



MGMT 720: Corporate Diplomacy

Fall 2017

*FINAL SYLLABUS (August 24, 2017)*

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**Course Objectives:**

Are you well prepared to analyze and manage business challenges and competitive threats that emanate from the political and social environment? For example, what should you or the management team you are consulting for or investing in 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 criticizing your operations or brand? 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, consultants and investors (e.g., institutional investors, sovereign wealth funds and private equity funds) 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 draws on research and practice in stakeholder management, the political economy of emerging market development, project finance, project management, organizational behavior, communications, negotiations and organizational culture striving to integrate these perspectives via quantitative analysis wherever possible. 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.

Prospective managers, consultants, analysts and investors each will benefit from the insights gained on the process of continually improving stakeholder engagement, reinforcing 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.

## **Course Policies**

### *Attendance*

Attendance is an important aspect of the Wharton commitment. Wharton students are admitted in part because of the experiences they bring to the community and what they can add to class discussions. Without attending, learning as a collaborative process cannot exist. Accordingly, absences are only appropriate in cases of personal emergency. In addition, late arrival is disruptive to the learning environment and promptness is expected.

As part of the effort to insure adherence to this policy, I will use WhartonConnect to take attendance.

### *Concert Rules and Electronics*

Please follow “Concert Rules” for the course. That is,

- Class starts and ends exactly on time. Students and faculty are expected to be prompt.
- Students sit according to a seating chart (that will be set the first day of class).
- Students remain in attendance for the duration of class, except in an emergency.
- Students display name tents.
- Phones must be turned off and put away. For an exception for a personal emergency, please inform the instructor.
- Laptops and tablets are not allowed unless for the educational purposes of note taking, responding to in-course polls, referencing course readings or, as needed for in-class exercises.

Students not adhering to these policies are subject to penalty in their participation grade. Students repeatedly in violation may be asked to withdraw from the course.

## **Text and Readings**

Background and focal readings are provided in a bulk pack via Study.net available through the Canvas coursepage. Some readings (e.g., the latter parts of a multi-part teaching case) are added to Canvas after class begins. Role-specific information for our multi-part roleplay will be distributed to team folders specific to those roles to which you will be randomly assigned in Canvas.

## **Ethics**

Please note that any quotations of longer than a phrase must be explicitly noted in the text of your assignments. Insufficient attribution to extended quotations from external sources may result in grade penalties up to a failing grade in course as well as formal charges of plagiarism to the office of student conduct. If you have any questions on policy, see text

[http://gethelp.library.upenn.edu/port/documentation/plagiarism\\_policy.html](http://gethelp.library.upenn.edu/port/documentation/plagiarism_policy.html).

As part of the effort to insure adherence to this policy, assignments will be submitted through TurnItIn for verification of originality. Instructions can be found at the top of each assignment on Canvas.

Students may and are encouraged to discuss readings and their responses to discussion sections outside of class but all polls and written assignments are to be completed independently with the exception of the team research paper for which team members may collaborate as they see fit.

## **Faculty Lunches**

I am available for numerous student-faculty lunches for which you may sign up on Canvas. Some of these lunches will include the day’s guest speaker.

## **Assessment and Grading: Attendance, Participation, Assignments and Research Paper**

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 (5%)
- (3) A 25-30 page team paper assignment whose grade constitutes 45% of the course grade but is divided into individual (25%) and group (20%) 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 for one or more strategies
    - iv. A ~5 page discussion and analysis of openness elements for one or more strategies
  - b. Group evaluation (the team collectively submits each of the following which together count for 20% of each team member's course grade)
    - i. A 3-5 page paper proposal (5%)
    - ii. A final paper submission that integrates and extends the prior submissions and responds to feedback received (15% but can be distributed unevenly across team members based on the relative strength of their revised —componentll)
- (4) Team (Randomly assigned teams of 4 members) simulation score (10%)
- (5) Two peer review of individual assignments (2 X 5% = 10%)

There is no midterm or final exam for the course.

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. If you answer the poll, you may be called upon to justify your answer. We will also employ additional in-class polls, 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. More thorough outlines elicit more helpful feedback. At a minimum, each outline should include

- 1 Key information on context
- 2 two or more strategic choices that will be the focus of your analysis
- 3 a preliminary stakeholder roster
- 4 a preliminary list of the largest revenue or cost drivers influenced by stakeholders

- 5 a preliminary list of factors that negatively (or positively) impact trust building with stakeholders
  - 6 a preliminary list of communications messages, targets and ideas to maximize the likelihood that the message is received by the target
  - 7 The identification and allocation of team members to the various elements of the paper. NB: For teams of more than four people, up to two team members may submit Due Diligence and Integration assignments. In such cases, the range of strategic options should be 4-6 instead of 2-3 with each team member analyzing the stakeholder environment and financial implications of 2-3 strategies. The Personal Trust Building and Openness sections and the final paper may focus on the ‘best’ 2-3 strategies overall.
    - a Due Diligence
    - b Integration
    - c Personal Trust Building
    - d Openness
- b. Nine basic components should be found in the final 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 the four emboldened components below are separately graded as individual assignments. Each of these four components of the group paper will be submitted through TurnItIn for originality checking. Instructions can be found at the top of each Assignment description on Canvas.

- 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. Use the SASB materiality map <https://www.sasb.org/materiality/sasb-materiality-map/> to identify relevant risks and, if possible, accounting metrics that for this project or comparables allow you to quantify estimates of direct short-term costs and benefits as well as longer-term costs avoided, risks mitigated (i.e., reduced likelihood and/or severity), revenues generated or opportunities promoted. This assessment should culminate in a specific actionable recommendation as to which strategy will be implemented in the second half of the team paper and an attempt to identify the key assumptions or contingencies that impact this recommendation (i.e., sensitivity analysis). 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 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 11 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.

(5) Each student will be asked to assess the individual submission of two peers. Each peer evaluation will constitute 5% of your grade for a total of 10%. These assignments will be made on components of the paper that you do **not** have responsibility for on your own team. In this manner you will have responsibility for writing or give feedback on three of the key elements of each paper. Strong peer reviews for the four components provide constructive feedback on the following points

- Due diligence
  - 1) Completeness of the stakeholder and issue rosters and suggestions for additions
  - 2) The parameterization of the stakeholder and issue data (i.e., relative power of stakeholders, their issue prioritization and the linkages between stakeholders and issues)
  - 3) Feedback on the strategic options chosen particularly with regard to whether they constitute the best set of mutually exclusive options
- Integration
  - 1) the revenue and cost estimates of various stakeholder (in)actions and the data provided to justify them; and
  - 2) the scenario probabilities and the data provided to justify them
- Personal
  - 1) Identification of trust barriers
  - 2) Feasibility of overcoming these trust barriers using mechanisms identified
  - 3) Suggestions on alternative or additional trust building mechanisms
- Openness
  - 1) Feedback on efficacy of message and likelihood target will receive it
  - 2) Feedback on whether strategy fulfills 5Ps
  - 3) Suggestions for additional communication strategies

### **Assignments and Due Dates**

Monday, September 18 9am - Team Paper Proposal

NB: Each individual member of a team will submit one of the following assignments based on the sign-up sheet in Canvas and evaluate two of peer assignments of different types as assigned on Canvas

Monday, October 2 9am – Due Diligence

Tuesday, October 10 Noon - Peer Feedback on Due Diligence

Monday, October 23 9am - Integration Assignment

Tuesday, October 30 12pm - Peer Feedback on Integration

Wednesday, November 1 9am - Personal Assignment

Thursday, November 9 12pm - Peer Feedback on Personal

Monday, November 27 9am - Openness

Tuesday, December 5 12pm - Peer Feedback on Openness

Tuesday, December 5 In-Class -Simulation

Monday, December 18 12pm - Final Team Paper

Over the course of the semester – A minimum of one best practice post and two comments on peers posts

## **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.

## **Research Tools**

Resources to aid you with your background research include

- ✦ Country-level
  - ⑩ [World Economic Forum Global Competitiveness Report](#)
  - ⑩ [Economist Intelligence Unit Country Reports](#)
  - ⑩ World Bank
  - ⑩ [Doing Business Guides](#)
  - ⑩ [Business Environment](#)
  - ⑩ [Investing Across Borders](#)
  - ⑩ [Enterprise Surveys](#)
  - ⑩ [Private Sector Data](#)
  - ⑩ [Governance Indicators](#)
  - ⑩ [United Nations](#)
  - ⑩ [World Investment Report](#)
  - ⑩ [Investment Prospects](#)
  - ⑩ [Transparency International Corruption Perceptions](#)
  - ⑩ [Business Monitor International](#)
  - ⑩ [CIA World Factbook](#)
  - ⑩ [Heritage Institute Index of Economic Freedom](#)
  - ⑩ [IHS Global Insight](#)
  - ⑩ [ISI emerging markets](#)
  - ⑩ [Factiva](#)
- ✦ Industry- and Firm-level
  - ⑩ [Business Monitor International](#)
  - ⑩ [Euromonitor](#)
  - ⑩ [Orbis \(includes Datamonitor\)](#)
  - ⑩ [EBSCO Business Source Complete](#)
  - ⑩ [ISI emerging markets](#)
  - ⑩ [Factiva](#)
  - ⑩ [PROMT](#)
  - ⑩ [Proquest Annual Reports](#)

For more detail, see the online research guide prepared by the staff of Lippincott Library specifically for this course which is accessible via Canvas. The author of the guide Marcella Barnhart (Director, Lippincott Library) is available for consultations with your team to help improve your research capability. Contact her at [bmarcell@wharton.upenn.edu](mailto:bmarcell@wharton.upenn.edu)

## 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 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.

## Course 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 the fictitious country of Equatania, 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, and a gold mine in Ghana;
- Personal trust building and Learning in Peruvian mining and in a return to the fictitious country of Equatania for two days of role-playing negotiations
- Openness in reporting and communications in a series of high-profile contemporary disputes ripped from the headlines and in Romanian gold mining;
- Mindsets in 1950s Guatemalan banana plantations, IKEA as they grapple with accusation of Indian child labor, in a Botswanan supermarket chain managed by Indians and in an iron ore mine in Brazil.

We then seek to integrate these tools

- First, through a conversation with a guest speaker whose career includes thirty years as a senior partner at McKinsey, a stint as strategic advisor to Prime Minister Tony Blair, work for former Secretary of State Madeline Albright in the consultancy Albright-Stonebridge to his current role as United States Managing Partner of the strategic corporate relations consultancy the Brunswick Group while also serving on the Board of the Royal Shakespeare Company and TeachFirst.
- Next, by returning to electricity distribution through private equity investor Abraaj Capital's investment in the Karachi Electricity Supply Company.
- Finally, by competing in teams in a computer-based crisis management simulation custom designed as the capstone experience (and evaluation) 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.

## 1. Conceptual Introduction (Tuesday, August 29)

### Readings

Browne, John and Robin Nuttal (2013) —Beyond Corporate Social Responsibility: Integrated External Engagementl *McKinsey Quarterly*  
Deloitte (2017) —2030 Purpose: Good Business and a Better Futurel

### 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 stakeholders or issues did the firms ignore or underweight?
  - b. How did these stakeholders or issues negatively impact the financial or operational performance of the firm? Be specific as to unexpected costs incurred or revenues foregone.
  - c. How could the firm have earned the trust of these stakeholders?
  - d. How could the firm have communicated its (revised) strategy to these and other stakeholders?
  - e. Which function of the firm is responsible for the failure?
  - f. Why didn't the firm do more sooner?

## 2-3. Introductory Case: Power Trip or Power Play in the Republic of Georgia (Th/T Aug 31/Sept 5)

### Readings

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

### Discussion Questions

1. What stakeholders were supportive or opposed to AES' ownership and operations?
2. On the basis on what Issues?
3. What were the major differences in the stakeholder environment of Georgia as compared to the dozens of other countries in which AES had operated?
4. How did they negatively impact the financial and operational performance of AES-Telasi?
5. How should Scholey adapt his strategy in the (A) case? Why?

### **[FOR 2<sup>nd</sup> Class]**

6. What were the strengths of Scholey's revised strategy in the (B) case?
7. What were the weaknesses of Scholey's revised strategy in the (B) case?
8. 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 (Thursday, September 7)

##### Readings

###### *Background*

Henisz, Witold (2014) —Due Diligence: Mapping and Analysis of Your Stakeholders

Henisz, Witold —The GIST of GIST

###### *Case Discussion*

Ganson, Brian and Kate Kopischke (2016) —Equatania Background Materials

##### Discussion Questions

1. How would you describe Equatania?
  - a. To a journalist or traveler
  - b. To a C-level executive considering investing \$1b in the country
2. What questions would you ask of key stakeholders if you were asked by that executive to build a stakeholder map?

#### 5. Due Diligence: Activist Shareholding in Russia (Tuesday, September 12)

##### 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, particularly those that are peculiar to Russia as compared to the US, in which managers in Russia extract value out of their companies disproportionate to their equity stakes?
2. What institutions and mechanisms normally constrain such behavior?
3. Why don't these work in Russia?
4. 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 in Russia? What is the mechanism that disciplines managers?
5. 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 (Thursday, September 14)

### 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?

## TEAM PAPER PROPOSAL ASSIGNMENT DUE MONDAY, SEPTEMBER 18 9AM

## 7. Due Diligence: Stakeholder Mapping in a Thai Bankruptcy (Tuesday, September 19)

### 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?

## 8. Due Diligence: Environmental Activism in China (Thursday, September 21)

### 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 SII15)

### 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?

## 9. Due Diligence: A Practitioner's Perspective (Tuesday, September 26)

### Reading

#### *Background*

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-israelibillionaire> .

#### *Case*

Veracity Caselets

### 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.

## 10. Integration: Making the Business Case (Thursday, September 28)

### 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 2 9AM.**

## 11. Integration: Mitigating Political & Social Risks Through Partner Selection & Project Design (Tuesday, October 3)

### 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 5

PEER FEEDBACK ON DUE DILIGENCE ASSIGNMENT DUE TUESDAY, OCTOBER 10  
NOON

**12. Integration: Mitigating Expropriation Risks *Ex Ante* or *Ex Post*? (Tuesday, October 10)**

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) Should investors support contractual flexibility (e.g. a —flexible PSA)? What are the arguments for using *ex ante* contractual flexibility as ways to address uncertainty or variability in underlying contractual terms as compared to more rigid commitments?
- 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?

### 13. Integration: The Net Present Value of Sustainability (Thursday, October 12)

#### 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.  
Henisz, Witold J. (2016) The Costs and Benefits of Calculating the Net Present Value of Corporate Diplomacy *Field Action Science Reports* pp. 82-85.

##### *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?

## **14. Personal & Learning: Trust, the Social License and Stakeholder Roundtables (Tuesday, October 16)**

### *Background*

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.

### *Case Discussion*

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

### 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?
3. What are the keys to success in developing trust and the social license? What are common mistakes?
4. 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?

## **15/16. Personal & Learning: Negotiating in Equatania (Thursday/Tuesday, October 19/24)**

### Readings

#### *Background*

Review previously distributed content on Equatania

#### *Case Discussion*

Role-specific handouts

### Discussion Questions

Prepare yourself for a multi-player negotiations role play. On Day 1, you will meet other stakeholders four weeks after the mudslide and each of you will decide, on the basis of your interactions, whether you will proceed with the dialogue. On Day 2, regardless of the outcome of your Day 1 negotiations, you will meet to try to make progress on some of the difficult questions regarding compensation and relocation. Each class will include a brief introduction, 45-50 minutes of multi-player role-play negotiations and 20-30 minutes of discussion.

**INTEGRATION ASSIGNMENT DUE MONDAY, OCTOBER 23 9AM**

## 17. Openness (Thursday, October 26)

### Readings

#### *Background*

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*

#### *Case Discussion*

An online dossier regarding an activist campaign against a company or industry will be provided on Canvas.

### 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.
2. Please explore the various articles, webpages, videos and social media content provided in Canvas and be prepared for an in-class roleplay covering the questions of whether the firm has done enough, what it could do better and how it might overcome senior management skepticism of the need to shift strategy.

**PEER FEEDBACK ON INTEGRATION ASSIGNMENT DUE TUESDAY, OCTOBER 30 12PM**

## 18/19. Openness: Rosia Montana (Tuesday/Thursday, October 31 /November 2)

### Readings

#### *Background*

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 1<sup>st</sup> 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. Give one brief example of a tactic the NGO opposition might use to stop the momentum of Gabriel Resources. Highlight the target (i.e., whose opinion are you trying to change), the message (i.e., what is the message you want the target to receive) and the “hook” (i.e., how will you get them to notice it amidst all the messages and demands on their time)

#### *For 2<sup>nd</sup> 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. Give one brief example of a tactic a new management team might use to stop the momentum of the opposition. Highlight the target (i.e., whose opinion are you trying to change), the message (i.e., what is the message you want the target to receive) and the “hook” (i.e., how will you get them to notice it amidst all the messages and demands on their time).

**PERSONAL ASSIGNMENT DUE WEDNESDAY, NOVEMBER 1 9AM**

## 20. Mindsets of Extractives Multinationals in Emerging Markets (Tuesday, November 7)

### 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. Under what conditions are multinational corporations an impetus for positive change in frontier markets?

## PEER FEEDBACK ON PERSONAL ASSIGNMENT DUE THURSDAY, NOVEMBER 9 12PM

## 21. Mindsets at Choppies (Thursday, November 9)

### 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 Botswana and Southern African Retailing

### Discussion Questions

1. Is the reputation of Botswana as an island of good governance in Africa deserved? Is Botswana a Miracle or a Mirage?
2. Is the national and regional expansion of Choppies an emerging market success story? Is Choppies making Botswana better or worse?

## 22. Mindsets at IKEA (Tuesday, November 14)

### 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?

## 23. Mindsets at Minas Rio (Thursday, November 16)

### Readings

#### *Background*

Nadler, David A. & Michael L. Tushman —A Model for Diagnosing Organizational Behavior: Applying a congruence perspective.

#### *Case*

Henisz, Witold J. and Bennet A. Zelner —Designing and Implementing an Integrated Project Management System at Minas-Rio (A)

### Discussion Questions

Use the Nadler & Tushman reading, frameworks from other relevant classes, and your own experience with organizational change to develop specific suggestions for ensuring the implementation and strategic use of the PMO and ELO data at Minas Rio. Be specific in your recommendations with regard to the following items.

1. The characteristics of the individuals needed for the team
2. The tasks for which the team members will be responsible
3. The formal organizational structure in which the team members will operate
4. The informal culture that will reinforce the desired behaviors
5. The means to ensure —fit across these organizational elements

**NO CLASS TUESDAY, NOVEMBER 21 & THURSDAY NOVEMBER 23**

**OPENNESS ASSIGNMENT DUE MONDAY, NOVEMBER 27 9AM**

**24. Mindsets and the Mosaic Principle (Tuesday, November 28)**

Readings

Lovegrove, Nick and Matthew Thomas (2013) —Triple Strength Leadership| *Harvard Business Review* **Reprint R1309B**

Lovegrove, Nick (2016) —The Saint and the Sinner: The Six Dimensions of the Mosaic Principle| Chapter 1 of *The Mosaic Principle* (Public Affairs: New York)

Discussion Questions

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

Nick Lovegrove is a veteran consultant, executive coach, and writer. He is currently the US managing partner of the Brunswick Group, a global corporate advisory firm. He previously spent more than thirty years of his career at McKinsey & Company, where he became a senior partner in the London Office, and then the managing partner of the Washington, DC Office. He took time out of his McKinsey career to serve as a strategic advisor to British prime minister Tony Blair; and he has worked with multiple organizations in the business, government and non-profit sectors. Nick has been a senior fellow at Harvard University's John F. Kennedy School of Government; a senior fellow in the Global Economy program of the Brookings Institution; and a visiting lecturer at Oxford University's Blavatnik School of Government. He is a graduate of Oxford and Harvard universities, and has an MBA from INSEAD in France.

**25. Summary Case & Simulation Prep (Thursday, November 30)**

Readings

*Background*

Henisz, Witold J. (2017) Pakistan Background Note

*Case Discussion*

Henisz, Witold J. (2016) Abraaj Group's Integration of ESG Policies into the Turnaround of K-Electric (A)

Discussion Questions

1. Consider the comparison between the performance of AES-Telasi and KE. To what do you attribute the difference? Can you relate it to Corporate Diplomacy?
2. What, if any, elements of the Corporate DIPLOMACY framework are still missing or relatively weak in Abraaj's strategy for KESC? How should they be incorporated or strengthened?

**PEER FEEDBACK ON OPENNESS ASSIGNMENT DUE TUESDAY, DECEMBER 5 12PM**

**26/27. KEROVKA Crisis Management Simulation, Debrief & Course Wrap-up (T/Th, December 5/7)**

Readings

*Simulation*

SG Energy Shale Gas Operation Kerovka, Tazakstan Briefing Document

*Course Wrap-Up*

Kobrin, Stephen J. (2017) —Bricks and Mortar in a Borderless World: Globalization, the Backlash and the Multinational Enterprise. | *Global Strategy Journal* **7: 159-171**

Henisz, Witold J. (2016) 12 Pitfalls to Avoid on the Path to Managing Reputational Risks IESE Insights

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 18 12PM**