

**MGMT 720: Corporate Diplomacy:
Aligning Stakeholder Analytics, Valuation & Strategy**

DRAFT SYLLABUS FOR SPRING 2022

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Course Objectives:

The financial significance of Environmental, Social and Governance (ESG) factors and stakeholder opinions of the acceptability of a firm's operations (i.e., the social license to operate) is mounting yet the data, frameworks and tools informing investors, consultants and corporates is unreliable. The course provides students novel data, frameworks and tools than can guide the alignment of stakeholder opinions on ESG factors, valuation and strategy.

Estimates of the capital expenditures necessary to achieve a net-zero emissions and the 1.5 degrees Celsius global warming target exceed \$50 Trillion over the next 30 years. Estimates of the economic damage caused by racial injustice in the United States alone surpass \$16 Trillion. While such costs may seem overwhelming, \$35.3 Trillion (36% of total global assets under management) actively weigh ESG issues in 2020, up from \$13.3 Trillion (21% of global AUM) in 2012. During this same period, the share of executives, board members, and investment managers who consider climate risk, racial justice and other ESG issues to be material to their business decisions has doubled. If a business case for ESG issues can be demonstrated, pools of capital are poised to make an impact.

Despite these pools of available capital and their own belief in the materiality of ESG, executives, board members, and investment managers are, at the same time, growing less confident in the ESG data available to guide capital allocations and strategic decisions. ESG scores across proprietary data providers have been demonstrated to be unreliable and often lean on outdated information around relevant ESG factors typically obtained through voluntary unaudited disclosure—others omit pertinent factors in their scoring altogether.

This course provides students the latest tools to assess and map stakeholder opinions as well as integrate them into financial valuation. It also offers behavioral skills critical for external stakeholder engagement including trust building and communications as well as for the engagement of stakeholders inside the firm. In short, it prepares students to engage in Corporate Diplomacy (i.e., to influence or assess external stakeholders' opinions of the acceptability of a company's operations at a moment in time and to convince internal stakeholders to adapt their behaviors, systems and outputs` when necessary).

Advocates (i.e., potential recruiters) of students gaining these skills include

- the largest asset managers (e.g., [Black Rock](#), [State Street](#) and [Vanguard](#)) and [investment managers](#) more broadly including those controlling [\\$35.3 Trillion \(39% of total global Assets Under Management\)](#) weighting Environmental, Social and Governance (ESG) Issues;
- [hedge funds](#) (e.g., [Engine No 1](#), [TCI Fund Management](#), [Generation Investment Management](#), [Atlas Impact Partners](#), and [Impactive Capital](#)), [private equity](#) and [venture capital](#) investors recognizing the importance of stakeholder issues of concern;

- consultancies variously advocating for [external engagement](#), [long-termism](#) or [long-term value](#), [purpose](#), [geostrategy](#), [geopolitics](#), [managing global risks](#), or [creating shared value](#);
- the CEOs of the Business Roundtable, their [C-suites](#) and [Corporate Boards](#); as well as
- public-sector, intergovernmental, civil society, and philanthropic organizations and various cross-sector initiatives.

Student Standards (Adapted from the Wharton Learning Agreement)

Classroom Conduct

- Arrive on time, ready to begin, and minimize disruptions throughout the session.
- To facilitate a sense of a personalized classroom community, display a name tent
- Turn off and put away your phone. If you must keep a phone on by reason of a personal emergency, you must inform the instructor before class begins.
- Do not use your laptop or tablet unless explicitly permitted or instructed to do so.
- Respect the physical environment by maintaining classroom cleanliness.

Preparation and Interaction

- To achieve positive learning outcomes for you and other students, be prepared to engage fully in each session through the completion of required work before the session, and focused attention and active involvement during the session.
- Respect the classroom as an inclusive learning environment where diverse points of view and experiences can be shared to facilitate everyone's learning.
- Maintain the privacy and intellectual property of everyone in the class by, for example, not sharing recorded images or audio of student or instructor interactions, or course content

Teamwork

- Contribute your fair share.
- Hold teammates and yourself accountable to team goals and assignments.
- Support and encourage your teammates.
- Appreciate the diversity of knowledge, skills, and abilities within the team.
- Be honest and transparent in your evaluation

Ethics

- Adhere to the highest standards of honesty and academic integrity.
- 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. 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.

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

Text and Readings

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.

Faculty Lunches

I am available for numerous student-faculty lunches/chats for which you may sign up on Canvas.

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

Regular attendance is required. Students who fail to regularly attend the class may receive penalties to their overall course grade up to and including failing the course. 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 35-40 page (double-spaced) team paper assignment whose grade constitutes 45% of the course grade but is divided into individual (35%) and group (10%) assignments as follows
 - a. Individual assignments (each team member completes ONE of the following which counts for 35% of that team member's course grade)
 - i. A ~8 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 ~8 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 ~8 page discussion and analysis of personal trust-building for one or more strategies
 - iv. A ~8 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 10% of each team member's course grade)
 - i. A 3-5 page paper proposal (5%)
 - ii. A final paper submission that includes an introduction and conclusion as well as integrates and extends the prior submissions and responds to feedback received (5% but can be distributed unevenly across team members based on the relative strength of their revised —component)
- (3) Team (Randomly assigned teams of 3-4 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 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.

- (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 within 3-5 pages. 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 35-40 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 Polimap or GIST tools. Stronger insight is typically provided by complementary visuals and textual analysis of the assumptions and data input that generated those visuals. (~8 pages);**
- 5) **An assessment of the relative financial impact of these proposed strategies possibly including the use of the FVTOOL, the ROSI spreadsheets or ESG Integration Tools summarized in the PRI reading. 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. (~8 pages)**
- 6) The discussion of key aspects of implementation of the recommended strategy including
 - a) **Mechanisms to build interpersonal trust with external stakeholders including possible application of tools from the ‘Breaking Ground’ and ‘Seat at the Table’. [NB: While the “tools” here are less quantitative, the expectation regarding external research remains the**

same with a greater focus on the identification and discussion of analogues (i.e., peer cases) in which similar tactics were applied as a means to justify your recommendation] (~8 pages); 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 drawing from UN PRI frameworks and Playmaker System. [NB: While the “tools” here are less quantitative, the expectation regarding external research remains the same with a greater focus on the identification and discussion of analogues (i.e., peer cases) in which similar tactics were applied as a means to justify your recommendation] (~8 pages).**
- 7) Succinctly summarize the key takeaway of the case (i.e., what lessons can other firms facing similar challenges take from your analysis and recommendations?) (1 page)
- 8) A list of references that includes both secondary (newspaper or magazine) **AND** primary (company newsletter, press release, annual report, company internet site or conversations with individuals familiar with the corporate response to the strategic choice) sources. Please provide enough information so that a reader can easily find the reference.
- 9) A set of exhibits that complement your written analysis (do not count towards the page limit but should be complementary not superfluous).

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

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

- (3) Each student will be randomly assigned to a 3-4 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%. Wherever possible, 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 four elements. Strong peer reviews for the four components provide constructive feedback on the following points. Reviews are due 12 days after the submission deadline for the papers.
 - Due diligence
 - Completeness of the stakeholder and issue rosters and suggestions for additions
 - The parameterization of the stakeholder and issue data (i.e., relative power of stakeholders, their issue prioritization and the linkages between stakeholders and issues)
 - Opportunities to incorporate or improve use of stakeholder or issue mapping tools

- Feedback on the strategic options chosen particularly with regard to whether they constitute the best set of mutually exclusive options
- Integration
 - the revenue and cost estimates of various stakeholder (in)actions and the data provided to justify them; and
 - the scenario probabilities and the data provided to justify them
 - Opportunities to incorporate or improve use of financial modeling tools and data
- Personal
 - Identification of trust barriers
 - Feasibility of overcoming these trust barriers using mechanisms identified
 - Opportunities to incorporate or improve use of trust building frameworks
 - Suggestions on alternative or additional trust building mechanisms including assistance in the identification of examples of trust-building efforts on which the team might draw
- Openness
 - Feedback on efficacy of message and likelihood target of message will receive it
 - Opportunities to incorporate or improve use of communications frameworks
 - Suggestions for additional communication strategies including assistance in the identification of examples of (social) media campaigns on which the team might draw

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 available in Canvas 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

About the Instructor

Witold (Vit) 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 is also Director of the Wharton Political Risk Lab and the founder of the Wharton ESG Analytics Lab. His research examines the impact of political hazards as well as environmental, social and governance factors more broadly on the strategy and valuation of global corporations. This work analyzes best practices in corporate diplomacy to win the hearts and minds of external stakeholders as well as the measurement and valuation thereof. His most recent work focuses on the application of alternative data to the measurement of non-traditional political and ESG risks and opportunities and their financial and operational impact on multinational firms as well as the performance of the asset managers that invest in them. He is the author of “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 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 including being named **Iron Prof, 2019** and an **Aspen Institute Ideas Worth Teaching Award Winner, 2020** for his elective courses that highlight the importance of integrating a deep understanding of political and social risk factors into the design and valuation 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 co-Director. He led the redesign of the required global management content in the Wharton core curriculum. He teaches extensively on the topic of ‘Corporate Diplomacy: Building Reputations and Relationships with External Stakeholders’ as well as ESG integration in open enrollment and custom executive education programs.

He is currently a principal in the consultancy PRIMA LLC whose clients span multinational firms, asset managers, intergovernmental organizations and non-governmental organizations including Anglo Gold Ashanti, Rio Tinto, Gabriel Resources, Shell Corporation, Eaton Vance, Engine No 1, Lockheed Martin, East-West Rail, The World Bank, The Inter-American Development Bank, The International Finance Corporation and the World Wildlife Fund. He previously worked for The Group of 30 and The International Monetary Fund.

1. Conceptual Introduction (Wednesday, January 19)

Readings

Dalio, Ray (2019) “Why and How Capitalism Needs to be Reformed”

Fink, Larry (2021) “CEO Letter”

O’Leary, Michael & Warren Valdmanis (2020) “How the 137 million Americans who own stock can force climate action” <https://www.vox.com/21509913/climate-change-bp-microsoft-investors-shareholders-accountability>

Sampson, Rachelle & Witold J Henisz (2018) Redesigning Management Education for the Long-Term *Stanford Social Innovation Review* 9/25/18

Discussion Questions

1. *Do you agree with Ray Dalio, Larry Fink and Michael O’Leary & Warren Valdmanis? Explain.*
2. *Are the questions Rachelle and I suggest be asked in every case discussion in business school useful primes for discussion? Explain.*
3. *What are the most important skills that you as future financiers, consultants, managers, policymakers and civil society leaders currently have that can improve organizational responsiveness to ESG and political risks or opportunities thereby renewing/reshaping/increasing the accountability of capitalism? Explain.*

2. Introductory Case: Power Trip or Power Play (M Jan 24)

Readings

Henisz, Witold J. & Bennet A. Zelner (2006) Power Trip or Power Play: AES-Telasi (A) & (B)

Cline, Mary Karol & Courtney McCaffrey (2021) Geostrategy in Practice

Watch “Power Trip” Film Excerpt

Discussion Questions

1. *How could political risk impact the performance of AES-Telasi (i.e., what functions, revenues and costs could be impacted)?*
2. *What stakeholders were supportive or opposed to AES’ ownership and operations?*
3. *What were the issues that motivated these stakeholders in their support or opposition?*
4. *How sophisticated was AES’s Geostrategy?*
5. *What changes to Michael’s strategy (if any) would you recommend that Ignacio Iribarren (Michael Scholey’s successor) implement upon his arrival?*
6. *Did Michael/Ignacio renew/reshape/increase the accountability of capitalism in Georgia? How?*
7. *Would you want to actively participate in or financially support similar strategies to those followed by Michael/Ignacio to invest in infrastructure services in emerging markets? Why or why not?*

3. Due Diligence: Activist Shareholding in Russia (Wednesday, January 26)

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 renew/reshape/increase the accountability of capitalism in Russia? How?*
7. *Would you want to participate actively or invest in similar strategies to those followed by Browder to create financial value while reducing corruption or other negative externalities (e.g., climate change or human rights abuses) in emerging markets? Why or why not?*

4. Due Diligence: Environmental Activism in China (Monday, January 31)

Reading

Liu, Jianguo and Jared Diamond (2018) — "Environmental Governance in China: Interactions Between State and Non-State Actors *Journal of Environmental Management*

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 renew/reshape/increase the accountability of capitalism in China? How?*
5. How is Ma Jun's strategy different from that of Bill Browder? How is it similar?
6. *Would you want to actively participate in or financially support similar strategies to those followed by Ma Jun to address environmental and other externalities in China and other emerging markets? Why or why not?*

5. Due Diligence: Stakeholder Mapping in a Thai Bankruptcy (Wednesday, February 2)

Readings

Gray C. & D. Kaufman (1998) Corruption and Development *Finance & Development*, March, pp. 7-10.

Anwar Shar and Mark Schacter (2004) Combatting Corruption: Look Before You Leap *Finance & Development* December pp. 40-43

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 TPI*
Why or on what would it depend?
2. ***Did western creditors and Prachai renew/reshape/increase the accountability of capitalism in Thailand? How?***
3. ***How was the strategy of western creditors (and Prachai) similar to that of Bill Browder? How were they different?***
4. ***Would you want to actively participate or invest in similar strategies to those pursued by western creditors (or Prachai) to preserve or create financial value in emerging markets in crisis? Why or why not?***

TEAM PAPER PROPOSAL ASSIGNMENT DUE FRIDAY, FEBRUARY 4 12pm

6. Due Diligence: Guest Speakers (Monday, February 7)

Steven Fox, CEO Veracity Worldwide

Alison Taylor, Executive Director, Ethical Systems, NYU Stern

Readings

Keefe, Patrick Radden (2013) “Buried Secrets” *New Yorker*

Offshore Engineer “Myanmar Announces Offshore Winners” 3/26/2014

Offshore Energy, “Shareholders Press Chevron to Cut Business Ties with Myanmar” 12/19/2016

Butler, Ben & Ben Doherty “Oil Companies Urged to Make Sure No Money Flows From Myanmar Projects to Military Junta” 3/1/2021

Discussion Questions

You will submit questions for our guest speakers one day ahead of class

7. Integration: ESG and ERM at Norsk Hydro (Wednesday, February 9)

Readings

Fraser, John & Betty Simkins (2016) “The Challenges of and Solutions for Implementing Enterprise Risk Management” *Business Horizons* **59**: 689-698

Mike, Anette (2012) “Enterprise Risk Management at Hydro One (A) & (B)”

Discussion Questions

1. Consider the three stages of Hydro One’s enterprise risk management (ERM) process: workshops; risk-based asset planning; the regular update of the corporate risk profile. What are the strengths and weaknesses of this process?
2. Should companies embrace ERM in a similar way to Hydro One’s approach? What contingencies are necessary to maximize the likelihood that the process is beneficial?
3. ***What recommendations would you make to the CEO Laura Formosa to improve the process?***
4. ***Applying Hydro-One’s impact-objectives matrix, on a scale of 1 to 5, how would you assess the overall risk of the smart metering project?***
5. ***How would you evaluate the contribution of the risk workshops and Hydro One’s processes of risk talk?***

8. Integration: The Net Present Value of Sustainability (Monday, February 14)

Readings

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, Tim Koller & Robin Nuttal (2019) Five Ways that ESG Creates Value *McKinsey Quarterly*

Skim “Return on Sustainability Investments (ROSI) Summary and Excel spreadsheet tools provided [here](#)

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. ***For which of the four initiatives described in the Ahafo case (i.e., Health, Water & Sanitation, Training & Education, the Foundation) should Newmont provide the requested increase funding? You may choose one or more. Be prepared to defend your proposal.***
9. ***Did Newmont renew/reshape/increase the accountability of capitalism in Ghana? How?***
10. ***Would you want to actively participate or invest in the development and deployment of tools that calculate the ROI on sustainability initiatives for major capex projects? Why or why not?***

9. Integration: ESG Integration for Equities applied at Parnassus Investments (Wednesday, February 16)

Readings

UNPRI (2016) “A Practical Guide to ESG Integration for Equity Investing” pp. 12-15, 36-37, 43, 50-51, 56) (NB: case studies on pp. 16-35, 38-42. 44-49, 52-55, 57-65 are optional. May be useful for some Integration module papers)

Gray, Tim, Witold Henisz & Rachelle Sampson (2021) “Parnassus Investments and Wells Fargo & Co.: Balancing Morals, Metrics and Materiality”

Discussion Questions

1. Is Parnassus an early ESG integrator?
2. *How should Parnassus balance the conflicting ESG signals from Wells Fargo?*
3. *Would you advocate divestment of Wells Fargo? When? Why?*
4. *Did Ben Allen renew/reshape/increase the accountability of capitalism through his investment strategy? How?*
5. *Would you want to actively participate in or invest in similar strategies to those pursued by Ben Allen to create long-term financial value for investors? Why or why not?*

10. Integration: ESG Investing and Fossil Fuels (Monday, February 21)

Readings

Impax Investment (2013) “Beyond Fossil Fuels: The Investment Case for Fossil Fuel Divestment”

Larson, Chris (2018) “The Divestment Debate: Why Investors are Dumping Fossil Fuels (or not)”

CalSTRS perspective on fossil fuel divestment

Gray, Tim and Witold Henisz (2021) “Investing in ESG Improvers at Alliance Bernstein”

Discussion Questions

1. *Should an ESG Fund maintain positions in Fossil Fuels? Why or why not?*
2. *Should AllianceBernstein’s ESG Improvers Fund invest in Cosan? Why or why not?*
3. *Should AllianceBernstein’s ESG Improvers Fund invest in Shell? Why or why not?*
4. *Did Michelle Dunstan renew/reshape/increase the accountability of capitalism through her investment strategy? How?*
5. *Would you want to actively participate in or invest in similar strategies to those pursued by Michelle Dunstan with ESG Improvers? Why or why not?*

11. Integration: A New Way of Seeing Value: Engine No 1's Total Value Framework & Strategy (Wednesday, February 23)

Guest Speaker: David Swift, COO Engine No 1

Readings

ESG Analytics Lab (2021) "Engine No. 1: An ESG Upstart Challenges Fund-Industry Assumptions about Organizing an ETF—and Everyone's Assumptions about Proxy Fights"

Engine No 1 & Witold Henisz (2021) "A New Way of Seeing Value: Introducing the Engine No 1 Total Value Framework"

Discussion Questions

You will submit questions for our guest speaker one day ahead of class

DUE DILIGENCE ASSIGNMENT DUE WEDNESDAY FEBRUARY 23 3 12PM

12. Personal Trust with Communities: The Tintaya Copper Mine (Monday, February 28)

Readings

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

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 renew/reshape/increase the accountability of capitalism in Peru? How?*
6. *Would you want to actively participate or invest in the process of mediated dialogue with the goal of enhancing stakeholder participation an trust? Why or why not?*

13. Trust: Business and Peace (Monday, March 14)

Brian Ganson, Africa Conflict Dispute Settlement Center, University of Stellenbosch (virtual)

Readings

Miller, Ben, Brian Ganson, Sarah Cechvala & Jason Miklian (2019) “A Seat at the Table: Capacities and Limitations of Private Sector Peacebuilding”

Discussion Questions

You will submit questions for our guest speaker one day ahead of class

14. Openness: Political Lobbying, Social and CEO Activism (Wednesday, March 16)

Readings

Hsieh, Nien-he & Victor Wu (2018) Making Target the Target: Boycotts and Corporate Political Activity

Discussion Questions

1. Were Target’s contributions to MN Forward in 2010 just another form of lobbying or corporate political activity or something different? Explain.
2. Would your answer differ if this activity occurred outside of the United States?
3. As Brian Cornell, CEO of Target, what steps should you take given the boycott and declining sales?

INTEGRATION ASSIGNMENT DUE WEDNESDAY, MARCH 16 12PM

15. Openness: Communications War Games in a Post-Truth World (Monday, March 21)

Readings

Wocke, Albert & Morris Mthombeni (2020) Post-Truth or Social Justice? Serge Belamant and Cash Paymaster Services in South Africa

Discussion Questions

1. Why was the 2012 social grants payment tender controversial?
2. Were Belamant and Net1 and CPS, subjected to post-truth disinformation?
3. Describe the post-truth situation and types of misinformation evident in this case.
4. *How should Belamant respond?*

16. Openness in the Land of Dracula (Wednesday, March 23)

Readings

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

United Nations Principles for Responsible Investment (2013) “A Tool for Communicating the Business Value of Sustainability”

Henisz, Witold, Sinziana Popa and Tim Gray (2009) Rosia Montana: Political and Social Risk Management in the Land of Dracula (A)

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 renew/reshape/increase the accountability of capitalism? How?*
4. *Did Stephanie Roth renew/reshape/increase the accountability of capitalism? How?*
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 renew/reshape/increase the accountability of capitalism? How?*
7. *Would you want to actively participate or invest in a company pursuing the strategies Alan Hill followed? Why or why not?*

PERSONAL TRUST ASSIGNMENT DUE WEDNESDAY, MARCH 23 12PM

17. Mindsets at Unilever (Monday, March 28)

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? How would you go about implementing your recommendation?*
4. *Is Paul Polman renewing/reshaping/increasing the accountability of capitalism? How?*
5. *Would you want to actively participate or invest in companies with leaders like Paul Polman and mindsets and systems like Unilever?*

18. Mindsets at Choppies (Wednesday, March 30)

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 renewing/reshaping/increasing the accountability of capitalism in Botswana? How?*
4. *Would you want to actively participate or invest in companies with leaders like Ram and mindsets and systems like Choppies?*

OPENNESS ASSIGNMENT DUE WEDNESDAY MARCH 30 12PM

19. Mindsets at Minas Rio (Monday, April 4)

Readings

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

Henisz, Witold J. and Bennet A. Zelner (2016) Designing and Implementing an Integrated Project Management System at Minas-Rio (A)

Discussion Questions

1. *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.*
 - a. *The characteristics of the individuals needed for the team*
 - b. *The tasks for which the team members will be responsible*
 - c. *The formal organizational structure in which the team members will operate*
 - d. *The informal culture that will reinforce the desired behaviors*
 - e. *The means to ensure fit across these organizational elements*
2. *Did Paulo renew/reshape/increase the accountability of capitalism? How?*
3. *Would you want to actively participate or invest in a company or project that had an integrated management monitoring system such as developed at Minas Rio? Why or why not?*

20. Mindsets for Achieving ESG Integration at Glenmede (Wednesday, April 6)

Guest Speakers: Amy Wilson WEMBA '21 & Julia Enyart WG' 2018

Readings

TBD

Discussion Questions

You will submit questions for our guest speaker one day ahead of class

21. Mindsets of (McKinsey) Consultants (Monday, April 11)

Guest Speaker: Nick Lovegrove

Readings

TBD

Discussion Questions

You will submit questions for our guest speaker one day ahead of class

22. Summary Case & Simulation Prep (Wednesday, April 13)

Readings

Henisz, Witold J. (2017) Pakistan Background Note

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 renew/reshape/increase the accountability of capitalism in Pakistan? How?*
4. *Would you want to actively participate or invest in a private equity investment following the strategy Abraaj pursued in KE? Why or why not?*

23. KEROVKA Crisis Management Simulation (Monday, April 18)

Readings

SG Energy Shale Gas Operation Kerovka (2018), Tazakstan Briefing Document

Discussion Questions

1. What stakeholders are more or less powerful? Why?
2. What issues are of most concern to each stakeholder? Why?
3. How can you earn stakeholders' trust?
4. What principles should guide your communications strategy?
5. How will you manage differences in opinion on the first four questions among your team?

24. KEROVKA Debrief & Course Wrap-up (Wednesday, April 20)

Readings

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

Henisz, Witold J. (2019) The ESG Performance of Wharton’s Top 60 Recruiters

Eccles, Robert (2019) Investors Should Support Extinction Rebellion

Henisz, Witold (2020) Why We need a Social Solidarity Tax to Recover from COVID-19

Discussion Questions

- 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. Would you alter your prioritization of recruiters, support a wealth tax or Extinction Rebellion? Why or why not?*
- 4. What will you do to renew/reshape/increase the accountability of capitalism?*

FINAL TEAM PAPERS DUE WEDNESDAY, MAY 4 9:00AM