COURSE OBJECTIVES

How can you develop beauty products using plants located in areas that only local communities can access, when there is no legal framework for employing members of these communities and there are no collective production processes in place? How can you deliver your products when only road transportation is available but experienced truck drivers are succumbing to HIV&AIDS and they don’t have access to healthcare? How can you sell your products when there is no retail infrastructure, capital is hard to come by and potential distributors have had no basic education?

This course will teach you to manage effectively in challenging political and social environments, specifically (although not limited to) emerging markets – places where the institutional infrastructure (access to capital, labor, talent and vertical intermediaries) is too weak to adequately support firms’ development, but where opportunities to do business abound. The ability to engage diverse groups of stakeholders – not only customers and employees, suppliers and distributors, but also politicians, non-profit organizations, and local communities – is key to navigating these challenges. The class will provide students with an integrative perspective towards managing political and social risks through a combination of practical tools and the latest academic thinking on this topic.

Students in this class will learn to protect and create value for the firm by engaging with external stakeholders to address critical socio-political challenges in emerging markets. By the end of the course, they will know how to: 1) exercise due diligence to insulate the firm from political risk, 2) engage stakeholders to earn a social license to operate, 3) integrate stakeholder-based initiatives into their financial management and organizational structure, and 4) leverage partnerships with public and non-profit organizations to foster organizational learning.

The format will include lecture, case discussion, in-class debates, Q&A with guest speakers and an integrative computer-based crisis management simulation custom-designed for this course.

COURSE OUTLINE

We will begin with an introductory session that expands the environment of the firm beyond the boundaries set out in traditional strategy models (e.g., Porter’s five forces), to encompass a broader range of social and political actors and issues that can affect its operations. The course will then be divided into four modules, each of which introduces analytical tools to deal with different facets of socio-political issues that firms may face in their operations:

- Due Diligence: Stakeholder Mapping tools
- Earning a Social License to Operate: Partcipatory Stakeholder Engagement
• Integration into Core Operations: Financial Valuation and Organizational Structure
• Organizational Learning: Cross-Sector Partnerships

As we move from one module to the next, our focus will shift from protecting shareholder value towards creating value for the firm and society. This implies moving from short-term risk mitigation strategies to long-term investment perspectives. Accordingly, the depths of engagement that will be required from the firm will increase, and the tools we cover will move from power and influence-based mechanisms (module 1), to participatory engagement (module 2), to deep-seated changes in the structure and identity of the firm (modules 3&4).

ABOUT THE INSTRUCTOR

Aline Gatignon is an Assistant Professor of Management at the Wharton School, The University of Pennsylvania. She received her Ph.D. in Strategy from INSEAD and previously received a M.A. in Development Economics and a B.A in Political Science from the Paris School of Political Science (Sciences Po).

Her research explains how firms can collaborate with public and non-profit sector organizations to create public and private value in emerging markets. It connects individuals, the organizations they are a part of and the institutional environments they operate in. The empirical settings that she studies include cosmetics and banking in Brazil, Corporate Social Responsibility in India, corporate disaster response worldwide, logistics and healthcare partnerships in Africa, Latin America and Asia, and environmental non-profits operating globally.

Aline Gatignon’s research and pedagogical case studies on this topic have been recognized with several awards, including the Strategic Management Society Best PhD Paper Award and the European Foundation for Management Development case study competition award (multiple years running). She has led workshops on partnership management with multinational organizations such as TNT and inter-governmental organizations such as the United Nations World Food Program. She has also taught this topic in Executive Education programs for Brazilian CEOs and Executive MBA participants at INSEAD, as well as for undergraduates from the ‘Ecole des Ponts’ and doctoral students from Sorbonne University.

COURSE POLICIES

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

• Class starts and ends on time
• Sit according to the seating chart (that will be set the first day of class)
• Late entry or reentry only under exceptional circumstances
• Name tents displayed
• Phones must be turned off and put away. If a student must keep a phone on by reason of a personal emergency, the student must inform the instructor before class begins.
• The use of laptops and tablets is not allowed unless for educational purposes unless for the educational purposes of responding to in course polls, referencing course readings or, as needed for in-class exercises.

PLEASE NOTE: Students are expected to attend all classes in order to contribute to creating a rich learning environment for everyone. They must also attend their assigned sections unless they have received prior permission from the instructor. As per Wharton’s policies, excused absences are defined as a documentable personal or family illness (i.e., you must provide a doctor’s note), and religious observance for observant students. Absences due to job interviews, career pursuits, non-documentable illnesses, or travel are
unexcused. Each unexcused absence will adversely affect your participation grade, as will non-compliance with the school’s electronics policy.

TEXT AND READINGS
Background and focal readings are provided in a bulk pack via Study.net available through the Canvas course page. Some readings (e.g., the latter parts of a multi-part teaching case) are added to Canvas after class begins.

FACULTY LUNCHES
Students are encouraged to sign up through Canvas for lunches with the instructor and guest speakers.

ASSESSMENT
Assessment for regularly attending students will be based on:

1. Participation and engagement including participation in online polling (30%)
2. The contribution of at least one post of a best or worst practice example of stakeholder engagement on the YellowDig discussion platform (10%)
3. Team simulation score (10%).
4. Class project (50%, composed of 25% individual and 25% group scores).

These 4 components of your course grade are discussed in more detail below:

1. Participation and engagement (30%):

Contribution to class discussion: 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 makes 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 concepts correctly?

Polls: To help you prepare I have included discussion questions for each class and online polls related to the **bold italicized discussion questions.** For in-class polls, you will be asked to record your response during class using a classroom application. In a few instances (indicated in the syllabus), I ask that you submit your poll responses through Canvas by 9pm the day before the class, in order to send guest speakers your questions so that they may prepare in advance or because some polls require additional processing on my part to integrate your responses into the class. If you answer the poll, you may be called upon to justify your answer.

2. YellowDig (10%): At least once during the semester, you must post to YellowDig a short (150-word) discussion with external link(s) to a best or worst practice example of stakeholder engagement. Alternatively, you may choose to comment on / discuss (also in 150 words) an example posted by your peers. Examples might include the use of stakeholder mapping & analysis, measurement of the financial returns to stakeholder engagement, efforts to build personal relationships with external stakeholders, adaptive learning systems that build trust with external stakeholders, effective
communication strategies with external stakeholders and mindsets or organizational cultures that clearly prioritize long-term creation of value for shareholders and stakeholders. I will try to highlight some of the most relevant material, debates and tools in class discussion.

A lack of participation in polling, discussion and other in-class exercises can result in a score of 0 out of 30% for participation. 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 also be penalized.

(3) Each student will be randomly assigned to a 3-5-person team whose collective performance in the KEROVKA crisis management simulation, 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. NOTE THAT STUDENTS WHO ARE ABSENT FOR THE SIMULATION WILL NOT BE ABLE TO RETAKE IT AT ANOTHER TIME.

(4) Class project (50%): self-selected teams consisting of no fewer than three and no more than six students (preferably maximizing diversity in background, functional expertise, major…) will identify a corporation facing a political and/or social challenge in a specific country at a specific point in time. Each team will develop a proposal to address this challenge, comparing two strategies that both hinge on engaging with external stakeholders and offering a final recommendation of which strategy to pursue. Groups can be composed of students from different class sections.

The class project score consists in a group evaluation (25%) and individual evaluation (25%), divided as follows:

- Group evaluation: the team collectively submits a paper proposal outline (5%) and final team paper submission (20% but the grade can be distributed unevenly across team members based on the relative strength of their individual component), which together count for 25% of each team member’s course grade. Team paper outlines should introduce the context you have chosen (company, country, time period and socio-political issue) and the two strategies you will be analyzing in your paper. More thorough outlines elicit more helpful feedback.

- Individual evaluation: each team member completes one of the individual components of the final team paper as described below, which counts for 25% of that team member’s grade for the class. For teams of more than 3 people, two team members can work on the same individual component but each should analyze one of the two proposed strategies.

Eight basic components should be found in the submitted paper:

i. An unnumbered title page that identifies all team members and the individual components they worked on (e.g.: Jane Smith, Stakeholder Mapping, Strategy A). The title page should also contain an executive summary laying out the socio-political problem, how it affects the firm, the two strategies and which one you are recommending.

ii. An introduction that identifies a specific company and a specific social and/or political challenge that it faces along with the root causes of this problem, that clearly involves a (potential) conflict with a set of external stakeholders, and a brief description of the two strategies (~2 pages);

iii. Individual Component I - Stakeholder mapping: Use your choice of stakeholder and 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 each of the two strategic options. Stronger insight is typically provided by complementary visuals and textual analysis of the assumptions and data input that generated those visuals;
iv. **Individual Component II - Stakeholder engagement:** The discussion of key aspects of implementation of the recommended strategy including:
   a. Mechanisms to build interpersonal trust with external stakeholders identified above;
   b. Mechanisms to engage these external stakeholders in specific initiatives and/or cross-sector partnerships;
   c. Mechanisms to effectively communicate the goals, design and implementation of these initiatives;
   d. Mechanisms to insure internal organizational support for these initiatives.

v. **Individual Component III - Financial Valuation:** An assessment of the relative financial impact of these proposed strategies, possibly including the use of the FVTOOL. This assessment should culminate in a specific actionable recommendation and an attempt to identify the key assumptions of contingencies that impact this recommendation.

vi. Succinctly **summarize** the key takeaways of the case: which strategy would you recommend, under which conditions would you alter your recommendation, and what lessons can other firms facing similar challenges take from your analysis and recommendations? (2-3 pages)

vii. 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.

viii. A set of **exhibits** that complement your written analysis.

Your final submission should be between 14-21 pages long for teams of 3 (+3-5 pages per additional team member), excluding references and exhibits. 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. 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.

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

**ETHICS AND USE OF PRIOR MATERIALS**

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. If you have any questions on policy, see [http://gethelp.library.upenn.edu/PORT/documentation/plagiarism_policy.html](http://gethelp.library.upenn.edu/PORT/documentation/plagiarism_policy.html)

**FEEDBACK**

I encourage anyone with specific or general questions regarding the course structure, content or discussions to set up an appointment with me and/or to contact me via email or phone. There will be a mid-course evaluation whose results I will present in class.
SUMMARY OF CLASS SESSIONS

1. Conceptual Introduction (03/13/17)

Module 1: Performing Due Diligence through Stakeholder Analysis

2. Introduction: Power Trip or Power Play in the Republic of Georgia (01/15/17)


Discussion Questions
1. What did Scholey and AES-Telasi do differently in the (B) case? Why?
2. What were the strengths and shortcomings of the strategy of Michael Scholey in the (B) case?
3. In-class poll: What changes to Michael's strategy (if any) would you recommend that Ignacio Iribarren (Michael Scholey's successor) implement upon his arrival?
   a. Stem the losses. Balance the books. Shareholders can't act as a development agency.
   b. Quit while you're ahead. It's an investment that should never have been made. Don't throw more money away.
   c. Play the long game. Stay the course. The short-term losses are worth bearing.

3. Stakeholder Mapping Tools (03/20/17)

Readings:


Please bring your laptop to class for this session.

Module 2: Earning a Social License to Operate through Participatory Stakeholder Engagement

4. Trust-Building: the Tintaya Copper Mine (03/22/2018)

Readings

(Optional) Breaking Ground: Engaging Communities in Extractive and Infrastructure Projects (World Resource Institute)

(Optional) “Social License to Operate,” by Ian Thomson and Robert G. Boutilier, SME Mining Engineering Handbook, Chapter 17.2.


Discussion Questions
1. What are the core elements of community engagement or consent processes?
2. Do they matter? Why?
3. In-class poll: Do you believe that the application of these processes made a difference in the Tintaya mine? Why or why not?
   a. Some situations are hopeless. They should take this opportunity to exit Peru.
b. They could have if they hadn't made so many mistakes in implementation. What they didn't wasn't enough.
c. Despite the mistakes, I believe that they earned the trust of the local stakeholders and this will pay off in the long term.

5. Crisis Communication: Rosia Montana (03/27/2018)

Readings

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


Discussion Questions (for session 6)
1. Does the Rosia Montana mine have political and social support? From whom?
2. Given the political, economic and social environment in Romania in the mid-1990s, did Gabriel Resources management teams follow a well-designed strategy for the exploitation of the mine in the (A) case? Why or why not?
3. Pre-class poll: Imagine you are an NGO activist seeking to derail the project. Outline your strategy.

Module 3: Integration into Core Operations

6. Financial Integration: Natura in Brazil (03/29/2018)

Readings:


Natura’s 2010 online annual report:

Discussion Questions:
1. For what reasons might companies choose to publish integrated reports? Why did Natura do so?
2. Using what criteria (i.e., net present value or broader) should the decision be made as to what sustainability initiatives merit funding?
3. In-class poll: Which of Natura’s sustainability initiatives are most central to its business and should be expanded upon versus which could be discontinued (can select more than one)? Reflect on the critical assumptions that go into this calculation that you feel are sufficiently justified or established or require additional analysis or a stronger evidentiary base to justify.

Group project proposals should be submitted through Canvas by midnight on March 30th

7. Structural Integration: Natura in Brazil (04/03/2018)

Discussion Questions:
1. Pre-class Poll: Why do think Natura managed to outperform multinationals and other local competitors for many decades (until approx. 2010)?
2. What aspects of Natura’s approach could or could not be applied as it expands to other countries?
Module 4: Organizational Learning through Cross-Sector Partnerships

8. Organizational Learning: TNT and the United Nations World Food Program (WFP) (04/05/2018)

Readings

(Optional) Stanford Social Innovation Review – Research Section – Between two sectors (Fall 2016)

Gatignon A., Van Wassenhove L.N (2009). “When the Music Changes, so does the Dance-the TNT/WFP partnership ‘Moving the World’ five years on”, INSEAD case study 02/2010-5596

Discussion Questions
1. What aspects of the partnership did you find most novel/valuable?
2. Which elements of the partnership were you more skeptical about?
3. In-class poll: As TNT CEO Peter Bakker renewing the five-year memorandum of understanding with WFP in 2007 (i.e., at the end of the case "When the music changes, so does the Dance"), what elements of Moving the World would you have wanted to modify and how?

9. Guest Speaker: Morgan Berman, founder & CEO of MilkCrate (04/10/2018)

Readings
Executive report: Comcast, Moving towards a Greener Philadelphia

Familiarize yourself with MilkCrate by accessing its website at http://mymilkcrate.com

Discussion Questions

Pre-class poll: submit your questions for Guest Speaker Morgan Berman through Canvas by 6pm on April 9th.

10. Guest Speaker: Nina Dudnik, founder & CEO of Seeding Labs (04/12/2018)

Readings
Familiarize yourself with Seeding Labs by accessing its website at http://www.seedlings.org/

Develop a network graph for Seeding Labs based on the information from their SalesForce files (available on Canvas)

Discussion Questions

Pre-class poll: submit your insights and questions for Nina Dudnik, based on your network graphs, through Canvas by 6pm on April 11th.
11. Summary case + SIMULATION PREP (04/17/2018)

Readings
Watch Knowledge@Wharton podcast: http://knowledge.wharton.upenn.edu/article/partnerships-for-healthcare-innovation-in-africa/

SG Energy Shale Gas Operation Kerovka, Tazakstan Briefing Document

12-13. KEROVKA Crisis Management Simulation, Debrief & Course Wrap-up
(04/19+04/24/2018)

Discussion Questions (Wrap-up session)
Please provide your input on the following questions through Canvas BY 6PM THE DAY BEFORE CLASS:

a. What are your most important takeaways from the course?

b. What lessons, frameworks or tools are you most likely to remember and use?