



**MGMT 720: Corporate Diplomacy**

**Spring 2019**

***DRAFT SYLLABUS (October 30, 2018)***

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**Course Objectives:**

How well do you perceive the capitalist system to be working? What are the perceptions of your last and (likely) next employer's stakeholders on this question? How well do you and they perceive democracy to be working? What is behind the populist threat to democracies and capitalism? How can and should managers, consultants, analysts, creditors and investors respond to this threat?

What can one do when a government official turns against a firm in order to gain political advantage? What should you or the management team you are consulting for or financing do to dissuade or counter critics armed with a camera phone and a YouTube account who challenge the legitimacy or fairness of a firm's business practices? How can one counter 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 a firm's operations or brand? Unexpected political shifts, lone individuals and small activist groups have done extensive damage to the reputations — and value — of corporations in recent years. And yet most companies, advisors and financiers don't plan for, or think strategically about, investing in building the kinds of relationships with community leaders, governments, NGOs, and other key stakeholders that can help them avoid such crises and, when necessary, draw upon a 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 at the level of firm strategy but with implications for the stability of the economic and political system in which a firm operates. It draws on research and practice in stakeholder management, the political economy of emerging market development, project finance, project management, organizational behavior, negotiations, communications, and organizational culture. It strives to integrate these perspectives into a practical toolkit we will use in class and you can use throughout your careers. 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 as well as for the viability of capitalism and democracies in this era of populist backlash.

Prospective managers, consultants, analysts, creditors and investors each will benefit from the insights gained on the process of continually improving stakeholder engagement, calculating the return on that 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 to be opened in class except for during in-class exercises and break-outs when they may be used to reference readings, work on assigned software or respond to polls.

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 attendance, participation in online polling, constructive engagement in class discussions (35%)
- (2) 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 —component)
- (3) Team (Randomly assigned teams of 4 members) simulation score (10%)
- (4) Two peer reviews of individual assignments (2 X 5% = 10%)

There is no midterm or final exam for the course.

These four 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) 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 or the HBR spreadsheets. 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 tools from the ‘Breaking Ground’ reading and in-class discussion thereof; and**
  - b) **Mechanisms to effectively communicate the goals, design and implementation of the initiative to external and internal stakeholders including the messenger, target, message content and message salience as well as risks associated with perceptions of manipulation or propaganda.**
- 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.

- (3) 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.
- (4) 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, February 25, 12pm – Due Diligence

Monday, March 11, 12pm - Peer Feedback on Due Diligence

Monday, March 18, 12pm - Integration Assignment

Monday, March 25, 12pm - Peer Feedback on Integration

Monday, April 1 12pm - Personal Assignment

Monday, April 8 12pm - Peer Feedback on Personal

Wednesday, April 17 12pm - Openness

Wednesday, April 24 12pm - Peer Feedback on Openness

Wednesday, May 29 In-Class -Simulation

Friday, May 10 12pm - Final Team Paper

### **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 are compiled in an online [research guide](#) prepared by the staff of Lippincott Library specifically for this course. 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' 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, Calvert Funds (Eaton Vance), EY, 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 the strategic importance of Corporate Diplomacy both at the firm- and system-level offering 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, a Chinese environmentalist, an Indonesian gold mining company, creditors in a Thai bankruptcy, and in an in-class exercise, in the fictitious country of Equatania,;
- Integration into strategic analysis and planning in the financing of a North American Pipeline, the establishment of a quant fund, and, in a 2-part in-class exercise, in 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 the approach to dealing with political and social issues at IKEA, in a series of headlines of CEO activism as well in under-the-radar efforts at corporate propaganda before turning to a 2-part role-play set in a Romanian gold mine in Transylvania;
- Mindsets in Unilever, in a Botswanan supermarket chain managed by Indians, in Uber and in an iron ore mine in Brazil.

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.
- 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 (Wednesday, January 16)

### Readings

- Fink, Larry (2018) Letter to CEOs: [A Sense of Purpose](#)
- Kessler, Andy (2018) Stocks Weren't Made for Social Climbing *Wall Street Journal* 1/21/18
- Wolf, Martin (2017) Capitalism and Democracy: The Odd Couple *Financial Times* 9/19/17
- Reich, Robert (2009) How Capitalism is Killing Democracy *Foreign Policy* 10/12/09
- Dalio, Ray (2017) [Populism: The Phenomenon](#) 3/22/17 ONLY pp. 1-3 required
- Chipman, John (2018) Why Your Company Needs a Foreign Policy: Multinationals Must Address Growing Geopolitical Volatility *Harvard Business Review* **R1609B-PDF-ENG**
- Browne, John and Robin Nuttal (2013) —Beyond Corporate Social Responsibility: Integrated External Engagement *McKinsey Quarterly*
- Sampson, Rachelle & Witold J Henisz (2018) Redesigning Management Education for the Long-Term *Stanford Social Innovation Review* 9/25/18

### Discussion Questions

1. How well do you think capitalism is working?
2. Do the stakeholders of your last and (likely) next employer agree?
3. How well do you think democracy is working?
4. Do the stakeholders of your last and (likely) next employer agree?
5. What is driving the populist backlash against capitalism and democracy?
6. How can and should managers, consultants, analysts, creditors and investors respond to this threat?

## 2-3. Introductory Case: Power Trip or Power Play in the Republic of Georgia (W/M January 23-28)

### Readings

- Henisz, Witold J. & Bennet A. Zelner (2006) Power Trip or Power Play: AES-Telasi (A) & (B) [(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 previously operated?
4. How did these differences 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 and weaknesses of Scholey's revised strategy in the (B) case?
7. What changes to Michael's strategy (if any) would you recommend that Ignacio Iribarren (Michael Scholey's successor) implement upon his arrival?
8. Did Mike & Ignacio influence the efficacy of the Georgian economic and political system? How?

#### **4. Due Diligence: Activist Shareholding in Russia (Wednesday, January 30)**

##### Readings

Dyck, Alexander (2002) 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. Did Bill Browder influence the efficacy of the Russian economic and political system? How?

#### **5. Due Diligence: Environmental Activism in China (Monday, February 4)**

##### 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 (2009) Ma Jun and the IPE: Using Information to Improve China's Environment (Stanford Case SI115)

##### 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? Whom should he target? From whom should he raise funds?
3. What, if any, changes should Ma Jun advocate in China's legal and regulatory systems?
4. Did Ma Jun influence the efficacy of the Chinese economic and political system? How?

## 6. Due Diligence: Corruption in Indonesian Mining (Wednesday, February 6)

### Readings

#### *Background*

Gray C. & D. Kaufman (1998) Corruption and Development *Finance & Development*, March, 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*

Bell, Jeffrey, Christine Dinh-Tan, Philip Purnama & Debora Spar (1997) *Busang: River of Gold (A)* (HBS Case 9-798-002)

### Discussion Questions

1. How does corruption affect the development of the private sector?
2. Why is corruption so hard to combat?
3. 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?
4. Has Bre-X developed relationships in Indonesia? Does it need to? How?
5. How should David Walsh respond to Minister Sudjana's announcement? What options are open to him and to Bre-X?
6. Did David Walsh contribute to the efficacy of the Indonesian economic and political system? How?

## 7. Due Diligence: Stakeholder Mapping in a Thai Bankruptcy (Monday, February 11)

### Readings

Henisz, Witold (2007) *Thai Petrochemical Industry: Negotiating Debt after the East Asian Crisis (A)*

### Discussion Questions

1. Based upon your analysis of the stakeholder environment faced by Western creditors in Thailand, should they 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 TPIWhy or on what would it depend?
2. Did western creditors and Prachai influence the efficacy of the Thai economic and political system? How?

## 8. Due Diligence: Stakeholder Mapping Tools (Wednesday, February 13)

### 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?

## TEAM PAPER PROPOSAL ASSIGNMENT DUE MONDAY, FEBRUARY 18 12PM

## 9. Integration: Making the Business Case (Monday, February 18)

### Readings

Dorobantu, Sinziana & Dennis Flemming (2017) It Has Never Been More Important for Big Companies to Listen to Local Communities *Harvard Business Review*

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.

Dorobantu, Sinziana & Ingo Walter (2018) The Dakota Access Pipeline Project INSEAD case **03-2018-6379**

### Discussion Questions

1. Which stakeholders supported and opposed the project?
2. Given this stakeholder landscape, assess DAPL's regulatory approval and stakeholder engagement strategies. Would you have done anything differently? Why?
3. Use the information provided in the case to estimate the costs associated with the delays in the construction of the pipeline. Keeping these realized costs in mind, how much would it have been responsible for a project sponsor to spend on their regulatory approval and stakeholder engagement strategies? Why didn't they spend this amount?
4. Why are major projects typically caught off-guard by these stakeholder and regulatory challenges which systematically contribute to cost escalations and project delays?
5. Did DAPL contribute to the efficacy of capitalism and democracy in the United States? How?

## 10. Integration: From Values to Value in ESG Investing? (Wednesday, February 20)

### Readings

Serafeim, George, Shannon Gombos & Rebecca Henderson (2017) Omar Selim: Building a Values-Based Asset Management Firm (A) HBS Case **9-115-021**

### Discussion Questions

1. Would you recommend to Omar that he leaves Barclays to set up Arabesque as a separate entity? Why or why not?
2. Is Arabesque's process driven by social values or by economic value?
3. How could Arabesque succeed?
4. Did Omar contribute to the efficacy of capitalism and democracy? How?

## DUE DILIGENCE ASSIGNMENT DUE MONDAY, FEBRUARY 25 12PM.

## 11-12. Integration: The Net Present Value of Sustainability (Monday, February 25)

### Readings

#### *Background*

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

Whelan, Tensie, Bruno Zappa, Rodrigo Zeidan & Greg Fishbein (2017) How to Quantify Sustainability's Impact on Your Bottom Line *Harvard Business Review* **H03VY5**

International Finance Corporation (2014) Financial Valuation Tool for Sustainability Investments <https://www.fvtool.com/downloads/user-guide-april2014.pdf>

#### *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 failures of corporate diplomacy show up on the P/L statement?
- 2) Why has the sustainability budget at major mining companies been increasing?
- 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 or the spreadsheets offered in companion to the Whelan et. al article?
- 6) Did Newmont contribute to the efficacy of the Ghanaian economic and political system? How?

## **PEER FEEDBACK ON DUE DILIGENCE ASSIGNMENT DUE MONDAY, MARCH 11 12PM**

### **13. Personal & Learning: Trust, the Social License and Stakeholder Roundtables (Monday, March 11)**

#### *Background*

World Resources Institute (2009) Breaking Ground: Engaging Communities in Extractive and Infrastructure Projects.

#### *Case Discussion*

Rangan, V. Kasturi (2012) Corporate Responsibility & Community Engagement at the Tintaya Copper Mine (A) HBS Case 9-506-023

#### 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?
5. Did BHP contribute to the efficacy of the Peruvian economic and political system? How?

### **14-15. Personal & Learning: Negotiating in Equatania (Wednesday-Monday, March 13-18)**

#### 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, MARCH 18 12PM**

## 16. Openness: CEO Activism (Wednesday, March 20)

### Readings

Chatterji, Aaron K. & Michael W. Toffel (2018) The New CEO Activists: A Playbook for Polarized Political Times Harvard Business Review **R1801E-PDF-ENG**

Toffel, Michael W., Aaron K. Chatterji and Julia Kelley (2017) CEO Activism **9-617-001**

### Discussion Questions

1. Why do you think so many business leaders are engaging in CEO activism today?
2. What are the most important potential benefits and costs of engaging in this kind of activism? How would you measure them and weigh them against each other?
3. What process should Dan Schulman undertake to decide whether and how to respond to North Carolina HB2?
4. In your own career, how will you decide whether and how to engage in (or respond to) CEO activism?
5. Do CEO activists contribute to the efficacy of the economic and political system? How?

## **PEER FEEDBACK ON INTEGRATION ASSIGNMENT DUE MONDAY, MARCH 25 12PM**

## 17. Openness at IKEA (Monday, March 25)

### Readings

#### *Background*

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

#### *Case*

Bartlett, Christopher (2006) 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?
  - a Should IKEA sign on to Rugmark?
  - b How should they deal with Rangan?
5. Did IKEA contribute to the efficacy of the global economic and political system? How?

**NB: NO CLASS ON MARCH 27**

## PERSONAL ASSIGNMENT DUE MONDAY, APRIL 1 12PM

### 18. Corporate Propaganda (Monday, April 1)

#### Readings

##### *Background*

Bernays, Edward (1947) Engineering of Consent *Annals of the American Academy of Sciences* 113-120.

##### *Case Discussion*

Callahan, Patricia & Sam Roe (2012) Fear Fans Flames for Chemical Makers *Chicago Tribune* 5/6/12

Merchant, Brian (2014) The Program Big Oil's PR Firm Uses to 'Convert Average Citizens' *Motherboard* 11/18/14

Walker, Ed (2015) The Uber-ization of Activism *New York Times* 8/6/15

Voight, Joan (2015) It's Not Just Coke: Big Food and the New Astroturf *US Campaign* 8/11/15

Benner, Katie (2017) Inside the Hotel Industry's Plan to Combat Airbnb *New York Times* 4/16/17

Elgin, Ben & Zachary Mider (2017) Fossil Fuel's Fishy New Friends *Bloomberg BusinessWeek* 11/16/17

Mider, Zachary & Ben Elgin (2018) How Hedge Funds (Secretly) Get Their Way in Washington *Bloomberg BusinessWeek* 1/25/18

O'Donnell Jayne, David Robinson, Ken Alltucker & Liz Freeman (2018) Drug Co-Pay Groups: Critical Patient Charities or Fronts for Drugmakers? *USA Today* 4/30/18

#### Discussion Questions

1. Where is the line between Corporate Diplomacy and Corporate Propaganda?
2. Are any of the sponsors of the campaigns above contributing to the efficacy of the economic and political system? How?
3. What steps can you take to identify corporate propaganda and insure that your organizations are focused on co-creating and promoting win-wins rather than the manipulative engineering of consent?

## 19-20. Openness: Rosia Montana (Wednesday-Monday April 3 – April 8)

### Readings

#### *Background*

Zorilla, Carlos (2009) —Protecting Your Community Against Mining Companies and Other Extractive Industries

#### *Case Discussion*

Henisz, Witold, Sinziana Popa and Tim Gray (2009) Rosia Montana: Political and Social Risk Management in the Land of Dracula (A) & (B) [(B) CASE DISTRIBUTED AFTER 1<sup>ST</sup> CLASS]

### Discussion Questions

1. Given the stakeholder landscape, assess Gabriel Resources's regulatory approval and stakeholder engagement strategies. Would you have done anything differently? Why?
2. Give an 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)
3. Did Frank Timis and the other developers of the mine contribute to the efficacy of the economic and political system? How?

#### *For 2<sup>nd</sup> Class:*

4. 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.
5. Give an 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).
6. Did Alan Hill contribute to the efficacy of the Romanian economic and political system? How?

**PEER FEEDBACK ON PERSONAL ASSIGNMENT DUE MONDAY APRIL 8 12PM**

## 21. Mindsets at Unilever (Wednesday, April 10)

### Readings

Bartlett, Christopher (2015) Unilever's New Global Strategy: Competing Through Sustainability  
Harvard Business Case **9-916-414**

### Discussion Questions

1. How would you evaluate Paul Polman's 2010 decision to implement a new strategy based on the Unilever Sustainable Living Plan? What benefits did it offer? What risks did it present?
2. How effective has the implementation of the new strategy been to date? What had it done most effectively? What problems or concerns do you have with the implementation?
3. What actions should the company take now? Which of the three options identified at the end of the case would you recommend that management take? Why?
4. How would you go about implementing your recommendation?
5. Is Paul Polman contributing to the efficacy of the global economic and political system? How?

## 22. Mindsets at Choppies (Monday, April 15)

### Readings

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? 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?
3. Is Ram contributing to the efficacy of the Botswanan and African economic and political system? How?

## OPENNESS ASSIGNMENT DUE WEDNESDAY, APRIL 17 12PM

### 23. Mindsets at Uber (Wednesday, April 17)

#### Readings

Kanter, Rosabeth Moss & Daniel Fox (2015) Uber and Stakeholders: Managing a New Way of Riding Harvard Business School Case **315139-PDF-ENG**

#### Discussion Questions

1. Assess Uber's position in mid-2015. What challenges did it face? Would it have been able to achieve its staggering success without raising such controversy?
2. Do upset stakeholders threaten future growth? What options does Uber have to overcome resistance from different groups?
3. Advise Travis Kalanick and Uber about Uber's direction for the future.
4. Can a "sharing economy" company insulate itself from critics (and liability for various issues) by claiming it is just a marketplace, or just the tech?
5. Has Uber and Travis Kalanick contributed to the efficacy of the economic and political system? How?

### 24. Mindsets at Minas Rio (Monday, April 22)

#### Readings

##### *Background*

Nadler, David A. & Michael L. Tushman (1980) A Model for Diagnosing Organizational Behavior: Applying a congruence perspective *Organizational Dynamics* **9(2):35-51**.

##### *Case*

Henisz, Witold J. and Bennet A. Zelner (2016) 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
6. Did Paulo contribute to the efficacy of the Brazilian economic and political system? How?

## PEER FEEDBACK ON OPENNESS ASSIGNMENT DUE WEDNESDAY, APRIL 24 12PM

### 25. Summary Case & Simulation Prep (Wednesday, April 24)

#### Readings

##### *Background*

Henisz, Witold J. (2017) Pakistan Background Note

##### *Case Discussion*

Henisz, Witold J. (2017) 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?
3. Did Abraaj and its KESC management teams improve the efficacy of the Pakistani economic and political system? How?

### 26-27. KEROVKA Crisis Management Simulation, Debrief & Course Wrap-up (M-W, April 29-May 1)

#### Readings

##### *Simulation*

SG Energy Shale Gas Operation Kerovka (2018), 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 will you do to improve the efficacy of the global economic and political system?

## FINAL TEAM PAPERS DUE FRIDAY, MAY 10 12PM