

## THE EDIFICIO ESPAÑA: A GLOBAL INVESTOR MEETS LOCAL POLITICS<sup>1</sup>

*Klaus Meyer, Alicia Wang, and Tomaz Fittipaldi wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*

*This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e) cases@ivey.ca; www.iveycases.com.*

Copyright © 2017, China Europe International Business School

Version: 2017-07-31

When Jianlin Wang acquired the iconic Edificio España in Madrid for €265 million<sup>2</sup> in 2014, he signalled to the world his ambition to become a global leader in real estate management. A symbol of Madrid, the Edificio España had been the tallest building in the city when it opened in 1953, and ever since, it had been held in high esteem by the people of Madrid.

Wang's acquisition was also of strategic importance to Madrid because the building had not been occupied since the renovation by its previous owners was left incomplete. Wang's entry represented an opportunity to initiate a rejuvenation of Madrid's city centre and to promote new development in the area. However, in 2016—two years after the acquisition—Wang was still negotiating with the city authorities about the permissions he needed to refurbish the building, and he was seriously considering selling the property again. What had gone wrong? Was it time to cut his losses and leave, or should Wang persist and reboot his project management?

### DALIAN WANDA GROUP

In 1988, after 16 years in the military, Wang joined the real estate industry in Dalian in Liaoning province, in Northeast China. He became the general manager of the Dalian Wanda Group Co. Ltd. (Wanda), a real estate developer, which he transformed and privatized in 1992, emerging as the group's largest shareholder.

Wang's main business was commercial property development, focused on projects that were of high priority to local governments. In China, local officials were routinely assessed by higher levels of government, with economic growth being a key performance indicator.<sup>3</sup> Wang focused on development projects that helped local governments meet these performance targets, thus growing a portfolio of shopping malls and other commercial real estate.<sup>4</sup> With a reputation as an effective implementer, local governments saw Wang as a good partner for pursuing their growth targets so they gave him access to land—which was mostly controlled by government entities in China—at favourable rates.

In the 2010s, the Chinese government prioritized promotion of Chinese culture. Wang built entertainment parks with Chinese culture themes, eventually making Wanda the largest player in the entertainment

industry. When Disneyland opened in Shanghai in 2016, Wanda's entertainment parks were Disney's main domestic competitors.

With Wanda's growth, Wang became China's richest businessman with an estimated fortune of US\$24.2 billion,<sup>5</sup> ahead of Internet entrepreneurs Jack Ma of Alibaba Group Holding Limited and Pony Ma of Tencent Holdings Limited.<sup>6</sup> Wang was politically well connected, not only with local governments but also with the national party leadership in Beijing.<sup>7</sup> For many Chinese citizens, Wang became a role model for the entrepreneurial spirit of his generation. The *Economist* called him "a man of Napoleonic ambition."<sup>8</sup> However, other commentators, even in the *Financial Times*, considered Wang to be an example of hubris among China's entrepreneurs: hugely successful in China but underestimating the challenges of doing business abroad.<sup>9</sup>

In 2015, Wanda's assets amounted to \$160 billion with revenues of \$46 billion. Among Wanda's companies, Wanda Commercial Properties was the world's largest real estate enterprise and the biggest five-star hotel owner. Wanda Cultural Industry Group was the largest entertainment business in China, the world's largest cinema operator, and the world's biggest sports management company. In addition, Wanda Financial Group was the largest Internet finance enterprise in China. Wang's goal for Wanda was to make it a world-class multinational corporation by 2020 with assets of \$200 billion, market capitalization of \$200 billion, revenue of \$100 billion, and net profits of \$10 billion.<sup>10</sup>

Overseas expansion played a major role in Wang's growth strategy (see Exhibit 1). Wanda acquired assets in tourism, entertainment, and finance, in addition to assets in its traditional core business of commercial real estate.<sup>11</sup> In 2012, Wanda acquired the second-largest cinema chain in the United States, AMC Entertainment Holdings, Inc. (AMC), for \$2.6 billion.<sup>12</sup> Over the next several years, Wanda acquired real estate and companies overseas for an estimated \$8 billion, including the Waldorf Astoria hotel in New York and Legendary Entertainment, a Hollywood movie studio.<sup>13</sup>

After making an acquisition, Wang's primary concern was to ensure effective project management.<sup>14</sup> Wang shared his management philosophy with students at Harvard Business School: "I believe the biggest problem in the globalization is to deal with the original management [of acquired companies], how to retain original management and let [the managers] work hard. There must be original management when you acquire a company."

Thus, Wang saw local management teams as key to successful acquisitions, as he explained:

If you buy a company but all the original management leave, you've probably already failed. All the companies that Wanda has acquired have one thing in common, which is that Wanda didn't assign anyone to the company, including AMC. By designing a reasonable and effective incentive system, you can make management work hard for you.<sup>15</sup>

In Spain, Wang was attracted by the scenery and culture, and saw great business opportunities in serving Chinese tourists visiting Spain. In January 2014, as a football fan and owner of Dalian Wanda Football Club, Wang acquired 20 per cent equity in football Club Atlético de Madrid.<sup>16</sup> When he learned a few months later of the opportunity to acquire the landmark Edificio España, he did not hesitate long.

## EDIFICIO ESPAÑA

The Edificio España was a symbol of Madrid. Constructed from 1948 to 1953 in the heart of Madrid, the building was the tallest skyscraper in Europe at the time of its construction, and one of the last works of Joaquín Otamendi, the most admired Spanish architect of the 20th century. The Edificio España was a breakthrough in architectural design for Spain with 25 floors, 32 elevators, 3,123 windows, 184 apartments, a luxury hotel with 307 rooms, a rooftop pool, and a party room for 1,200 people.<sup>17</sup>

The building brought to Spain the concept of a “little vertical city”—a concept made known by New York’s famous Rockefeller Center. From the top floor, the Edificio España provided a perfect view of the Plaza de España and the city centre. The Hotel Plaza in the building quickly became one of the fashionable hotels in Europe, frequently hosting celebrities such as movie stars Raquel Welch, Bo Derek, and Lola Flores.

Business in the Edificio España went well until the 1980s. The building started to decline in popularity when illegal activities, such as drug use and prostitution, became common in that part of Madrid, and the area deteriorated and became unsafe in the evenings. By the early 2000s, the Edificio España urgently required comprehensive renovations. In 2005, the Hotel Plaza (a Crowne Plaza hotel by then) decided to close by the end of the next year, and Metrovacesa, the real estate company that owned the building, sold the Edificio España for €389 million to Banif Inmobiliario (Banif), the investment unit of Banco Santander (Santander).<sup>18</sup>

Banif’s goal was to renovate the building to create a new hotel complex. However, the company faced major challenges because the building was protected as a historical building of national significance at level 2, meaning both the architecture and the structure of the building were protected. Both renovation and refurbishment were complex. Specifically, level 2 protection required that the external and internal structures of the building be preserved; however, the renovation would not be effective without modifying the architectural or structural aspects of the building.<sup>19</sup> To make matters worse, a documentary by Victor Moreno, released in 2007, showed “over 200 workers, mostly immigrants from all over the world, hired to demolish the interior” of the building. Banif could delay the release of the documentary in Spain for 15 months, but it still created a publicity crisis for the bank.<sup>20</sup>

The 2008 financial crisis hit Spain especially hard, leading to a sharp downturn in property values and huge losses for investment funds such as Banif. Spain had adopted the euro from the outset in 1999, and had enjoyed a decade of very successful economic growth. The gross domestic product (GDP) grew by an annual average of 3.7 per cent until 2006, compared to the annual average growth of 2.1 per cent in the remainder of the eurozone, thus creating over five million new jobs. The euro lowered costs of servicing debt, and the stability of the currency attracted foreign investors. However, this prosperity had side effects. Consumers and businesses took advantage of the combination of a solid currency and low interest rates, and went on a spending spree; this led to a boom of construction and rapidly rising property prices: the house-building industry increased its share of GDP to 7.5 per cent. Then, when the economic crisis hit, the flow of credit dried up and the housing bubble burst. Construction projects were stopped, and property prices collapsed.<sup>21</sup>

## ENTER WANDA

By 2010, Banif faced severe liquidity constraints that forced it to cease the renovation of the Edificio España and other projects. Between 2010 and 2012, Banif sold over 80 of its properties in Spain to improve the investment fund’s cash flow. Initially, Banif retained the Edificio España, mainly because its market value had fallen and a sale would have required Banif to recognize a loss of over €100 million due to asset depreciation. However, in 2013, Banif put the Edificio España on the market.

Wang recognized the opportunity and accelerated his strategy of building entertainment and tourism businesses in Spain. In March 2014, he met with the president of the province of Madrid (Comunidad de Madrid), Ignacio González, who pledged his support and introduced Wang to key local people. The negotiations went smoothly without undue delays or complex due diligence procedures, and in June 2014, the sale was completed (see Exhibit 2). Wanda paid €265 million, a discount of 40 per cent from the price of €389 million that Banif had paid in 2005.<sup>22</sup>

Drawing on his extensive experience with commercial real estate development in China, Wang presented a refurbishment plan, designed by architects Foster + Partners (United Kingdom) and Estudio Lamela (Spain), to build a large shopping centre, a hotel, and 300 luxury apartments. The provincial government indicated that the level of historical protection would be adjusted so that the interior could be changed, while the front and side facades would be preserved.<sup>23</sup>

## MADRID POLITICS

The redevelopment of a high-profile building required cooperation with numerous local stakeholders, including city administrators and politicians. In Madrid, as in most cities in Europe, changes in planning permissions needed to be approved by elected local councils, while changes in historical buildings needed clearance by a heritage commission—an institution that tended to be conservative when it came to changing the traditional pattern of a city. Wang’s engagement with Madrid’s local politics and city government proved to be much more challenging than he had anticipated (see Exhibit 3).

At the time of Wang’s acquisition, politicians at provincial and city levels were broadly supportive of Wang’s investment. The city of Madrid was then led by its first female mayor, Ana Botella of the Partido Popular (People’s Party). She had been a deputy mayor since 2003, initially for social services and later for the environment. When Alberto Ruiz-Gallardón, who had been mayor since 2003, stepped down to become Minister of Justice in the national government, the city council elected Botella as mayor in December 2011. Because she became mayor without popular vote, Botella faced challenges in building popular support. She made it a high priority to refurbish the Plaza de España area, including the Edificio España, making it one of her party’s main promises during the election.<sup>24</sup>

The proposed refurbishment required approval by the Local Historical Heritage Commission (Comisión Local de Patrimonio Histórico), a joint committee of the city and provincial governments. Specifically, the commission determined the level of protection of historical buildings, established criteria for any intervention in protected buildings, and approved plans for refurbishment of heritage buildings. Following years of investment from both Banif and Santander, in December 2014, the commission approved lowering the level of protection of the Edificio España from level 2 to level 3.<sup>25</sup> This change permitted internal modifications to be made, but as before, no changes could be made to the outside of the building. The commission argued that “the value of the building had severely degraded in recent years due to inactivity,” and that protection at level 3 enabled “preserving the parts that are important and that characterize it from the point of view of architectural and sculptural” history.<sup>26</sup> Wang appreciated the decision and agreed to design the building without changing any of the building’s external elements.<sup>27</sup>

Yet the commission’s decision to lower the level of protection was not without controversy. By 2013, a petition on a social media lobbying website, Change.org, had attracted 40,000 subscribers requesting that demolition of the internal areas of the Edificio España be stopped. Moreover, Ecologistas en Acción (Ecologists in Action), a local non-governmental organization (NGO) that focused on the environmental impact of construction projects, detected several flaws in the renovation proposal for the Edificio España.

The NGO argued that the project was not following Madrid's general urban development plan because the project involved a partial demolition of the building. Ecologistas en Acción argued that "the specific modification initiated at the request of the owner, using a limited error correction procedure catalogue, cannot be accepted to justify the proposed demolition and new building construction of the Edificio España."<sup>28</sup> The NGO alleged that "the mayor of Madrid once again [was] favouring a big urbanistic operation over the benefits of [the] general population."<sup>29</sup> Ecologistas en Acción started a lawsuit against Wanda, Santander, Banif, and the City of Madrid to stop all construction work in the Edificio España.

Interpretation of the regulations for the renovation of the building varied among experts in Madrid. Some experts argued that the exterior facade could be disassembled and then rebuilt with the same materials and design as the original if the original could not be sustained. The concrete iron was rusting and the bricks had weathered in the building, thus justifying a full refurbishment of the façade of the Edificio España.<sup>30</sup> Wanda adopted this view in the refurbishment plan it presented to the commission.

In January 2015, despite the opposition of the NGO, Ignacio Gonzalez, president of the province containing Madrid, stated that Wanda's refurbishment plan for the Edificio España would eventually be approved, including the demolition of the facade and reconstruction with the original materials. Gonzalez argued, "This will [restore] the original uses of the building, which will result in the economic revitalization of the region as a public space. It was necessary to launch this first investment project of Wanda Group in Spain."<sup>31</sup>

## ELECTIONS

With local elections coming up, the commission did not move forward with the decision. Both Mayor Botella and President Gonzalez did not stand for re-election, in part because they had become unpopular after allegations of local corruption. On May 24, 2015, local elections took place amid a nationwide wave of anti-establishment voting with two protest parties, Podemos (We Can) and Ciudadanos (Citizen's Party), gaining votes at the expense of the traditional parties, Partido Popular and Partido Socialista Obrero Español (PSOE, translated as "Socialist Workers' Party").<sup>32</sup>

In the province of Madrid, the Partido Popular lost its absolute majority, but formed a coalition with the Ciudadanos, and the Partido Popular's candidate, Cristina Cifuentes, was elected president. In Madrid, Ahora Madrid, a local anti-corruption movement associated with the political party Podemos, gained 32 per cent of the vote and 20 seats in the city council—only one seat less than the Partido Popular (see Exhibit 4). Manuela Carmena, the mayoral candidate of Ahora Madrid, formed a coalition with the PSOE and Ciudadanos, and was thus elected as mayor, the first mayor in 24 years not representing the Partido Popular. Carmena was a former judge of the Supreme Court of Spain and her campaign had focused on three principles to handle Madrid's problems:

- Appoint experts to each position to create a technical and not political government in City Hall, creating new jobs in public government to ensure service quality;
- Focus on financial consciousness and stability, with the "social economy" connecting small business owners to the economy; and,
- Increase mobility in Madrid, reducing traffic jams and pollution.<sup>33</sup>

The change in government was not only a change of leader for the city but also a change in priorities and ideologies. The strong rejection of the Partido Popular put newly elected Carmena in a strong position to push for change.<sup>34</sup> At the same time, she emphasized the importance of due process to ensure that the views of the people of Madrid were heard ahead of major decisions. In the new city government, a 30-year-old

academic, José Manuel Calvo (with Ahora Madrid), was appointed urban development councillor with responsibility for feasibility analysis of construction projects in Madrid.<sup>35</sup> He initiated a re-evaluation of the refurbishment plan for the Edificio España. In discussions with Wanda, Calvo fiercely argued for the feasibility of refurbishment without disassembling the facade.<sup>36</sup>

Wanda countered that it was not feasible to renovate the building without disassembling the facade. Wanda's local advisors presented a report arguing that the planning law of Madrid "[allowed], exceptionally, the dismantling and reconstruction with the same materials, shape, and dimensions, when it [was] not technically possible to execute the permitted work to maintain a listed object."<sup>37</sup> In September 2015, Wanda re-issued its refurbishment plan with a request to take down the facade of the building and reconstruct it with the original material. However, the heritage commission declined the request. Councillor Calvo argued, "When you acquire a protected building, you are not acquiring a common building; you have to assume some obligations and the obligation Wanda acquired is the law of the municipality."<sup>38</sup>

## MORE DELAYS

In January 2016, the plans still had not been approved, and rumours emerged that Wanda intended to sell the building.<sup>39</sup> Wanda tried to reassure the public by stating that its reconstruction plan was undergoing a thorough re-evaluation.<sup>40</sup> The case caught the attention of Chinese media outlets. The news agency Xinhua interviewed Spanish people from academia and politics who said they hoped Wanda would stay in Spain. Some politicians said the Madrid authorities did not deal with the case rationally. Xinhua emphasized that when Wanda bought the building, the governing party, Partido Popular, supported the reconstruction plan proposed by Wanda. However, the party lost the mayorship and Ahora Madrid took over City Hall. Ahora Madrid's goal was to satisfy the demand and hope of its supporters, which included the unemployed and others who were protesting against the system in the economic crisis.<sup>41</sup>

Many Spanish observers were also unhappy with the delays. While the building was unique in Madrid, its vacancy and poorly maintained condition affected the surroundings. The building and the adjacent Plaza de España had become social trouble spots that had to be resolved. Moreover, refurbishment of the Edificio España could create employment and thus contribute to Spain's economic recovery.<sup>42</sup>

In late January 2016, Councillor Calvo commented on the Edificio España in a press conference:

Our position has always been maximum collaboration with Wanda Group. We are still negotiating an arrangement to ensure the refurbishment of the building; we are still evaluating the last plan provided by Wanda Group for the renovations. The law will need to be respected. Specifically, regarding maintenance of the facade, Wanda Group informed us continuously that [it] would comply with this fact; we understand that the new plan will comply with the legislation. I understand that [the group] changed [its] plan but this is a unilateral decision of Wanda Group. We will never accept the risk of demolishing the facade as once it is demolished, it may never be restored, and this is a risk we are not willing to take.<sup>43</sup>

However, Wanda and Mayor Carmena continued their negotiations over the renovation of the Edificio España. On March 1, 2016, Carmena met with Wanda's delegation to discuss a solution. In a statement to the media, both sides reaffirmed their commitment to proceed with the project, despite rumours in the Spanish media that Wanda was planning to sell the Edificio España.<sup>44</sup> On April 6, Carmena sent a letter to Wanda asking for a response indicating the group's commitment to the project since no new information had been received since the last meeting. She requested that Wanda answer within 15 days, providing

information about its real intentions regarding the refurbishment.<sup>45</sup> On April 20, Councillor Calvo announced that a satisfactory answer had been received from Wanda, and that the company's plan was consistent with the local regulation protecting the facade. Calvo also announced that the city's government would approve this new plan in the next week, and by August, all permits would be issued to enable the renovations to begin.<sup>46</sup>

Yet by May 22, 2016, Wanda still had not received any permits. On that same day, Wang told Chinese media representatives that he was still waiting for the heritage commission to issue a written approval for disassembling and rebuilding the facade. Wang argued that the building was not really a historical building because it had no more than 50 years' history, and that it was not his original intent to demolish the facade, but otherwise the building could not sustain its own weight during a renovation. Wang concluded by commenting on the political situation. The previous governing party had accepted Wanda's plan to remove the facade, but the new party rejected the original plan; therefore, Wanda considered selling the building. According to Wang, only then did Madrid's mayor reach out to Wanda. Wang concluded: "When making deals with Western governments, possible changes in the political situation need to be considered. This is a good lesson for Chinese companies that want to invest abroad. They need to be cautious when investing in projects without receiving official planning permission."<sup>47</sup>

## OUTLOOK

Wang faced a difficult challenge: should Wanda sell the Edificio España and pull out of Madrid, or should the company persist and work with the new people in City Hall to overcome the present obstacles? To reach a decision, Wang had to consider why things had gone wrong for him. Were the continued delays simply a reflection of Spanish culture and the inner workings of government offices, or were there insurmountable deeper differences that could never be overcome? What could Wanda do to move forward with the refurbishment of the Edificio España? Or was it already too late for that? Finally, what broader lessons should Wang take from this experience?

Klaus E. Meyer is Professor of Strategy and International Business at China Europe International Business School (CEIBS), Shanghai, China; Alicia Wang and Tomasz Fittipaldi are CEIBS MBA candidates for 2018.

## EXHIBIT 1: WANDA'S GLOBAL ACQUISITION SPREE

Target	Equity Stake	Location	Industry	Est. Value (in €millions)	Year
GEM Propaganda	n.a.	Switzerland & USA	Marketing agency	n.a.	2016
Legendary Entertainment	100%	USA	Movie studio	3,400	2016
HG Holdco Pty Ltd	100%	Australia	Cinema chain	334	2015
World Triathlon Corp	100%	USA	Sport management	595	2015
Infront Sports & Media	68%	Switzerland	Sports marketing	1,050	2015
Edificio España, Madrid	100%	Spain	Property	265	2015
Club Atlético de Madrid	20%	Spain	Football club	41	2015
Business Run Veranstaltungen	100%	Germany	Sport event management	n.a.	2015
1 Alfred Street and Fairfax House, Sydney	100%	Australia	Property development	n.a.	2015
1 Nine Elms, London	100%	UK	Hotel and apartments	859	2014
Jewel Project	Majority	Australia	Resort development	n.a.	2014
Beverly Hills project	n.a.	USA	Property development	909	2014
Wanda Vista Tower, Chicago	90%	USA	Hotel	677	2014
1 Nine Elms Project, London	100%	UK	Property development	652	2013
Sunseeker	92%	UK	Luxury yacht builder	220	2013
AMC Entertainment Holdings, Inc.	100%	USA	Cinema chain	2,100	2012

Note: n.a. = not available; USA = United States; UK = United Kingdom. Acquisitions reported in international media up to May 2016. Sources: Michael Forsythe, "Wang Jianlin, a Billionaire at the Intersection of Business and Power in China," *New York Times*, April 28, 2015, accessed June 18, 2017, [www.nytimes.com/2015/04/29/world/asia/wang-jianlin-billionaire-at-the-intersection-of-business-and-power-in-china.html](http://www.nytimes.com/2015/04/29/world/asia/wang-jianlin-billionaire-at-the-intersection-of-business-and-power-in-china.html); Ben Fritz and Laurie Burkitt, "China's Dalian Wanda Buys Legendary Entertainment for \$3.5 Billion," *Wall Street Journal*, January 12, 2016, accessed June 18, 2017, [www.wsj.com/articles/chinas-dalian-wanda-buys-legendary-entertainment-for-3-5-billion-1452567251](http://www.wsj.com/articles/chinas-dalian-wanda-buys-legendary-entertainment-for-3-5-billion-1452567251); Judith Evans, "Dalian Wanda's Nine Elms Property Project Gets Cash Backing," *Financial Times*, July 15, 2016, accessed June 18, 2017, <https://www.ft.com/content/70a3a614-492d-11e6-8d68-72e9211e86ab?mhq5j=e2>; Ned Levin, "Wanda's Chicago Project Latest Big Chinese Real Estate Deal in U.S.," *Wall Street Journal*, July 2014, accessed June 18, 2017, <https://blogs.wsj.com/moneybeat/2014/07/09/wandas-chicago-project-latest-big-chinese-real-estate-deal-in-u-s/>; "China's Wanda Pays \$1.2bn for Infront Sports & Media," *The Guardian*, February 11, 2015, accessed June 18, 2017, <https://www.theguardian.com/media/2015/feb/11/china-wanda-buys-infront-sports-media>; Lingqing Zhu, "Go Global: Wanda's Top 10 Foreign Acquisitions," *China Daily*, July 22, 2016, accessed June 18, 2017, [www.chinadaily.com.cn/business/2016-07/22/content\\_26178034\\_5.htm](http://www.chinadaily.com.cn/business/2016-07/22/content_26178034_5.htm); "Wanda Cinema Line Co," Macquarie Research, January 27, 2017, accessed June 18, 2017, [www.macquarieresearch.com/ideas/api/static/file/publications/7312857/WandaCinema030217xe264750.pdf](http://www.macquarieresearch.com/ideas/api/static/file/publications/7312857/WandaCinema030217xe264750.pdf); "Corporate Profile," "Overseas Projects," Wanda Group, accessed June 18, 2017, [www.wanda-group.com/overseas\\_projects](http://www.wanda-group.com/overseas_projects).



**EXHIBIT 2: TIMELINE OF CASE EVENTS**

June 2005	Metrovavecesa sells Edificio España to Banif Inmobiliario, an investment unit of Banco Santander
2006	Edificio España closed for renovation
2008	Financial crisis in Spain; real estate bubble bursts
June 2014	Wanda acquires Edificio España from Banif for €265 million
September 2014	Historical Commission approves change in listing status from level 2 to level 3, thus permitting changes in the interior of Edificio España
May 25, 2015	Local elections; Partido Popular loses majority in City Hall
July 2015	City Council elects Manuela Carmena as mayor
September 2015	Wanda re-issues refurbishment plan with dismantling and reassembling the facade
January 2016	New round of negotiations between Wanda and the Local Historical Heritage Commission; both parties explain their respective positions to the media

Source: Compiled by the case authors.

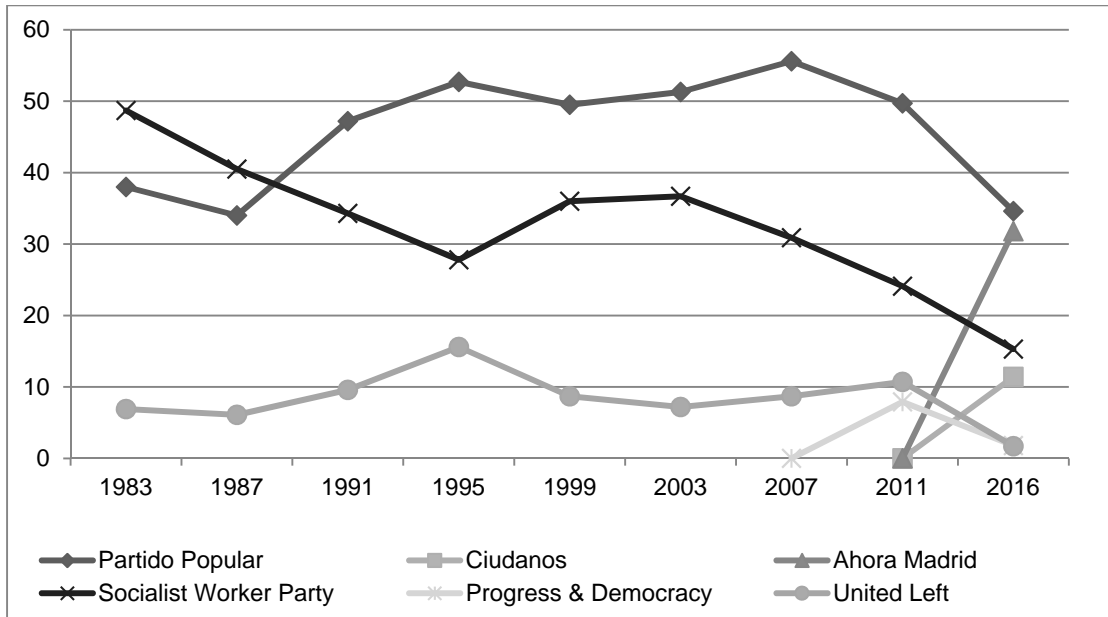
**EXHIBIT 3: RELEVANT STAKEHOLDERS IN MADRID**

Name	Position	Involvement with Edificio España
Ignacio Gonzalez	President of the province (Comunidad de Madrid), 2012–2015	Partido Popular; pledged his support for Wanda's acquisition and refurbishment of Edificio España
Cristina Cifuentes	President of the province, elected July 2015	Partido Popular; head of a coalition government with Ciudadanos
Ana Botella	Mayor of Madrid, 2011–2015	Partido Popular; succeeded former mayor who joined the national government; made refurbishment of Edificio España a high-priority in policy agenda
Manuela Carmena	Mayor of Madrid, elected July 2015	Ahora Madrid; supported refurbishment of Edificio España, but hesitated given the involvement of the community that had voted for her
José Manuel Calvo	Urban development councillor in Madrid, elected July 2015	Ahora Madrid; young architect, highly critical of recent urban developments
Local Historical Heritage Commission	A joint committee of the city and provincial governments	Key authority for approvals related to listed buildings; appreciated the idea of refurbishing Edificio España but also prioritized heritage and preservation of historical art and architecture
Ecologistas en Acción (Ecologists in Action)	NGO focused on social development	Opposed the plans of private investment demolishing or altering any part of Edificio España; specifically opposed to the decision to change the protection level of the building
Change.org	Website for Internet petitions	A petition advocating against the reduction of building protection from level 2 to 3; 73,000 subscribers to the petition by 2015

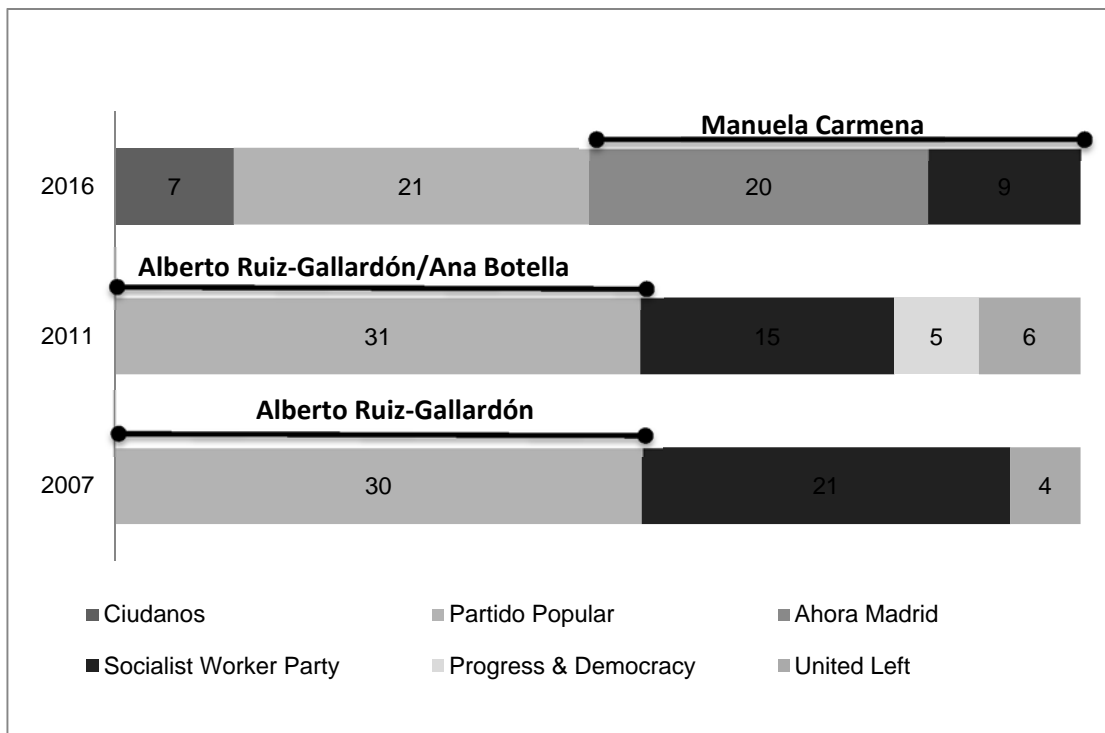
Sources: Compiled by the case authors.

EXHIBIT 4: MADRID LOCAL ELECTIONS

Panel A: Percentage of Votes



Panel B: Seats in the Madrid City Council



Source: "Consulta de Resultados Electorales [website of the Spanish electoral commission]," accessed December 26, 2016, [www.infoelectoral.mir.es/min/home.html](http://www.infoelectoral.mir.es/min/home.html).

## ENDNOTES

- <sup>1</sup> This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Dalian Wanda Group or any of its employees.
- <sup>2</sup> € = EUR = euro; €1 = US\$1.38 on March 31, 2014.
- <sup>3</sup> Richard McGregor, *The Party: The Secret World of China's Communist Rulers* (London: Allen Lane, 2010).
- <sup>4</sup> Michael Forsythe, "Wang Jianlin, a Billionaire at the Intersection of Business and Power in China," *New York Times*, April 28, 2015, accessed February 25, 2017, [www.nytimes.com/2015/04/29/world/asia/wang-jianlin-billionaire-at-the-intersection-of-business-and-power-in-china.html](http://www.nytimes.com/2015/04/29/world/asia/wang-jianlin-billionaire-at-the-intersection-of-business-and-power-in-china.html).
- <sup>5</sup> All dollar amounts are in US\$ unless otherwise specified; US\$1 = €0.88 on March 31, 2016.
- <sup>6</sup> Chase Peterson-Withorn, "Forbes Billionaires: Full List of the 500 Richest People in the World 2015," *Forbes*, March 2, 2015, accessed February 12, 2017, [www.forbes.com/sites/chasewithorn/2015/03/02/forbes-billionaires-full-list-of-the-500-richest-people-in-the-world-2015/#4e6b22d816e3](http://www.forbes.com/sites/chasewithorn/2015/03/02/forbes-billionaires-full-list-of-the-500-richest-people-in-the-world-2015/#4e6b22d816e3).
- <sup>7</sup> Forsythe, op. cit.
- <sup>8</sup> "It's a Wanda-ful life: China's Biggest Property Tycoon Wants to Become an Entertainment Colossus," *Economist*, February 12, 2015, accessed December 27, 2016, [www.economist.com/news/business/21643123](http://www.economist.com/news/business/21643123).
- <sup>9</sup> James Kynge, "Chinese Investors Take a Tumble on the Global Stage," *Financial Times*, October 31, 2016, accessed February 15, 2017, [www.ft.com/content/09446a20-9d16-11e6-8324-be63473ce146](http://www.ft.com/content/09446a20-9d16-11e6-8324-be63473ce146).
- <sup>10</sup> "Corporate Profile," Wanda Group, accessed December 26, 2016, [www.wanda-group.com/corporate](http://www.wanda-group.com/corporate).
- <sup>11</sup> "海外投资暗礁：万达'西班牙大厦'项目生变 [Overseas Investment Hits the Rocks: Wanda's 'Spanish Building' Project Changed]," *Sohu*, January 29, 2016, accessed February 15, 2017, <http://news.sohu.com/20160129/n436244900.shtml>.
- <sup>12</sup> Leslie Hook, "China's Wanda to Buy AMC for \$2.6bn," *Financial Times*, May 21, 2012, accessed February 15, 2017, [www.ft.com/content/752013e8-a2fc-11e1-826a-00144feabdc0](http://www.ft.com/content/752013e8-a2fc-11e1-826a-00144feabdc0).
- <sup>13</sup> Ben Fritz and Laurie Burkitt, "China's Dalian Wanda Buys Legendary Entertainment for \$3.5 Billion," *Wall Street Journal*, January 12, 2016, accessed February 15, 2017, [www.wsj.com/articles/chinas-dalian-wanda-buys-legendary-entertainment-for-3-5-billion-1452567251](http://www.wsj.com/articles/chinas-dalian-wanda-buys-legendary-entertainment-for-3-5-billion-1452567251); Scott Cendrowski, "China's Disney-Bashing Billionaire Is Transforming His Company Again," *Fortune*, July 20, 2016; accessed June 18, 2017, <http://fortune.com/2016/07/20/dalian-wanda-global-500-transition/>.
- <sup>14</sup> Ibid.
- <sup>15</sup> Gwcity Team, "Going Global: China's Richest Man Has Big Plans," *Forbes*, November 2, 2015, accessed February 15, 2017, [www.forbes.com/sites/gwcity/2015/11/02/going-global-chinas-richest-man-has-big-plans/#f4723b6380f9](http://www.forbes.com/sites/gwcity/2015/11/02/going-global-chinas-richest-man-has-big-plans/#f4723b6380f9).
- <sup>16</sup> "Wanda Group Is Now the Owner of 20% of the Club's Shareholding," Atlético de Madrid, March 31, 2015, accessed December 27, 2016, <https://en.atleticodemadrid.com/noticias/wanda-group-is-now-the-owner-of-20-of-the-club-s-shareholding>.
- <sup>17</sup> "El Santander oficializa la venta del Edificio España a Wang Jianlin [Santander Is Formalizing the Sale of the Edificio España to Jianlin Wang]," *El Mundo*, June 5, 2014, accessed February 15, 2017, [www.elmundo.es/madrid/2014/06/05/539057eb268e3ef4468b457b.html](http://www.elmundo.es/madrid/2014/06/05/539057eb268e3ef4468b457b.html).
- <sup>18</sup> Pablo Leon, "De coloso decadente a plaza cinco estrellas [From Decadent Colossus to Five-Star Plaza]," *El País*, April 19, 2015, accessed February 20, 2017, [http://politica.elpais.com/politica/2015/04/18/actualidad/1429384059\\_042026.html](http://politica.elpais.com/politica/2015/04/18/actualidad/1429384059_042026.html); €1 = US\$1.19 on March 31, 2006.
- <sup>19</sup> "El veto del Banco Santander me provocó mucho dolor y frustración [The Veto of Banco Santander Caused Me Much Pain and Frustration]," *El Confidencial*, March 18, 2014, accessed February 20, 2017, [www.elconfidencial.com/cultura/cine/2014-03-18/el-veto-del-banco-de-santander-me-provoco-mucho-dolor-y-frustracion\\_103631](http://www.elconfidencial.com/cultura/cine/2014-03-18/el-veto-del-banco-de-santander-me-provoco-mucho-dolor-y-frustracion_103631).
- <sup>20</sup> Ibid.
- <sup>21</sup> C. Giles and V. Mallet, "Britain and Spain: A Tale of Two Housing Bubbles," *Financial Times*, January 11, 2009, accessed June 12, 2017, [www.ft.com/content/9d898228-db87-11dd-be53-000077b07658](http://www.ft.com/content/9d898228-db87-11dd-be53-000077b07658); Victor Mallet, "Spain's Recession: After the Fiesta" *Financial Times*, February 17, 2009, accessed February 20, 2017, [www.ft.com/content/36004b40-fd2a-11dd-a103-000077b07658](http://www.ft.com/content/36004b40-fd2a-11dd-a103-000077b07658); J. Rodriguez Lopez, "Proceso de crisis inmobiliaria en Europa y Estados Unidos: El caso de España," *Claves de la Economía Mundial* 9 (2009): 299–306.
- <sup>22</sup> "El Santander oficializa la venta del Edificio España a Wang Jianlin [Santander Is Formalizing the Sale of the Edificio España to Jianlin Wang]," op. cit.
- <sup>23</sup> Ibid.
- <sup>24</sup> Marta Belver, "La herencia de Ana Botella [The Heritage of Ana Botella]," *El Mundo*, June 13, 2015, accessed February 20, 2017, [www.elmundo.es/madrid/2015/06/13/557b544946163f354e8b45ae.html](http://www.elmundo.es/madrid/2015/06/13/557b544946163f354e8b45ae.html).
- <sup>25</sup> Bruno Garcia Gallo, "El dueño del Edificio España quiere demolerlo y rehacerlo piedra a piedra [The Owner of the Building Spain Wants to Demolish It and Rebuild It Stone by Stone]," *El País*, July 24, 2015, accessed January 14, 2017, [http://ccaa.elpais.com/ccaa/2015/07/21/madrid/1437503633\\_359182.html](http://ccaa.elpais.com/ccaa/2015/07/21/madrid/1437503633_359182.html).
- <sup>26</sup> Bruno Garcia Gallo, "El Santander vende a un magnate chino el Edificio España por 265 millones Santander Sells the Edificio España to a Chinese Magnate for 265 Million," *El País*, June 5, 2014, accessed January 14, 2017, [http://economia.elpais.com/economia/2014/06/05/actualidad/1401967174\\_871952.html](http://economia.elpais.com/economia/2014/06/05/actualidad/1401967174_871952.html).
- <sup>27</sup> "El dueño del Edificio España quiere demolerlo y rehacerlo piedra a piedra [The Owner of the Building Spain Wants to Demolish It and Rebuild It Stone by Stone]," op. cit.
- <sup>28</sup> Maria Angeles Nieto, "Deficiencias en el proyecto para demoler el edificio España de Madrid," *El País*, September 17, 2014, accessed January 14, 2017, [http://economia.elpais.com/economia/2014/09/17/vivienda/1410962659\\_832901.html](http://economia.elpais.com/economia/2014/09/17/vivienda/1410962659_832901.html).
- <sup>29</sup> "Possible prevaricación en la demolición del Edificio España [Possible Prevarication in the Demolition of the Edificio España]," *Ecologistas en Acción*, January 2015, accessed January 14, 2017, [www.ecologistasenaccion.org/article29339.html](http://www.ecologistasenaccion.org/article29339.html).

- <sup>30</sup> “万达集团西班牙大厦修复和装修申请正在合法有序地进行 [Wanda Group’s Application for Edificio España’s Repair and Decoration Is Moving Forward Legally and Smoothly],” *Xinhua*, September 11, 2016, accessed February 20, 2017, [http://news.xinhuanet.com/fortune/2015-09/11/c\\_128219192.htm](http://news.xinhuanet.com/fortune/2015-09/11/c_128219192.htm).
- <sup>31</sup> Adrian Delgado, “La Comunidad de Madrid aprobará la próxima semana la reforma del Edificio España [The Madrid Province Will Approve Next Week the Renovation of the Edificio España],” *ABC Madrid*, January 21, 2015, accessed February 20, 2017, [www.abc.es/madrid/20150121/abci-aprobada-reforma-plaza-espana-201501211306.html](http://www.abc.es/madrid/20150121/abci-aprobada-reforma-plaza-espana-201501211306.html).
- <sup>32</sup> “Spanish Elections: Podemos and Ciudadanos Make Gains,” *BBC News*, May 25, 2015, accessed February 20, 2017, [www.bbc.com/news/world-europe-32871610](http://www.bbc.com/news/world-europe-32871610).
- <sup>33</sup> “¿Qué propone Manuela Carmena para el Ayuntamiento de Madrid? [What Does Manuela Carmena Propose for the Madrid City Council?],” *Libre Mercado*, May 25, 2015, accessed February 20, 2017, [www.libremercado.com/2015-05-25/que-propone-manuel-carmena-para-el-ayuntamiento-de-madrid-1276548811](http://www.libremercado.com/2015-05-25/que-propone-manuel-carmena-para-el-ayuntamiento-de-madrid-1276548811).
- <sup>34</sup> “La noche en que Madrid y Manuela Carmena sí pudieron [The Night Madrid and Manuela Carmena ‘Could’],” *Huffington Post*, May 25, 2015, accessed February 20, 2017, [www.huffingtonpost.es/2015/05/24/manuela-carmena\\_n\\_7430940.html](http://www.huffingtonpost.es/2015/05/24/manuela-carmena_n_7430940.html).
- <sup>35</sup> Pablo Ramos, “El concejal que ya gestiona Urbanismo en Madrid The Councilman Who Already Manages Urbanisation in Madrid,” *El Mundo*, June 15, 2015, accessed February 20, 2017, [www.elmundo.es/economia/2015/06/10/55781e51268e3e783a8b458c.html](http://www.elmundo.es/economia/2015/06/10/55781e51268e3e783a8b458c.html).
- <sup>36</sup> Ruth Ugalde and Ivan Gil, “El hombre fuerte de Wanda visita Madrid para acelerar la venta del Edificio España” [“The Strong Man of Wanda Visits Madrid to Accelerate the Sale of the Edificio España”], *El Confidencial*, June 15, 2016, accessed February 20, 2017, [www.elconfidencial.com/empresas/2016-06-15/edificio-espana-la-mano-derecha-de-wang-jianlin-visita-madrid-para-acelerar-la-venta\\_1217412](http://www.elconfidencial.com/empresas/2016-06-15/edificio-espana-la-mano-derecha-de-wang-jianlin-visita-madrid-para-acelerar-la-venta_1217412).
- <sup>37</sup> “El dueño del Edificio España quiere demolerlo y rehacerlo piedra a piedra [The Owner of the Building Spain Wants to Demolish It and Rebuild It Stone by Stone],” op. cit.
- <sup>38</sup> Bruno Garcia Gallo, “Wanda ve ‘obligado’ derribar el Edificio España pese al veto municipal, [Wanda Sees Itself ‘Forced’ to Tear down Edificio España despite the Municipal Veto],” *El País*, September 7, 2015, accessed February 13, 2017, [http://ccaa.elpais.com/ccaa/2015/09/07/madrid/1441623652\\_094186.html](http://ccaa.elpais.com/ccaa/2015/09/07/madrid/1441623652_094186.html).
- <sup>39</sup> “Wanda califica de ‘rumores’ que vaya a vender el Edificio España [Wanda Qualifies ‘Rumors’ That Will Sell the Spain Building],” *El País*, January 13, 2016, accessed February 13, 2017, [http://ccaa.elpais.com/ccaa/2016/01/13/madrid/1452689354\\_966348.html](http://ccaa.elpais.com/ccaa/2016/01/13/madrid/1452689354_966348.html).
- <sup>40</sup> “思聪他爹和西班牙大厦那些事儿 [Sicong and His Father’s Business on the Spanish Building],” *Xinhua*, January 29, 2016, accessed February 20, 2017, [http://news.xinhuanet.com/overseas/2016-01/29/c\\_128682372.htm](http://news.xinhuanet.com/overseas/2016-01/29/c_128682372.htm).
- <sup>41</sup> Ibid.
- <sup>42</sup> “揭王健林西班牙失败原因 [Why the Spanish Plan Failed],” Tencent News, February 9, 2016, accessed February 20, 2017, <http://view.inews.qq.com/a/HOS2016021000535502>.
- <sup>43</sup> “José Manuel Calvo sobre el Edificio España [José Manuel Calvo on the Edificio España],” YouTube video, 2:51, posted by Ahora Madrid, January 13, 2016, accessed January 13, 2017, [https://youtu.be/fe4f\\_tV0Jbl](https://youtu.be/fe4f_tV0Jbl).
- <sup>44</sup> Bruno Garcia Gallo, “Wanda confirma a Carmena su intención de reformar el Edificio España [Wanda Confirms to Carmena Its Intention to Renovate the Building Spain],” *El País*, March 1, 2016, accessed February 20, 2017, [http://ccaa.elpais.com/ccaa/2016/03/01/madrid/1456827260\\_543251.html](http://ccaa.elpais.com/ccaa/2016/03/01/madrid/1456827260_543251.html).
- <sup>45</sup> Bruno Garcia Gallo, “Carmena pide a Wanda que aclare en 15 días si va a reformar el Edificio España [Carmena Asks Wanda to Clarify in 15 days If She is Going to Reform the Edificio España],” *El País*, April 13, 2016, accessed February 20, 2017, [http://ccaa.elpais.com/ccaa/2016/04/13/madrid/1460549298\\_371211.html](http://ccaa.elpais.com/ccaa/2016/04/13/madrid/1460549298_371211.html).
- <sup>46</sup> Ibid.
- <sup>47</sup> Xavier Fontdegloria and Bruno Garcia Gallo, “Wanda cree tener permiso para tirar el Edificio España y Carmena lo niega [Wanda Believes It Has Permission to Tear down the Edificio España but Carmena Denies It],” *El País*, May 27, 2016, accessed February 20, 2017, [http://ccaa.elpais.com/ccaa/2016/05/23/madrid/1463999456\\_468812.html](http://ccaa.elpais.com/ccaa/2016/05/23/madrid/1463999456_468812.html).