at the second class meeting on September 14th. Reports will be presented in the three final class sessions—December 2nd, 4th, and 9th.

There is no final examination.

Grading

Grades will be determined as follows:

Four reaction papers:	30 per cent
Class participation	30 per cent
Group reports	40 per cent

Bulk pack

A virtual bulk pack containing the materials assigned for the course (except the China Prime case, which will be distributed in class) is available through Wharton Reprographics.

Course Outline (cases are listed by number in bulk pack)

September 9: Introduction and Overview

1. China Prime: Creating Corporate Governance with Chinese Characteristics (IMD-3-1488). *Handout; not distributed in bulk pack.*

September 14: The Structure of Chinese Markets

2. Business Competition in China Beer, PCs, Steel, TV Sets (HKU-207)

September 16: Corporate Governance (1)

3. Baosteel Group: Governance with Chinese Characteristics (HBS 9-309-098)

September 21: Corporate Governance (2)

4. The COSCO Group: From Asset Owner to Asset Operator (Wharton MGMT-006)

September 23: Corporate Governance (3)

5. Marshall W. Meyer and Xiaohui Lu, "Managing Indefinite Boundaries: The Strategy and Structure of a Chinese Business Firm" *Management and Organization Review* 1: 57-86.

September 28: No class (Yom Kippur)

September 30: Chinese Commercial Banks (1)

6. China Merchants Bank (HBS 9-307-081)

October 5: Chinese Commercial Banks (2)

7. Minsheng Bank: Penetrating the U.S. Market through Acquisition (HKU-785)

October 7: Failures of Corporate Governance (1)

8. Kelon (A) (HBS 9-701-053)
9. Kelon (B) (HBS 9-703-008)

October 12: Failures of Corporate Governance (2)

10. The Fall of D'Long (ICFAI/ECCH 207-014-1)
11. COFCO Xinjiang Tunhe Co., Ltd. (HBS 9-508-079)

October 14: Managing People

12. Haier Hefei Electronics (A) (HBS 9-300-070)
13. Haier Hefei Electronics (B) (HBS 9-300-071)

October 19 and 21: No class (Fall break/focused interview period)

October 26: Managing Performance

14. Haier: Management Control on a Tactical Level (HKU-739)

October 28: Globalization of Chinese Firms (1)

- 15. China Goes Global: The new Taste of Chinese Companies for Foreign Assets (HKU-434)
- 16. UNOCAL Corporation: China's Unwelcome Bid (HKU-588)

November 2: Globalization of Chinese Firms (2)

- 17. TCL-Thompson Electronics (A): Li Donsheng's Normandy (IMD-3-1992)
- 18. TCL-Thompson Electronics (B): Restructuring (IMD-3-1993)
- 19. TCL-Thompson Electronics (C): New Business Model (IMD-3-1994)

November 4: Globalization of Chinese Firms (3)

- 20. Lenovo: Building a Global Brand (HBS 9-507-014)

November 9: The Chinese Auto Industry (1)

- 21. Shanghai VW: Facing a New Era (HBS 9-700-001)
- 22. Shanghai General Motors: The Rise of a Late-Comer (HKU-395)

November 11: The Chinese Auto Industry (2)

- 23. Chery Automobile Company: Evolution of the Chinese Automotive Industry (HKU/ECCH 307-401-1)

November 16: Managing Product Quality

- 24. Mattel Toys—Made in China (A) (HKU-768)
- 25. Mattel Toys—Made in China (B) (HKU-770)
- 26. Mattel Toys—Made in China (C) (HKU-772)

November 18: Cooperation with Chinese Authorities

- 27. Yahoo! in China (A) (HBS 9-609-051)
- 28. Yahoo! in China (B) (HBS 9-609-073)

November 23: TBA

November 25: No class: Thanksgiving

November 30: Leadership of Chinese Firms

- 29. Cheung Yan: China's Paper Queen (HKU-799)

December 2: Group Presentations

December 7: Group Presentations

December 9: Group Presentations and Course Wrap-Up