

THE POLITICAL AND SOCIAL ENVIRONMENT OF THE MULTINATIONAL FIRM**MGMT 209****Fall 2012**

Location: JMHH F65

Tuesdays/Thursdays: 3.00 – 4.30 pm

INSTRUCTOR

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OFFICE HOURS

Office Hours: Wednesday 3:00 – 5:00 pm or by appointment

COURSE OBJECTIVES

Managers of multinational corporations have to be able to effectively engage external stakeholders that are part of their firms' broader business environment. To be successful in foreign markets, they build relationships with and craft coalitions of stakeholders spanning politicians, regulators, local communities, domestic investors, lawyers, reporters, consumers, and activists. Many also get involved in efforts to develop the infrastructure of the countries where they operate or finance social programs meant to improve the education and healthcare services available to local communities. They do so in the hope of changing these various stakeholders' opinions and decisions so as to secure a favorable policy outcome, collective decision or shift in group opinion that enhances their corporation's ability to generate a profit. This course takes a closer look at the challenges managers face when they play such influence games and at the strategies that have proven successful or unsuccessful in different political and social environments. We will discuss the managerial, political, economic and strategic foundations of corporate diplomacy as well as several case study examples of successful and failed implementation. The goal of the course is to help students develop an interdisciplinary understanding of what it takes to overcome political and social risk in different environments around the world.

We will develop the foundations of the course through a review of relevant issues in international political economy, non-market strategy, international business and economics. For each literature, we will study the respective theoretical concepts and practical applications from a managerial perspective. Case studies will include, among others, the experience of AES in transitioning Georgia, Grupo Bimbo's international expansion, Metro's challenges in emerging markets, Newmont Gold in Fujimori's Peru, United Fruit's experience in Guatemala, the WTO dispute between Bombardier and Embraer, Mercedes-Benz's PR problems with the Mercedes A-class, NGO activism in Uganda, international lobbying efforts by the Dow Chemical Company, the development of a gold mine in Indonesia by Canadian mining company Bre-X, Ikea's treatment of accusations that it was complicit in the use of child labor in the fabrication of rugs, the development of a water distribution company in Tanzania, MTV's efforts to tackle HIV/Aids and the political economy of carbon trading.

DETAILED COURSE DESCRIPTION

This 1.0 credit unit full semester elective is designed for undergraduate students across the University of Pennsylvania with an interest in the interface between multinational corporations and political and social actors. The course is organized around a central phenomenon: international investors' attempts to overcome political and social challenges that stand between market demand and shareholder profit. The course is consciously interdisciplinary in its design. There are no formal prerequisites but participants should be able to contribute some individual expertise from previous coursework, training and work experience and will, at other times, rely heavily on their peers to summarize and introduce key concepts and perspectives from other disciplines, industries or countries with which they may be less familiar.

The course is built around the assumption that an inter-disciplinary approach which integrates concepts and tools from economics, political science, international business and strategy will outperform a narrower approach. This holds particularly true when considering the fact that international investment involves individuals working in teams in multiple organizations from various countries motivated by some combination of self-interest, profit and public interest. While our focus will be on corporate diplomacy in a global business environment, the insights gained should be generalizable to many additional contexts including team decision-making, organizational politics, lobbying, marketing, sales, political campaigns and corporate, national or multilateral projections of soft power.

The reading list is a mix of conceptual background readings and case studies. Students will be expected to substantively participate in each class' discussion (i.e., regular attendance with "fully present" participation is required). The discussion should not merely recap the facts in a reading, but generate insight into links between concepts or paths forward for protagonists in a case. The sharing of relevant practical insights from professional or other international experiences is also encouraged.

At the end of November, student teams will present projects that examine a specific multinational firm facing a crucial decision point in how to engage with its business environment. Presentations will highlight the pros and cons of at least two strategic options and how the firms did or should choose between them.

READINGS

All required readings will be made available on Study.net or on the Canvas course platform ahead of time. In case there are new political or strategic developments that are relevant for a particular class, I will post information on those on the Canvas platform as well. In addition, I will provide optional readings for anyone who is interested.

The readings listed on the course outline below should be read and prepared before that class session.

ASSIGNMENTS AND KEY DATES

Each Class	Three-sentence case reaction post on the Canvas course platform due at 9 am on the day of class
Oct. 11, 9 am	Deadline for team sign-up on the Canvas course platform
Oct. 27, 9 am	Team project outline due
Nov. 1, in class	Assignment of team project presentation dates
Nov. 27, 29 and Dec. 4 in class	Team project presentations
Dec. 4, at the end of class	Assignment of peer reviews for team presentations
Dec. 8, 5 pm	Peer reviews due
Dec. 15, 5 pm	Final paper (team project) due

Please note that there is NO MIDTERM OR FINAL EXAM.

ASSESSMENT AND GRADING

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:

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| (1) Class participation including submission of three sentence reaction posts | 25% |
| (2) Response papers for two designated classes | 25% |
| (3) Team paper outline | 5% |
| (4) In-class team presentation of your team paper draft | 10% |
| (5) Peer review of another team's presentation | 5% |
| (6) Team paper | 30% |

Detailed description of each grading component:

(1) Class-Participation (25%):

- a. *In-class discussion:* I expect a high-level of interactive and integrative discussion in every session. Please come to class prepared to engage with your peers. You are encouraged to post current events of interest on the Canvas course platform and/or bring up real time political or strategic events in the class room. Throughout the semester we will also employ small group discussions, debates, role play exercises and other activities. I will evaluate both the quality and the quantity of your in-class contributions and I will also cold call students.
- b. *Case reaction posts:* For every class I will post several discussion questions on the Canvas course platform, which will help you prepare for the in-class discussion. You are required to post a three sentence case reaction to one specifically marked discussion question on the Canvas course platform before the start of each class. I will also provide a template document to collect all your case reaction posts throughout the semester. At the end of the term you will have to submit that document to me.

(2) Response papers (25%): Throughout the semester you will have to write two response papers (2 single-spaced pages each) discussing the readings for two designated classes (which will be announced on the Canvas course platform). Each response paper will be due at the beginning of class and you are not allowed to discuss your answers with other students. I will hand out detailed instructions for these assignments in class and also post them on the Canvas course platform.

(3) Team paper outline (5%): Team paper outlines should highlight the key components of the paper's structure as detailed below in (6). More thorough outlines elicit more helpful feedback. It is insufficient to merely identify a topic in your outline as you will need to provide me with meaningful guidance as to the substance of your paper.

(4) Team project presentation (10%): 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 5) and from me regarding issues that you should address or improve upon prior to submission of your final paper.

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

- Briefly summarize the substance of the presentation (1 paragraph)
- Comment on the strengths of the presentation (1-2 paragraphs)
- 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) Team paper: (30%): Teams consisting of ideally four and no more than five students (preferably combining individuals from different majors and nationalities) will identify a corporation that faced a dilemma relating to the management of corporate diplomacy (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, etc. 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 and should be used only when they complement the text.

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

- 1) Mitigating political and regulatory risk in politically salient investments;
- 2) Addressing human rights, environmental or other social claims;
- 3) Managing a tumultuous political or economic period in a host country (e.g., economic or political transition);
- 4) Responding to an international trade or investment dispute;
- 5) Responding to an international liquidity or solvency crisis;
- 6) Enforcing or influencing the development of intellectual property protection, standards or other international legal issues

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

More detailed instructions on the final paper will be handed out in class and also posted on the Canvas course platform.

FACULTY LUNCHES

Throughout the semester I will offer the option for lunches/dinners with me to give you the opportunity to talk about topics of interest in an informal setting. Sign-up will be conducted on the Canvas platform. Please note that these meal sessions are entirely optional.

CLASSROOM EXPECTATIONS

- Class will start and end on time
- Late entry or reentry is only permitted under exceptional circumstances
- Name tents should always be displayed and seats have to be taken according to the seating chart
- All phones, laptops and other electronic devices are to be turned off during class

COURSE POLICIES

Office hours: I have regular office hours on Wednesday from 3.00 to 5.00 pm. In addition, please feel free to e-mail me anytime for appointments outside my regular office hours. I encourage you to set up a meeting with me whenever you have questions, concerns or need help with anything.

Attendance: Attendance is mandatory for all class meetings. Exceptions will be granted for medical or family emergencies on a case-by-case basis. Unexcused absences will negatively impact the participation grade of a student. In every class, you are expected to be on time for the start of the session. Tardiness will automatically affect grades for class participation negatively.

In-class discussions: Learning to contribute positively to a productive discussion is one of the most essential parts of this class. Therefore you are expected to participate regularly so that the entire class can benefit from the process. I encourage a very open and free-flowing classroom atmosphere so that everyone feels comfortable speaking their mind. However, this requires that you show mutual respect for the opinions of your fellow students and are able to deal with criticism in a constructive manner.

Tardiness of assignments: Assignments are expected to be handed in on time. If students submit an assignment late, they have to notify me in advance. The grade for the assignment will be affected negatively for each day it is late. Exceptions for medical or family emergencies will be allowed on a case-by-case basis.

Collaboration: A central element of this class is the team project that you will be conducting with some of your colleagues. This assignment is intended to foster collaborative skills and enhance your ability to work in teams. You will be able to form your own teams, but if despite that a problem arises within the group during the work on the final project, please arrange a meeting with me so that I can help you resolve any issues. While for the team project you should collaborate as closely as possible, you are not permitted to collaborate with your colleagues for the response papers. These have to be entirely your own work. Similarly, when preparing for class, the readings are not to be discussed with others before the start of class, apart from participation in the online case reaction discussions on Canvas. This way I am able to evaluate your own contributions more accurately.

Feedback: I encourage anyone with specific or general questions regarding the course structure, content or discussions to meet with me during my office hours or by appointment or to contact me via email or phone. A few weeks into the semester, I will also distribute informal evaluation forms to gather detailed feedback from you on the course.

Academic Honesty and Plagiarism: The University of Pennsylvania takes academic honesty very seriously and it is important as part of your education to learn how to declare work from others properly. Any suspected case of plagiarism will be reported. For all the work that you submit, 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 the pursuit of formal charges of plagiarism. If at any point in time you have questions about how to cite work that is not your own or have any doubts otherwise, please consult with me. Please also refer to the University of Pennsylvania's Code of Academic Integrity for further information:
http://www.upenn.edu/academicintegrity/ai_codeofacademicintegrity.html

ETHICS AND USE OF PRIOR MATERIALS

It is never appropriate to use materials prepared by students or faculty in this course from previous years (i.e. slides from sessions from prior courses etc.). You should not use previously completed case write-ups, summaries of readings or obtain information about the final outcome of case studies from any sources.

COURSE OUTLINE

Section I: Introduction

Class 1: Course Introduction

Sep. 6, 2012 (Th)

- Discussion of course content and introduction to the field

Class 2: Firms and their Environment I

Sep. 11, 2012 (Tu)

Readings:

Background:

- Baron, David P. "Business and its Environment." Prentice Hall, New Jersey: 2006, 6th edition. (Chapter 1).
- Baron, David P. "Integrated Strategy: Market and Nonmarket Components." *California Management Review* 37 (2): 47-65 (1995).

Case discussion:

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

Class 3: Firms and their Environment II

Sep. 13, 2012 (Th)

- AES-Telasi: continued

Section II: The Global Business Environment

Class 4: The State of the Global Economy

Sep. 18, 2012 (Tu)

Readings:

- Frankel, Jeffrey. "Globalization of the Economy." in Joseph S. Nye, Jr. and John D. Donahue, *Governance in a Globalizing World*, Brookings Press 2000.
- Rodrik, Dani. "Feasible Globalizations." in M. Weinstein, ed., *Globalization: What's New?*, New York: Columbia University Press, 2005.
- Frieden, Jeffry, Michael Pettis, Dani Rodrik and Ernesto Zedillo. "After the Fall: the Future of Global Cooperation." Geneva Reports on the World Economy 14, Center for Economic Policy Research, July 2012. (pp. 1-18)

Class 5: Conducting Business Abroad

Sep. 20, 2012 (Th)

Readings:

Background:

- Ghemawat, Pankaj. *Redefining Global Strategy: Crossing Borders in a World Where Differences Still Matter*. Boston, MA: Harvard Business School Press, 2007. (Chapters 1 and 2)

Case discussion:

- Grupo Bimbo. (Siegel, Jordan: HBS Case 9-707-521)

Class 6: Investing in Emerging Markets – Institutional Voids

Sep. 25, 2012 (Tu)

Readings:

Background:

- Khanna, Tarun. "Winning in Emerging Markets: A Roadmap for Strategy and Execution." Harvard Business Press, 2010. (Introduction, Chapters 1 and 2)

Case discussion:

- Metro: Cash and Carry. (Khanna, Tarun and Krishna G. Palepu: HBS case 9-707-505)

Class 7: Institutional Failure: Rule of Man vs. Rule of Law

Sep. 27, 2012 (Th)

Reading:

- Newmont in Peru (McMillan, John and Pablo Zoido: Stanford Case IB-51)

Class 8: Multinational Corporations and the Rule of Law

Oct. 2, 2012 (Tu)

Reading:

- The Octopus and the Generals: The United Fruit Company in Guatemala (Jones, Geoffrey G. and Marcelo Bucheli: HBS Case 9-805-146)

Class 9: Limiting Political & Corporate Power through International Regimes

Oct. 4, 2012 (Th)

Readings:

Background:

- 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:

- Bombardier: Canada vs. Brazil at the WTO (Abdelal, Rawi, Laura Alfaro and Brett Laschinger: HBS Case 9-703-022)

Section III: Stakeholder Engagement and Influence Games

Class 10: Engaging with Stakeholders

Oct. 9, 2012 (Tu)

Readings:

Background:

- Baron, David P. "Private Politics." *Journal of Economics & Management Strategy* (2003): 12 (1): 31-66.

Case discussion:

- Mercedes and the Moose Test (A). (Diermeier, Daniel: Kellogg Business Case KEL048)
- Mercedes and the Moose Test (B). (Diermeier, Daniel: Kellogg Business Case KEL049)

Class 11: NGO Activism

Oct. 11, 2012 (Th)

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)

Case discussion:

- International Rivers Network and the Bujagali Dam Project (A) (Esty, Benjamin C. and Aldo Sesia: HBS Case 9-204-083)

Class 12: Lobbying I

Oct. 16, 2012 (Tu)

Readings:

Background:

- Note on Lobbying (Oberholzer-Gee, Felix, Libby Cantrill and Patricia Wu: HBS Case 9-707-471)

Case discussion:

- International Lobbying and the Dow Chemical Company (A) (Daemmrigh, Arthur A.: HBS Case 9-710-027)

Class 13: Lobbying II

Oct. 18, 2012 (Th)

Readings:

Background:

- 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 (Baron, David P. and Michael Ting: Graduate School of Business, Stanford University Case P-22)

NO CLASS: Fall break

Oct. 23, 2012 (Tu)

Class 14: Corruption I**Oct. 25, 2012 (Th)**Readings:*Background:*

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

Case discussion:

- Busang: River of Gold (Bell, Jeffrey, Christine Dinh-Tan, Philip Purnama and Debora L. Spar: HBS Case 9-798-002)

Class 15: Corruption II**Oct. 30, 2012 (Tu)**Readings:*Background:*

- Foreign Corrupt Practices Act – Layperson’s Guide. Department of Justice publication.
<http://www.justice.gov/criminal/fraud/fcpa/docs/lay-persons-guide.pdf>

Case discussion:

- Becton Dickinson: Ethics and Business Practices (A) (Paine, Lynn Sharp: HBS Case 9-399-055)

Class 16: Public and Private Partnerships I**Nov. 1, 2012 (Th)**Readings:*Background:*

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

Case discussion:

- IKEA’s Global Sourcing Challenge: Indian Rugs and Child Labor (A) (Bartlett A. Christopher, Vincent Dessain and Anders Sjoman: HBS Case 9-906-414)

Class 17: Public and Private Partnerships II**Nov. 6, 2012 (Tu)**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 (Branzei, Oana and Kevin McKaue: Richard Ivey School of Business Case 9B07M025)

Section IV: Social and Environmental Issues

Class 18: Advancing Policy Goals through Business

Nov. 8, 2012 (Th)

Readings:

Background:

- HIV/AIDS worldwide statistics: WHO publication:
http://www.who.int/entity/hiv/data/2011_epi_core_en.pps

Case discussion:

- Sex, Drugs, and Rock 'n Roll: The MTV Approach to Tackling HIV/AIDS (Khanna, Tarun, Sonali R. Bloom and David E. Bloom: HBS Case 9-709-429)

Class 19: Sustainable Development

Nov. 13, 2012 (Tu)

Readings:

Background:

- Sustainability and Competitive Advantage. (Berns, Maurice, Andrew Townend, Zayna Khayat, Balu Balagopal, Martin Reeves, Michael S. Hopkins and Nina Kruschwitz, MIT Sloan Management Review Article. Vol. 51 (1): Fall 2009 (SMR327))
- Lubin, David, Amy Longworth and Randall Russell. "Sustainability Strategy Transforms the Enterprise." Harvard Business Publishing Newsletters, November 2011 (B1111A)

Case discussion:

- Nestle: Sustainable Agriculture Initiative (Reinhardt, Forest: HBS Case 9-705-018)

Class 20: Climate Change and Emissions Trading I

Nov. 15, 2012 (Th)

Readings:

- Cleaning up the "Big Dirties": The Problem of Acid Rain (Buntin, John, Roger Porter and Ribert Stavins: Harvard Kennedy School Case C15-99-1514.0)
- The Political Economy of Carbon Trading (Reinhardt, Forest, Gunnar Trumbull, Mikell Hyman, Patia McGrath, Nazli Z. Uludere Aragon: HBS Case 9-710-056)

Class 21: Climate Change and Emissions Trading II

Nov. 20, 2012 (Tu)

Readings:

- Continued from previous class

NO CLASS – Thanksgiving break

Nov. 22, 2012 (Th)

Section V: Team Presentations and Course Wrap-up

Class 22: Team Presentations I + Q and A	Nov. 27, 2012 (Tu)
Class 23: Team Presentations II + Q and A	Nov. 29, 2012 (Th)
Class 24: Team Presentations III + Q and A	Dec. 4, 2012 (Tu)
Class 25: Course Wrap-up	Dec. 6, 2012 (Th)
- Topics TBD (will be posted on Canvas ahead of time)	