Successful business strategy entails more than outmaneuvering rival companies; managers must also devise strategies to cope with the global, non-market forces that confront businesses and other forms of organization. This course provides future managers and consultants with tools for shaping effective strategies to deal with the economic, political, social, legal, cultural, and technological forces that make up our global business landscape. Businesses are increasingly affected by interest groups that can impose their will on a corporation from the outside. Leaders, managers, and consultants—especially those who aspire to positions of authority in major multinational corporations—need to understand how public policy is made, and how interest groups, including business, can affect the policy process.

Even business people who find government ideologically unpalatable need to understand the levers that make the system operate. Consider, for instance, Union Carbide’s problems in Bhopal, India, where arguably the worst chemical accident in history took place on December 2, 1984. Within a week, over 3000 people had died and 30,000 were sick. By early 1985, Carbide’s stock price had plunged from $48 to $33 a share. A hostile takeover battle ensued, which Carbide fought off only after selling 25% of the most profitable assets of the company and laying off over 4000 people. Eventually the company reached an agreement with the Indian government to pay damages of $470 million. Clearly, actions outside of the normal market arena can have big effects on a company’s bottom line. To deal effectively with these issues, managers and consultants must have a clear sense of their own principles and their company’s mission, and they need conceptual frameworks that will allow for rapid and wise strategic decisions.

Most business courses teach you how to play the game of business within the rules. This course is about the rules themselves, their creation and their enforcement. While a firm’s competitive advantage is created in large part through developing and exploiting difficult-to-imitate capabilities and resources in the market environment, the non-market environment in which the firm operates also presents important risks and opportunities for business leaders. Many barriers to imitation derive from legal rules or public policies that favor certain capabilities over others. These policies are not exogenously given. They are instead the outcome of competition between businesses and other groups within public institutions. In many industries, corporate activity in the policymaking and judicial process is a key element in creating or maintaining a company’s competitive advantage.
The course has four main goals:

1. Create awareness of the broad range of ways in which the non-market environment—especially government policy—affects business.
2. Give you an understanding of the process through which business and other groups create and change the rules of the game.
3. Help you gain mastery of a set of conceptual tools and frameworks for developing and implementing non-market strategies.
4. Provide you with opportunities to practice formulating integrated strategies that function skillfully in the non-market arena.

This is a course you can approach from at least two different perspectives, and I invite you to consider both of them. First, as indicated above, you can see this as an opportunity to learn how to operate with skillful means as a manager maximizing shareholder value in the non-market arena. As I have argued, this is a skill anyone hoping to rise to the top levels of management will ultimately need to develop. Second, if you are someone who wants to use a position in business, government or an non-governmental organization (NGO) to help bring about a more just and sustainable world, you can use this as an opportunity to learn how to help create a playing field on which corporations are rewarded for their environmental and social performance, as well as the value they deliver to shareholders. These two perspectives are by no means contradictory, and you may find you get more out of the course by entertaining both of them.

REQUIRED MATERIALS


   This book was written specifically for a course similar to this, and has been used in many other top MBA programs. Its emphasis is on broad conceptual frameworks for approaching non-market issues, drawing upon the disciplinary foundations of economics, political science, strategy, and law. It develops a perspective on integrated strategy that encompasses both market and non-market strategy. A particular strength of the book is the large number of case studies it includes, providing a wide range of examples of the challenges non-market issues pose for management.

2. Case Packet

GENERAL STRUCTURE OF THE COURSE

The course can be viewed as consisting of three broad sections. In the first section, we explore how the actions of interest groups can present management problems, the role of the media in amplifying these challenges, and various approaches to anticipating and managing interest group pressures. The second section explores in more depth how the non-market environment works, the government institutions through which many non-market issues are settled, and the types of strategies that are effective in this environment. The third section applies the framework we have developed to a series of specific non-market issues that are particularly salient for business.
The teaching approach will involve a mix of lectures and case discussions. Typical classes will be based around discussion of one or more cases that illustrate the non-market issues for that day. Discussion will generally be complemented by a lecture that either addresses a conceptual approach or develops an issue, provides a setting for the topic being addressed, or integrates the class discussion and the subject matter. Part of the class discussion will be based on group work. During our first class session I will ask you to form study groups. Study groups may have 3-4 members. These groups are an integral component of class preparation and discussion. You are encouraged, but not required, to prepare the cases and the readings in groups. However, at several points during the course I will ask each group to prepare a presentation that will form the basis for class discussion.

Accommodation for Disability
If you think you need an accommodation for a disability, please let me know by September 16. Some aspects of the course, the assignments, and the in-class activities may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, we can work with the Office of Services for Students with Disabilities to help us determine appropriate accommodations. I will treat information you provide as private and confidential.

Class Participation

The Ross learning experience transforms students by developing the ability to think rigorously, work collaboratively, and lead effectively. The classroom and course work are the foundational components of the Ross learning and growth process. Classroom activities are central to each student’s experience – an experience they share with their classmates and faculty to develop each student’s knowledge and personal growth and that of the student body as whole. Due to the importance of this shared experience, students should attend all classes, arrive on time, stay in class throughout and be prepared to contribute to the learning process for all. The expected level of engagement goes far beyond mere physical presence in class. Rather, students should come to each class having read all material, prepared all assignments, and ready to share their insights, thoughts and intellectual struggles with their classmates. Students should remain engaged and attentive throughout class, both for their own learning and in respect to the rest of the Ross community. Violations of these expectations will be reflected by reductions of the class participation grade as well as other penalties the faculty may view as appropriate.

Since case discussion will occupy a large part of our time together, you will have many opportunities to participate. Sometimes, in order to increase opportunities for effective participation, I may cold call students or a study group to open the case discussion. I may also cold call students during case discussions. If you feel you are coming to class prepared but I am not calling upon you, please let me know outside of class so I can address the problem.
COURSE REQUIREMENTS AND GRADING

Students are expected to master the content of the readings, to make constructive contributions to class discussions, to make occasional presentations, and to perform adequately or better on the midterm examinations. Your course grade is based on four components:

- In-class Performance  20%
- Group case analyses  20%
- Final Exam 25%
- Final Team Project 35%

In-class Performance: Your performance in the classroom will have a variety of facets. There will be opportunities to contribute individually to case discussions in most class sessions. You will also have the opportunity each class to compete for a chance to share a current event that speaks to non-market strategy. In some classes, there will also be an opportunity for one group to present its analysis of a case and to take questions from the rest of the class, who will be taking the role of members of a board of directors, upper management, or clients, depending on the context of the case. In order to facilitate my evaluation of your in-class contribution, I will appoint scribes for each class.

Scribes: Each day in class I will call on two students (volunteers are welcome) to serve as class scribes and help me record class participation. By doing so, you will automatically receive high participation marks for that day and will not be expected to otherwise participate in the class discussion. You will be given a seating chart and will write your name at the top, along with the date and the class time. You will make a mark each time a student makes a contribution in class. Two marks should be given for contributions that in your judgment are particularly helpful in moving the discussion forward. The seating chart will be returned to me at the end of class. Each student will have at most one opportunity during the course to serve as scribe.

Final Exam: The final exam will be given on Tuesday, December 17, at 6:30 p.m. in R0230. The first part of the exam will consist of a mix of multiple choice, short answer and essay questions. For the second part, I will hand out a short case (but similar to the ones discussed in class). You are expected to analyze the case and develop a strategy, and summarize your findings in a written memo. You may use all your notes and course materials, but are prohibited from using outside or post-case information. This is an individual assignment.

Group Case Assignments: Four times during the course your study group will prepare either a Powerpoint presentation or a one-page executive summary of your strategic recommendations for a particular case. The document will be submitted to me electronically prior to the beginning of class and each will count 5% of your course grade. It should be based on a sound analysis of the underlying issues, interests, information and institutions in the case, but should focus on recommendations for action. This will either be a Powerpoint slide deck or a Word document (single spaced; font size 11 or 12; standard margins; no title page.) Please make sure your Team # is in the title of the file.
Final Team Project: For the final project you are to assume the role of a consultant who is hired to develop an integrated strategy for his or her client. You are free to choose any topic you like (though not one from the textbook or case packet!). Projects may be based on your current or past work environment, or you may simply use newspapers and other public sources. However, any project you choose must have a strong non-market component and needs to be analyzed from the point of view of a particular firm (just as we did in class). If, for example, you were analyzing environmental concerns in the chemical industry, your paper would develop a strategy for, say, Dow Chemical in its acquisition of Union Carbide, that takes into account the range of non-market issues that are involved in the acquisition.

The final project analysis will be a group paper that you will complete with your study group. A group may have 3-4 members. The length of your paper should be at most 12 pages (Double spaced; font size 12; standard margins). A title page, exhibits, graphs or references do not count towards the page requirement. However, I strongly encourage you to restrict these to the necessary minimum. My evaluation of your work will be based on the analysis in the main body of the paper. I encourage you to discuss possible paper topics with me well in advance. Your paper must be handed in by Friday, December 13, at 11:59 p.m. through CTools.

One possible structure for a paper would start with a concise statement of the challenge facing the firm, your client. You then should briefly analyze the particular problem. In your analysis your main emphasis should be on the non-market aspect of the case. You may then discuss a few strategic options and recommend your preferred option to your client. Alternatively, you can discuss and critique the strategy chosen by some business based on your analysis. Whatever structure you choose, your paper must include a sound analysis of a nonmarket environment and a clear recommendation for your client. A successful group paper should be usable as a possible future case for this class.

All papers must include a bibliography of references used. References should follow the format of Strunk and White, The Elements of Style. Footnotes should be used to document specific factual references in the paper, and should refer to items included in the bibliography. Please familiarize yourselves with plagiarism and do not commit this academic violation.

Each group must submit a topic proposal for the final project by Tuesday, November 12, at 6:30 p.m. This need not be more than a page long, but it should indicate at a minimum (a) the firm on which you propose to focus, (b) the issue it faces, and (c) a preliminary bibliography of sources.

Peer Evaluation Your contribution to team assignments will be evaluated by your team members at the end of the semester. You will have the opportunity to rank each member’s performance, and evaluate it on the following scale:
5 Provided significant leadership.
4 Was present and performed assigned tasks competently.
3 Was present and added somewhat to group performance.
2 Was sometimes present and sometimes contributed something.
1 Totally unreliable
DAILY TOPIC OUTLINE

Seven-week courses fly by in the wink of an eye. To get the most out of them, it is essential for you to come to class having done the reading in advance. This course has a significant amount of reading each week, so please start in on it early in the week. **In particular, there is a reading assignment for the first week, so please do that BEFORE coming to class on October 29!** That way we can hit the ground running!

1. **Tuesday, October 29: Activists, the Media, and Crisis Management**

   To develop a successful non-market strategy, managers need to anticipate the emergence of non-market issues. A key part of successfully predicting whether business decisions will have undesired consequences is understanding the motivations of non-market actors. Often the impact of non-market action is felt through the media. We will consider how management might anticipate future media coverage given the details of a situation, and how management responds to that coverage.

   Political activists are important non-market actors. This is especially true for multinational companies in consumer goods markets. We will discuss a recent case in which a large multinational firm found itself the target of intense media pressure from an activist group challenging its corporate strategy.

   We will go over the basic structure of the course, get to know one another, and you will form study groups of between 3-4 members.

   **Readings:**
   - BIE Chapter 1, pp. 1-16, and Chapter 2, pp. 30-34
   - BIE Chapter 4 “Private Politics and Social Pressure,” pp. 74-90
   - Case: BIE Chapter 4, “Shell, Greenpeace and Brent Spar”

   The second half of this session will simulate the pressures managers face when non-market issues are suddenly thrust upon them. It will also allow us to explore the role of the media in more depth, and give you a chance to practice formulating non-market strategies under time pressure.

   **Readings:**
   - BIE Chapter 5, “Crisis Management,” pp. 102-116
2. **Tuesday, November 5: Partnerships**

One of the most important challenges for a firm in the non-market environment is to identify other organizations with which it can partner. These may be other firms in its own industry, firms in other industries facing a common set of non-market issues, or groups from other sectors such as governmental bodies or non-governmental organizations. Today we will consider two of these types of partnerships, one involving relationships within an industry and another involving a partnership between business and an NGO. There are two cases from the packet to prepare for today.

Readings: BIE Chapter 4, “Private Politics and Social Pressure”

**Group Assignment**

Your team will be asked to write a short memo outlining a strategy for one of the cases; for the other case, you need to simply read it over to familiarize yourself with the issues involved, but not to formulate an in-depth strategic response. The memo must be submitted to me through CTOOLS before class starts.

The first half of the class covers a classic example of industry self-regulation, involving the chemical industry. We will examine the motives for self-regulation, and the organizational challenges facing the industry association in making sure the program achieved the intended aims.

Case Packet: “Responsible Care”

The second half of the class discusses a partnership between industry and an international NGO. We will examine the differing motives of the partners, and the implementation challenges facing two organizations with very different pressures and capabilities.

Case Packet: “Starbucks and Conservation International”

3. **Tuesday, November 12: The Demand for Policy**

Interest groups differ greatly in terms of what they want and how effectively they can make their influence felt in the political arena. This session introduces conceptual foundations for the political analysis of interest groups based on ethical reasoning and economic analysis.
To develop a successful non-market strategy, managers must be able to anticipate the emergence of non-market issues. To do so effectively requires understanding the motivations of a variety of non-market actors. Individuals, political activists, journalists and government officeholders may be motivated by moral concerns about a firm’s actions, as well as more direct forms of self-interest. Since different people approach ethical issues from a variety of perspectives, it is helpful to be able to think about ethical issues from the perspective of a number of different ethical systems. Doing so helps managers understand the ethical dimensions of their work and helps them anticipate the likelihood of morally motivated non-market action. The readings focus on two general approaches to ethics: utilitarianism and intrinsic rights.

Readings: BIE Chapter 6; also, read chapter 21, pp. 600-606, and chapter 22, pp. 622-627, with the goal of being able to explain the difference between a utilitarian approach to ethics and a rights-based approach to ethics

Cases: Living Benefits (BIE)
       ATL, Inc. (BIE)

**Group Assignment**

Take the role of consultants hired by ATL to develop an integrated strategy for its Indian market in 1997 (before ATL was bought by Philips). As with all cases, do not seek outside information or post-case information. Each group is to prepare a Powerpoint presentation of no more than 10 minutes. This must be submitted via CTOOLS before the beginning of class. I will select one group at random to present and defend its analysis and strategy in class.

The second half of this session will lay out a simple but powerful framework--- the distributive politics spreadsheet---for predicting which stakeholder groups are likely to be particularly powerful influences on the policy process. In some ways, this is an “invisible hand” model for the “political marketplace,” but the results differ substantially from the way things work in normal markets.

Readings: BIE Chapter 6 “Nonmarket Analysis for Business”
Cases: Scrubbers and Environmental Politics (BIE)

**4. Tuesday, November 19: The Supply of Policy and the Development of Legislative Strategy**

The demand for policy on the part of interest groups must be mediated through political institutions in order to create actual policy outcomes. Who is in a position to supply policy depends on the particular institution under consideration. In the legislative arena, Senators and Congressmen are the key suppliers, while the administration can sometimes supply executive decisions without the consent of Congress, and government agencies
often supply the details of policy. This session will focus on non-market strategy in the context of legislative institutions. We will emphasize the ideas of agenda setting, pivotal voters, building majorities, and predicting outcomes in majority rule institutions.

**Reading:** BIE Chapter 7 “Nonmarket Strategies for Government Arenas”  
**Cases:** Federal Express (BIE)

In the second half of this session, we will study the formulation and implementation of legislative strategy. We will highlight a key aspect of democratic political institutions: the existence of veto points. In the US Congress, there exist many veto points, which means that it is much easier to block legislation than it is to pass it. This has profound implications for non-market strategy. We will illustrate this point using two case examples from the most infamous lobbyist of recent times, Jack Abramoff, who was recently released from prison after he had violated a variety of laws. We will use Abramoff’s experiences both to identify effective tactics and to identify the boundaries of illegality. The first case focuses on a legislative attempt to outlaw Internet gambling, and how Abramoff set about trying to block it. The second focuses on what Abramoff was best known for: his work on behalf of Indian tribes seeking to make money from gambling.

**Reading:** BIE Chapter 8 “Implementing Nonmarket Strategies in Government Arenas”  
**Cases:** Excerpt from *Capitol Punishment* by Jack Abramoff (CTOOLS)  
**Integrative Case:** “Amazon.com and the Amazon Tax” (BIE)

**Group Assignment**

Each group is to prepare two one-page executive summaries, one for each of the two Abramoff cases described in the readings, and submit them to me through CTools before the beginning of class. Each summary should identify which aspects of non-market strategy were utilized by Abramoff, using concepts from the reading.

There is no class November 26 due to the Thanksgiving Holiday.

5. **Tuesday, December 3: Appearance, Reality and Doubt---the Strategic Provision of Information**

Does your vote make a difference? From a cold and objective perspective, it only matters if you are the marginal or “swing” voter. Since you were very unlikely to be the swing voter except perhaps in a county in Florida during the election of George W. Bush, what incentive do you have to really be informed about the issues? Virtually none. This is the logic behind Anthony Downs’ celebrated notion of “rational ignorance,” which he put
forward in his classic book *An Economic Theory of Democracy* (1957). In this session we confront the sometimes terrifying implications of this logic, which means that often in politics appearance is more important than reality, and that creating doubt can be enough to block legislation. Of course, the provision of self-serving information raises significant ethical issues. Furthermore, too much effort to provide self-serving information can backfire. Thus, companies must walk a fine line in deciding what information to put forward, and how to do it.

**Readings:**
- BIE Ch. 8, “Implementing Nonmarket Strategies in Government Arenas”
- BIE Ch. 20 “Corporate Social Responsibility,” pp. 557-568.

**Cases:**
- “Responsible Lobbying” (BIE, Ch. 8)
- “SC Johnson and Greenlist” (WDI Globals-Lens, handout)
- “Wal-Mart: Nonmarket Pressure and Reputation Risk (B): A New Nonmarket Strategy” (BIE, Ch 20)

Please come to class prepared to be cold-called and take a position regarding Milton Friedman’s conception of CSR, which remains relevant today. Also be prepared to discuss the Wal-Mart case.

6. **Tuesday, December 10: Managing the Rulemaking Process**

Non-market strategy does not end with the passing of legislation. Legislation is typically worded in a vague and broad manner that leaves the details of implementation to one or more government agencies. These agencies are required by law to use an open process of deliberation in which interest groups are expressly guaranteed rights of representation. Agencies typically must develop a record tracing out the perspectives presented by the different interested parties and providing a reasoned basis for the decisions handed down. Furthermore, the courts play an important role in interpreting regulatory statutes, determining whether they are constitutional, and whether regulatory decisions were reached through appropriate use of due process. These requirements create opportunities for the development and implementation of particular types of non-market strategies in the regulatory arena.

Today, we home in on one of the most important areas where rule-making occurs: the natural environment. The environment generates some of the most perplexing non-market issues that companies must face. Most developed countries have a broad set of laws that empower environmental activists. Many activists are motivated by strongly held moral views about the environment, which are simpler to present to the public than calculations of the costs and benefits of particular environmental decisions. Environmental issues can emerge rapidly, creating a crisis situation that is particularly difficult to manage. Nevertheless, the environment presents strategic non-market opportunities for pro-active firms.

Today we are fortunate to have special guest Tom Catania, former VP of Government Relations at Whirlpool, and currently an Executive in Residence at the Erb Institute. He
will help me critique student presentations on the Whirlpool Case

Our first case presents a situation in which a global environmental issue emerged into public awareness rapidly, and with scientific evidence behind it. International trade was involved as well.

Reading: BIE Chapter 12: “Environmental Management and Sustainability”
Case: “Dupont Freon Products Division (A)” (case packet)

**Group Assignment**

Assume the role of a senior manager at Dupont faced with preparing a non-market strategy to address the issues raised in the case. **I will randomly select one group to present their strategy.** Following the presentation, the class will critique the strategy. Each group needs to prepare a **one page executive summary** and send it before the beginning of class. The summaries must be submitted as a **word document by email** to me through CTools.

Readings: BIE Chapter 10 “Regulation: Law, Economics and Politics”
Case: “Whirlpool and Energy Efficiency Standards (A) and (B)” (CTOOLS)

**Group Assignment**

Assume the role of a senior manager at Whirlpool faced with preparing a non-market strategy to address the issues raised in the case. What objectives should Whirlpool seek to achieve regarding energy efficiency standards? What strategy should it choose? What should it do with respect to AHAM? **I will randomly select one group to present their strategy.** Following the presentation, the class will critique the strategy. Each group needs to prepare a **one page executive summary** and send it before the beginning of class. The summaries must be submitted as a **word document by email** to me through CTools.

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**Tuesday, December 17: FINAL EXAM**