# MBA program in Paris: A cross – cultural joint venture

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## ABSTRACT

A Paris based MBA program has been set up as a for profit joint venture between a French entrepreneur and a U.S. University to be the first American style global MBA program delivered in English by primarily US faculty in Paris. Three directors headed the Paris Program in the first three years of operations while the U.S. University was led by three different Deans. The last Paris director resigned and the partners are threatening legal action. Both financial and cross-cultural management issues have generated internal conflict and student concerns. Pierre Martin is the latest University envoy. The case depicts the evolution of the Paris program from its inception to the beginning of the fourth year of operation. The case is presented from the perspective of a faculty member who is sent to Paris to direct the program after three years of severe strains in the management of the Paris joint venture. It examines the potential management/leadership conflicts and issues in a cross border joint venture in a service industry. As the new director arrives in Paris in July, he realizes no student has been accepted for the October starting MBA program. He finds internal memos on a computer hard disk, which reveals serious issues with the joint venture.

Keywords: joint venture, study abroad, MBA, Paris

You're fired!" shouted Pierre Martin to Jack, his American assistant. He could not believe the sheer incompetence of this young man. For the second time Jack had deleted the database of prospective students and this time he deleted the backup as well!

Amidst the deafening noise of jackhammers next door, Pierre Martin tried very hard to compose himself. He called on the intercom:
"Jenny, can you please come in my office?"
Jenny Barlow was the administrative director of the Paris MBA program of the North Atlantic College (NAC). A bilingual French national, she had been with the program since its inception three years ago and provided much needed stability to an otherwise hectic organization.
"Did you just fire your assistant?" she asked?
"Yes; you wouldn't believe…"
"You can't fire him" she interrupted.
"What do you mean I can't?"
"Technically he does not report to you, but to me!" she answered.
"Then YOU fire him!" he shouted.
The look on Jenny's face told Pierre Martin he had to calm himself. Jenny was too important to the functioning of the Paris operation to get her upset.
"Look", he finally added, "Today is July 3rd and classes start in twelve weeks. We have no students accepted in the MBA program yet, and the list of inquiries and potential students has been deleted! Something's got to be done and fast." After some discussion they agreed to hire a temp to re-enter the names and addresses of the prospective students in a database immediately. Jenny also agreed that Jack would leave at the end of the month.

**Pierre Martin**

When Pierre Martin accepted the temporary assignment to the Paris campus, he knew it was going to be a difficult task, but he could not have imagined the magnitude of the challenge ahead. He was already wondering if his eagerness to develop this program and his enthusiasm clouded his judgment when he accepted the assignment. A week earlier he was still in South Carolina spending the summer finishing his doctoral dissertation in International Business when he got a call from North Atlantic College. He was asked to go to the Paris campus to help assure a smooth transition to the new academic year.

Pierre Martin had spent the last couple of years with the North Atlantic College. In fact, he started as an adjunct on the Paris campus and then was offered a position with NAC with the understanding that he would teach in the fall on the US campus and in the spring in Paris. At the time, this sounded like the perfect combination for this Frenchman. He had taught on the Paris campus for three semesters over the last two and a half years, very much liked the students, perceived high potential for program growth, and viewed the Paris program as the very reason for his involvement with NAC. While on the NAC campus, he was involved in the committee assigned to the academic coordination between Paris and the U.S. campus and was aware of some of the problems of the three-year old venture. From a distance it looked bad; up close it was far worse.

**Genesis of the Paris Operations**

On the lush suburban campus of the North Atlantic College, Dean Wilson was feeling nostalgic. Perhaps it was the melting of the snow under the warm rays of the early sun or perhaps it was the picture he was holding lovingly. Inside the golden frame, there he was, a much younger man with his young bride, over thirty years ago, in Paris, on their honeymoon. At that moment he could remember how his stay in Paris greatly enriched his life. How his academic understanding of business and culture was suddenly made clear. Textbook examples were alive, in front of his very eyes; His thirst for the art was quenched by numerous visits to Le Louvre and other museums; He smiled, reminiscing about the night life on the cabarets of the Left Bank; He so vividly remembered one night at “Le Huis Clos” where Jazz was played with unparalleled passion on a slightly out of tune piano, in a blue smoke filled room. These were different times. Wilson regretted the fact that today’s students were so parochial, particularly on this NAC suburban campus. Despite his many attempts at sending US students for a stay abroad, few of the 2,000 students had any exposure to foreign cultures. In this “emerging global world”, they didn’t stand a chance. Then it hit him. Instead of bringing US students abroad, he could bring foreign students to the NAC campus. The program could also give American students an opportunity for a global cultural and learning experience and remain an MBA degree offered by an American university. Since he knew the cost of US universities was significantly higher than their counterpart in Europe, much of the program would have to be offered over there and, for a term or so, the foreign students would come to the US campus. Paris: the city of light, the cultural center of Europe would, of course, be an ideal location. The decision was made: NAC will have a program overseas! As he placed the framed picture back on his desk, Dean Wilson was feeling young again.

To Dean Wilson’s surprise, his idea did not meet with the enthusiastic support he expected. Many voiced concerns about the allocation of resources, the potential impact of this initiative on the AACSB accreditation, the lack of control over the academic program in Paris, the complexity and costs of operating a program and campus in Paris, and the fact that no senior faculty member volunteered to spearhead this project.

Undeterred, Dean Wilson obtained approval from the President of the University and proceeded to send to Paris two faculty members: Jeff Kosos and George Hunter. Their mission was to find a French partner, preferably an academic institution willing to share expenses and rewards. The French organization would also have to recruit students so that the program could start in the fall. Dean Wilson insisted that, if successful, this “service” to the University would not go unrewarded, as the two professors were up for tenure in a couple of years.

Prof. Jeff Kosos was a bright young Ph.D. in economics, with considerable ambition but limited management and business experience. He often clashed with the Chair of the Finance and Economics department, of which he was a member. His intellect was not questioned, but his propensity to ignore faculty and University policy and his ability to circumvent the rules to achieve his aim irritated many.

Professor Hunter was from the accounting department. A family man, well-liked by his students, he knew tenure was going to be a challenge and so reluctantly accepted the assignment. But he was eager to return to the main campus to be reunited with his family. Dean Wilson’s plan was to balance Kosos’ ambition and entrepreneurial spirit with Hunter’s steadiness and understanding of financial documents and the home institution’s culture and organizational structure.

**Search for a Partner**

The French market for business schools is very different from its American counterpart. It is organized in a three-tier system (see Appendix 1). The first group consisted of large, publicly funded Universities whose representatives would not even talk to this relatively smaller and unknown private business Colleges from the U.S. The second group was made up of "Grandes Ecoles". These competitive business schools were founded by local Chambers of Commerce and targeted the top students. When contacted, these business schools needed to run this foreign partnership proposal through their financial backers, a process, which could take several months. The third tier was a patchwork of relatively small private business schools, (some incorporated as for-profit entities) with an uneven reputation ranging from good to very poor. Given the time constraints, the two faculty members naturally looked at that last group for a potential partner even if most of their representatives considered their short timetable utterly unrealistic. Of the dozen or so private business schools in Paris, several indicated an interest in considering an exchange program in the future but only one was eager and willing to commit immediate resources to the Paris MBA program. At the time of this venture, there was no MBA program offered by a U.S. University in Paris.

**Initial Partner**

As a result of meetings in France and the US, the Didi brothers, who operated a private business school in Paris along with a number of other entrepreneurial ventures in France, were willing to be the joint venture partner for an American style MBA program in Paris. Initially, their commitment of resources was sufficient to organize and staff the new MBA program, find an appropriate location, and begin student recruitment. However, due to financial problems in their other businesses, they could not sustain their financial commitment and were anxious to withdraw from the partnership. The mutual decision was made to immediately search for a new French partner and the Didi brothers suggested Mr. Bontu

**Enter Mr. Bontu**

Mr. Bontu was a self made man. He built his fortune in the 1960's and 1970's setting up what in the U.S. would be considered "finishing schools". These schools were dedicated to train young women to become hostesses in companies, hotels and restaurants. The focus was on grooming, poise, conversation and some general knowledge about business and society. A spiffy uniform, a rising economy and the promise of a glamorous life contributed to the success of the formula. There were thirteen such schools in France, five in other European countries and even one in the U.S. Bontu's connection to the U.S. actually dated back to a brief stint with the U.S. Army in 1944 as well as enrolling in the open summer program at Harvard. Mr. Bontu very much liked to refer to himself as a Harvard graduate. He was also involved in a number of travel agencies, import-export businesses and two business schools in Paris. A long time resident of Monaco, Mr. Bontu liked and lived the good life, not hesitating to flaunt his two Rolls Royce (one blue, one pink), or showing his collection of post impressionist paintings.

For Mr. Bontu, the connection to an MBA could bring immediate recognition and respect for his two Paris business schools. One of his business schools admitted students as seniors in high school and loosely followed a US curriculum, granting a BA in business after four years of study. Then students normally completed a year in a US university to obtain their degree. Admission without the famed "baccalauréat" (competitive high school graduation exam) meant that the elite-minded French were dismissive of this non-selective school. It also meant that for the third of all French students who had the misfortune to fail that exam, they could integrate a higher education, with a possible second chance at their baccalauréat, and without re-doing their high school senior year, thus avoiding the stigma often associated with such an undertaking (18% of high school seniors were in that category). The second business school owned by Mr. Bontu was targeted slightly higher. Competing with two dozen other private business schools with roughly similar reputation, it attempted to provide an alternative to the competitive elite business schools (Grandes Ecoles) which often required one or two years of special preparation and a grilling entrance exam. It enrolled students who were successful in the "baccalauréat" exam and also passed a simple entrance examination. Located in a prestigious district, near the Arc de Triomphe and the Champs Elysées, its tuition was set relatively high and thus it competed directly with the "Ecole des Cadres" (School for Executives) set in the plush suburbs of Neuilly. Both schools were viewed, perhaps unfairly, as catering to mostly rich students who could not get admitted to the more selective Grandes Ecoles.

Bontu and Dean Wilson quickly established a good relationship. As a Francophile, Dean Wilson did not need much convincing and he admired Bontu's entrepreneurship and resources. After a few days of negotiation, they signed a general framework agreement. An 11-months program was designed in which students would take 8 courses (32 weeks) in Paris and 4 courses in the summer in the U.S. Two faculty members from NAC would be in Paris at all times, each teaching two sections of their specialty. Some could stay in Paris for a longer visit and do research while in France. Bontu was responsible for providing space and administrative support as well as marketing the program to potential students. NAC was in charge of students admission, faculty recruiting and course delivery. Revenues were split according to a formula whereas Bontu was guaranteed a minimum level of income (to cover the cost of leasing the facilities) and a portion of the tuition (see Appendix 2). Tuition would be set by agreement, higher than private business tuition in France but quite competitive by private US MBA tuition levels. The goal was to register eighty students in the program. Since time was of the essence, questions regarding the specific administrative and academic structure as well as the financing of the computer lab and a library were left partially unanswered, to be resolved later with a more detailed contract.

**Harmony**

Hunter and Kosos were on a mission: to have an MBA program up and running by October 1st. From their first meeting, Bontu and Kosos hit it off. Jeff Kosos viewed the Paris assignment as critical to establishing himself as either a university administrator or as a manager in a private enterprise. The older M. Bontu saw in the younger man a mirror image of himself, thirty years ago: the same energy, the same quick mind, the single focus, the ability to charm and convince others, the willingness to be ruthless to achieve the desired objective. Sometimes M. Bontu wished his son were more like this young entrepreneurial academic and less occupied polishing his brand new red Ferrari. Bontu lobbied the NAC administration to have Kosos named as the first director of the program. There was no objection, neither from the faculty members of the Economics and Finance department nor from Dean Wilson.

From May to October the promotion of the program went onto high gear and much to the surprise of the program detractors, 83 students were matriculated in the first year from Europe and the US. Kosos celebrated by inviting Jenny Barlow, the staff, faculty members and his visiting girlfriend to a Russian Cabaret.

Back on the U.S. campus, his mission accomplished, an ecstatic Dean Wilson decided to retire and Professor Charles Young was named acting Dean.

**Early difficulties**

One fully expects a few glitches in the early operation of any new joint venture. The Paris MBA program was no exception. Upon further review it was found that some of the enrolled students did not meet the minimum admission standard. One student had a two-year associate degree (not the usual Bachelor's degree) while a foreign student from China did not pass the TOEFL (Test of English as a Foreign Language) and had to withdraw from the program. Students were promised a program fully staffed with professors from the US but it was very difficult and expensive to convince NAC faculty to come and teach in Paris. One professor would only consider teaching there if there was a fire escape outside his Paris apartment. Another declined, citing the absence of air conditioning. One couple found the location of the washer and dryer in the basement not convenient enough. Despite free lodging and transportation (including spouse), many deemed the additional $50 daily stipend grossly insufficient to cover expenses in Paris. Finally, some would only come with their families and needed a much larger apartment. As a consequence, part time adjunct faculty members were hired, resulting in uneven teaching quality.

**Mounting Storm**

Despite unanticipated problems and costs, the first year was viewed as successful by the partners and the students were satisfied with the overall academic quality and the learning experience. More serious problems surfaced in the second year of operation. Responding to growing students' dissatisfaction with the computer lab, Kosos convinced his friend Rick Zorbini, from the MIS department of NAC, to come to Paris. It became apparent that the number of workstations was insufficient, the type of software used was inadequate and that technical assistance had to be provided to the students. Rick Zorbini moved to Paris. Questions of expenses associated with such a move quickly arose. Should he be considered a faculty member teaching MIS, thus a NAC expense or part of the computer lab operating cost and therefore Bontu's responsibility? Bontu objected that he was not consulted on Zorbini's move to a staff position and did not like the "fait accompli". His relationship with Kosos soured. The deteriorating relationship and the lack of collaboration between the two men were perhaps reflected in an enrollment of only 67 students in the second cohort. The following spring Kosos announced that he was leaving NAC to pursue another graduate degree, at Yale University. As the announcement came late in the academic calendar, Zorbini was named acting Director by NAC. As part of the deal, his girlfriend Wendy joined him in Paris and enrolled in the MBA program at no cost. The following fall she was elevated to Assistant Director. This is when Mr. Bontu realized that prior to her joining the Paris MBA, Wendy was a nurse and thus (according to him) unqualified to be a Director in "his" operations. He reached his boiling point. He had not been consulted on these staff changes but simply notified. The storm that ensued culminated in a telephone crashing against the wall of the Director's office. Rick Zorbini and Wendy left soon thereafter. The second class graduated on time but sensed the growing friction between the partners. Fifty-six students matriculated for the third class.

**Third Director**

Following Zorbini's departure, adjunct Professor Bob Hollmans was named interim Director. A U.S. citizen with a Ph.D. in economics, Hollmans was married to a French woman and was living in Paris. His French was near fluent. Hollmans' first difficulty came when he realized the brochures promoting Bontu's other business schools implied automatic admission to the Paris MBA program. The next disagreement arose when Bontu refused to renew a number of subscriptions for the small library to control costs. Instead, he suggested NAC should negotiate a deal with a large public university's located less than a mile away, so that students would be allowed to use the public university's very large business library. Referring to the framework agreement, NAC insisted Bontu was responsible for providing an "adequate" library to the Paris program. U.S. accrediting agencies also insisted the library should be physically connected to the Paris program. Nevertheless, a successful on site accreditation visit was conducted during the year by American accreditors. Cost and other disputes continued between Bontu and NAC and as nobody wanted to budge, lawyers were contacted and lawsuits discussed. This was not the only legal issue facing NAC in Paris. According to French law, the Director of an academic program granting graduate degrees needed to be a French citizen with a doctorate degree. As a French citizen, Jenny was listed as the Director of the program however she did not have a terminal degree. Equally troubling, while Bontu had incorporated his side of the venture, NAC Paris was operating as a branch of the U.S. University. Facing potentially severe liabilities, NAC was exploring various legal options and hired the counsel of a prestigious global law firm, Coudert Brothers LLP, at considerable cost.

Students were not oblivious to the strained management problems of the Paris program. Feeling the lack of attention to their needs, they decided to strike and refused to pay the spring tuition. The Associate Dean from NAC visited, met with students, and addressed needs and concerns with the promise of resources and change. Unable to resolve the conflict on his own, Hollmans was on the phone with the Dean's office in the U.S. almost daily, in an attempt to get direction as to how to assuage the students. Gradually, Jenny Barlow became the interface for the students' complaints. She grew tired of Hollmans' indecisiveness and threatened to quit. When offered a position on the U.S. campus, Bob Hollmans jumped at the opportunity and quit the Paris office in April. The following June, Acting Dean Young was succeeded by Dean John Roberts, who contacted Pierre Martin in South Carolina and sent him to Paris. (See: Timeline in Appendix 4).

**Pierre Martin's first week**

Aware of the difficulties with the Paris program, Pierre Martin wanted to make sure his mandate was clear and that Bontu was properly notified of his arrival and of his mission. Dean Roberts promised to contact Bontu and further asserted that Martin's role would obviously be understood and appreciated over there since they were director-less since April. Comforted with these assurances, Pierre Martin left for France the next day. Jenny agreed to work with him and eager to welcome him to Paris.

As he arrived in Paris early in the morning, Pierre Martin first paid a courtesy call to Mr. Bontu. Bontu's response was terse:
"Who are you and what are you doing here?"
Struggling with jet lag and taken aback by such unexpected hostility Martin tried to explain his role:

- "I am here to assist in the recruiting of a new class. You should have received a call from NAC explaining my role here", explained Pierre Martin
- "Nobody from NAC talks to me these days", shouted Bontu, angry with the lack of communication and respect! "And frankly, we do much better without a director from NAC. I don't want anyone to spy on my operations".
- "I have no intention of spying on anyone. I am only here to help," pleaded Martin.

The discussion was going nowhere fast. Unconvinced, Bontu ended the meeting abruptly, claiming he had work to do.

Pierre Martin's first order of business was to contact prospective students and he asked Jack, his assistant for an updated database from which a mailing could be sent. Meanwhile Pierre Martin decided to take a look at the computer lab, which consisted of eighteen PCs. One computer was broken and rested in a corner. A brand new machine had been installed in its place. The clearly more advanced machine intrigued Pierre Martin, who fired up the computer. Much to Pierre Martin's surprise and horror, the hard disk contained all the correspondence and internal memos of the MBA operation in Paris from its inception, and was available to anyone walking in the computer lab! Pierre Martin copied all the documents onto a portable drive and reformatted the hard drive, twice. He later learned that Jack had moved the new machine from the director's office to the computer lab to replace a broken one.

Reading the internal memos proved most instructive. From the U.S. campus, it was clear the joint venture was not working well and most of the blame was naturally placed on the French partner who was viewed with suspicion since he was not the academic type and was … well, French! The story emerging from the computer files painted a different picture. The venture was in far worse shape than anyone had imagined. The comforting words of Dean Roberts stated prior to Martin's departure for Paris masked a financial liability that was mounting as the revenues decreased with each cohort and costs rose (See Appendix 2). Pierre Martin was also concerned about the reporting structure and operational control. It seemed that previous directors may have abused their discretionary budgets. Pierre was even surprised to find a BMW purchased by Bontu and leased back to Kosos at a very generous rate. A memo indicated the expense as "traveling expense." In effect the University was buying the car for Kosos. The number of restaurant outings (including the Russian cabaret extravaganza), hotel expenses and the like, greatly bothered Pierre Martin. Over time it must have bothered Bontu as well, as the tone of the internal communication changed from "we" (Kosos and Bontu) against "them" (the remote, unaware "fools" on the U.S. campus) to "I' (Bontu) versus "you" (Kosos and the University). Past disputes over admissions, staffing, and costs angered both sides.

After a few brief meetings facilitated by Jenny Barlow, Bontu seemed to mellow somewhat. He appeared responsive to Pierre Martin's offer to help with Bontu's Undergraduate Business Schools and his willingness to share information improved communication somewhat. As prospective students were interviewed, Pierre Martin never missed an opportunity to introduce Bontu to them as "our senior partner and founder of the MBA program in Paris".

Bontu was relishing the recognition. By the end of the week, Bontu invited Jenny Barlow and Pierre Martin in his Rolls Royce to "Le Lido", a Vegas-style cabaret in Paris where the owner was a longtime friend of his.

**Reporting to Headquarters**

It was the third draft of the memorandum addressed to Dean Roberts and Pierre Martin was still not satisfied after his initial weeks in Paris. How could he accurately portray the history of the venture to Dean Roberts, a newcomer who previously was Dean of the Engineering school for NAC and probably did not know the whole story? Was the past relevant? Should he make specific recommendations? Could the recruitment and financial situation improve quickly? Could the joint venture be salvaged?

As he was finishing the memo, he noticed, through his large office windows, the young temp recently hired by Jenny Barlow. She was to redo the student database that was erased (twice) by Jack, Pierre Martin's now former assistant. She was leaving the building in a hurry. Good, he thought, the database must be done; we can now proceed with the mailing. Moved by a lingering doubt, he left his office and went to collect the newly re-constructed database. Much to his dismay, not only was the database far from finished, but a cursory check also showed that most addresses were entered incorrectly. "How difficult is it to simply type in 500 names and addresses?" he wondered. After shouting a few more select French curses, he realized data entry was to be on his weekend agenda. Pierre was angry and frustrated that so much of his energy was being spent on extinguishing fires, cajoling the bruised ego of Bontu and covering for the lack of control exercised by the U.S. side over its successive directors in Paris, and their poor management of budgets and operations.

**Monday Morning**

The weekend had been productive. The data was re-entered, and Pierre Martin was finally feeling he was making some progress. On his way to the office, he bought some croissants to share with the staff. He was walking toward the NAC building and could see the US flag waving from a distance. The seemingly contradictory feelings of the French toward the US culture were puzzling. On one hand, the Disneyland Park, was facing much opposition (and was even called "a cultural Chernobyl"), while on the other hand American pop culture was extremely popular as evident in the success of US movies and pop singers in France. Most French still associated an MBA with US universities and the prestige of such a curriculum was undeniable. There must be a market for what we offer, he thought to himself. As he entered the building, a somber looking Jenny greeted him. Her face indicated another crisis was looming.
"What is it this time?" Pierre Martin asked.
"We got a note from the US embassy suggesting a possible terrorist attack against US interests. They suggest we remove the U.S. flag outside the building", she answered.

Pierre Martin knew the threat was real. He had been teaching in Paris when eleven terrorist bomb explosions in Paris resulted in twenty deaths and over 250 injured. But to remove the flag was to concede defeat. Furthermore, the US flag incited many young students to spontaneously inquire about the program. The street level location on this prestigious avenue added to the program's visibility. But it also constituted a risk factor, Pierre Martin had to admit.

Once in his office, Pierre Martin opened the large bay window and admired the vibrant city where he had spent most of his youth. The beautiful summer day was cooled by a light breeze. Outside the traffic was becoming denser but the jackhammers had blissfully stopped their deafening work. In the early morning hours many tourists were walking toward the “Arc de Triomphe” just a few steps away. Pierre Martin could readily identify the American tourists by their clothing and by the way they walked, with a relaxed pace. He wondered if this MBA was sticking out like the tourists and whether or not this was an advantage in the French market. He also feared this American MBA program had no chance of succeeding in its present form. He wondered if bruised egos and unmet financial expectations on both sides of the joint venture could be managed and trust, respect, and commitment could be restored. Beyond the “Arc de Triomphe”, he could spot the prestigious square where during the French revolution so many were beheaded. Pierre Martin shuddered and wondered if this venture would also get the ax.

**Appendix 1: Higher Education in Business in France**

**1: The State Universities**

Large and mostly free for students, they are unable to compete with the elite schools in business education. With an image still suffering from the remnant of the May 1968 student rebellion, they have limited contacts with the business world. Approximately 120,000 University students in economics and business were registered in France at the time of the venture. Overall, there were over a million and a half students in French Universities. Most programs are three year program yielding a bachelor degree. A Master's degree requires one additional year of studies. A Doctorate entails two or more years beyond the Master degree.

The admission to universities has been facilitated since the 1980s. The success rate to the "Baccalauréat" (national high school exam and prerequisite for a University admission) has increased from roughly 50% to 80%. This has led to a proportional increase in the number of University students.

**2: The "Grandes Ecoles"**

These most selective business schools are supported financially by the local Chambers of Commerce. They usually require one or two years of special preparation post high school. They form the elite of the French business schools, the top five being especially selective, admitting only 10% of the applicants. Tuitions remain a hurdle, as the French society is not accustomed to paying for higher education. At the time of the venture, these schools were charging the equivalent of € 4,000 per year. A degree required a 3 year course of study. Very few business schools offered classes for part-time students. They each enrolled approximately 200 to 500 students. The three most prestigious (HEC, ESSEC, Sup de Co Paris) were in or near Paris. Twenty others were spread across France.

**3: Private Business Schools**

This is a nebulous group of mixed academic value. Many of the approximately two hundred business schools are incorporated as "for profit". At the time of the NAC venture, alliances with U.S. Universities were limited. Small in size (many enroll fewer than 200 students), they offer undergraduate programs only and have limited resources. They rely mostly on adjuncts but do offer an applied curriculum often coupled with internships. Their survival is in part due to the extreme selectiveness of the "Grandes Ecoles" and to the perception that Universities are inadequate and out of touch with the real world.

**English spoken?**

English is taught to ninety percent of middle-school and high school students. In recent years English has been introduced to elementary schools. Despite this effort, while a majority of French students speak English with a limited level of fluency, a smaller proportion is fluent. When compared with other EU nations, the French are behind in foreign language fluency and in their attitude toward the use of a foreign language.

## Appendix 2

**Year 1 - Pro-Forma Statement and Budget**
(All figures are in Euros. $1 = 1.10€ at the beginning of the first year of the Paris venture)

| | |
|---|---|
| **Revenues:** | |
| Tuitions and fees: 80 students @ 10,000 € per student | 800,000 |
| (This included the 4 summer courses on the US campus) | |
| Tuition remission to Bontu 20% | (160,000 ) |
| NAC summer housing revenues | 60,000 |
| Net tuition and fees to NAC | 700,000 |
| **Costs:** | |
| Guaranteed lease (paid to Bontu) | 200,000 |
| Faculty: Total of 12 courses (8 in Paris, 4 on the NAC campus) | |
| Equivalent to 2 faculty salaries or $160,000 | 176,000 |
| (per faculty: $60,000 plus $20,000 benefits) | |
| Yearly cost of housing: | |
| Two 9 month lease (month to month) € 1,000/ month each | 18,000 |
| One apartment full time 3 year lease: € 1,500 per month | 18,000 |
| Student summer housing | 15,000 |
| Travel expenditures $10,000 | 11,000 |
| Per Diem compensations: | 26,000 |
| $50 per day / 240 days; 2 faculty members | |
| Academic Director's salary: $70,000 plus $20,000 benefits | 100,000 |
| Director's discretionary budget for marketing: $20,000 | 22,000 |
| Contingency fund | 20,000 |
| Total Costs | (606,000) |
| **Net surplus** | 94,000 |

Administrative director and other staff members are to be paid by Bontu.

Library: Initial cost to be paid by Bontu (to be determined). Additional yearly subscription will be paid by NAC based on surplus from operations.

Computer lab: paid for by Bontu and to be shared with his other business schools (but with reserved hours for NAC).

Qualified Adjunct Faculty in Paris cost € 2,000 per course.

**Appendix 2 (Continued)**

**Year 2 – Pro Forma Statement and Budget**
(All figures are in Euros**.** $1 = .92€ at the beginning of the second year of the Paris venture. Figures are rounded off for clarity)

| | |
|---|---|
| Revenues: | |
| Tuition and fees: 70 students @10,600 per students | 742,000 |
| Tuition remission to Bontu at 20% | (148,000) |
| University summer housing | 56,000 |
| Net revenues | 650,000 |
| Costs: | |
| Lease paid to Bontu | 200,000 |
| Faculty | 176,000 |
| Housing Cost Yearly | 36,000 |
| University summer housing | 17,000 |
| Travel expenditures | 11,000 |
| Per Diem (2 faculty) | 24,000 |
| Academic Director's salary and benefits | 100,000 |
| Discretionary marketing budget | 22,000 |
| Hosted Accreditation visit | 6,000 |
| Contingency fund | 20,000 |
| Total costs | 612,000 |
| Net surplus | 38,000 |

**Year 3- Pro Forma Statement and Budget**
(All figures in euros. $1= .85 at the beginning of the third year)

| | |
|---|---|
| Revenues: | |
| Tuition and fees: 54 students at 11,500 | 621,000 |
| Tuition remission to Bontu at 20% | ( 124,000) |
| University summer housing | 48,000 |
| Net Revenues | 545,000 |
| Costs: | |
| Lease paid to Bontu | 200,000 |
| Faculty | 176,000 |
| Housing Cost Yearly | 36,000 |

| | |
|---|---|
| University summer housing | 15,000 |
| Travel expenditures | 11,000 |
| Per Diem (2 faculty) | 24,000 |
| Academic Director | 100,000 |
| Marketing Budget | 20,000 |
| Contingency Fund | 20,000 |
| Total costs | 602,000 |
| Net | (57,000) |

**Appendix 3: The Economy in France at the time of the venture**

| Years | Year 1 | Year 2 | Year 3 | Year 4 * |
|---|---|---|---|---|
| GDP growth % | 4.6 | 2.4 | 2.6 | 4.6 |
| € per $<br>(Average value) | 1.05 | 0.92 | 0.90 | 0.97 |
| Inflation %<br>Consumer Price Index | 2.5 | 3.3 | 2.7 | 3.5 |
| Number of students in higher education (Millions) | 1.29 | 1.33 | 1.48 | 1.59 |
| Number of students in business schools | 55,000 | 57,000 | 60,000 | 64,000 |
| Adult (25 and over) Unemployment rate % | 8 | 8.3 | 8.1 | 8 |
| Youth (15-24 ) Unemployment rate % | 22.5 | 21.1 | 18.2 | 17.5 |

* Forecast

Source: INSEE, United Nations and International Labor Organization

**Appendix 4: Timeline**

| | | |
|---|---|---|
| | March<br>**Preliminary work** | Dean Wilson decided NAC should open an MBA in Paris<br>Didi brothers and NAC form joint venture |
| | May | Jeff Kosos and George Hunter with Mr. Bontu as new partner |
| **Year 1** | October<br>**First MBA class** | Start of the first MBA program in Paris; Kosos first Director.<br>Dean Wilson retired. Charles Young named Acting Dean. |
| | January | Rick Zorbini joined the Paris program. |
| | May | Kosos left. Zorbini became Director. |
| **Year 2** | Fall | Wendy promoted to Assistant Director. |
| | Spring | Zorbini and Wendy left. John Roberts succeeded Charles Young as Dean. |
| **Year 3** | Fall | Bob Hollmans named Interim Director |
| | Spring | Bob Hollmans leaves in April |
| | Summer | Pierre Martin sent to Paris. |

## TEACHING NOTE

### Case synopsis

A Paris based MBA program has been set up as a joint venture between a French entrepreneur and a U.S. University to be the first American style MBA program delivered in English by a U.S. faculty in Paris. Three directors headed the Paris Program in the first three years of operations while the U.S. University was led by three different Deans. The last Paris director resigned and the partners are threatening legal action. Pierre Martin is the latest University envoy. As he arrives in Paris in July, he realizes no student has been accepted for the October starting MBA program. He finds internal memos on a computer hard disk, which reveals serious issues with the joint venture.

The case depicts the evolution of the Paris program from its inception to the beginning of the fourth year of operation. The case is presented from the perspective of a faculty member who is sent to Paris after three years of severe strains in the management of the Paris program. The authors are the last University envoy and an Associate Dean at NAC. The case stems from the authors' own recollections and personal experiences with the venture.

### Intended audience

Although the case can be used for first year MBA students, it is intended for juniors or seniors undergraduates in an international business course dealing with market entry strategy. It can also be used when covering the international strategy aspects of a capstone management strategy course.

This case would require 2-4 hours of class time and is expected to necessitate 3-4 hours of outside preparation by students, depending on the assignments selected. Students should have been exposed to the concepts of cultural differences in foreign markets, and the pros and cons of various modes of foreign market entry prior to undertaking this case analysis.

### Learning objectives

The learning objectives of this case are to highlight the difficulties of a foreign market entry via an international joint venture and to show the conflicts that often arise in such circumstances. Learning objectives include the planning process of a foreign market entry strategy and the associated difficulties of market estimates and expected profitability, the selection of a joint venture partner, the complications in implementation and the problems associated with the day-to-day management of the venture, as well as the cultural obstacles impeding the success of a cross border joint venture.

**Relevant theories**

The case highlights the strategic advantages and the risks associated with an international joint venture. There are a number of theories/models of FDI entry that can be applied to the case. Dunning's Eclectic theory of ownership, location and internalization advantages (OLI) certainly can be of use when looking at NAC's entry strategy (Dunning, 2010). Briefly stated the ownership advantages of an organization (here the North Atlantic College) can be derived from patents, trademarks, or managerial skills. For a university, its reputation, its image perhaps its connections to the business world may be a source of advantage. Location advantage is associated with access to raw materials, lower labor costs or presence in a location with substantial resources (like Silicon Valley). The location in Paris has limited advantages in that regard, the additional cost of operating in such an expensive location does not necessarily translate into greater revenues or other intangible benefits. The internalization refers to the process by which an organization finds some advantages in entering the market directly via investment rather than other modes of entry such as exporting, licensing or via a joint venture partner. In this case exporting and licensing are not relevant to a university setting, so a joint venture may be justified if the organization (NAC) does not have the resources or the core competencies to warrant a foreign direct investment

Some instructors may seize the opportunity to elaborate on the advantages and disadvantages of a wholly owned subsidiary or acquisition versus. a joint venture. From the difficulties associated with the partner selection (Geringer 1991), to the inherent instability of joint ventures (Inkpen 1997) to the management of a joint venture itself, including the ownership of intellectual property and brand equity and quality issues (Barkema 1997). While reducing the financial risk by sharing the initial investment with a partner, a joint venture also increases the complexity of the foreign operation, limits the autonomy of decision making and creates potential frictions as goals and methods may vary amongst partners.

Students may also discuss whether Vernon's international product life cycle (IPLC) fits the case as a mature domestic market saturated with competitors leads to a strategy to extend the product life to foreign consumers by FDI (Vernon 1979). As the US market for MBA matures, the question is whether NAC's foreign expansion would increase its competitiveness (and visibility, value, prestige) or would it drain its resources? Students may also be aware that higher education, particularly in business, seems prone to cyclical variations in demand and possible foreign direct investment ventures may smooth out these seasonal variations.

A critical aspect in this case is the conflict that stems from the cultural differences between M. Bontu (the French side of the operation) and the MBA directors and the various NAC Deans (the US side). When dealing with cultural differences, references to Hofstede's typology and the risk-averse nature of the French as compared to that of the Americans can be highlighted. Individualism versus collectivism, harmony with others, work ethics and other cultural dimensions can also be discussed as relevant to this situation (Minkof and Hofstede, 2013).

The timing of the market entry is a factor to consider. Any potential first mover's advantage has to be weighted against managing risk through benchmarking and learning best practices of other entrants. Additionally, students could consider whether the Porter's "Diamond" can be applied to this case and to the overall competiveness of the North Atlantic College (Porter, M.1990). While being first in this market would enhance the reputation and the visibility of the North Atlantic College, competitors with greater and more established reputations could then enter the market and would quickly gain a larger market share particularly in the absence of a sustainable comparative advantage from NAC.

To assess the potential competitiveness of NAC's MBA in Paris, some instructors may ask students to assess the environment utilizing a SWOT (Strengths, Weaknesses, Opportunities and Threats) or a competitiveness/market attractiveness analysis matrix (Helms, M. 2010). In analyzing the environmental factors, students may point out the role of government regulation and professional accreditation in business schools such as AACSB or EQUIS (a more common European accreditation body) as impacting competitiveness. Other topics for discussion are likely to include the cultural differences and the perception of higher education in France and in the US (Lamont 2000), the possible French anti-Americanism (Meunier 2015), the cost of higher education and other factors impacting strategic and managerial decisions as detailed in the "Assignment Questions" below.

**Textbooks**

International Business /Management textbooks

Hill, Int'l Business, 9th edition
Peng, Global Strategy, 3rd edition
Peng, Global Business, 2nd edition
Daniels & Radebough, Int'l Business, 13th edition
Cavusgil and Knight, International Business, 2nd edition
Griffin & Pustay, International Business, 6th edition

Strategic Management textbooks

| | |
|---|---|
| Licensing issues: | Hill, International Business, Ch.14 |
| | Peng, Global Strategy, Ch. 7 |
| Joint venture issues: | Cavusgil & Knight, International Business, 2nd edition, Ch. 14& 15. |
| | Daniels and Radebaugh, International Business, 3rd edition, Ch. 13 & 14. |
| | Griffin and Pustay, International Business, 6th ed, Ch. 12. |
| Ethical issues: | Peng, Global Business, Ch. 3; |
| | Daniels & Radebaugh, International Business, Ch. 5. |
| | Hill, International Business, Ch. 5. |

**Teaching approaches**

A variety of teaching methods can be used. One possibility is to have students role-playing the various characters in this case (Pierre Martin, Mr. Bontu, Dean Roberts and perhaps a student). In so doing the conflicting objectives and approaches of each party would be highlighted.

Alternatively students can be asked to write Pierre Martin's memo to Dean Roberts

To avoid the emergence of a strong bias in the class a jigsaw approach (Aronson, 1978) can be used. In this approach students are divided into small groups each assigned a sub-topic (for example: "Is there a market for the Paris MBA", "Should NAC give up", "If you were Pierre Martin what would you do?" etc…). Selected students from each group then make a presentation of their recommendations to the other groups. This enables students to better understand others' perspectives and fosters a greater reconciliation of the various points of view to form a richer synthesis.

A debate can also be a valid tool to discuss this case. Student can be divided into teams, representing faculty (employees), the University administration (management), the French partner, current or prospective MBA students (customers) and the University Board of Trustees (Board of Directors). Arguments concerning the choice of market, the mode of entry and the various management issues can be prompted by the following open question: "Should NAC stay in Paris and if so how should it manage its operations?" Class discussion can then extend to broader issues of alternative entry strategies and cross-cultural management challenges.

Alternatively, specific questions can be assigned regarding the advantages and risks of being a first mover in this niche market for an American MBA in Paris as detailed below.

**Possible assignment questions**

Many strategic and managerial decisions in this case can be open to serious criticism: from the selection of Paris as the best location for foreign expansion, to the selection of a joint venture as a mode of entry, to the choice of the French partner, to the management of the venture itself. These issues can be addressed by asking students to answer a number of questions pertaining to strategy as well as managerial implementation. Those questions and possible answers are listed below.

**Strategy questions**

1. *What is the main goal of NAC starting an MBA in Paris?*
2. *What other methods of internationalization could have been explored?*
3. *Is there a market for NAC in Paris? What various segments constitute a potential market? What is the break- even point and is it realistic?*
4. *What cultural characteristics favor or impede the entry into the Paris market?*
5. *Does NAC have a sustainable competitive advantage in opening an MBA in Paris?*

**Managerial implementation questions**

6. *What are the immediate problems facing Pierre Martin? What should be included in the memo to Dean Roberts?*
7. *What were the key personnel issues associated with the Paris program? Should Pierre Martin be named Director of the Paris program?*
8. *Should the U.S. flag be kept outside the building (political risk)?*

9. *What are the ethical issues in this case?*

**Suggested answers**

1 *What is the main goal of NAC starting an MBA in Paris?*

Originally, the goal was to internationalize the NAC campus and the curriculum. Yet other modes of entry and locations which could have been explored were not. On wonders if the creation of an MBA program in Paris was simply because a Francophile Dean was enamored with the idea.
If the objective is to provide a practical experience in a country where U.S. firms export or invest, both Mexico and Canada trade more with the U.S. than France, and the UK is the largest recipient of U.S. Foreign Direct Investment (FDI).
Students may also point out that having a few foreign students for the summer months means a limited exposure to globalization unlike the initial stated goal of the Dean Wilson. Still, the summer session will provide opportunities for the U.S. students and faculty to network and understand different cultural perspectives. Furthermore, since U.S. students are reluctant to go abroad, bringing foreign students to the campus may be perceived as the best alternative by some.

The case also illustrates the process of internationalization which is often the result of an "ad hoc" situation and not a systematic research of foreign market potentials (Anderson, 1993). "First Movers Advantage" can also be illustrated by this question (Kerin et al, 1992). There is no MBA program in Paris so NAC could reap the rewards of being first. Conversely the cost of establishing an MBA market in Paris could be prohibitive.

2. *What other methods of internationalization could have been explored?*

NAC could have started a campus of its own in Paris. As with any Foreign Direct Investment (FDI) the attractiveness of total control that this option entails is mitigated by the added risk and by the sizeable initial financial outlay. Without evidence of the existence of a market in Paris (via conducting market research, or by witnessing the success of an established program in Paris), this option is likely to be deemed too risky.

A strategic alliance with a University, a "Grande Ecole" or a private Business School is another option. Other than a joint venture, possible alliances could be focused on co-marketing, shared resources such as classroom space, computers, library and faculty, or even licensing the brand and product (curriculum and degree) design to a licensee). Often licensing proves a low cost, low risk entry strategy in manufacturing sectors, particularly with older generation products but in service sectors like higher education, licensing may generate low revenues and brand dilution with quality and accreditation issues. Furthermore, the licensee may not provide the marketing efforts and quality control required for graduate education, and with experience and access to the intellectual property of the licensor become a strong future competitor. (Nielson, 2009).

A strategic alliance with a French State University could only attract a limited number of students because of the aforementioned language and tuition requirements. The "Grandes Ecoles" are unlikely to agree to an alliance since they often view themselves as offering the equivalent to an MBA. On the other hand, most private business schools would benefit from an alliance as the vast majority of them offer undergraduate programs only (Buckley, 1998).

The benefits of a joint venture consist of limited cash outlays, limited risk and the opportunity to learn and test the market. Faculty exchange may also increase the attractiveness of this option. Drawbacks include a possible limit on the number of students coming from and going to France, a lack of control on the content and the marketing of the program offered overseas, and a limited faculty involvement. Possible conflicts with the joint venture partner limit the attractiveness of such option, as the case clearly shows (see Habib, 2009 or Reus 2009). Other traditional forms of foreign market entry, such as exporting and distribution agreement are not applicable here.

3. *Is there a market for NAC in Paris? What various segments constitute a potential market? What is the break- even point and is it realistic?*

There is no indication that serious market research or planning was done before the decision was taken. While some students may applaud the entrepreneurial spirit and the boldness of the decision, others will emphasize the risk involved in such gamble. Additionally, some may point out that no other MBA program was offered in Paris at that time, perhaps indicating a lack of potential market.

The overall potential market is comprised of French students from business schools, French students from Universities, U.S. students from the NAC campus and other qualified foreign students. Existing junior executives and expatriates are also two additional overlooked segments. NAC Paris is unlikely to attract students from the "Grandes Ecoles", although it can be marketed as an alternative to them.

With an enrolment of approximately 55,000 students, French business schools graduate around 18,000 undergraduates per year, (or one third of their 3 year program). Assuming 50 percent have sufficient English fluency, the potential market is reduced to approximately 9,000 students per year. Paris and its region represent one fifth of the population. Thus one can estimate the yearly number of Parisian undergraduate students graduating from business schools and fluent in English to be around 2,000.

Since a business background is not required to be admitted into an MBA program, (although some prerequisite courses will be added to the program) approximately 400,000 graduates (a third of the estimated 1.2 million enrolled in Universities) also qualify as potential NAC MBA students. However that number must be reduced to only count those who are fluent in English, and further reduced to students who can afford NAC tuitions. Bank loans can be obtained for financing graduate studies although it is not a common practice in France since higher education is generally free of charges. Perhaps ten percent of the 400,000 students would then qualify.

It is difficult to estimate the number of foreign students who will study in the Paris NAC program. Some will come from the NAC campus or from elsewhere in the U.S., and others may originate from a myriad of countries.

U.S. expatriates who are living in Paris could also represent another segment. According to the U.S. State Department, they number approximately 75,000. If most have at least a bachelor degree, and assuming an average of one employed expatriate per family of four, this represents an additional segment of twenty thousand. The exact number may be lower as many are in technical fields, already have an advanced degree or would look for a more prestigious University. Other English speaking expatriates could also be of interest.

Finally, with such a high unemployment in France, would a part-time program be better suited for the working young managers? These junior executives have graduated a few years ago and may be desirous to obtain an advanced degree to enhance their marketability or simply as continuing education[1] to maintain their employment.

With so many segments, where should NAC market its new Paris program? Should it be directed to French Business Schools or to French Universities? Should it advertise across the U.S. or in U.S. cultural centers around the world? Should it focus its attention on recent graduates or on junior executives? Should it attempt to market its program to U.S. expatriates? This is not just a question of advertising but of program design, pre-requisites and curriculum. Certainly these questions should have been addressed before selecting a partner. The selection of market should prime the choice of market entry strategy. If the continuing education market is selected, and a partner is sought, its profile would be different than if the expatriate segment is selected. Ultimately, it is not the lack of market that is problematic. Generating 500 inquiries for 80 spots is indicative of a reasonable interest for this "product". Furthermore, the above indicates that far less than one percent of the potential market would fill a class. However the multiplicity of heterogeneous segments demands a different strategy and marketing-mix for each. NAC cannot afford to attempt penetrating all segments simultaneously. The choice of a French partner associated with undergraduate business schools compels the choice of that segment as a target market over potentially larger or more attractive segments.

If NAC were to stay in Paris, it must demonstrate that a market exists and that it could establish a sustainable strategic advantage. Financially the picture is discouraging. The pro-format statement in Appendix 2 shows the venture is barely profitable. It is critical to note that the revenues are in euros and that some of the costs are in U.S. dollars. Obviously, a significant decline in the euro could generate an unexpected loss in dollar revenues for NAC. Conversely, an appreciation of the euro would mean more dollar profits. At eighty students, the net surplus or profit is significant and can provide a contingency fund to deal with modest currency fluctuations of €20,000s. However, if enrollment in year III drops to 70 students, the program will be slightly above break-even. With the late recruiting cycle, this target may even be optimistic. Any lower enrolment and the venture will operate in the red at current tuition levels.

[1] French Tax Law requires companies to pay one percent of the overall salaries as a continuing education tax. That amount can be paid to the State or to an approved educational institution. Becoming a State approved training institution would substantially facilitate marketing specific programs to executives, as companies could send their continuing education tax directly to NAC Paris who would credit the amount against the tuitions of the executives.

*4 What cultural characteristics favor or impede the entry into the Paris market?*

Students may have to do a bit of research to answer this question. Students who have studied cultural dimensions should understand the implications of cultural differences on international business operations. According to Hofstede's typology of cultures, and in contrast to the United States, the French are high power distance and highly risk averse. This means treating the French partner with deference and respect is paramount. The French, as Latin people, value the importance of personal relationships over that of legal documents. No legal document will restore the broken trust of this venture. Only patient and continuous "courting" may succeed. Furthermore, the French partners and staff may reflect a more "high context" communicating style while American managers and business faculty are more direct, specific, and low context. Also, how French students learn and classroom behavior styles (in participation, attendance, and deadline deliveries) may create unique challenges for American faculty and student classmates.

The paradoxical attraction of a U.S. based MBA is also worth discussing. The complexity of the French attitude toward the U.S. cannot be summarized as just "anti-Americanism". The French public separates American people from U.S. policies, U.S. society and way of life, and U.S. ideals (freedom and democracy). Simply put, U.S. ideals are revered, Americans as people are liked, but the U.S. society is decried as unjust and violent, and U.S. policies are often dismissed as "ultra-liberal" ("liberal" from an economic "laissez-faire" perspective). In particular, the US approach to financing higher education via high tuitions is viewed as antidemocratic, elitist and simply unfair.

The French believe in pure meritocracy where talents and intelligence are supposed to trump money and social class. Yet each country has its elite schools. Who would not want their son or daughter to be Harvard educated. The "Grandes Ecoles" in France fulfill this elitist aspiration. But while French Universities are still mostly free of charges, the "Grandes Ecoles" are charging tuitions at a level comparable to US State Universities, a reasonable amount by US standards, too expensive according to French culture. Thus the aspiration of a French classless society has not been realized and the MBA in Paris will be viewed as very pricy.

Even though anti-Americanism has a long history, it does not necessarily transform into a boycott of U.S. made products and US universities have a very positive image in France. The success of U.S. pop culture, from music to Hollywood, and even the success of McDonald in France can attest to this apparent paradox. Still, some patterns of consumption, shifting away from U.S. made goods and services have been observed (Meunier 2005).

Still, the 500 inquiries show the attraction of a US MBA for French students is considerable. Some students will note that the benefit of completing most of the program close to home at substantial saving adds to the attractiveness of NAC's offering. Others may disagree with that assertion, arguing that spending three months only in the U.S. is shortchanging the MBA students and lessening the real value of the program. Finally some students may advocate a program in the UK or in a country where English is the native language. Since the program is taught in English by U.S. faculty, being in an environment that is not entirely foreign may not provide the full foreign cultural awareness Dean Wilson originally wanted.

5 *Does NAC have a sustainable competitive advantage in opening an MBA in Paris?*

Since NAC will be the first U.S. MBA offered in Paris, it will have a first mover's advantage (Markides, 199?) Being a pioneer has its rewards. NAC can establish a strong brand and define the market. However, assuming that there is a market in Paris for such program and that NAC is successful, what prevents more prestigious Universities to jump in? NAC's lack of prestige may also be a negative factor in a market that is very status conscious and where stamps of approval are highly valued. Some students may emphasize the experience gained in marketing the program. Others will see NAC's involvement in Paris as a drain of resources that could be better used to boost enrolment or the quality of domestic programs on NAC's core market, the USA.

Students may question the sustainability of first mover's advantages when there are no effective barriers to entry and limited economies of scale. In fact, the Porter's Diamond could be used to assess the competitiveness of NAC in the foreign environment. Students can apply each point of the diamond to NAC, and the possible role of government and professional accreditation agencies in the case, impacting the strategy, performance and competitiveness of NAC.

6. *What are the immediate problems facing Pierre Martin? What should be included in the memo to Dean Roberts?*

Pierre Martin must perform three tasks: First, he must quickly facilitate the recruiting of a new class since, as of July 3rd no students are admitted Secondly, he must write a memo to the new Dean informing him of the situation in Paris as it is, not as it is perceived back in the U.S. Finally, he must decide whether or not keep the U.S. flag outside the building.

The case indicates that prior to becoming Dean of the Business School, Dean Roberts was Dean of Engineering at NAC. While he may be aware of the Paris program troubles, he probably does not know the extent of the rift and the dire conditions of the upcoming class. As such a brief summary of the previous "mistakes" (from both sides) must be included in Pierre Martin's memorandum.
Problems with the venture must be spelled out frankly. Students often debate as to how much details should be included. As any manager knows, issues which cannot be influenced or facilitated from the NAC campus can be left out (the deletion of the database and the flag issue for instance). But problems associated with strategy, financial issues, legal matters and management clearly belong in the memo and students usually agree that the following questions must be raised:

1) What is the main goal of NAC starting an MBA in Paris?
2) What are the various segments which constitute a potential market in Paris?
3) Does NAC have a sustainable competitive advantage in opening an MBA in Paris?
4) What cultural characteristics favor or impede the entry into the Paris market?

5) Should NAC stay in Paris? If so, should NAC attempt to sever links with M. Bontu or continue as is? Who should be the next Director?
6) What structure and control mechanism can be instituted to adequately supervise the Paris program?

Students should understand that it is not Pierre Martin's role to decide on the future of the Paris Program. He must honestly report to Dean Roberts the situation as it is and present the pros and cons of a variety of options.

7. *What were the key personnel issues associated with the Paris program? Should Pierre Martin be named Director of the Paris program?*

Personnel issues and control concerns must be addressed. Clearly this is a problem both in Paris and on the NAC campus. In four years, NAC was led by three successive Deans on the U.S. campus. This may explains the lack of control exercised by the U.S. on the Paris organization. The eighty students of the Paris program are dwarfed by the two thousand on the main campus. The Paris program is viewed as non-essential and is neglected. No long-term action is possible if Directors and Deans remain on the job for only a few months. No learning curve can occur.

Staffing problems are not limited to Deans and Directors. Astute students may remark that the reluctance from U.S. students to study abroad seems to be matched by the hesitancy of NAC faculty members to teach in Paris. The resistance in the initial stages and the unilateral decision of Dean Wilson is partly to blame. The reasons given by faculty members for not coming to Paris are not valid. The temperature in Paris in the fall and spring season (summer is spent on the NAC campus) does not require air conditioning and, at the time of the venture, one could have eaten moderately well in Paris for $50 a day. Accommodations provided to the faculty were in one of the best districts of Paris and were more than adequate. To alleviate the problem, some students may suggest hiring faculty on sabbatical. This could lower the cost of operation and the breakeven point. Issues of control limit the attractiveness of this option. The use of adjuncts offers even greater savings but raises potential quality control and accreditation issues.

As stated in the case, the Director of an academic program granting graduate degrees must be a French citizen with a doctorate degree. Pierre is French and knows the local culture well. He seems to have built a good rapport with Mr. Bontu and Jenny, the two key participants. He is also a faculty member at NAC who has taught both for the Paris program and on the main campus. He has some appreciation for NAC's culture, programs and faculty. His Ph.D. is in international business, which might help. But his degree is incomplete as he was writing his Ph.D. dissertation when he was asked to assist with the management of the Paris program. However, as stated in the case, the main reason for Pierre joining NAC was the Paris MBA program. Thus it may be very difficult for him to recommend closing the program as he may be too emotionally involved and may want the venture to continue regardless of the actual cost to NAC. Finally, the French target market may favor a U.S. director over a French to manage a U.S. program. Some students may suggest a dual head. Pierre Martin, as Academic Director of the program with an expatriate American designated as the Managing or Administrative

Director. This could be both costly, create confusion and entails a more elaborate management control and division of tasks and conflict when responsibilities overlap.

8. *Should the U.S. flag be kept outside the building (political risk)?*

Students are often eager to address the issue of the flag removal. In a post 9/11 world, they are much more conscious of terrorism. Those arguing the flag should be removed point out the previous bombings in Paris and the liability NAC incurs especially after the embassy warning. Others see NAC as an unlikely target when compared to the U.S. embassy, large U.S. corporations and others. Not removing the flag may be a matter of principle as much as a marketing tool. The perception of the risk is likely to be different in the U.S. and the demand for increased security will add to the cost of operation. As an operational, non-academic item, this expenditure is likely to fall under M. Bontu's side of the venture, adding yet another subject of contention. Perhaps, having both a U.S. and a French flag inside or outside the building would indicate a true joint venture.

9. *What are the ethical issues in this case?*

Control issues are evident and may lead to ethical problems. Dee W. Hock, the Chairman Emeritus of Visa International once said: "*Hire and promote first on the basis of integrity; second, motivation; third, capacity; fourth, understanding; fifth, knowledge; and last and least, experience. Without integrity, motivation is dangerous; without motivation, capacity is impotent; without capacity, understanding is limited; without understanding, knowledge is meaningless; without knowledge, experience is blind. Experience is easy to provide and quickly put to good use by people with all the other qualities"*. Despite such wisdom, organizations tend to be mostly concerned with experience and do not pay enough attention to ethics. Some students would argue that a few perks are normal benefits of the position of the Director. Others would view the BMW lease agreement, the Russian Cabaret outing and Zorbini's girlfriend being added to the payroll (so she can be an employee and benefit from free tuitions) as clearly unethical. The unkept promise made to the students, of a program fully taught by NAC faculty, may arguably also fall in the "ethical issue" category as could issues of career services and placement.

**Epilogue**

The recruitment of a new MBA class as depicted in the case was the last year as a joint venture. A retired U.S. Professor newly hired by NAC did not fare any better than his predecessors and lasted one year. After several threats of lawsuits from both sides, NAC bought back Bontu's share of the operation so as to manage the Paris program on its own. NAC's Paris program re-located to a business district on the outskirts of Paris and hired a former student as a program Director. The higher overhead of operating alone and declining enrollment meant the University was losing *a significant amount of money each* year. It operated with such losses for the next *two* years before selling its venture to a French engineering school.

The French market, with a multitude of relatively small business schools, is still going through a consolidation phase. As of 2014 there are no U.S. MBA program per se in Paris but a multitude of agreements between French Schools and U.S. universities and other European or even Asian schools which allow French students to obtain an MBA in the U.S. in a short time period and often at a discount. A new trend is to offer business courses in English. Many Grande Ecoles and French universities now offer MBA programs, accredited by AACSB or EQUIS.

Pierre Martin left NAC to create a consulting firm and returned five years later to academia; After completing his Yale Master in Management, Kosos worked for an investment bank before returning to University life; Jenny Barlow went on to work for a prestigious “Grande Ecole”. Dean Roberts became President of a Mid-Western College, Rick Zorbini became VP of Technology at a large accounting firm, Mr. Bontu left this world, and hopefully the MBA graduates and alumni of NAC, Paris moved on to successful and rewarding professional lives!

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