Business operates in both a market and a nonmarket environment, the latter being the space where the formal and informal rules governing market competition are set and enforced. Successful corporate strategy aligns the firm’s capabilities with the demands of both its market and nonmarket environment. This course systematically examines the political, regulatory, societal, cultural, and natural factors that shape business’ nonmarket environment. Participants learn how to analyze and proactively manage the nonmarket environment through integrated market- and nonmarket strategies. Not only is effective nonmarket management conducive of business success (“doing well”), it also provides a solid foundation for deliberately enhancing the firm’s social and environmental contribution (“doing good”).

The course is deliberately global in focus. There are significant differences across countries when it comes to the nonmarket environment, both in terms of the formal rules and laws governing competition and when it comes to expectations regarding the role and business in society. Successful managers must develop sensitivity for these differences. Successful leaders go even further and understand how to turn an understanding of social and political dynamics across countries into a source of competitive advantage. Our cases cover a number of jurisdictions and several sessions will deliberately examine cross-national dynamics.

The course is divided into three parts:

In part one, we examine the role of markets, governments, and society in a market economy. We will examine markets, market failures, the role of government in correcting market failures, and government failures.

The second part begins the systematic analysis of politics as it relates to business. Participants learn to analyze the motives for government intervention to better judge when and how political developments may affect business. Tools for nonmarket analysis and nonmarket strategy formulation are introduced.

Part three turns attention to the multifaceted role of business in society, and the effects of government on the business-society interface. Business inevitably impacts societies and communities, at times inadvertently and at times deliberately. Not surprisingly, business is often called on to correct social ills. But social challenges also provide opportunities for business. Building on prior insights, we consider directly the debate over corporate social responsibility
and its link to corporate strategy, competitive advantage, and firm performance. In this context we also explore systematically the rise of “private politics” which are increasingly complementing conventional “public politics”. Business increasingly has to deal directly with activists, civil society networks, and NGOs. A profound challenge, this new plurality also opens exciting new nonmarket strategic opportunities for business, providing it with new impetus for creating competitive advantage and doing well by doing good.

SCHEDULE, TOPICS, AND REQUIRED READINGS


SESSIONS 1+2
Wednesday, 15:00 – 19:30 (30min break)
Markets and their limits
- What is the market system and where does it come from?
- Why and when do markets fail?
- What is the role of government in such situations?
- What roles does society play?
- Why is organizing collective action so difficult?

Case
- The Lake Simulation (IE Business School, DG1/462-I-M); materials will be provided in class

Handouts
- The Lake Simulation A (IE Business School DG1-462-A-I)
- The Lake Simulation B (IE Business School DG1-462-B-I)

Readings
- Responding to Market Failures (HBS 9-396-344)
- Ha-Joon Chang, 23 Things They Don't Tell You About Capitalism (London: Penguin UK, 2010), Thing 1

SESSIONS 3+4
Thursday, 8:30 – 13:00 (30min break)
The nonmarket environment as part of the competitive playing field
- What does the nonmarket environment of business consist of?
- Why is the nonmarket environment becoming more important as a result of globalization?
- What nonmarket challenges is Wal-Mart facing?
- How are they related to its strategy and positioning?
- How is Wal-Mart responding to its nonmarket challenges?

Case
- “Wal-Mart: Nonmarket Pressure and Reputation Risk (A)” (Stanford GSB P-52B)
- “Wal-Mart: Nonmarket Pressure and Reputation Risk (B) - A New Nonmarket Strategy” (Stanford GSB P-52B)

Readings
- Analyzing the Nonmarket Environment of Business: The (ia)3-Framework (IE Business School DE2-114-I)

Recommended background reading
Part II: The Nonmarket Environment and Corporate Strategy

SESSION 5
Thursday, 14:30 – 16:30
Politics, nationalism, and foreign investment
- Who opposes DP World’s acquisition and operation of P&O’s U.S. assets, and why?
- Do firms have a national identity? Does this identity matter?
- What strategies are available when a firm’s “nationality” becomes a problem?

Case
- The Dubai Ports World Debacle and Its Aftermath (HBS 9-707-014).

Reading
- Ha-Joon Chang, 23 Things They Don’t Tell You About Capitalism (London: Penguin UK, 2010), Thing 8

SESSION 6
Thursday, 17:00 – 18:30
Policy risk and lobbying
- How was mining industry able to reshape public opinion regarding Australia’s mining tax reform?
- Was Xstrata’s lobbying strategy responsible and ethical?
- What factors shape lobbying success?

Case
- Xstrata and Australian Mining Tax Reform (A) (IE Business School DE1-202-A-I)

Reading
- Lobbying (IE Business School DG01-380-I)

Recommended background reading
- Towards Responsible Lobbying (AccountAbility and the UN Global Compact, 2005)
  http://www.accountability.org/images/content/0/7/079/Responsible%20Lobbying%20Full%20Report(1).pdf

Part III: Business and Society

SESSION 7
Friday, 8:30 – 10:30
Activists, boycotts, and private politics
- Why does Nike become a target of the anti-sweatshop campaign?
- How effective is Nike’s management?
- How does the Nike case compare to the recent Apple labor controversy?
- What challenges do “private politics” pose for executives?

Case

Readings

SESSION 8
Global business, global scrutiny

- What role do transnational activists play in scrutinizing global business operations?
- Why do certain issues "stick" and others do not?
- What responsibility do firms have for what goes on in their supply chains?
- How should GAR manage the relations with very diverse market- and nonmarket stakeholders?
- What are the risks to Nestle or Unilever to reengage with GAR? What are the risks to Greenpeace and to The Forrest Trust?

Case

- Golden Agri Resources and Sustainability (Global Network Case 101-13)
  http://nexus.som.yale.edu/goldenagri/

**Note: You will need the following log in information to access this raw case:**
Username: SOMcase
Password: Caseview@SOM10

Recommended background reading

SESSIONS 9+10
Friday, 14:30 – 18:30 (30min break)

Financial returns on stakeholder management and sustainability

- Is it appropriate to make stakeholder- and community engagement decisions based on expected financial returns?
- Is it possible?
- What are the organizational and strategic prerequisites for such an approach?

Case

- Calculating the Net Present Value of Sustainability Initiatives at Newmont's Ahafo Mine in Ghana (A) (Wharton)

Reading

- "When Engaging with Your Stakeholders Is Worth Its Weight in Gold,” Knowledge@Wharton, July 20, 2011

Recommended background reading


Optional scientific background reading


SESSION 11
Saturday, 8:30 – 10:30

Creating shared value

- Why have major producers of processed food been criticized? How has PepsiCo's CEO chosen to respond?
- Why is the food industry lobbying against initiatives to improve healthy eating and reduce obesity in children?
- Is PepsiCo responsible for the effects of its products on the public health and the environment? Do companies such as PepsiCo lead or follow consumer “tastes”?
- Can PepsiCo’s health initiatives be a source of competitive advantage?

Case
PepsiCo’s Turning Point: Establishing a Role in a Sustainable Society (Ivey W11097)

Reading
- “The Big Picture,” The Economist, 15 December 2012
- “The nanny state’s biggest test,” The Economist, 15 December 2012

Recommended background reading

SESSIONS 12+13
Saturday, 11:00 – 16:30 (90min lunch break)

Sustainability as integrated strategy and Conclusion
- What was BP’s competitive positioning in the late 1990s?
- Why does John Browne decide to tackle global warming head-on?
- Did BP’s strategy work?
- How did BP’s strategy lead up to the Gulf oil spill?
- Who is responsible for the spill?
- What are the implications for BP, and for the oil and gas industry more generally moving forward?
- How is CSR similar or different from business ethics or nonmarket strategy?
- Is it possible to do well by doing good?

Cases
- The Gulf Oil Spill - Explosion at Deepwater Horizon (Yale SOM Case 11-024)
  https://nexus.som.yale.edu/gulfspill/
**Note: You will need the following log in information to access this raw case:  
Username: SOMcase  
Password: Caseview@SOM10

CLASS REQUIREMENTS AND EVALUATION

There are three class requirements that comprise the final term grade in the following way:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Class Participation</td>
<td>50 percent</td>
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<tr>
<td>Final Exam</td>
<td>50 percent</td>
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Class Participation (30 percent)
Since the course is built around the analysis of cases, class participation is crucial. I will rely on you, your insights, and your experience to drive our inquiry and see my role largely as one of catalyst and facilitator, though I will lecture occasionally to provide relevant background information or theoretical concepts.

Final Exam (50 percent)
There will be a take-home final exam to give you the opportunity to apply what you have learned.

Please note: an academic community cannot function without strict adherence to the highest standards of academic honesty. I expect you to turn in only your own, original work, not accepting any help from any unacknowledged third party, and properly referencing and citing all your sources.