



MGMT 720: Corporate Diplomacy

Fall 2015

DRAFT SYLLABUS OF MAY 28, 2015

Witold Jerzy Henisz
Deloitte & Touche Professor of Management
in Honor of Russell E. Palmer, former Managing Partner
Phone: 215-898-0788
Email : henisz@wharton.upenn.edu

OH: by appt.
3107 SH-DH

Objectives:

Are you well prepared to manage or analyze business challenges and competitive threats in a variety of political and social environments? For example, what should you do to dissuade or counter an individual critic armed with a camera phone and a YouTube account? Or a decentralized grassroots organization that seemingly pops up overnight, appears to have no single leader or headquarters, and yet is quite successful in capturing media attention? Or a government official who because of a tight reelection campaign or an internal challenge from a populist general turns on you? Lone individuals, small activist groups and unexpected political shifts have done extensive damage to the reputations — and value — of multinationals in recent years. And yet most companies don't plan for, or even think about, investing in building the kinds of solid relationships with community leaders, governments, NGOs, and other key players that can help them avoid such crises and, when necessary, draw upon their reservoir of stakeholder capital to respond quickly and decisively when a challenge or threat emerges. This class provides an integrative perspective towards the management of these risks and opportunities. It highlights that better assessment of stakeholder opinion, understanding of how stakeholders impact firm value and of how to infuse stakeholder relationships with trust to unlock that value are increasingly critical elements of a firm's long-term success, particularly in emerging markets. Firms must also focus on continual improvement in their stakeholder engagement, reinforcing their actions with strategic communications and via organizational culture. The course will give students a combination of practical tools and the latest academic thinking in the emerging field of corporate diplomacy.

Outline

We will begin with an introductory module that makes the case for Corporate Diplomacy and offers an overview of best practice as well as the risks of failure. AES's investment in an electricity distribution company in the Republic of Georgia offers an introduction into the complex challenges we will explore.

Next we examine the elements of Corporate DIPLOMACY:

- Due diligence on the stakeholder landscape for a Russian fund manager, an Indonesian gold mining company, creditors in a Thai bankruptcy, a Chinese environmentalist and in the consulting services of guest speaker, Steven Fox, CEO of Veracity;
- Integration into strategic analysis and planning in an African dam, a Kazakh oil field, a gold mine in Ghana and an iron mine in Brazil;

- Personal trust building and Learning with skeptical stakeholders in Peruvian mining, Malaysian palm oil production in the supply chain of Nestle and in the launch of a genetically modified fish food for farm-raised salmon;
- Openness in reporting and communications in Romanian gold mining and Guatemalan banana plantations;
- Mindsets in IKEA as they grapple with accusation of Indian child labor and in the regional expansion of a Botswanan supermarket chain.

We then seek to integrate these tools

- First, by returning to electricity distribution through private equity investor Abraaj Capital's investment in the Karachi Electricity Supply Company.
- Second, by competing in teams in a computer-based crisis management simulation custom designed for this course.

The format will include lecture, case discussion, small group discussions and report-backs, in-class debates and role-play exercises as well as the integrative computer-based simulation.

Assessment

Regular attendance is required. Students who fail to regularly attend the class will not receive course credit. Assessment for regularly attending students will be based on:

- (1) Class participation and engagement including participation in online polling (30%)
- (2) The contribution of at least one post of a corporate diplomacy best practice and two comments upon the posts of peer students on the YellowDig discussion platform (10%)
- (3) A 25-30 page team paper assignment whose grade constitutes 50% of the course grade but is divided into individual (25%) and group (25%) assignments as follows
 - a. Individual assignments (each team member completes ONE of the following which counts for 25% of that team member's course grade)
 - i. A ~5 page + exhibits stakeholder and/or issue mapping assignment that compares two possible strategies (if team 5 or 6 people, two team members can submit separate analyses of different strategies)
 - ii. A ~5 page + exhibits financial valuation or business case assignment that compares two possible strategies (if team 5 or 6 people, two team members can submit separate analyses of different strategies)
 - iii. A ~5 page discussion and analysis of personal trust-building and learning for one or more strategies
 - iv. A ~5 page discussion and analysis of openness and mindset elements for one or more strategies
 - b. Group evaluation (the team collectively submits each of the following which together count for 25% of each team member's course grade)
 - i. A 3-5 page paper proposal outlining the context and the two or more strategic choices that will be the focus of your analysis (5%)
 - ii. A final paper submission that integrates and extends the prior submissions and responds to feedback received (20% but can be distributed unevenly across team members based on the relative strength of their revised "component")
- (4) Team (Randomly assigned teams of 4 members) simulation score (10%)

These five components are discussed in more detail below.

- (1) I expect a high-level of interactive and integrative discussion in every class. You should carefully prepare for each class, contribute productively as well as listen carefully to others. The emphasis

on case analysis and the large class size combine to make it crucial that preparation for and participation in class is of consistently high quality. Please consider the following guidelines for high quality class participation:

- **Relevance:** Are your comments clearly related to the case and to the comments of others?
- **Advancement:** Does your comment move the class discussion forward? Does it take the discussion farther or deeper than the previous comments?
- **Fact-Based:** Have you used specific data from the case, from conceptual or background readings, or from personal experience to support the assertions that you are making?
- **Logical:** Is your reasoning consistent and logical? Do you use economic concepts correctly?

To help you prepare I have included discussion questions for each class and online polls related to the ***bold italicized discussion questions***. If you answer the poll, you may be called upon to justify your answer. We will also employ small group discussions, debates, role play exercises and other activities in which you are expected to take part. Frequent but low quality participation and/or distracting behavior (e.g., use of internet or PDAs, side conversations, late entries, early departures, ...) hinders our progress and will be penalized. A pattern of absences can result in LT/D/F grades for the course.

- (2) I will frequently post news clippings and multimedia that highlight real-time application of course concepts via YellowDig. At least once during the semester, you must post to YellowDig one short (150 word) summary with external link(s) to a description of a best practice of Corporate Diplomacy. Examples would include the use of stakeholder mapping & analysis, measurement of the financial returns to stakeholder engagement, efforts to build personal relationships with external stakeholders, adaptive learning systems that build trust with external stakeholders, effective communication strategies with external stakeholders and mindsets or organizational cultures that clearly prioritize long-term creation of value for shareholders and stakeholders. I will try to highlight some of the most relevant material, debates and tools in class discussion. You should also comment upon or discuss at least two posts of your peers.
- (3) Teams consisting of FOUR, FIVE OR SIX students (preferably maximizing diversity in background, functional expertise, major, ...) will identify a corporation that faced a dilemma relating to the management of external stakeholder relations.
 - a. Team paper proposals should highlight the key components of the paper's structure as detailed below in (b). More thorough outlines elicit more helpful feedback. It is insufficient to merely identify a topic in your outline. You need to provide me with meaningful guidance as to the substance of your paper including the specific strategic choices that you will analyze.
 - b. Nine basic components should be found in the submitted 25-30 page paper. Page lengths described for each component are suggestions of a normal distribution across sections only and should not be considered binding if your topic merits relatively more/less detail in a given section. However, the complete paper must fall within the page limit and formatting requirements described. Note that "drafts" of four of these components are separately graded as individual assignments.
 - 1) An unnumbered title page that identifies all team members and contains an executive summary which summarizes the strategic problem, the choices that you are analyzing, the choice that you are recommending and the key assumptions or factors leading to that recommendation.

- 2) An introduction that identifies a specific company and a specific strategic choice that it faces that clearly involves a (potential) conflict with a set of external stakeholders (1 page);
- 3) An elaboration upon the conflict in a general context but with examples or emphasis upon the particular country and industry setting that you have chosen. You should try to link your example to other similar conflicts in the same firm, industry or country. (3-5 pages);
- 4) Use your choice of stakeholder or issue mapping tools (e.g., power X salience, Salience X SLO, power X salience X SLO, issue map, stakeholder network, issue network or stakeholder-issue network) to generate insight into the degree of stakeholder support for two or more strategic options possibly including the use of the GIST tool. Stronger insight is typically provided by complementary visuals and textual analysis of the assumptions and data input that generated those visuals. (~5 pages);
- 5) An assessment of the relative financial impact of these proposed strategies possibly including the use of the FVTOOL. This assessment should culminate in a specific actionable recommendation and an attempt to identify the key assumptions of contingencies that impact this recommendation. It should be clear to the reader under which conditions you would alter your recommendation. (~5 pages)
- 6) The discussion of key aspects of implementation of the recommended strategy including (8-10 pages).
 - a) Mechanisms to build interpersonal trust with external stakeholders including efforts to insure learning and adaptation including possible application of the social license to operate, trust radar and the ladder of stakeholder participation frameworks; and
 - b) Mechanisms to effectively communicate the goals, design and implementation of the initiative to external and internal stakeholders including possible application of the AMCT and 5Ps frameworks.
- 7) Succinctly summarize the key takeaway of the case (i.e., what lessons can other firms facing similar challenges take from your analysis and recommendations?) (1 page)
- 8) A list of references that includes both secondary (newspaper or magazine) **AND** primary (company newsletter, press release, annual report, company internet site or conversations with individuals familiar with the corporate response to the strategic choice) sources. Please provide enough information so that a reader can easily find the reference.
- 9) A set of exhibits that complement your written analysis (do not count towards the page limit but should be complementary not superfluous).

Text should be double-spaced with 1" margins in a 12-point times new roman font.
References, and exhibits (i.e., tables, charts and figures) do not count towards the page limit but should be used only when they complement the text.

Examples of exceptional papers will be provided on Canvas. Please note that the course assignment evolves each year so past exemplars may not follow the structure above.

- (4) Each student will be randomly assigned to a 4-person team whose collective performance in the KEROVKA crisis management simulation as measured by the change in their company's share price as compared to peer teams will constitute 10% of each team member's course grade.

Note that I am evaluating various tools to allow for peer evaluation of the written assignments. My hope is that some portion of the grades described above will be based upon sophisticated peer scoring algorithms and that the quality of your peer scoring will, in turn, influence your own individual grade. More details on this process will be provided in the final syllabus.

Resources to aid you with your background research include

- Country-level
 - [World Economic Forum Global Competitiveness Report](#)
 - [Economist Intelligence Unit Country Reports](#)
 - World Bank
 - [Doing Business Guides](#)
 - [Business Environment](#)
 - [Investment Climate](#)
 - [Investing Across Borders](#)
 - [Enterprise Surveys](#)
 - [Private Sector Data](#)
 - [Governance Indicators](#)
 - United Nations
 - [Foreign Direct Investment Report](#)
 - [Investment Prospects](#)
 - [Transparency International Corruption Perceptions](#)
 - [Business Monitor International](#)
 - [CIA World Factbook](#)
 - [Heritage Institute Index of Economic Freedom](#)
 - [IHS Global Insight](#)
 - [ISI emerging markets](#)
 - Factiva
- Industry- and Firm-level
 - [Business Monitor International](#)
 - [Euromonitor](#)
 - [Orbis \(includes Datamonitor\)](#)
 - [EBSCO Business Source Complete](#)
 - [ISI emerging markets](#)
 - [Factiva](#)
 - [PROMT](#)
 - [Proquest Annual Reports](#)

PLEASE NOTE THAT ANY QUOTATIONS OF LONGER THAN A PHRASE MUST BE EXPLICITLY NOTED IN THE TEXT. INSUFFICIENT ATTRIBUTION TO EXTENDED QUOTATIONS FROM EXTERNAL SOURCES WILL RESULT IN FORMAL CHARGES OF PLAGIARISM TO THE OFFICE OF STUDENT CONDUCT. IF YOU HAVE ANY QUESTIONS ON POLICY, SEE http://gethelp.library.upenn.edu/PORT/documentation/plagiarism_policy.html

About the Instructor

Witold J. Henisz is the Deloitte & Touche Professor of Management in Honor of Russell E. Palmer, former Managing Director at The Wharton School, The University of Pennsylvania. He received his Ph.D. in Business and Public Policy from the Haas School of Business at University of California, Berkeley and previously received a M.A. in International Relations from the Johns Hopkins School of Advanced International Studies.

His research examines the impact of political hazards on international investment strategy including efforts by multinational corporations to engage in corporate diplomacy to win the hearts and minds of external stakeholders. In a National Science Foundation funded project he showed that markets value stakeholder engagement twice as much as the net present value of the gold ostensibly controlled by 19 publicly traded gold mining companies. He then assesses the contingencies that influence the choice of which stakeholder these firms should reach out to in order to positively influence valuation as well as how to best develop a cooperative relationship with that stakeholder. He draws upon these insights as well as examples from large scale construction management, sustainable tourism, development and military counterinsurgency in his book project *Corporate Diplomacy: Building Reputations and Relationships with External Stakeholders*. His earlier work analyzed (1) the political and economic determinants of government attempts to redistribute investor returns to the broader polity; (2) the strategic responses by organizations to such pressure; and (3) the determinants of the success of individual organizations in withstanding such pressure. His research has been published in top-ranked journals in international business, management, international studies and sociology. He served as a Departmental Editor at The Journal of International Business Studies and now serves as an Associate Editor at Strategic Management Journal. He is a Fellow of the Academy of International Business.

Witold has won multiple teaching awards at the graduate and undergraduate levels for his elective courses that highlight the importance of integrating a deep understanding of political and social risk factors into the design of an organization's global strategy. These courses incorporate multiple cases that he has authored as well as capstone KEROVKA crisis management simulation for which he served as the academic director. He led the redesign of the global required course in the Wharton curriculum. He teaches extensively on the topic of 'Corporate Diplomacy: Building Reputations and Relationships with External Stakeholders' in open enrollment and custom executive education programs.

Witold is currently a principal in the political risk management consultancy PRIMA LLC whose recent consulting clients include Anglo Gold Ashanti, Rio Tinto, Lockheed Martin, Shell Corporation, Dundee Precious Metals, Maritime Financial Group, The World Bank, The Inter-American Development Bank and the International Finance Corporation. He previously worked for The International Monetary Fund.

Feedback

I encourage anyone with specific or general questions regarding the course structure, content or discussions to drop by during my office hours or by appointment or to contact me via email or phone. There will be a detailed mid-course evaluation whose results I will present in class. If desired, we can form a quality circle to anonymously gather additional feedback.

1. Conceptual Introduction (Thursday, August 27)

Readings

Browne, John and Robin Nuttal (2013) “Beyond Corporate Social Responsibility: Integrated External Engagement” *McKinsey Quarterly*
Dyer, David, Robin Nuttal and Ellora-Julie Parekh WG’05 (2013) “External Affairs at a Crossroads” *McKinsey Global Survey Results*
Deloitte (2014) “Reputation@Risk”

Discussion Questions

1. Identify a firm that in your opinion mismanaged its external engagement to the detriment of its financial or operational performance in a foreign market (or identify a class of political problems with which firms have difficulty.)
2. What tools from your work experience, other Wharton OR college courses, would you currently use to answer the following questions regarding this firm’s experiences:
 - a. What did the firm not understand?
 - b. What should the firm have done differently?
 - c. Which function of the firm failed its mission?
 - d. Why didn’t they change course?

2-3. Introductory Case: Power Trip or Power Play in the Republic of Georgia (T/Th September 1/3)

Readings

Power Trip or Power Play: AES-Telasi (A) & (B) (Witold J. Henisz and Bennet A. Zelner) [(B) CASE TO BE DISTRIBUTED AFTER CLASS 1st CLASS]

Discussion Questions

1. Did AES-Telasi face substantial policy risks? Why?
2. What strategy did AES adopt to deal with these risks?
3. *How should Scholey adapt his strategy in the (A) case? Why?*

[FOR 2nd Class]

4. What did Scholey and AES-Telasi do differently in the (B) case? Why?
5. What were the strengths and shortcomings of the strategy of Michael Scholey in the (B) case?
6. *What changes to Michael’s strategy(if any) would you recommend that Ignacio Iribarren (Michael Scholey’s successor) implement upon his arrival?*

4. Due Diligence: Stakeholder Mapping Tools (Tuesday, September 8)

Readings

Henisz, Witold (2014) “Due Diligence: Mapping and Analysis of Your Stakeholders”
Henisz, Witold “The GIST of GIST”

Discussion Questions

1. Who were the traditional key political allies and opponents of AES in their overseas operations? What issues did they care about? How important was AES’s success to them?
2. Who were the key political and social allies and opponents of AES-Telasi? What issues did they care about? How important was AES’s success to them?
3. How can stakeholder mapping tool generate additional insight into the AES-Telasi case?

5. Due Diligence: Activist Shareholding in Russia (Thursday, September 10)

Readings

Background

Puffer, S. M. and D. J. McCarthy (2003). "The emergence of corporate governance in Russia." Journal of World Business **38**(4): 284-298.

Case

Dyck, Alexander “The Hermitage Fund: Media and Corporate Governance in Russia” *HBS Case 9-703-010*

Discussion Questions

1. What are the various ways in which managers in Russia extract value out of their companies disproportionate to their equity stakes? Which of these methods are peculiar to Russia?
2. What institutions and mechanisms normally constrain such behavior? Why are they absent in Russia?
3. What is Browder’s strategy? How does it differ from traditional investing? Do you agree with Browder’s contention that media attention limits corporate governance abuses in Russia? Elsewhere? How does the media effect governance?
4. ***If you were an investor in Hermitage in the summer of 2002, what would you advise Bill Browder to do? Should he refine or change his activist strategy?***

6. Due Diligence: Corruption in Indonesian Mining (Tuesday, September 15)

Readings

Background

Corruption and Development (C. Gray & D. Kaufman, Finance & Development, 3/1/98, pp. 7-10)
McLeod Ross H. (2011) “Institutionalized Public Sector Corruption” in in Edward Aspinall and Gerry van Klinken (eds.) *The State and Illegality in Indonesia*, pp. 45-63.

Case Discussion

Busang: River of Gold (A) (HBS Case 9-798-002)

Discussion Questions

1. How does corruption affect the development of the private sector?
2. How is corruption related to the structure of a nation's political institutions?
3. How is corruption related to informal norms within a country?
4. Why is corruption so hard to combat (e.g., why don't stronger penalties for corruption typically make a difference)?
5. How much of an impact would raising public sector wages have?
6. What are the "rules of the game" in Indonesia's mining sector at the time of the case? Has Bre-X played by the rules?
7. Has Bre-X developed relationships in Indonesia? Does it need to? How?
8. ***How should David Walsh respond to Minister Sudjana's announcement? What options are open to him and to Bre-X?***

7. Due Diligence: Reflections on Big Mistakes in Economic Policymaking (Thursday, September 17)

Readings

Can the IMF play Supercop? (James Smalhout, Euromoney, September, 1998, pp. 90-93)
Prevention is more complex than cure (James Smalhout, Euromoney, Sept. 2001, pp. 320-325)
Stinging Critiques of IMF, US Treasury (Chakravarthi Raghavan, Third World Network)
The Insider (Joseph Stiglitz, The New Republic 4/17/2000)
How Did Economists Get it So Wrong (Paul Krugman, The New York Times Magazine 9/6/09
http://www.nytimes.com/2009/09/06/magazine/06Economic-t.html?_r=1&em=&pagewanted=print)

Discussion Questions

1. Who or what was to blame for the depth of the recessions/depressions in Thailand and the rest of East Asia?
2. How was reaction of the International Monetary Fund and the World Bank perceived by lenders, foreign investors, local entrepreneurs, local conglomerates, and local consumers?
3. What parallels exist between the East Asian crisis and the more recent global financial crisis?
4. ***How did the policy reactions to the two crises differ? Why?***

TEAM PAPER PROPOSAL ASSIGNMENT DUE MONDAY, SEPTEMBER 21 9AM

8. Due Diligence: Stakeholder Mapping in a Thai Bankruptcy (Tuesday, September 22)

Readings

Henisz, Witold Thai Petrochemical Industry: Negotiating Debt after the East Asian Crisis (A)

Discussion Questions

1. Identify the key stakeholders in the bankruptcy of Thai Petrochemical
2. Identify the key issues that are a priority or concern for each stakeholder
3. Identify the relative power of each stakeholder and overall importance of each issue
4. Identify the relationships between stakeholders that will influence their reactions to any proposals made on behalf of international creditors
5. ***Based upon your analysis, should creditors undertake a***
 - a. Debt restructuring with Prachai and current TPI management as planner***
 - b. Debt restructuring with an external planner—most likely, Effective Planner, the creditors' steering committee nominee after the disagreements with Prachai***
 - c. strategic partnership with a local company to restructure and manage TPI***
Why or on what would it depend?

9. Due Diligence: Environmental Activism in China (Thursday, September 24)

Reading

Background

Liu, Jianguo and Jared Diamond (2005) "China's Environment in a Globalizing World" *Nature* 435(30):1179-1186

Case Discussion

Lee, Jua, Erica Plambeck and Maria Shao, Ma Jun and the IPE: Using Information to Improve China's Environment (Stanford Case S1115)

Discussion Questions

1. What are the key accomplishments of Ma Jun and the IPE so far? What were the drivers of their success?
2. ***How can Ma Jun increase the impact of his non-profit organization? Will your proposal require Ma Jun to raise more funding and, if so, from whom and how?***
3. What, if any, changes should Ma Jun advocate in China's legal and regulatory systems?

10. Due Diligence: A Practitioner's Perspective (Tuesday, September 29)

Reading

Keefe, Patrick Radden (2013) "Buried Secrets" *New Yorker* July 8.

<http://www.newyorker.com/magazine/2013/07/08/buried-secrets>

Keefe, Patrick Radden (2014) "Two Mining Behemoths Battle an Israeli Billionaire" *New Yorker* June 2 <http://www.newyorker.com/news/news-desk/two-mining-behemoths-battle-an-israeli-billionaire> .

Discussion Questions

In place of an online poll, please post questions to ask of our guest speaker, Steven Fox.

Steven is the founder and CEO of Veracity. He regularly advises business leaders worldwide on political and corruption risk issues in emerging markets with a particular focus on sub-Saharan Africa. He has extensive experience in the mining, energy, and telecommunications sectors and has presented at the World Economic Forum, the World Bank, and the Harvard Business School. Prior to founding Veracity, Steven served as a US diplomat in Burundi, France, Washington, and Algeria. Steven holds degrees from Princeton, Cambridge, and INSEAD, and speaks French.

11. Integration: Making the Business Case (Thursday, October 1)

Readings

Esty, Benjamin (1999) Improved Techniques for Valuing Large-Scale Projects *Journal of Project Finance* Spring 1999.

Miller, Roger & Don Lessard (2000) Chapters 3 & 4 of *The Strategic Management of Large Engineering Projects*.

International Finance Corporation (2014) Financial Valuation Tool for Sustainability Investments User Guide

Discussion Questions

1. How well do traditional models of project valuation inform project management?
2. ***What additional tools or extensions to traditional models of project valuation are needed to incorporate stakeholder due diligence?***

DUE DILIGENCE ASSIGNMENT DUE MONDAY, OCTOBER 5 9AM

12. Integration: Mitigating Political & Social Risks Through Partner Selection & Project Design (Tuesday, October 6)

Readings

Background

Uganda and the Washington Consensus (HBS Case 798-047)

World Commission on Dams, Executive Summary of *Dams and Development* (2000)

Case Discussion

Esty, Benjamin and Aldo Sesia (2005) "International Rivers Network and the Bujagali Dam Project (A) HBS Case 204083

Discussion Questions

- 1) Is the Bujagali Dam project good for the Ugandan people?
- 2) Which part or parties – the Ugandan government, sponsors (AES or Madvhani), financiers (commercial bankers, ECAs, World Bank/IFC), or NGOs (domestic or international) – has the responsibility to protect the health and wellbeing of local Ugandan citizens?
- 3) Should IRN be involved in the Bujagali Dam project?
- 4) ***What should the IRN team do as of early June 2002?***
- 5) ***As an AES executive, what would you do as of June 2002?***
- 6) In the future, would you invite IRN (or other international NGOs) to collaborate in developing new projects? What are the advantages and disadvantages of collaborating with them?

-- FALL BREAK --

NO CLASS ON THURSDAY, OCTOBER 8

13. Integration: Mitigating Expropriation Risks *Ex Ante* or *Ex Post*? (Tuesday, October 13)

Readings

Background

Guasch, J. Luis (2004) Introduction of *Granting and Renegotiation Infrastructure Concessions: Doing it Right*.

Miller, Roger & Don Lessard (2000) Chapter 6 of *The Strategic Management of Large Engineering Projects*.

Case Discussion

Esty, Benjamin & Florian Bitsch (2013) “The Kashagan Production Sharing Agreement (PSA)”
Harvard Business School Case 214083

Discussion Questions

- 1) Why do international oil companies (IOCs) use production sharing agreements (PSAs) to develop oil fields? What are the advantages (and disadvantages) to the IOCs and the host nations, often represented by their national oil companies (NOCs).
- 2) Is contractual flexibility a good idea (e.g. a “flexible” PSA)? What are the arguments for using *ex ante* contractual flexibility versus *ex post* renegotiations as ways to address uncertainty or variability in underlying contractual terms?
- 3) How do you assess the Kashagan PSA in particular? Is the allocation of risks and returns fair to both Kazakhstan and to the international oil companies (IOC’s such as ENI)? Which party is likely to have better information when structuring the contract? Why?
- 4) ***Given recent events and the Kazakh Energy Minister’s request for additional compensation, what if anything should ENI (as the project operator) do as of August 2007? Should ENI renegotiate the PSA and if so, which aspects of the contract? Would you agree to a monetary penalty, a new royalty charge, a change in the “sliding scales” (e.g., for cost oil vs. profit oil, for the profit tax, etc.), or for nothing?***

14. Integration: The Net Present Value of Sustainability (Thursday, October 15)

Readings

Background

Davis, Rachel and Daniel M. Franks et. al. (2014) “Conflict Translated Environmental and Social Risk into Business Costs” *Proceedings of the National Academy of Sciences* **111**(21):7576-7581.

Case Discussion

Henisz, Witold (2012) “Calculating the Net Present Value of Sustainability Initiatives at Newmont’s Ahafo Mine in Ghana (A)”

Discussion Questions

- 1) Where do failure of corporate diplomacy show up on the P/L statement?
- 2) Why has the sustainability budget at Newmont and other major mining companies been increasing over the past decade?
- 3) Using what criteria (i.e., net present value or broader) should the decision be made as to what sustainability initiatives merit funding?
- 4) ***Which of the four initiatives should Newmont fund?*** What are the critical assumptions that go into this calculation that you feel
 - a) are sufficiently justified or established?
 - b) require additional analysis or a stronger evidentiary base to justify?
- 5) What do you think the biggest benefit for an organization would be to the adoption and use of the FVTOOL? What are the most important inputs to realizing this potential gain?

15. Integration: The Performance Management System at Anglo American’s Minas Rio Mine (Tuesday, October 20)

Readings

TBD

Discussion Questions

TBD

16. Personal: Trust and the Social License to Operate (Thursday, October 22)

Readings

Breaking Ground: Engaging Communities in Extractive and Infrastructure Projects (World Resource Institute)
“Social License to Operate,” by Ian Thomson and Robert G. Boutilier, SME Mining Engineering Handbook, Chapter 17.2.

Discussion Questions

1. What are the core elements of community engagement or consent processes designed to obtain and maintain the social license to operate?
2. Do they matter? Why? When?

INTEGRATION ASSIGNMENT DUE MONDAY, OCTOBER 26 9AM

17. Personal & Learning: Stakeholder Roundtables (Tuesday, October 27)

Readings

Corporate Responsibility & Community Engagement at the Tintaya Copper Mine (A)

Discussion Questions

- 1) *Do you believe that the application of the dialogue table and other trust building processes made a difference in the Tintaya mine? Why or why not?*
- 2) Are these processes applicable outside of extractives and infrastructure? Why or why not? If you believe that they are, be ready to provide a specific example in class.

18. Personal & Learning: Negotiating with NGOs at Golden Agri (Thursday, October 29)

Readings

Background

Schein, Edgar (1993) “How Can Organizations Learn Faster? The Challenge of Entering the

Green Room”

Case Discussion

Please review the e-case at <http://nexus.som.yale.edu/goldenagri/>

Using username: GlobalManagement and password: NUS-Yale1.

Discussion Questions

1. What strategy should GAR take in marketing its palm oil?
2. Should GAR maintain its agreements with Greenpeace and The Forest Trust or adopt the lower RSPO or ISPO standard?
3. What position should GAR take in its dealings with the RSPO? with the Indonesian government?
4. How should GAR balance its commitment to no deforestation with maintaining opportunities for small farmers?
5. How should GAR communicate its strategy in regards to the RSPO and the Indonesian government to rural Indonesian communities in which the company operates, the company's investors, and global consumers interested in ethical sourcing?
6. How will your strategy impact the overall palm oil industry's effect on deforestation and economic development?
7. ***How can GAR actually implement the novel strategy you have outlined? Be specific with concrete steps GAR should take that will enhance the likelihood your proposed strategy is adopted internally and supported externally.***

19. Personal & Learning: Negotiating with NGOs at Verlasso (Tuesday, November 3)

Readings

TBD

Discussion Questions

TBD

20. Openness (Thursday, November 5)

Readings

Du Shuili, CB Bhattacharya and Sankar Sen (2010) “Maximizing Business Returns to Corporate Social Responsibility (CSR): The Role of CSR Communication” *International Journal of Management Reviews* pp. 8-19.

Parker, Lucy and Jon Miller “The Prism” Chapter 15 of *Everybody’s Business: The Unlikely Story of How Big Business Can Fix the World*

Discussion Questions

1. What are the elements of a successful communications campaign that reinforces a company’s

strategy, reputation and stakeholder relationships? Give examples of successful and unsuccessful campaigns making reference to the elements you identify.

PERSONAL & LEARNING ASSIGNMENT DUE MONDAY, NOVEMBER 9 9AM

21-22. Openness: Rosia Montana (T/Th, November 10-12)

Readings

Background

Cattaneo, Ben (2009) The New Politics of Natural Resources
Zorilla, Carlos (2009) “Protecting Your Community Against Mining Companies and Other Extractive Industries

Case Discussion

Rosia Montana: Political and Social Risk Management in the Land of Dracula (A) & (B) (Witold Henisz, Sinziana Popa and Tim Gray) [(B) CASE DISTRIBUTED AFTER 1st CLASS]

Discussion Questions

1. Is the Rosia Montana mine a financially viable investment project?
2. Does the Rosia Montana mine have political and social support? From whom?
3. Given the political, economic and social environment in Romania in the mid-1990s, did Gabriel Resources management teams follow a well-designed strategy for the exploitation of the mine in the (A) case? Why or why not?
4. *Imagine you are an NGO activist seeking to derail the project. Outline your strategy.*

For 2nd Class:

5. What did Alan Hill and his management team do differently in the (B) case?
 - a. Do you agree with these changes? Why or why not?
 - b. What reactions did these changes elicit? Were these intended or unintended? Explain.
6. *How could Alan Hill's strategy as described in the (B) case be improved? Explain.*

23. Mindsets of Extractives Multinationals in Emerging Markets (Tuesday, November 17)

Reading

The Octopus and the Generals: The United Fruit Company in Guatemala (HBS Case 9-805-146)

Discussion Questions

1. It's 1951, you are Jacobo Arbenz and want to develop your country: what are your options?
2. Do you think Guatemala would have been better without United Fruit?
3. Was it worth it for the United States to intervene in Guatemala? What was at stake? What did the US gain? What would it have lost by allowing Arbenz to remain in power?

4. Why did United Fruit face so much hostility in Guatemala despite creating jobs, building infrastructure, and creating a successful export industry?
5. What would have permitted a better development of a capitalist economy in Guatemala: United Fruit's operations, or the agrarian reform?
 - ➔ Or, was United Fruit permitting the development of Guatemalan entrepreneurs?
 - ➔ Or was this more possible with land distribution?
6. *Do multinationals spread Western values like equality, democracy and the rule of law?*

24. Mindsets at IKEA (Thursday, November 19)

Readings

Background

Hertel, S. (2010). "The Paradox of Partnership: Assessing New Forms of NGO Advocacy on Labor Rights." *Ethics & International Affairs* 24(2): 171-189.

The Political Economy of Child Labor and its Impacts on International Business (S.L. Bachman, Business Economics, July 2000, pp. 30-41)

Case

IKEA's Global Sourcing Challenge: Indian Rugs and Child Labor (A) (HBS Case 9-906-414)

Discussion Questions

1. What are the drivers of the use of child labor?
2. What are the risks involved for IKEA in its treatment of child labor issues?
3. How should IKEA respond to the accusations leveled against it?
4. How should IKEA manage its policies with regard to child labor?
5. *Should IKEA sign on to Rugmark?*
6. *How should they deal with Rangan?*

25. Mindsets at Choppies (Tuesday, November 24)

Readings

Background

Robinson, James A, Daron Acemoglu, and Simon Johnson. 2003. "An African Success Story: Botswana." In *In Search of Prosperity: Analytic Narratives on Economic Growth*, edited by Dani Rodrik, 80-119. Princeton: Princeton University Press.

Sebudubudu, David and Bugalo Maripe (2013) "Electoral Competition in Botswana: Is the Playing Field Level?" *Journal of African Elections* 12(3):6-24

Case Discussion

Abrami, Regina (2015) "Navigating Choppy Waters in Botswanan and Southern African Retailing"

Discussion Questions

1. Is the reputation of Botswana as an island of good governance in Africa deserved?
2. Is the national and regional expansion of Choppies an emerging market success story?
3. *What are the drivers of Choppies success in Botswana? Can they be replicated regionally?*

OPENNESS & MINDSETS ASSIGNMENT DUE MONDAY, NOVEMBER 30 9AM

26. Summary Case & Simulation Prep (Tuesday, December 1)

Readings

Case Discussion

Abraaj Capital and the Karachi Electric Supply Company (HBS Case N9-812-019)

Discussion Questions

1. Consider the comparison between the performance of Karachi Electric Supply Company and AES-Telasi. To what do you attribute these differences?
2. Which elements of Corporate DIPLOMacy has Abraaj Capital deployed in its investment in Karachi Electric Supply Company? How did these help to improve performance?
3. *What, if any, elements of the Corporate DIPLOMacy framework are still missing from Abraaj's strategy for KESC? How should they be incorporated?*
4. Are there additional important drivers of the performance of Karachi Electric Supply Company?

27/28. KEROVKA Crisis Management Simulation, Debrief & Course Wrap-up (Th/T, December 3/8)

Readings

Simulation

SG Energy Shale Gas Operation Kerovka, Tazakstan Briefing Document

Course Wrap-Up

Mastering Management (Stephen Kobrin, Financial Times, 3/15/96, p. 13)

Henisz, Witold J. (2014) "Why Firms Underinvest in Public Relations" *European Financial Review* August 20 <http://www.europeanfinancialreview.com/?p=3039>

Discussion Questions

Simulation

To be distributed after the simulation

Wrap-up

1. What are your most important takeaways from the course?
2. What lessons, frameworks or tools are you most likely to remember and use?
3. What lessons, frameworks or tools do you feel the course needs to incorporate or expand upon?

FINAL TEAM PAPERS DUE MONDAY, DECEMBER 14 12PM