

WWS 516a: Business, Politics and the Law
Woodrow Wilson School
Princeton University
Spring 2005 (DRAFT)

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Spring 2005
M 1:00p – 4:00p
Classroom: 010 Robertson
Office Hours: By Appointment

Course Overview

When businesses obtain a competitive advantage, they generally derive it from two sources: 1) the internal capabilities and resources of the firm, and 2) the positioning of the firm in the external market environment. However, competitive advantage can also be obtained through the molding of, and response to, the non-market business environment—the rules, regulations, and institutions under which capabilities are formed and competition takes place. Barriers to entry, new product introduction, global competition, and firm strategies can all be enhanced or constrained by the formal and informal “rules of the game.” The government, the media, non-governmental institutions, legal rules, and international treaties and norms all impact how firms compete and what capabilities are valuable. This is true for many industries, from telecommunications to biotechnology to automobiles.

This course focuses on how business executives strategically manage of the non-market environment and, given this, how government policy makers and outside constituents can respond to the strategies that these executives employ. The course introduces students to the frameworks that allow managers to analyze the non-market environment and observe how the deployment of those frameworks create effective non-market strategies. It then explores, how given this set of tools, legislators, regulators, arbitrators, and interest groups can respond to the strategies of the firms to obtain their preferred policy outcome.

The course finds its disciplinary roots in economics, political science, and law, while also touching on sociology and psychology. In relying on these disciplines, the course pursues an integrated approach to the analysis and development of nonmarket strategy and the response of government actors. The tools and skills developed in this course help us to identify patterns of behavior and outcomes, ways of thinking about those patterns and outcomes, methods of analysis that facilitate understanding and prediction, and, ultimately, the shaping of strategies to improve government performance.

The course is divided into two parts. The first part of the course introduces frameworks for thinking about how business managers anticipate and manage non-market strategy. Each class session develops one or two frameworks; these frameworks are then applied to the cases read. In the second part of the course, we continue to introduce a few frameworks, but focus our efforts on the interaction of managerial strategies with government actors. We analyze how managers can use the frameworks to identify, organize, and implement non-market strategies in a variety of institutional settings, and how government actors can respond to the entreaties.

Readings:

All readings are listed in the detailed syllabus and will be on reserve in the Stokes Library. However, we will be very frequently using the following book (abbreviated in the syllabus as BIE):

- Baron, David P. (2002). *Business and Its Environment*, 4rd Edition (Prentice Hall, Upper Saddle River).

It is expensive. However, the book is a good reference as it takes a manager's or consultant's approach to business-government strategy.

Assignments and Grading

The grades will be assigned as follows:

Class Preparation Assignments:	40%
Participation:	25%
Final Paper:	35%

Support for the Course

My secretary is Cynthia Schoeneck (609-258-5626 Robertson Hall, cindyk@Princeton.EDU). If issues arise and I cannot be reached, please contact Cindy.

PART I: The Frameworks for Analyzing Non-market Strategy

Class 1: Capabilities and Position in Nonmarket Strategy

Jan 31

Introduction to the Course (Summary by Professor)

Reading: Saloner, Garth, Andrew Shepard, and Joel Podolny (2001). Strategic Management. New York: John Wiley and Sons. Chpt 6 (pp. 119-148) and Chpt 3 (pp. 39-64).

Case: Crown Cork & Seal in 1989 (HBS 9-793-035)

Class 2: Capabilities and Position in Strategy

Feb 7

Reading: BIE, pp. 1-18; 29-49.

Case: UPS and Repetitive Stress Injury Standards
“Focus on Campaign Finance,” Atlanta Journal and Constitution, February 17, 1996, p. A6.

In-Class Video: ILLINOIS POWER (approximately 80 minutes)
It is helpful if you read the 2pp Illinois Power case (BIE, pp. 88-89) in advance.

Class 3: Managing the Media

Feb 14

Reading: BIE, pp. 61-83.

Reading: Groseclose, Timothy, and Jeff Milyo (December 2004). “A Measure of Media Bias,” available on-line at: <http://www.polisci.ucla.edu/faculty/groseclose/MediaBias.pdf>

Case: Illinois Power, BIE, pp. 88-89.

Conference Call: We will have a conference call with a media relations consultant.

Class 4: Dealing with Activists and Private Non-Market Action

Feb 21

Reading: BIE, pp. 90 – 108.

Case: Brent Spar, BIE pp. 109-113.

Case: August National (A): by de Figueiredo and Grant (to be handed out)

Class 5: Corporate Social Responsibility

Feb 28

Reading: McGuire, Jean B., Alison Sundgren, and Thomas Schneeweis, “Corporate Social Responsibility and Firm Financial Performance,” The Academy of Management Journal 31(4): 854-872.

Reading: Porter, Michael and Mark R. Kramer (2002). “The Competitive Advantage of Corporate Philanthropy,” Harvard Business Review (December), pp. 5-16.

Case: Buffalo Savings Bank, BIE, pp. 59-60.

Case: Advanced Technology Laboratories, BIE pp. 674-676.

Class 6: Crisis Management

March 7

Reading: Mitroff, Ian (2003). Crisis Leadership: Planning for the Unthinkable. New York: Wiley.

Reading: Bazerman, Max, and Michael E. Watkins (2004). Predictable Surprises: The Disasters You Should Have Seen Coming and How to Prevent Them. Boston, MA: Harvard Business School Press.

Case: Mercedes Benz and the A-Class Car (to be handed out)

PART II: Organizing and Implementing Political Action

March 21

Class 7: Money in Politics

Reading: BIE, 190-213

Reading: Ansolabehere, Steve, John M. de Figueiredo, and James M. Snyder (2003). "Why Is There So Little Money in U.S. Politics?" Journal of Economic Perspectives 17(1): 105-130.

Reading: Strattman, Thomas (2002). "Can Special Interests Buy Congressional Votes? Evidence from Financial Services Legislation," Journal of Law and Economics 45(2): 345-373.

Case: Fed Ex, BIE, pp. 214-215

Class 8: Informational Lobbying

March 28

Reading: Shell, G. Richard (2004). Make the Rules or Your Rivals Will. New York: Crown Business Books. Chapter 2 (pp. 32-56).

Reading: Howell, William G. (2003). Power Without Persuasion: The Politics of Direct Presidential Action. Princeton: Princeton University Press.

Reading: de Figueiredo, John M. and Brian S. Silverman (2004). "Academic Earmarks and the Returns to Lobbying," Journal of Law and Economics, forthcoming.

Optional Technical Reading: Grossman, Gene and Elhanan Helpman (2001). Special Interest Politics. Cambridge, MA: MIT Press.

Conference Call: We will have a conference call with a legislative lobbyist.

Class 9: Legislative Strategy and Political Analysis

April 4

Reading: BIE, 125-149 ; 161-180; 190-213.

Case: CAFÉ Standards, BIE 246-254.

Case: Disney and Copyright Extension (to be handed out)

Class 10: Regulatory Strategy
(NOTE: THIS DATE OF THIS CLASS WILL HAVE TO BE MOVED)

April 11

Reading: BIE, 313-321, 328-336.

Reading: Shell, G. Richard (2004). Make the Rules or Your Rivals Will. New York: Crown Business Books. Chapter 3 (pp. 57-84).

Case: Echelon and Home Automation Standards, BIE, pp. 341-345.

Conference Call: We will have a conference call with regulatory lobbyist and a regulatory lawyer.

Class 11: Product Liability and Strategic Litigation

April 18

Reading: BIE, 269-296.

Reading: Kessler, Daniel, and Mark McClellan (1996). "Do Doctors Practice Defensive Medicine?" Quarterly Journal of Economics 111(2): 353-390.

Case: California Space Heaters, pp. 419-421

Conference Call: We will have a conference call with a tort lawyer.

Class 12: Student Presentations

April 25

Students will make 20-30 minutes presentations of their final papers.

FINAL PAPERS DUE BY 4:00PM ON TUESDAY, MAY 10.