

SEEK-441 Sec 61 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 sequentially.

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 an 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 as a group before each class to discuss the day's cases.

Key Dates/Calendar

3/31	Assignment #1 – NIKE Due
4/14	Assignment #2 – Wal-Mart/Chicago Paper
4/25	Assignment #3 – Pharma Case Due
5/5	Mid Term
5/5	Assignment #4 – Tall Timber Due (Choose) Due
5/9	Assignment #4 – Cal. Space Heaters (Choose) Due
5/16	Assignment #5 – EU Carbon Tax (Choose) Due
5/19	Assignment #5 – Toys R Us (One Country – Choose) Due
5/27	Presentations
6/3	Presentations
6/10	Papers Due – Final Date

#441-61 CLASS SUMMARY – Spring 2011

<u>Date</u>	<u>Topics/Content</u>	<u>Assignment/Reading</u>
1. 3/28	Strategy + NMKT Environments • MKTS + Nonmarkets • Management Role/Response • 4 I's + Issue Life Cycle • Industry Analysis	BIE Ch #1 Cases: Pharma (17); McD's (20) + Assignment: 1) ID 4 I's each case; 2) Where are issues on Issue Life Cycle; 3) Which issues address – order
2. 3/31	Integrated Strategy • NMKT Strategies – Position Issues • Framework Analysis NMKT	BIE Ch #2-4 (If had SEEK Course 440A, skim Ch #3-4 again) Case: NIKE in SE Asia (112) Assignment #1 Due
3. 4/4	Ethical/Moral Concerns • What is ethics? Why Important? • Tool Analysis – Framework • Viewing NMKT issues	BIE Ch# 20 (653-659) Case: Citi + Credit Cards (51-52) Case: Citi + SPL (714)
4. 4/7	Crisis Management – I • Nature/Causes • Components • Risk Assessment	BIE Ch #5 Case: Wal-Mart (A) (144)
5. 4/11	Crisis Management – II • Reducing NMKT Pressure • Rescuing Brand + Reputation • Wal-Mart enters banking	Case: Wal-Mart (B) (647) Wal-Mart Summary (728-729)
6. 4/14	Public Politics + NMKT Strategy • NMKT Analysis – Business • NMKT Analytical Tools • Wilson + DPS	BIE Ch #6 Case: Boeing in a Pickle (162) Assignment #2 Due
7. 4/18	NMKT Strategies Government Arena • Strategy Choices • Predicting NMKT responses • Assessing Group Strength	BIE Ch #7 Case: Scrubbers (184) Case: Luxury Tax (183)
8. 4/21	NMKT Strategies II • Building Majorities • Influencing Outcomes	Case: Federal Express (212) Case: Carried Interest Tax (213)

9. 4/25	Strategy Implementation • Lobbying • Coalition Building • Developing NMKT Assets	BIE Ch #8 Case: Pharmaceutical Switch (252) Assignment #3 Due - Choose Case - Pharma or Café 2007
10. 4/28	Strategy Implementation • Auto Industry • Simulate Congress Hearing	Case: Café Standards 2007 (259)
11. 5/2	Regulation • Regulatory Rules + Process • Explanations Regulation	BIE Ch #10 Case: P+G Orange Juice (BB) Case: FCC Owner Rules (332)
12. 5/5	Industry Regulation • Environmental Regs + Choices • Congress vs. Regulators • How “clean” is clean?	BIE Ch #11 Case: Tall Timber (BB) Assignment #4 Due - Choose Case - TT or CSH
5/5	MIDTERM Due	
13. 5/9	Law and Markets • Property Rights • How “safe” is safe?	BIE Ch #12 Case: California Space Heaters (404)
14. 5/12	Global NMKT Strategies • Economics + Politics of Trade • US Trade Politics • International Trade Agreements	BIE Ch #18 Case: Compulsory Licensing-Abbott (602)
15. 5/16	Pol. Economy of EU • EU Political Economy • NMKT Issues EU • Country Strategies	BIE Ch #15 Case EU + Carbon Tax (506) Assignment #5 – Select either Carbon Tax or Toys R Us case
16. 5/19	NMKT Strategies – Global • Doing Business in Country X • Culture/History + Interests	Case: Toys R Us (614) Select one country – Germany, Japan or Sweden and how access market
17. 5/23	Social Responsibility of Business • What is CSR? • Google’s CSR	BIE Ch #19 (619-627) Case: Google in China (545)
18. 5/26	Course Wrap UP	Student Group Presentations
19. 6/2	Course Wrap Up	Student Group Presentations

Final Papers due no later than one week after final class

Class 1: 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.

Assignment

BIE Ch #1; 2 Cases: Pharma (17); McDonald's (20)

For each of the 2 cases and issues, (1) characterize the 4 I's - issues, interests, information and institutions in the respective industry environment; (2) identify where each issue is located on the issue life cycle; and for each case/industry, which issues should be addressed in which order?

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 global force for positive change. However, NIKE (Case 112-114) finds its practices being called into question by a growing audience of critics. How would you assess NIKE's response? What should Nike do? We will discuss what has happened since 1997. Go to:

www.nikeresponsibility.com > Click NIKE Responsibility > Workers and Factories.

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

Assignment:

BIE Ch # 2-4 (skim if already taken SEEK 440A)

Case: NIKE in SE Asia (112)

Written Assignment #1 – One Page, Due at start of Class 2

- 1) Identify the issues in the case, who will be involved, and where it will likely play out.
- 2) What could happen to NIKE - - and why?
- 3) What role does the media play in the case, and how do the activists exploit?

Class 3: Ethical/Moral Concerns

It may be legal to do “X” but do you and/or 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, “Citibank and Credit Cards for Undergraduates” (51-52), illustrates how a firm’s policy and actions may have consequences even where credit card practices are largely unregulated. A further illustration where legal and ethical concerns may clash can be found in the case of “Citigroup and Subprime Lending” (714-716) where government and activists are likely to be involved.

Assignment

BIE Ch #20 (653-660)

BIE Ch #2 Framework (49-50)

Case: Citi + Credit Cards (51-52); Citi + SP lending (714)

- Anything “wrong” with using students’ undergrad major as criteria for issuing credit cards?
- FICO scores (Google – FICO score) as key criteria for employment? Insurance underwriting?
- Anything “wrong” with SP lending? What “risks” do Citi face in this case?

Class 4: Crisis Management

Enterprise risk covers an expanding scope of threats to business sustainability internally and externally ranging from financial, legal, products, to reputation and brand. Crises happen. Typically, they are unexpected and escalate quickly. In the Wal-Mart A case, crises evolved out of an expanding anti-Wal-Mart campaign organized by unions, activists, and politicians dating from late 2004. We will discuss whether or not Wal-Mart could have anticipated or dealt earlier with the nonmarket issues it now faces; and where will these issues be addressed and likely resolved, and how.

Assignment

BIE Ch #5

Case: Wal-Mart(A) (144)

Activist Websites: www.walmartwatch.com; www.wakeupwalmart.com

- Identify the 4 I’s for each issue
- Which issues should Wal-Mart address and in which order? Why?

- Assess the effectiveness of Wal-Mart NMKT strategies
- How adaptable ought Wal-Mart's business model be to accommodate NMKT pressures?
- How resolve these issues?

Class 5: Crisis Management Responses

Read the Case of Wal-Mart: NMKT Pressure and Reputation Risk (B) which covers Wal-Mart's/CEO Scott's efforts to deal with critics and competitors since 2005. Be prepared to discuss Wal-Mart's action and their intended purpose, and assess how effective you think they are likely to be. To better understand private politics compare what Wal-Mart's critics demand and how/what Wal-Mart responds or acts. For an update on Wal-Mart, view Wal-Mart's "Fact Sheets". See Corporate Facts – the Company of the Future – and scroll down to Sustainability Fact Sheet to see its response to environment and energy concerns. Why is Wal-Mart going "Green"? What impact or consequence might this have on its image or to its critics?

Wal-Mart entered the financial services industry. Go to www.walmartstores.com. Go to Fact Sheets - Economic Opportunity and read the Fact Sheets on "Money Centers" and "The Unbanked and Underbanked" and "Walmart Revolution". 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 then dropped application to the FDIC in 2006 to start a state-chartered bank in Utah due to huge opposition from community banks and retailers. Based on what you have learned thus far about integrated market and nonmarket strategies, what advice would you give to Wal-Mart should it seek formal entry into the banking industry/business?

Assignment

Wal-Mart (B) Reputation Risk (647) + www.walmartfacts.com

View Wal-Mart website – Fact Sheets on Company of the Future + Sustainability

- Assess actions WM has taken in its NMKT strategy
- Are they effective?
- What else should it do – strategy?
- What advice would you give Wal-Mart about entering the "Banking/Financial services industry"?

Class 6: Public Politics and Nonmarket Strategies – NMKT Analysis

BIE Chapter 6 introduces conceptual frameworks for 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 characterized 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 develop concepts such as collective action, distributive consequences, prisoner's dilemma, rent chains, and constituency connection to help formulate nonmarket strategies.

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 given 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). For international students where nonmarket and political action may occur through a different set of institutions (e.g. cabinet governments, parliamentary systems, political exchanges and networks), the above tools can be adapted to develop appropriate integrated strategies.

Assignment

BIE Ch #6; Case: Boeing in Pickle (184)

- Can Boeing defeat Pickle Bill? How?
- Any limits/constraints on Boeing strategies?
- What kind of politics (Wilson)?
- Boeing's options and fallbacks?

Assignment #2: Due before class 6. Following a bitter battle in 2006 that pitted labor against business, Mayor against the Chicago City Council, and activist against activist, Wal-Mart was allowed to open a single store in Chicago in 2006. With high unemployment levels, Chicago gave Wal-Mart permission in late 2010 to open one additional store. With a new Chicago Mayor and City Council (50 geographically-based elected officials) in 2011, Wal-Mart seeks to vastly expand this number. Write a one page memo to Wal-Mart advising them on how to best achieve this objective that includes likely interested parties, a message and an action plan that the mayor and the City Council could approve.

Class 7: Nonmarket Analysis for Business

We begin building the foundation for strategy formulation and implementation illustrated by Boeing. We want to understand how pluralistic interests operate in the context of U.S. institutions applied later to other nations, their cultures, and their institutions. What interests are

likely to be involved, and with what likely outcome? In the Luxury Tax Case, what are the distributive consequences (who will be most harmed) and what are the incentives to organize for or against repeal of the tax? What will happen and why? In the case of Scrubbers and Environmental Politics, you are individually asked to come to class with a completed distributive politics spreadsheet indicating what interests (pro and con) are likely to be involved in the outcome of the case, and your prediction as to what Congress will do when voting on the single issue of mandating scrubbers. Non-graded assignment.

Assignment

BIE Ch #7; Luxury Tax (183)

Applying Wilson + DPS to Scrubbers Case (184); predict what Congress will do and why

Class 8: Legislative Strategy

This session introduces conceptual foundations for analysis and strategy in institutional contexts emphasizing legislative bodies. Concepts include vote-getting, agenda-setting, pivotal votes, coalition-building, and developing and implementing strategies. In the case of Federal Express (212), what vote-getting strategies would you employ to build a 60 vote U.S. Senate majority needed to invoke cloture (Google – cloture)? Are there “limits” to lobbying as a political strategy? Who opposes you, and how effective are they likely to be?

In the case of Carried Interest (213) how important is current tax treatment to private equity firms? Whom do they target to lobby? Who are their allies, and who do they seek to align with? What is their message?

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 to disclose expenditures on specific issues or bills. The Honest Leadership and Open Government Act of 2008 goes even further by requiring quarterly disclosures including coalitions formed around issues and member identity. Both are worth taking a look at and can be helpful for your final papers.

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 provides information on PAC’s, candidate fundraising, disclosure and lobbying database. You may find these useful information sources for your final paper.

Assignment

Case: Federal Express (212); Case: Carried Interest Tax (213)

- How does one build majorities in legislative bodies?
- What strategies are most effective in getting votes?
- Whom do you target (Federal Express case)?

- Should the private equity industry align with the venture capital industry on this issue?
- Formulate a strategy for the VC industry to deal with the threat of a tax change.

Class 9: Implementing NMKT Strategies in Governmental Arenas

Try to understand the differences between conveyance of technical and political information, electoral support, types of lobbying campaigns, coalition building, and how firms develop nonmarket capabilities.

Assignment

BIE Ch #8; Case: Pharmaceutical Switch (252)

Written Assignment #3 – One Page. Due at start of class.

Choose either case, Pharma Switch or Fuel Economy Standards 2007. Both challenge you to develop an integrated market strategy and to implement the strategy. Pay attention to how the environment and the specific industry are changing as you develop your strategy.

Class 10: Strategy Implementation

In our issue cycle CAFÉ Standards legislation comes before Congress and executive departments periodically since 1975. In analyzing this case, ask yourself how dependent have Detroit producers become on sales of trucks/hybrids for profits? Why? What does a firm do when its customers and the market value certain products, but government and private interests want you to value 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, why, and how does this impact your strategy options? You represent the Big Three (Ford, GM + Chrysler) in dealing with Congress both on legislative lobbying and subsequent implementation of legislation. Your responses to this case will be viewed in the context of a congressional hearing (e.g. public – open – TV - sworn testimony, etc). See Questions in case. Due at start of class #10.

Assignment

Case: Fuel Economy Standards 2007 (259)

Mid-Term (For those taking course for 5 weeks, the midterm is the final).

Written Assignment #3 – One Page. Due at start of class.

Class 11: Government and Markets – 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 ongoing such as labor-management rules on forming unions, and others are new like internet neutrality or privacy where rules are still being set. Some are global, such as the regulation of financial markets and carbon emission.

Begin by trying to figure out the reason/rationale for regulatory intervention involved in the case of Proctor & Gamble: Fresh Choice. What is at stake? In the case of the FCC Media Ownership Rules (332), what theories help predict what the FCC majority will do? What is Congress is likely to do?

Assignment

BIE Ch #10

Case: P&G Orange Juice (BB); Case: FCC Owner Rules (332)

www.fcc.gov/ownership ; www.fda.gov > On FDA website, read “Regulatory Info” + “About FDA”

- Why is the FDA interested in orange juice labels? What explains?
- How to respond to FDA inquiry?
- What’s at stake in media ownership rules?
- What is FCC likely to do and why?
- What’s different as FCC views media ownership rules in 2010?
- Finally, each of you come to class with an example of a regulation - actual or hypothetical – that could transform a specific industry here or abroad.

Class 12: Industry Regulation

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 issue in the environmental area where environmental regulators (EPA) seek enforcement of the Clean Air Act. The case focuses on EPA’s enforcement actions in dealing with the 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 statements.

Assignment

BIE Ch #11

Case: Tall Timber (BB)

Written Assignment #4 – One page, due at start of class

Choose either case – Tall Timber or California Space Heaters (404). In Tall Timber, your regulatory strategy combines dealing with the Congress and the EPA. In CSH, you must decide what safety features to add to your product(s), why, and what actions you will take to inform buyers about the use of your product. You must also decide how much to charge for the product and how to distribute. The actions/decisions are set against what degree of responsibility you have for your product is used.

Class 13: Law and Markets – Safety

As a nonmarket issue, safety affects competitive strategies, product development, and firm profitability. For example, in the recent issue of lead-based paint and children's toys, Congress and regulators made sweeping changes impacting producers, suppliers, retailers, and resellers. The same occurred in food 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 convection Kerosene Space Heater is safe when used properly in the CSH case, sufficient hazards exist that require producer and consumers alike to take care for product use. For sake of discussion, we will assume that more good than potential harm favors 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?

Assignment

BIE Ch #12

Case: California Space Heaters (404)

Assignment #4 – One page. Due at start of class. Choice of cases.

Class 14: Global Political Economy

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 negotiated, are submitted to the U.S. Congress for approval without amendments. The authority to allow an “up-down” voting procedure 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. President Obama, thus far, has shied away from submitting any trade pacts for congressional approval. How characterize "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 Abbott and the pharmaceutical industry deal with the issues posed in the case?

Assignment

BIE Ch #18

Case: Steel Imports (592-593); Case: Compulsory Licensing (602)

www.who.int/medicines/areas/policy/wto_trips/en/index.html

Chapter 15: Political Economy of EU

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 go about defeating 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 represent the interests of each country in the EU.

Assignment:

BIE Ch #15

Case: EU and Carbon Tax (506)

Written Assignment #5

Choose either the case of EU and the Carbon Tax or Toys R Us and Globalization. In the Carbon Tax case, you represent European Chemical Manufacturer seeking to defeat the tax. In Toys R US, you represent the company seeking market access to German, Japanese and Swedish markets. If you select the Toys R Us case, then pick only ONE of these countries for which to develop market and nonmarket entrance strategies.

Class 16: Globalization and Strategies

TRU develops a global strategy in the 1980's, and seeks to implement it 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 them.

Assignment: Case: “Toys R Us and Globalization” (614-616)

Written Assignment #5: One page, Due at start of class. If you select Japan, read 619-627.

Class 17: 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” (SRB). You will be asked in class to explain “why”. Upon reviewing everyone’s preferences, we shall try to make sense out of social responsibility (e.g. logic, consistency, principles, etc). Have the selected firms gone beyond that which is required (or expected) within their industries and by their market and nonmarket environments? Competitive advantage? Evidence or support? What is a “Sustainable Business?” Is sustainability now more relevant or useful than SRB?

What responsibility should Google exercise in dealing with the People’s Republic of China’s censorship (and data security) of its operations? Are Google’s actions and practices “sufficient?” What else could or should it be doing? Google – China for recent update on issue.

Readings: CSR 18 (619-628, 632-637)

Case: Google in China (545)

Class 18: Course Wrap-Up and Reports – Projects

Class 19: Reports – Projects; Evaluations – Group and TCE

***Papers due not more than one week after final class**

