

## **SEEK-441 Sec 31 Strategic Mgmt in Non-Market Environments**

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### **Course Overview**

All economies are defined by formal and informal rules and regulations that structure market competition. “Rules of the game” vary significantly across countries. Barriers to entry, for example, often originate from specific rules or government policies that favor some enterprises over others. These rules are not fixed, well-defined constraints, but rather are shaped and interpreted by legislatures, administrative agencies, judicial institutions, public sentiment and ethical consensus. The process for resolving rules involves interest groups interacting within a system of institutions that includes the government, the media and nongovernmental organizations. Competitive advantage and industry profitability are affected by this interaction. Therefore, business strategies often must include actions to influence the outcome of the process. The analysis and development of successful strategies to shape the rules of the game to an organization’s advantage constitute the domain of the non-market strategy.

Successful non-market strategies can establish, sustain, or erode a company’s competitive advantage. For example, the rules governing protection of intellectual property provide advantages to “innovating” firms versus firms that are “fast followers.” Restrictions on trade, mergers and acquisitions may prevent the execution of a well developed business strategy. Non-market issues are also important in determining the profitability of an entire industry. Regulatory costs or public subsidies, for example, may harm or help all players, creating common interests frequently creates challenging strategic problems for managers and consultants that are often neglected when using conventional concepts of competitive strategy. This is particularly relevant when a firm pursues an innovative strategy, operates in a rapidly changing industry, or targets new markets globally. It also applies to deregulated industries where one set of rules replaces another; within biotech where new developments clash with ethical concerns; or where protection of intellectual property faces uncertain enforcement.

This class focuses on non-market strategy from the point of view of managers and consultants. Its primary objectives are: to examine typical non-market issues; to develop a set of conceptual frameworks for analyzing non-market threats and opportunities; and to practice forming effective strategies for managing in non-market environments. The concepts, skills, and analytical tools that students will learn in the course rest upon a foundation of economic principles, political analysis, and, to a lesser extent, social psychology and law.

This class is structured around three broad topics which we address incrementally:

- Business and Society
- Business and Politics
- Integrated Strategy and Globalism

**Business and Society.** As businesses globally become the drivers of social and cultural change, they, in turn, are being held accountable by social and political constituencies. Many of these “stakeholders” are not part of a contractual relationship with the company and base their decisions on values other than the maximization of shareholder value. The presence of these constituencies presents both challenges and opportunities for business leaders. The segment of the course will take a strategic approach to help students anticipate and analyze these challenges and incorporate their insights into successful business strategies.

**Business and Politics.** Legal constraints and government regulations significantly shape the rules of market competition. Much of non-market interaction thus consists of interests competing in public institutions such as legislatures, regulatory bodies, or courts. This segment of the course will introduce students to the politics of business. You will learn to appreciate the importance of formulating political strategies, analyze non-market competition in public arenas, and develop successful political strategies of your own.

**Integrated Strategy and Globalism.** In this segment you will learn how market and non-market strategies interact and to develop strategies that integrate both components. We will anticipate some key concepts of competitive analysis, such as industry analysis, competitive advantage, market entry, price and non-price competition, and the identification of their non-market dimension. Our main goal will be to practice designing integrated strategies in both domestic and international business environments.

## Readings

The course materials include a case packet and basic text, *Business and its Environment*, Sixth Edition, Prentice-Hall, 2009-10, by David P. Baron. Each successive edition includes updated chapters and recent cases which should be relevant to students’ experiences. Additional cases and materials will be accessible through the University’s course management system – Blackboard Academic Suite. Cases are generally written from the perspective of the business enterprise or from the vantage of an outside consultant who must determine how to address a particular issue or problem. Good cases are generally complex and frequently ambiguous. In preparing for case discussions, you may find this to be frustrating. However, class discussion should help illustrate the concepts and principles introduced in the lectures and demonstrate their usefulness.

## Teaching Approach

Classes will be conducted through combinations of lectures and case discussions. A typical session will discuss a case that exemplifies a particular aspect of non-market management. Class sessions also may include a lecture that addresses a conceptual approach, develops an issue or case example and integrates the class discussion with the subject matter. Part of the class discussion will be based on group work. During our first class session you will be assigned to a study group which may have up to 5 members (e.g. smaller class will have less members). Groups are an integral component of class preparation and discussion. You are encouraged, but not required, to prepare all cases and reading in groups. However, at regular intervals each group will prepare a graded presentation that will form the basis for class discussion.

For a case discussion to be a valuable learning experience, it is essential that you come prepared to discuss the cases and readings assigned for that class. During our case discussions, I ask that you deal with the cases as you find them. Do not seek outside or post-case data on the firm or industry unless specifically asked to do so. If you have post-case or inside information, you will have the opportunity to share it with the class at the end of our discussion.

## **Course Requirements and Grading**

Students are expected to master the content of the readings, to make constructive contributions to class discussion and to make occasional presentations. Grades in the course will be based on three components: (1) a midterm examination (either take-home or in-class) which will count for 30 percent; (2) a final paper will count for 40 percent; (3) group presentations and simulation which will count for 20 percent; and (4) class attendance and participation, which will count for 10 percent. All group-related grades will be based on group performance and peer evaluation of group members at the end of class.

**FINAL PAPER / GROUP PROJECT:** For the final paper you are to assume the role of consultants hired to develop an integrated strategy for a firm or organization. You are free to select a case, issue, or client. However, any case you chose must have a strong non-market component and needs to be analyzed from the point of view of a particular firm (just as we do in class). The issue must be prospective and unresolved. Some recent examples of topics include automakers and CAFÉ standards; music/entertainment industry and property rights; asbestos and tort reform; Sarbanes-Oxley rules and the SEC; financial services regulation; media ownership; animal rights; global labor standards; corporate governance and executive compensation; telecom access rules; net neutrality and the FCC; privacy issues in banking and e-commerce; and countless energy and environmental related issues. A much expanded list of global issues exists where multinational firms and activists clash over issues in country specific arenas. Due to recent global financial and economic problems, one finds greater governmental involvement in most all industries. Rules of the game are undergoing constant change, which provide much opportunity for your final projects.

In structuring your paper, start with a concise statement of the issue challenging the firm. You should briefly analyze the particular problem from a market and nonmarket vantage. However, your issue analysis should be focused on the nonmarket aspect of the case. You should briefly develop several strategic options for your client but then recommend a preferred option and a possible fallback position in the event your top choice may not succeed. Your strategy should include implementation: the specific actions and activities required to produce a favorable outcome.

Better papers are built on a sound analysis of a nonmarket environment situation with a clear recommendation. The paper should demonstrate your understanding and use of tools and concepts developed in the course. If your final paper is an individual effort, it should not exceed 10 pages (double spaced), which is equivalent to about 2800 words. It must include a one page executive summary (which counts towards the 10-page limit). If your paper is a group project, it should not exceed 20 pages or roughly 5500 words. A title page, exhibits, graphs and references do not count towards the page limit. It is always helpful for the reader to see your sources which

may include interviews or other exchanges. You are encouraged to discuss possible paper topics early on with me after class or by email. You will be asked to share an abbreviated form of your paper with your classmates in our final class. You or your group will prepare a 5-7 minute (max) presentation that summarizes the paper, analysis and contains recommendations for your client. Since there will be several presentations, I suggest that you use a one page overhead to expedite your time.

**GROUP WORK:** Group assignments are an integral part of class discussion. You are to prepare group presentations for several session and cases. This requires each group to analyze the case and develop and integrated strategy for the respective business, usually from the point of view of a manager or consultant. Before the session begins, **each group is to hand in a one page (only) executive summary of its analysis and strategy (1.5 spaced; standard margins; non title page)**. Grading will be based on the executive summary. Do not hand in copies of transparencies or PowerPoint presentations. **One of the groups will be randomly selected to present** and defend their analysis. You may then use PowerPoint slides or other media. The chosen group is responsible for all aspects of the presentation such as keeping time, handling questions, etc. All other students are expected to take the role of clients, directors, or partners (depending on the governance structure of the firm and the detail of the assignment). Group assignments are in-class simulations of real-world tasks.

**PARTICIPATION and ATTENDANCE:** Attendance, preparation and participation are essential for this class to be value-adding. If you have to miss class, please let me know in advance. Much of the learning in this course comes from class discussion of cases or homework assignments. In addition to these group assignments, I encourage (but do not require) you to meet a s a group before each class to discuss the day's cases.

## #441 CLASS SUMMARY – Spring 2011

Class	Topics/Content	Assignments
1	3/28 Strategy & NMKT Environment IA – Issue Framing - Industry IB –Integrated Strategy	BIE Ch #1-2; 653-659; Cases: Pharma (17); McDonalds (20) Case: Citi + Credit Cards (57) Case: Citi + Subprime Lending (714)
2	4/4 NMKT Strategies + Govt 2A – Why NMKT Issues 2B – Analysis NMKT Action - Tools: Wilson + DPS	BIE Ch # 3-4, 6 Cases: Nike (112); Boeing (162) Luxury Tax (184); <b>Assignment #1 (NIKE) Due</b>
3	4/11 Crisis Management Scrubbers Spreadsheet 3A Patterns, Components, Response 3B Risk Management Case	BIE Ch #5; Ch #22 (728-729) Cases: Scrubbers (183) Wal-Mart A (144); Wal-Mart B (647)
4	4/18 NMKT Strategies – Govt Arenas 4A Building Majorities 4B Lobbying + Strat. Implementation	BIE Ch #7-8 Cases: Fed Ex (212); Café Standards 2007 (259) <b>Assignment #2 (CAFÉ 2007) Due</b>
5	4/25 Govt and Markets 5A Regulation 5B Pol. Economy of Regulation	BIE Ch # 10 Case: P&G Orange Juice (BB) Case: Pharma Switch (252) <b>Assignment #3 (Pharma) Due</b>
6	5/2 Environment & Safety Regulation 6A Enviro. Policy + Regulations 6B Property Rights - Safety	BIE Ch # 11-12 Case: Tall Timber (BB) Case: <b>Cal Space Heater (404)</b> <b>Mid-Term Due</b>
7	5/9 Global NMKT & Strategy 7A Trade Pol. Economy 7B Pol. Economy EU	BIE Ch #18 + 15 Case: EU Carbon Tax (506) Case: Compulsory Licensing (602) <b>Assignment #4 (Case Choice) Due</b>
8	5/16 Global Business + Soc. Responsibility 8A – Doing Business in “X” 8B – Corp. Soc. Responsibility	BIE Ch #14 (Japan 451-461); Ch #19 CSR (619-630) Cases: TRU-Toys Global (614)
9	5/23 Course Conclusion Group Paper Presentations	<b>Final Papers Due – Last Class or one week later</b>

**BIE= (text) Business and its Environment; BB = Blackboard; All Cases, except Constant Changer, P+G/OJ and Tall Timber are in the BIE text**

## **Business and Society**

### **Class 1A: Introduction to Non-market Environment (NME)**

BIE Chapter 1 introduces you to the concept of business operating within markets and nonmarkets, and asserts that managers are responsible for both. Managers learn to deal with nonmarket issues (basic unit of analysis) in proportion to their potential impacts on performance of the firm. The nonmarket environment of an industry is illustrated in the BIE text by the automobile sector: the issues it faces, and associated interests, institutions and information. Chapter one also contains three short cases: a) pharmaceutical industry; b) McDonald's NME; and c) Google's NME. For each of the three:

- Characterize the issues, interests, institutions and information (FOUR I's);
- Where are the issues in their life cycles?;
- Which issues should have the highest priority and be addressed first? Why?

The Four I's and issue life cycle (stage of development) will serve as the basis for class discussion and case analysis. In Chapter 2, BIE, we develop the concept of strategy that integrates nonmarket with market strategies. Effective management in the NME also requires the use of conceptual frameworks for:

- Analyzing NM issues and the broader environment;
- Formulating strategies for addressing these issues;
- Integrating these strategies with market strategies; and
- Positioning the firm in its NME

### **Class 1B:**

It may be legal to do "X" but do you and the firm want to do it? Chapter 2, BIE, provides a framework for analyzing nonmarket issues which includes three stages - - screening, analysis, and choice. In the screening stage, alternatives that are contrary to the law, widely shared ethical principles, or a well-evaluated company policy, are to be rejected. In other words, some issues raise significant moral and ethical concerns which, in turn, require judgment and analysis in selecting strategies and courses of action. The case of "Citibank and Credit Cards for Undergraduates" (51-52), illustrates how a firm's policy and actions can cause harm even where credit card practices are largely unregulated. A further illustration of this problem can be found in the case of "Citigroup and Subprime Lending" (714-716), where you are asked to respond in class to the following:

- Is there a "problem" with subprime lending?
- What is it? How characterize it? Ethical value?
- What should Citibank do about it? Consequences?

Readings: BIE Ch # 1-2; 20 (653-659)

- Cases: Pharma (17); McDonald's (20); Citi/Credit Cards (51-52); Citi + Subprime Lending (714-716)

## **Class 2: Integrating Market and Nonmarket Strategies**

Nike is known by its distinctive “swoosh” symbol and its extensive advertising and promotional activities. It also earned a reputation as an aggressive and combative firm whose objective is to beat its rivals. Epitomized in the case, by its founder and chairman, Phil Knight, and his comments about “blasts from the media about our practices abroad,” Nike views itself as a force for positive change in the world. However, NIKE (Case 112-114) finds its practices being called into question by a growing audience of critics.

Are the allegations about Nike serious? What role does the news media play in defining the issue(s) in NIKE’s environment? What are the roles of activists and how successful are they likely to be in this case? What are the nonmarket “threats” to Nike’s business strategy and model? How would you assess NIKE’s response? What should Nike do?

The case ends in 1997, and we will discuss what has happened since -- issues, changing environment, foreign textiles/apparel industries, standards and codes – and NIKE’s responses. The case illustrates the importance of a well-balanced, dynamic market and nonmarket strategy.

**Written Assignment #1** – NIKE assignment in SE Asia. One page. Due at Start of Class 2

1. Identify the issues in the case – who will be involved – and where will it play out?
2. What “could” happen to NIKE – and why?
3. What role does the MEDIA play in the case? How do the “activists” exploit?

### **Class 2B:**

BIE Chapter 6 introduces conceptual frameworks for the political analysis of interest groups based on economic and political analysis. The frameworks provide the foundations for the analysis of non-market issues and the formulation of non-market strategies in situations in which interests are affected by government institutions and issues are characterizing by opposing interests.

Readings seek to explain what determines whether interests become active on an issue (e.g. incentives to act). What determines whether such activity will have an impact and whether or not a policy (law) is likely to change? To help understand interest group activity and the legislative process, we will further develop concepts such as collective action, distributive consequences, prisoner’s dilemma, rent chains, agenda setters, and pivotal legislators, vote trading and constituency connection.

Readings also present frameworks for analyzing political and nonmarket action on issues where groups oppose one another. You will be introduced to the Wilson Matrix, a dynamic tool that applies to the nature of political competition on an issue. The Wilson Matrix helps you distinguish among types of political competition on any given issue (based on concentration/dispersion of interests) and the various political strategies that work best with the type of political competition one encounters. The Distributive Politics Spreadsheet (DPS) builds

upon the Wilson Matrix to further characterize likely support/opposition on an issue (vote) by analyzing rent chains, resources, coverage and overall political strength in order to be able to predict likely outcomes (who wins, loses & why). DPS provides a tool to help you develop positions and strategies on an issue illustrated by the Case of Boeing.

DPS is best applied to a specific vote on a single issue in the legislative process where one can identify those interests supporting/opposing an issue. Building upon earlier concepts of incentives to act, we add the further dimension of capabilities or effectiveness of action which, when combined into a spreadsheet format, helps one predict the likely outcome (e.g. I want to know not only who is likely to be active on a specific issue, but also how effective or influential they are likely to be). We will illustrate this by working through the Boeing Case, its nonmarket agenda and objectives. Can Boeing defeat the Pickle Bill? Any limits or constraints on Boeing's strategy?

**Readings:** BIE Ch. # 3-4 (skim if previously taken SEEK 440A) + Ch #6

**Cases:** Nike in Asia, 112  
Boeing in a Pickle BIE, 162  
Repeal of the Luxury Tax BIE, 184  
Scrubbers & Environmental Politics, BIE 183 (Use DPS)

### **Class 3: Crisis Management**

In the Luxury Tax Case (184), tell me what interests likely to be involved – and why? Will the tax be repealed? Construct a DPS for the Scrubbers Case (183) based on the interests involved in voting on the single legislative issue of mandating that scrubbers be used in constructing any new coal-burning plants. Bring sample spreadsheet to class for discussion.

#### **3A.**

Enterprise risk now covers an expanding scope of possible threats to the viability of a firm ranging from financial, legal, products, reputation, to brand. Crises happen. Typically, they are unexpected and escalate quickly. In the case of Wal-Mart A, a crisis emerged out of an expanding anti-Wal-Mart campaign consisting of unions, activists, and politicians starting in early 2005. We will discuss whether or not Wal-Mart should have anticipated the nonmarket issues it faces; and where will these issues be addressed and how likely be resolved.

#### **3B.**

##### **Wal-Mart's Nonmarket Strategy**

In the case of Wal-Mart (B): A New Nonprofit Strategy (647) we will assess Wal-Mart's multiple responses to activists and its critics. How effective are these actions likely to be singularly and collectively? What else should Wal-Mart be doing?

Wal-Mart has entered the financial services industry. Go to [walmartfacts.com](http://walmartfacts.com) and read Fact Sheets dealing with Economic Opportunity - "Money Management" and the "Unbanked and

Underbanked.” Wal-Mart began offering basic money services in its stores in 1999; started a money services business division in 2002; opened money centers in 2004; sought and later dropped its FDIC banking application in 2006 to start a state-chartered bank in Utah. Based on what you have learned thus far about integrated market and nonmarket strategies, what advice would you give to Wal-Mart about formal entry into the banking business? How gets there?

**Readings:** BIE Ch. #5

**Cases:** Scrubbers, BIE 183 + Spreadsheet  
Wal-Mart: Nonmarket Pressure (A) 144  
Wal-Mart: Reputation Risk (B) 647

<[www.wakeupwalmart.com](http://www.wakeupwalmart.com)> , <[www.walmartwatch.com](http://www.walmartwatch.com)>, <[www.walmartfacts.com](http://www.walmartfacts.com)>

#### **Class 4: Legislative Strategy**

This session introduces conceptual foundations for analysis and strategy in institutional contexts emphasizing legislatures. Concepts include vote-getting, agenda-setting, pivotal votes, coalition-building, and developing and implementing strategies.

In the case of Federal Express Labor (212), what vote-getting strategies would you employ to build a 60 vote U.S. Senate majority needed to invoke cloture? Are there “limits” to lobbying as a political strategy?

Lobbying involves communication: the strategic transmission of useful and reliable information to key decision makers in a timely manner. It is a profession, a global business with formal and informal rules governing its conduct. Related to lobbying, you ought to have some understanding about the role of campaign financing and financial contributions to parties/candidates as part of your nonmarket strategies. Lobbying Disclosure Act of 1995 requires lobbyists not only to register but also disclose expenditures on specific issues or bills. The Honest Leadership and Open Government Act of 2008 goes further by requiring quarterly disclosures including coalitions formed around issues and member identity. [www.opensecrets.org](http://www.opensecrets.org) is a nonpartisan guide to money’s influence on U.S. elections and public policy informing one on who gives and who gets. [www.politicalmoneyline.com](http://www.politicalmoneyline.com) provides information on PAC’s, candidate fundraising, disclosure and lobbying database. These websites may provide useful information for your final paper.

**Written Assignment #2** – Case of Fuel Economy Standards 2007. (259) – One page only, due at start of Class 4.

In our issue cycle CAFÉ Standards legislation comes before Congress and executive departments periodically going back to its 1975 passage. In analyzing this case, ask yourself how dependent have Detroit auto producers become on sales of trucks/hybrids for profits? What does a firm do when its customers and the market place value on certain products, but government and private interests want you to produce more of something else? In 2007, the U.S. Auto Industry faced its greatest legislative threat in over a decade because of basic changes to its market and nonmarket environments. What’s changed and why? You represent the Big Three (Ford, GM + Chrysler) in

dealing with Congress both on legislative lobbying and subsequent implementation of any legislation. Your responses to this case will be viewed in the context of a congressional hearing. See Questions in case. Due at start of class #4.

**Readings:** BIE Ch. #7

**Cases:** Federal Express and Labor (212)  
Fuel Economy Standards 2007 (259)

### **Class 5: Regulation**

We have now entered the regulatory arena (courts, regulatory agencies, states and international bodies), where the scope and import of NM decisions are often more critical to firm strategy than the passage of legislation alone. Much of the analysis and reasoning employed previously apply to regulatory strategies, particularly where firms and interests use legislative actions to influence regulatory outcomes. Some issues are old such as unions + management over how workers can unionize; and others are new like internet neutrality or privacy where rules are now being set. Some are global such as the regulation of financial markets. The case of Pharmaceutical Switching involves complex issues to be resolved by regulators and legislators. Begin by trying to figure out the reason/rationale for regulatory intervention involved in the case of P&G: Fresh Choice. Why is FDA interested in this P&G product – orange juice? Any theory of regulation (Ch #10) helps explain FDA interest? How should P&G respond to the FDA’s inquiry? What is at stake?

**Readings:** BIE Ch #10; BIE #1 (17-30 on industry regulation). Scan the FDA website: [www.fda.gov](http://www.fda.gov). View “Regulatory Information” and “About FDA”. Come to class with an example of a regulatory action that could transform or significantly change a specific industry here or abroad. Explain how + why.

**Cases:** Proctor and Gamble Fresh Choice Orange Juice (BB)  
Pharmaceutical Switch (252)

**Written Assignment #3:** Case of Pharmaceutical Switching – One page. Due at start of Class 5. See Case Questions on how possible switch impacts Schering-Plough. You are to formulate and integrated market and nonmarket strategy for S-P. In your strategy, consider Well Point’s strategy as well.

### **Class 6: Industry Regulation**

#### **6A.**

Tall Timber is a real life, integrative case taken directly from the New York Times. You are being challenged to apply what you have learned thus far in the course to a highly complex regulatory problem in the environmental area which plays out routinely in EPA’s enforcement of the Clean Air Act. The case focuses on EPA’s enforcement actions in dealing with a highly cyclical plywood industry. Critical assumptions and case background are as follows:

- The Republican Party controls both houses of Congress for the first time in 30 years: Senate 53-47; House 230-205. William Clinton, a Democrat, is in his first term as U.S. President. The public supports Clean Air and environmental laws. As a general rule, Democrats are more supportive of the environment than Republicans although regional interests differ, especially in the more pro-environment East and West.
- The U.S. Senate is comprised of 100 members. It takes 60 votes to end Senate debate on an issue or bill by invoking cloture (stops debate and members vote). For purposes of counting votes and DPS analysis, the U.S. Senate can be divided into four Regions of nearly equal numbers (e.g. 24-26 Senators per region). You are dealing with an amendment to Senator Dole's bill (last paragraph of the case) that exempts GP from EPA enforcement on VOC's. The GP Amendment will be voted on separately from the rest of the Dole Bill so that you should apply DPS to this specific vote.

You are consultants to Georgia Pacific (GP) whose tasks are to analyze GP's challenges: review options; set objectives; recommend a preferred strategy and fallback position. Specify how you will implement this strategy. Your client (GP) believes it has acted in good faith – legally and ethically. Your immediate competitors, Louisiana Pacific (LP) and Weyerhaeuser, can NOT change their stated positions or retract their public statements. Options – Strategy – Choice.

Safety as a nonmarket issue affects competitive strategies, product development, and firm profitability. As the recent Mattel children product controversy passed through Congress and regulatory agencies (lead paint), vast changes were required for supply chain management and in regulatory standards. The same occurred in food safety industry standards. Product safety concerns extend to what you make, how you make it, what safeguards you build into your product, who inspects it, what channels you use to sell, to whom, and what and how you tell consumers and others about the product.

While CSH convection Kerosene space heater is safe when used properly, sufficient hazards exist that require producer and consumers alike to take care for product use. For sake of discussion, we will assume that, ethically, there appears to be more good than potential harm in producing this product. However, we have little or no guidance from CPSC. The liability system provides obvious incentives to reduce risks, but not all. Specifically, you must decide what safety features CSH should add to this product and your reasoning for adding such features. To what extent are you going to rely on warnings, information and incentives to induce consumers to take care? How will you price this product(s)? What distribution channels will you use to sell and service it?

**Readings:** BIE Ch. # 11-12 – **Mid Term Due at start of Class 6**

**Cases:** Tall Timber (BB)  
Cal. Space Heaters (404)

**Assignment #4:** Select either the Case of Compulsory Licensing – Abbott OR the European Union and Carbon Tax. See questions. Focus on strategies and strategy implementation. One page - Due before start of Class 7.

### **Class 7: Global Political Economy**

**7A.** For the last 20 years, U.S. Presidents have been granted the authority by Congress to negotiate trade agreements with other countries and trading blocs which, once completed, are submitted to the U.S. Congress for approval without any changes). The authority to allow an “up-down” voting procedure (no amendments allowed) on trade pacts is known as Fast Track Authority (FTA). Why do you think Congress failed to renew President Clinton’s request for FTA authority, but later approved it for his successor, George W. Bush. Congress later refused Bush’s request for renewal. What might the above tell you about trade politics?

The Abbott Lab Company Licensing Case challenges you to think about how best to protect your products (intellectual property) where national patent law conflicts with laws and practices in emerging economies. Your strategies involve U.S. institutions, international organizations and specific countries – Thailand, India, and Brazil. How should Abbot and the pharmaceutical industry deal with the issues posed in the case?

### **7B.**

We move from trade issues to global business where the NM environment includes international organizations such as the UN, WTO, Multi-National bodies such as the EU (27 countries) and a host of nongovernmental organizations (NGO’s). In the case of the European Union and the Carbon Tax in the 1990s, the European Commission proposes a carbon tax to curb global warming to be voted on by the Council of Ministries (at the time - 12 countries/76 weighted votes) either by unanimity or on the basis of a qualified majority (54/76 votes to pass). You are a large multi-national European chemical firm opposed to the tax for competitive reasons. Based on what you have learned in the course about nonmarket strategies, how would you defeat this tax? Note that the EU Commission proposes laws for EU interests as a whole. The 12 member/76 votes of the Council of Ministries represents the interests of each country separately.

**Readings:** BIE Ch. #18 + 15

**Cases:** Compulsory Licensing and Abbott Labs (602)  
European Union and Carbon Tax (506)

### **Class 8A: Globalization + Strategies**

TRU develops a global strategy in the 1980’s, and seeks to implement it in the 1990’s in specific countries - Germany, Japan, and Sweden. Each Country poses a different set of market and nonmarket problems. Identify the problems/issues in each country, and suggest various integrated strategies for each that may resolve the issues.

## **8B. Corporate Social Responsibility**

### **Assignment – For Class Discussion**

Come to class with an EXAMPLE of a firm you “admire” and/or consider to be the best of its class (industry) as a “Socially Responsible Business”. You will be asked to briefly explain “why”. Think about your responses. Upon reviewing everyone’s preferences, we shall try to make sense out of social responsibility (e.g. logic, consistency, principles, etc). Have the firms you have selected gone beyond that which is required (or expected) by their market and nonmarket environments? Differentiated from competitors? Evidence to support? Has sustainability as a concept replaced or now incorporates CSR?

**Readings:** BIE, Ch. #14 (Japan 451-461); CSR 18 (619-628, 632-637)

**Cases:** Toys R Us + Globalization (614)

### **Class 9: Course Summary**

Student/Group Reports

Evaluations – Group and Course

**Papers due last class or not more than one week after**