

**University of Pennsylvania  
The Wharton School  
Department of Management**

***DRAFT SYLLABUS OF DECEMBER 15, 2007***

**MGMT 209** (Political Environment of the Multinational Firm)

**Spring 2008**

Associate Professor Witold Jerzy Henisz  
3115 Steinberg Hall – Dietrich Hall  
Phone: 215-898-0788  
Email : [henisz@wharton.upenn.edu](mailto:henisz@wharton.upenn.edu)

TTH1:30-3:00 in TBD  
Office Hours:  
MT11:00-12:00  
and by appointment

---

---

**Objectives:**

This course examines the challenge multinational enterprises face in maximizing shareholder returns in international operations in which potential value creation is contingent upon support from political or social actors. Using the case method to examine instances of conflict and cooperation between multinational enterprises, host country governments, multilateral agencies and non-governmental actors in multiple regions and industries, we will develop a better understanding of best practices in external stakeholder relations. We will also discuss the international political and macro-economic consequences of multinational enterprises' choices regarding their external stakeholder relations strategies.

**Outline**

We begin with a brief introduction into the course and into the evolution of models of economic development from theories of capital shortage to the components of a good investment climate. The first half of the course examines why we see so few countries adopting these components. The second half shifts the focus of attention to the strategic choices that multinational corporations make in a world characterized by imperfect investment climates.

Throughout the course, we rely largely on a case-based approach using the experiences of actual firms and governments drawn from the widest possible set of geographic regions. As we proceed through the analysis of these cases, we will incorporate in our discussions real time developments at the intersection of international relations and international strategy such as trade disputes, financial crises, acts of political or regulatory expropriation of assets or revenue streams, international coordination by governmental and non-governmental organizations for economic, political, military or social purposes.

Specific cases we consider in the first half of the course begin in national policymaking institutions and then expand outwards to intergovernmental organizations, international law and complex public-private-social partnerships.

*Is Peru better off with the rule of Fujimori and Montesinos or the rule of law?*

*Does federalism help or hurt Brazil in its quest to develop? Does federalism help or hurt Dell?*

*Was the United Fruit Company good for democracy in Guatemala?*

*Can Vietnamese catfish farmers count on the access to the US market promised by the US-Vietnam bilateral trade agreement?*

*Why might managers in aircraft manufacturers such as Bombardier or Embraer rationally prefer multilateral restrictions that limit their government's ability to provide them with subsidies?*

*How should IKEA respond to accusations regarding the use of child labor?*

*How should Exxon-Mobil respond to the NGO litigation under the Alien Tort Claims Act?*

*How should Gabriel Resources respond to local opposition to their development of a gold mine in Romania?*

*What role should the private sector play in the development of the water infrastructure in Dar Es Salaam, Tanzania?*

The second half of the course shifts the focus from why policies are imperfect to what firms can do in the face of imperfect policies. As we review these cases, we will make use of custom software (GIST, Geopolitical Influence & Strategy Tool) developed by the AI West Learning Lab to identify likely policy outcomes and the means to influence those policy outcomes.

*How should managers of AES-Telasi battle corruption, Russian influence and nonpayment in the electricity distribution market of the Republic of Georgia?*

*How should BRE-X proceed in the development of its Indonesian gold mine when threatened with de facto expropriation?*

*How can Echelon (US) influence the process of technical standard setting in the EU?*

*How can creditors maximize their returns on their investments in Thai Petrochemical? Does the intervention of multilateral agencies in support of bankruptcy reform help their interests?*

Students will then present their team papers over three class sessions followed by one integrative case and a discussion of future scenarios and practical tools to conclude the course

*Which US oil firm chose the right entry strategy for Russia?*

## Assessment:

### *KEY DATES*

Tuesday, January 22 5:00pm – Sign-ups for Discussion Question Posts Open in eRoom

7am on date of classes for which you have signed up – Upload discussion question posts to your assignment submissions folder in eRoom

Friday, March 7 5:00pm – Post team paper outlines to team folders in eRoom

Tuesday, March 18 in class – Assignment of team paper presentation dates

Tuesday, April 10 – Thursday, April 17 in class – Team paper presentations (any presentations should be uploaded to team presentation folder in eRoom)

Thursday, April 17 at end of class – Assignment of peer reviews for team presentations

Thursday, April 24 Noon – Post peer reviews to assignment submissions folder & email them to reviewed team

Monday, May 12 Noon – Post final version of team papers to team paper folder

### *CONTENT*

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 individual preparation of:

- (1) overall class participation (25%)
- (2) answer the ***bold italicized*** discussion question from two different cases (2 X 12.5% = 25%)
- (3) team paper outline (1 X 5%)
- (4) in-class team presentation of your team paper draft (1 X 10%)
- (5) team (**NO** team > 4 members) paper (1 X 30%)
- (6) peer review of another team's presentation (1 X 5%)

Note that there is NO MIDTERM OR FINAL EXAM.

These six components are discussed in more detail below.

(1) I expect a high-level of interactive and integrative discussion in every class. Please come to class prepared to engage with your peers. To help you I have included discussion questions for each class. We will also employ small group discussions, debates, role play exercises and other activities. You are also encouraged to post in the Current Events of Interest to the Class folder in WebCafe and/or bring up real time political or strategic events of relevance to the class. I will also cold call students.

(2) You should address in 2-3 single-spaced pages the ***discussion question(s) in bold italics*** for a given class. You are free to discuss the questions with your classmates or peers but you must each write up your submissions independently. The post should not overly emphasize facts from the readings but rather draw upon relevant material in the readings to address the points highlighted below.

In the first half of the course, posts will be more policy oriented and focus on the drivers of observed imperfections in public policy outcomes. These posts should

- a) Identify the ideal policymaking structure or process for the investor in the case
- b) Explain why, in this case, we do not observe such a structure or process
- c) Offer insights into the potential to improve the status quo and the difficulties in doing so

In the second half of the course (and in your team papers), the focus shifts to multinational actors operating in an imperfect policymaking structure. Your posts in the second half of the course should

- a) Analyze the strengths and weaknesses of at least two feasible strategic options to improve upon the situation presented in the focal case reading
  - i. an understanding of the preferences of the key actors in the case and their intensity;
  - ii. the national or international decisionmaking structure that leads to the translation of these preferences into policy outcomes; and
  - iii. the likely reactions of key market and political actors to any strategic choice.
- b) Make a recommendation based on that analysis of what the firm/manager should do. Make sure that you help the reader understand the assumptions or weights that led you from your status quo scenario and your analysis of the strengths and weaknesses of options to this particular recommendation.
- c) Incorporate within your analysis a refutation of the alternative strategies
- d) Succinctly summarize the key takeaway of the case (i.e., what lessons can other firms facing similar challenges take from your analysis and recommendations?)

Both of your posts should be formatted as with 1" margins in a 12-point times new roman font. Your submissions should be received before 7am on the date of the case discussion. You must sign up on web café on a first come first serve basis after the second class for your case write-ups.

(3) Team paper outlines should highlight the key components of the paper's structure as detailed below in (5). More thorough outlines elicit more helpful feedback. It is insufficient to merely identify a topic in your outline. You need to provide me with meaningful guidance as to the substance of your paper.

(4) Each team will be asked to present their paper. As you will face relatively tight time constraints, please think carefully about the organization of the material, the links to topics covered in class and the "takeaway" from your case. Based on your presentation, you will receive written feedback from your peers (see point 4) and from me regarding points that you should address or improve upon prior to submission of your final paper.

(5) After the completion of the last team presentation each student will be randomly assigned a presentation on which they will write up a review. This 1-2pp. single spaced review should

- 1) Briefly summarize the substance of the presentation (1 paragraph)
- 2) Comment on the strengths of the presentation (1-2 paragraphs)
- 3) Comment on the weaknesses of the presentation INCLUDING HELPFUL SUGGESTIONS FOR IMPROVEMENT OF THE MATERIAL (1-2 paragraphs)

You should turn in one copy to me and one copy to the team on whose presentation you are commenting. These reviews should prove useful in making revisions on the team papers.

(6) Teams consisting of NO MORE THAN FOUR students (preferably combining individuals from Wharton and the college) will identify a corporation that faced a dilemma relating to the management of external stakeholder relations (examples below) and draft a 15-20 page paper on the problem faced and strategy pursued by its management. In your team's own words, you will identify and discuss the nature of the conflict between the corporation, the host country governments and its constituents

including any relevant multilateral agencies or non-governmental actors; provide detail on the specific conflict, assess the contending forces faced by the firm, detail the company's strategy (or strategic options) and assess the choices made (or make a recommendation). Papers should be written in a clear and concise manner and integrate material from multiple primary and secondary sources including local press accounts, company documents, local analysis, .... Text should be double-spaced with 1" margins in a 12-point times new roman font. References, tables, charts and figures do not count towards the page limit but should be used only when they complement the text.

The six broad types of dilemmas typically examined by students are:

- 1) Responding to corruption in national politics
- 2) Mitigating political and regulatory risk in politically salient investments
- 3) Responding to an international trade or investment dispute or the formation/extension of a new free trade agreement
- 4) Responding to an international liquidity or solvency crisis;
- 5) Intellectual property protection, standards or other international legal issues
- 6) Human rights concerns or unilateral / multilateral sanctions; or other global values

Scenarios other than those described here may be pursued with the prior consent of the instructor.

Eight basic components should be found in the submitted 15-20 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 above.

- 1) An unnumbered title page that identifies all team members and contains an executive summary
- 2) An introduction that identifies a specific company and a specific strategic choice that it faces in a specific policymaking environment that clearly involves a conflict between the corporation and a set of political and/or social actors (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 (2-3 pages);
- 4) A brief background on the company and context that you have chosen highlighting facts relevant to the case discussion (2-3 pages);
- 5) Analyze the strengths and weaknesses of at least two feasible strategic options to address that conflict drawing upon (4-6 pages)
  - i. an understanding of the preferences of the key actors in the case and their intensity;
  - ii. the national or international decisionmaking structure that leads to the translation of these preferences into policy outcomes; and
  - iii. the likely reactions of key market and political actors to any strategic choice.
  - iv. the incorporation of this information into scenarios constructed using the Geopolitical Influence and Strategy Tool (GIST) that compare alternative strategies to influence the current formal or informal policymaking structure and likely policy outcome (online with Figures incorporated in your manuscript);
- 6) Make a recommendation based on that analysis of what the firm/manager should do or have done. Make sure that you help the reader understand the assumptions or weights that led you from your status quo scenario and your analysis of the strengths and weaknesses of options to this particular recommendation. It should be clear to the reader of this section why you did not choose the second best strategic option. (1-2 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.

Examples of exceptional papers will be provided on Wharton Web Café.

**PLEASE NOTE THAT ANY QUOTATIONS OF LONGER THAN A PHRASE MUST BE EXPLICITLY NOTED IN THE TEXT. INSUFFICIENT ATTRIBUTION TO EXTENDED QUOTATIONS FROM EXTERNAL SOURCES WILL RESULT IN FORMAL CHARGES OF PLAGIARISM TO THE OFFICE OF STUDENT CONDUCT.**

### **Feedback**

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

## 1. Course Introduction (January 17)

### Readings

Note on Rules (HBS Case 9-799-013, Debora Spar)

Corporate Social Responsibility as Risk Management: A Model for Multinationals (Kytte, Beth and Ruggie, John, John F. Kennedy School of Government Corporate Social Responsibility Initiative Working Paper No. 10, March 2005)

### Discussion Questions

1. What role do formal and informal rules play in multinational strategy?
2. What role do external stakeholders play in multinational strategy?
3. Identify a firm that in your opinion mismanaged politics or external stakeholder relations (or identify a class of political problems / external stakeholders with which you perceive firms to have difficulty.)
4. *What tools from other Wharton courses (e.g., financial options, marketing, management, negotiations, legal studies, business and public policy, ...) OR from other college courses (e.g., international relations, development, political science, economics, an area studies course, communications, would you currently use to answer the following questions regarding this firm's experiences:*
  - a. *What did the firm not understand?*
  - b. *What should the firm have done differently?*

## 2. The Evolving Frontier of Economic Development: The Components of “A Good Investment Climate” (January 22)

### Reading

Overview of World Development Report 2005: A Better Investment Climate for Everyone

[http://siteresources.worldbank.org/INTWDR2005/Resources/FNL\\_WDR\\_SA\\_Overview6.pdf](http://siteresources.worldbank.org/INTWDR2005/Resources/FNL_WDR_SA_Overview6.pdf)

(accessed 12/5/06)

### Discussion Questions

1. What does the World Bank mean by investment climate?
2. Would you add any components to their definition? If so, what would you add and why?
3. Why should we care about foreign countries' investment climate?
4. What are the difficulties that countries encounter in improving their investment climate?
5. *What can be done to overcome these difficulties?*
  - a. *By national governments?*
  - b. *By national firms?*
  - c. *By foreign governments?*
  - d. *By foreign firms?*
  - e. *By multilateral or intergovernmental actors?*
  - f. *By NGOs?*

**Sign-up for Discussion Questions Posts Opens in WebCafe Tuesday, January 22 at 5:00pm. Be sure to sign up for two posts (one in each half of the course)**

### 3. Political Power I: Rule of Man vs. Rule of Law (January 24)

#### Reading

##### *Case Discussion*

Newmont in Peru Stanford Case IB-51

#### Discussion Questions

1. Who was right: The Wall Street analyst approving of the Fujimori administration because it brought political stability and guaranteed the rules of the game, or the Polish newspaper editor worried that the institutions of a democracy were being trampled?
2. Aristotle warned against the rule of man. By reference to Fujimori's Peru, what is wrong with the rule of man? What do you think would do a better job of generating economic growth – the rule of law or the rule of man? What exactly are the causal links between the rules of the game and economic growth?
3. What do you see to be the post-Fujimori future of Peru's legal and political institutions? Will what Michnik called the "Montesinos virus" fade away after Fujimori and Montesinos leave power, or will the effects of the "virus" continue?
4. ***Do investors prefer the rule of one individual or the rule of law? Under what conditions? Why?***

### 4. Political Power II: Centralization vs. Decentralization (January 29)

#### Readings

##### *Background*

Power to the States: Fiscal Wars for FDI in Brazil (HBS Case 9-701-079)

##### *Case Discussion*

Dell's Dilemma in Brazil: Negotiations at the State Level (Thunderbird Case A03-03-0021)

#### Discussion Questions

1. What are the arguments in favor and against federalism?
2. ***Do relations among Brazilian states and between its states and central government contribute to its development or its 'development trap'? Why?***
3. What should Maxwell recommend to Michael Dell?



## 5/6. Corporate Power: Multinational Corporations and the Rule of Law (January 31-February 5)

### Reading

#### *Case Discussion*

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

### Discussion Questions

1. It's 1951, you are Jacobo Arbenz and want to develop your country: what are your options?
2. Do you think Guatemala would have been better without United Fruit?
3. Was it worth it for the United States to intervene in Guatemala? What was at stake? What did the US gain? What would it have lost by allowing Arbenz to remain in power?
4. Why did United Fruit face so much hostility in Guatemala despite creating jobs, building infrastructure, and creating a successful export industry?
5. What would have permitted a better development of a capitalist economy in Guatemala: United Fruit's operations, or the agrarian reform?
  - ➔ Or, was United Fruit permitting the development of Guatemalan entrepreneurs?
  - ➔ Or was this more possible with land distribution?
6. ***Do multinationals spread Western values like equality, democracy and the rule of law?***

## 7. Limiting Political & Corporate Power through International Regimes I (February 7)

### Readings

#### *Background*

Diplomacy and Domestic Politics: The Logic of Two-Level Games (Robert D. Putnam, International Organization 42:3 pp.427-460)

The WTO Through The Lens of International Regime Theory (Erick Duchesne, Canadian Department of Foreign Affairs and International Trade, Trade Policy Research Working Paper #03, excerpt)

#### *Case Discussion*

The Delta Blues: US-Vietnam Catfish Trade Dispute (A) HBS Case 9-706-003

### Discussion Questions

1. Why do international regimes such as the WTO emerge?
2. Why do international regimes such as the WTO encounter such opposition?
3. Given this opposition, how can international regimes change domestic policy outcomes?
4. Why do countries impose anti-dumping duties?
5. Are these duties justifiable economically? Politically? How?
6. Which country has a comparative advantage in producing catfish?
7. Under what conditions would it make sense to protect US catfish growers?
8. Does US anti-dumping policy consider these conditions? Which ones?
9. What other factors are considered? Why?
10. What are the common criticisms of anti-dumping legislation? What is their basis for support?
11. ***Why are anti-dumping penalties allowable within the framework of the WTO?***

## 8. Limiting Political & Corporate Power through International Regimes II (February 12)

### Readings

#### *Background*

Trade Winds (The Economist, 11/8/97: 85-86)

The World Trade Organization: Toward freer trade or world bureaucracy (HBS Case 9-795-149)

#### *Case Discussion*

Bombardier: Canada vs. Brazil at the WTO (HBS Case 9-703-022)

### Discussion Questions

1. If free trade is so good, why is it so hard to obtain and maintain?
2. Why do governments provide subsidies, tax concessions, credits, ...?
3. Make the legal case for the position of the Brazilian (Canadian) government at the WTO.
4. Beyond the legal basis for the dispute, make the argument from the perspective of Embraer (Bombardier) to the Brazilian (Canadian) government that your firm should receive subsidies.
5. ***Why do managers at firms like Bombardier and Embraer support a strong WTO (i.e., one that restricts their government's ability to subsidize them)?***

## 9/10. Limiting Political and Corporate Power through NGOs/Public Private Partnerships I (February 14-19)

### Readings

#### *Background*

The Power of Activism: Assessing the Impact of NGOs on Global Business (California Management Review, 45(3):78-101; CMR Reprint 255)

Turning Gadflies into Allies (Michael Yaziji, Harvard Business Review, February 2004, R0402J)

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. When are NGOs most able to impact multinational strategy? Why?
2. When are multinational corporations most able to cooperate with NGOs? Why?
3. What are the drivers of the use of child labor
4. What are the risks involved for IKEA in its treatment of child labor issues?
5. How should IKEA respond to the accusations leveled against it?
6. ***How should IKEA manage its policies with regard to child labor?***
  - a. ***What should they do independently? Why?***
  - b. ***What should they do in concert with NGOs such as Rugmark? Why?***
  - c. ***What should they do in concert with IGOs such as the ILO or UNICEF? Why?***

## 11. Public Private Partnerships Meet International Regimes: NGOs & The Alien Tort Claims Act of 1789 (February 21)

### Readings

#### *Background*

Taking Multinationals to Court: How the Alien Tort Act Promotes Human Rights (Joshua Kurlantzick, World Policy Journal, Spring 2004)

#### *Case Discussion*

Mobil in Aceh (A) (Stanford Graduate School of Business Case IB-40A, 11/21/02)

Mobil in Aceh (B) (Stanford Graduate School of Business Case IB-40B, 11/21/02)

### Discussion Questions

1. What do you think MOI did well in their development phase? Would you do anything differently?
2. What stakeholders do you think were important in the 1970s? Has this changed at all in the 80s & 90s? If so, how?
3. Is NGO use of the Alien Tort Claims Act a triumph for human rights or an abuse of the legal system?
5. It is December, 1998, and you are the CEO of Mobil Oil Indonesia. How do you respond to the five claims made by Sumatra NGOs and WAHLI (Exhibit 1)? How will you handle your relationship with the Jakarta government? your international media relations? your relations with NGOs?
5. How should Exxon-Mobil respond to the filing of the Alien Tort Claims Act suit?
6. ***Should multinational corporations be forced by international law to adopt common standards for human rights?***

## 12/13. Is DAD (i.e., Decide Announce Defend) a Dead Strategy for Extractive Industries? (February 26-28)

### Readings

#### *Background*

Controlling Political Risks in Mining Operations (Control Risks Group)

#### *Case Discussion*

External Stakeholder Relations in the Land of Dracula (A) (Tim Gray and Witold Henisz)  
[TO BE DISTRIBUTED IN WEBCAFE]

### 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? Why or why not?***

## 14/15. First Half Wrap-Up: City Water Tanzania (March 4-6)

### Readings

#### *Background*

Creating Sustainable Local Enterprise Networks (Wheeler David et. al, *Sloan Management Review*, 47(1):33-40)

#### *Case Discussion*

City Water Tanzania (A): Water Partnerships for Dar es Salaam (Oana Branzei and Kevin McKaue, Richard Ivey School of Business Case 9B07M025)

### Discussion Questions

1. What makes public private partnership difficult to craft and sustain?
2. ***Should Minister Lowassa accept the IFC's offer and seek a private operator with expertise and additional resources or should he encourage locally sponsored alternatives? Come to class ready to advocate for either***
  - a. *A public-private partnership*
  - b. *Independent operation (without international aid)*
  - c. *Status quo with improvements*

**Post team paper outlines to team folders in eRoom by Friday, March 7 at 5:00pm**

## **SPRING BREAK (March 7-15)**

## **16. Second-Half Introduction (March 18)**

#### *Background*

Is Foreign Infrastructure Investment Still Risky? (Lou Wells, *Harvard Business Review*, Sept-Oct. 1995, Reprint 95511)

Managing Risk in an Unstable World (Ian Bremmer, HBR OnPoint #1126)

How Managing Political Risk Improves Global Business Performance (PWC-Eurasia Report, 2007)

Assessing the Impact of Societal Issues (McKinsey Quarterly, November 2007)

### Discussion Questions

1. How important is political and social risk management to multinational strategy? As compared to what?
2. Is political and social risk management becoming more or less important? Why?
3. Try to describe the process that generates political or social risk?
4. How can firms identify the risk of a potential political or social risk that reduces their profitability or a potential political or social opportunity that increase their profitability?
5. How can firms insulate themselves from the impact of political and social risks and/or promote political and social opportunities?
6. What are the challenges to the implementation of such political and social influence strategies?

## 17/18. Power Trip or Power Play: AES-Telasi (March 20-25)

### Readings

#### *Background*

Managing Political Risk and Opportunities (Witold J. Henisz and Bennet A. Zelner  
*draft manuscript under revision for resubmission to Harvard Business Review*)  
[TO BE DISTRIBUTED IN WEBCAFE]

#### *Case Discussion*

Power Trip or Power Play: AES-Telasi (A) (Witold J. Henisz and Bennet A. Zelner)

### Discussion Questions

1. Did AES-Telasi face substantial policy risks? Why?
2. Who were the key political and social actors for Michael Scholey in the Georgian environment? Who were his allies? Opponents?
3. Who were the key political and social actors for Michael Scholey in the international environment? Who were his allies? Opponents?
4. What strategy did AES adopt to deal with this divided political and social environment?
5. ***What were the shortcomings of the strategy of Michael Scholey towards the policy risks faced by AES-Telasi? What alternative strategy would you recommend that Ignacio Iribarren implement upon his arrival?***

## 19. Political Power and Strategy I: Corruption in Indonesian Mining (March 27)

### Readings

#### *Background*

Corruption and Development (C. Gray & D. Kaufman, Finance & Development, 3/1/98, pp. 7-10)

#### *Case Discussion*

Busang: River of Gold (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. 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?
5. Has Bre-X developed relationships in Indonesia? Does it need to? How?
6. ***How should David Walsh respond to Minister Sudjana's announcement? What options are open to him and to Bre-X?***

## 20. Political Power and Strategy II: The European Union and Standards (April 1)

### Readings

#### *Background*

European Monetary Union (HBS Case 9-799-131)

The Impact of U.S. Lobbying Practice on the European Business-Government Relationship  
(David Coen, California Management Review 41(4): 27-44; CMR Reprint 155)

#### *Case Discussion*

Echelon in Europe (Graduate School of Business, Stanford University Case P-22)

Browse the website [http://echelon.com/support/documentation/stories\\_papers.htm](http://echelon.com/support/documentation/stories_papers.htm)

### Discussion Questions

1. What are the goals or objectives of the European Union?
2. Describe initiatives by the European Union other than tariff and subsidy reductions that have the purpose of achieving these goals. Why are these important?
3. Should the EU be able to set standards that are binding upon individual nation-states? Why or why not?
4. How will the enlargement of the EU in 2004 influence the scope of EU authority? Why is it so contentious?
5. *Should Echelon maintain its defensive blocking strategy? Why or why not? If not, how should it seek to influence the adoption of an open architecture policy at the EU level?*

## 21/22. International Regimes & Strategy: Conditionality and the East Asian Crisis (April 3-8)

### Readings

#### *Background*

Can the IMF play Supercop? (James Smalhout, *Euromoney*, September, 1998, pp. 90-93)

Prevention is more complex than cure (James Smalhout, *Euromoney*, Sept. 2001, pp. 320-325)

Stinging Critiques of IMF, US Treasury (Chakravarthi Raghavan, Third World Network  
<http://www.twinside.org.sg/title/sting.htm> Accessed 11/29/05)

#### *Case Discussion*

Thai Petrochemical Industry: Negotiating Debt after the East Asian Crisis (Witold Henisz and Aneesha Capur)

### Discussion Questions

1. Who or what is to blame for the depth of the recessions/depressions in Thailand and the rest of East Asia?
2. How is reaction of the International Monetary Fund and the World Bank perceived by lenders, foreign investors, local entrepreneurs, local conglomerates, and local consumers?
3. Why is legal reform – particularly reform in the bankruptcy law – so important to international investors and the international financial institutions?
4. Are the bankruptcy reforms adopted by the Thai government sufficient? Why or why not?
5. *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*
- d. Sale of TPI*

*Why or on what would it depend?*

### **23. Presentations I (April 10)**

### **24. Presentations II (April 15)**

### **25. Presentations III (April 17) – Peer Review Assignments provided at end of class**

**Post peer reviews to assignment submissions folder & email them to reviewed team by Thursday, April 24 Noon**

## **INTEGRATION & SYNTHESIS**

### **26. Strategy in the Russian Oil Industry (April 22)**

#### **Readings**

##### *Case Discussion*

White Nights and Polar Lights: Investing in the Russian Oil Industry (HBS Case, 9-795-022)

#### **Discussion Questions**

1. What are some of the relevant characteristics of the oil industry and, in particular, the oil industry in Russia that lead political and regulatory risk to pose such concerns to investors?
2. How does political and regulatory risk affect the entry strategy of foreign oil firms in Russia?
3. ***Evaluate the entry strategies of Phibro, Mobil and Conoco. Which one chose wisely? Why?***  
**[In-class debate on this question]**
4. How will the returns from the development of Russian oil likely be distributed in the long term? Why?

## **27. Global Risks, Scenarios and the Future (April 29)**

### Readings

Shell Global Scenarios to 2025 (Executive Summary and Excerpts)

Global Risks Report 2008 (World Economic Forum)

[TO BE DISTRIBUTED IN WEBCAFE]

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

### Discussion Questions

1. Will the global economy continue to become more integrated? Who will be the winners / losers?
2. Will international political institutions keep pace / surge ahead / fall behind?
3. *What are the implications of these two trends for multinational managers?*

## **28. Stakeholder Engagement Tools & Course Wrap-up (April 24)**

### Readings

Skim volumes 1, 2 and templates of Stakeholder Engagement Manual available at

<http://www.accountability21.net/publications.aspx?id=904>

### Discussion Questions

1. Based upon your review of the manuals and templates
  - a. What mistakes could managers in a case we discussed have avoided by implementing this process?
  - b. What additional insights did your team generate for your paper?
2. What are the barriers to implementation of this process?

**Deadline for Team Paper Submission (to Team Projects Folder): Noon Monday, May 12 2008**