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## Doctoral Seminar in Nonmarket Strategy

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Wednesdays 2:15 pm – 5:15 pm, Room 3102 Ivey  
January 15, 22, 29; February 5, 12, 19, 26; March 11; April 1, 8  
and  
January 10, 10am-1pm; March 24<sup>th</sup>, 1-4pm (TBD)

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### Course Overview

This focus of this doctoral course is on understanding the strategies that firms use to manage external forces outside the market place – i.e. the ‘nonmarket’ business environment, which fundamentally shapes the nature of competition within markets. While firm performance is determined in part by market structures, and by firm resources and capabilities, the nonmarket environment in which the firm operates also presents risks and opportunities. The nonmarket environment consists of the laws, regulations, institutions, and norms that structure market competition. Governments, regulators, courts, the media, non-governmental organizations, activists, and cultural mores, all affect how firms compete and which capabilities are valuable. For instance, barriers to entry, new product introduction, global competition, and operating practices can all be enhanced or constrained by formal and informal ‘rules of the game.’ This is true for many industries, from energy to pharmaceuticals to information technology. Yet these rules are not simply exogenously given. They are instead the outcome of competition between firms and other organized groups within government policy-making and public arenas. In many industries, nonmarket strategies – which aim to shape these ‘rules’ – are a key element in sustaining firm performance.

The disciplinary foundations of the course are rooted in economics, political science, law, and sociology, upon which much of the nonmarket strategy literature is built. The readings draw from these disciplines as well as from business strategy research. The course will cover several themes that collectively provide an introduction to major theoretical and empirical contributions within the nonmarket strategy field:

- 1) Market failure, transaction costs, and government
- 2) Public politics and nonmarket strategy
  - a) The demand for policy
  - b) Interest group organization
  - c) Legislative strategy – campaign finance
  - d) Legislative strategy – lobbying
  - e) Strategy in regulatory arenas
- 3) Private politics and nonmarket strategy
  - a) Activists and firms
  - b) Corporate social responsibility
- 4) Nonmarket strategy and firm performance
- 5) International perspectives

## 6) Integrated market and nonmarket strategy

### Course Objectives

By the end of the course, students should be well versed in a range of fundamental theoretical and empirical issues in nonmarket strategy, have a solid appreciation of the historical development of the field, have identified unresolved questions that are ripe for future research, and be ready to generate their own research contributions.

### Course Activities

Since the course is a discussion-based seminar, each student is required to carefully read all the assigned readings and to actively participate in class discussions. Optional readings, indicated by an asterisk, are provided for further reference if students wish to delve deeper into a particular topic. There is no required text book for the course although chapters of David Baron's book, *Business and Its Environment* (7<sup>th</sup> edition), will occasionally be assigned for quick perusal. These will not be discussed in class but familiarity with the content will help prepare students to teach undergraduate or MBA nonmarket strategy courses in the future. The latest edition of *Business and Its Environment* may be borrowed directly from the instructor.

Every week, each student will write a 1-2 page (single-spaced) **synopsis and critique** of one of the assigned readings. Students will act as discussion leader for their assigned paper during the seminar, and should be prepared to spend five to ten minutes describing and critiquing the paper's contribution. Synopses will be graded and must be submitted to the instructor before midnight on Monday prior to the class on Wednesday. They should include the following:

- (a) The research question or problem the paper addresses
- (b) Summary of theoretical predictions, empirical methods, and main findings
- (c) Strengths and limitations
- (d) Contribution to the field, and relationship to other papers discussed in the same or earlier sessions
- (e) One idea for a research question or study that would extend the paper

Each student is also required to write a **research term paper** on a nonmarket strategy topic related to the course. The paper may be theoretical or empirical in nature, but should make a novel contribution to the nonmarket strategy literature. If data collection cannot be performed in time, then the paper should clearly identify the motivation and research question, explain the logic of underlying arguments, lay out the propositions, identify the type of data needed to test them, and indicate where/how such data would be collected. Particular attention should be placed on research design and empirical identification. Students will present their research paper ideas to the class in the final session of the course. Papers should be no more than 20 pages (double-spaced, excluding exhibits and references) and should be submitted by 26 April.

### Evaluation

The grade for the course will be assigned based on the following components and weights:

Weekly seminar discussion contribution	25%
Written paper synopses and critiques	25%
Research paper	50%

### **Attendance**

Attendance in all sessions of the course is mandatory. A contribution grade of zero will be assigned to missed classes (notification requirements must be met – see below). If a student's absenteeism reaches 25 percent (3 or more classes), s/he will not be eligible to hand in the final research paper, and will fail the course. <http://www.uwo.ca/univsec/handbook/exam/attendance.pdf>. If a student must miss a class for health reasons or religious holidays, s/he must send the instructor an email in advance with the reason for absence.

### **Academic Integrity and Plagiarism**

Scholastic offences are taken seriously and students are directed to read the appropriate policy, specifically, the definition of what constitutes a Scholastic Offence, at the following Web site: [http://www.uwo.ca/univsec/pdf/academic\\_policies/appeals/scholastic\\_discipline\\_grad.pdf](http://www.uwo.ca/univsec/pdf/academic_policies/appeals/scholastic_discipline_grad.pdf)

All required papers may be subject to submission for textual similarity review to the commercial plagiarism-detection software under license to the University. All papers submitted for such checking will be included as source documents in the reference database for the purpose of detecting plagiarism of papers subsequently submitted to the system. Use of the service is subject to the licensing agreement, currently between The University of Western Ontario and Turnitin.com (<http://www.turnitin.com>)."

### **Health and Wellness**

As part of a successful graduate student experience at Western, we encourage students to make their health and wellness a priority. Western provides several on campus health-related services to help you achieve optimum health and engage in healthy living while pursuing your graduate degree. For example, to support physical activity, all students, as part of their registration, receive membership in Western's Campus Recreation Centre. Numerous cultural events are offered throughout the year. Please check out the Faculty of Music web page <http://www.music.uwo.ca>, and our own McIntosh Gallery <http://www.mcintoshgallery.ca> . Information regarding health- and wellness-related services available to students may be found at <http://www.health.uwo.ca>.

Students seeking help regarding mental health concerns are advised to speak to someone they feel comfortable confiding in, such as their faculty supervisor, their program director (graduate chair), or other relevant administrators in their unit. Campus mental health resources may be found at [http://www.health.uwo.ca/mental\\_health/resources.html](http://www.health.uwo.ca/mental_health/resources.html).

To help you learn more about mental health, Western has developed an interactive mental health learning module, found here: [http://www.health.uwo.ca/mental\\_health/module.html](http://www.health.uwo.ca/mental_health/module.html). This module is 30 minutes in length and provides participants with a basic understanding of mental health issues and of available campus and community resources. Topics include stress, anxiety, depression, suicide and eating disorders. After successful completion of the module, participants receive a certificate confirming their participation.

## INTRODUCTION AND CONCEPTS

### I: Market Failure, Transaction Costs, and Government

Coase, R. H. 1960. "The problem of social cost," *Journal of Law and Economics*, 3: 1-44.

Williamson, O. E. 1976. "Franchise bidding for natural monopolies – in general and with respect to CATV". *The Bell Journal of Economics*, 7(1): 73-104

Baron, D. P. 2016 "Strategy beyond markets: a step back and a look forward". *Advances in Strategic Management*, 34: 1-54

North, D. C. 1991. "Institutions". *Journal of Economic Perspectives*, 5(1): 97-112

\* Baron, D. P. 2013. "The market and nonmarket environments." Chapter 1 in *Business and Its Environment* (7<sup>th</sup> Edition), Upper Saddle River, NJ. Pearson Prentice-Hall

\* Goldberg, V. 1976. "Regulation and administered contracts". *The Bell Journal of Economics*, 7(2): 426-448

## PUBLIC POLITICS AND NONMARKET STRATEGY

### II. The Demand for Policy

Stigler, G. J. 1971. "The theory of economic regulation," *The Bell Journal of Economics and Management Science*, 2: 3-21.

Becker, G. S. 1983. "A theory of competition among pressure groups for political influence," *Quarterly Journal of Economics*, 98: 371-400.

Kroszner, S. R. and Strahan, P. E. 1999. "What drives deregulation? Economics and politics of the relaxation of bank branching restrictions," *Quarterly Journal of Economics*, 114: 1437-1467.

Bonardi, J. P., Hillman, A. J. and Keim, G. D. 2005. "The attractiveness of political markets: Implications for firm strategy." *Academy of Management Review* 30.2: 397-413

\* Baron, D. P. 2013. Chapter 6, "Nonmarket analysis for business", and Chapter 10 subsections on "Explanations for regulation, market imperfections, political economy of regulation, and a nonmarket theory of regulation"

\* Kalt, J. P. and Zupan, M. 1984. "Capture and ideology in the economic theory of politics". *American Economic Review*, 74(3): 279-300

\* Peltzman, S. 1976. "Toward a more general theory of regulation," *Journal of Law and Economics*, 19: 211-240.

\* Peltzman, S. 1984. "Constituent voting and congressional interest," *Journal of Law and Economics* 27: 181-210.

\* Wilson, J. Q. 1989. *The Politics of Regulation*. New York: Basic Books.

### III: Interest Group Organization

Grier, K., Munger, M. and Roberts, B. 1994. "The determinants of industry political activity, 1978-1986." *American Political Science Review*, 88(4): 911-932

de Figueiredo, J. and Tiller, E. H. 2001. "The structure and conduct of corporate lobbying: how firms lobby the Federal Communications Commission," *Journal of Economics and Management Strategy*, 10(1): 91-122.

Lord, M. 2000. "Corporate political strategy and legislative decision making: the impact of corporate legislative influence activities". *Business and Society*, 39(1): 76-93

Walker, E. T. 2012. "Putting a face on the issue: corporate stakeholder mobilization in professional grassroots lobbying campaigns." *Business & Society*, 51: 561-601

\* Olson, M. 1965. *The Logic of Collective Action*. Harvard University Press, Cambridge, MA.

\* Hansen, W. L., and Mitchell, N. J. 2000. "Disaggregating and explaining corporate political activity: Domestic and foreign corporations in national politics." *American Political Science Review*, 94.04: 891-903.

#### **IV: Legislative Strategy – Campaign Finance**

Snyder, J. M. 1991. "On buying legislatures." *Economics and Politics* 3:93-109.

Snyder, J. M. 1992. "Long-term investing in politicians; or, give early, give often." *Journal of Law and Economics*, 35: 93-109.

Stratmann, T. 2002. "Can special interests buy congressional votes? evidence from financial services legislation," *Journal of Law and Economics*, 45(2): 345-373.

Mian, A., Sufi, A., and Trebbi, F. 2010. "The political economy of the US mortgage default crisis." *The American Economic Review* 100.5: 1967-1998.

\* Baron, D. P. 2013. Chapter 7, "Nonmarket strategies for government arenas"

\* Snyder, J. M. 1990. "Campaign contributions as investments—The US House of Representatives, 1980-1986," *Journal of Political Economy*

\* Stratmann, T. 1992. "Are contributors rational? Untangling strategies of political action committees," *Journal of Political Economy*, 100(3): 647-64.

\* Groseclose, T. and Snyder, J. M. 1993. "Buying supermajorities," *American Political Science Review* 90:2: 303.

\* Austen-Smith, D. 1995. "Campaign contributions and access." *American Political Science Review*, 89: 566-581.

\* Krehbiel, K. 1999. "Pivotal politics: nonmarket analysis for voting institutions," *Business and Politics*, 1(1)

\* Hillman, A. J., and Hitt, M. A. 1999. "Corporate political strategy formulation: a model of approach, participation, and strategy decisions." *Academy of Management Review* 24.4: 825-842.

\* Milyo, J., Primo, D., and Groseclose, T. 2000. "Corporate PAC campaign contributions in perspective." *Business and Politics* 2.1: 75-88.

\* Baron, D. P. 2001. "Theories of strategic nonmarket participation: majority-rule and executive institutions," *Journal of Economics and Management Strategy* 10:1: 7-45.

\* S. Ansolabehere, S., de Figueiredo, J. and Snyder, J. M. 2003. "Why is there so little money in US politics?" *Journal of Economic Perspectives*, 17: 105-130

\* Fremeth, A., Richter, B., and Schaufele, B. 2013. "Campaign contributions over CEOs' careers." *American Economic Journal: Applied Economics* 5.3: 170-188.

### **V: Legislative Strategy – Lobbying**

Austen-Smith, D., and Wright, J. R. 1994. "Counteractive lobbying," *American Journal of Political Science*, 38(1): 25-44

Richter, B., Samphantharak, K., and Timmons, J. 2009. "Lobbying and taxes." *American Journal of Political Science*, 53(4): 893-909

Nelson, D. and Yackee, S. 2012. "Lobbying coalitions and government policy change: an analysis of federal agency rulemaking". *Journal of Politics*, 74(2): 339-353

Bertrand, M., Bombardini, M. and Trebbi, F. 2014. Is it whom you know or what you? An empirical assessment of the lobbying process. *American Economic Review*, 104(12): 3885-3920

\* De Figueiredo, J. M., and Richter, B. 2014. "Advancing the empirical research on lobbying." *Annual Review of Political Science*, 17:163-185

\* Calvert, R. L. 1985. "The value of biased information: a rational choice model of political advice," *The Journal of Politics*, 47(2): 530-555.

\* Baron, D. P. 2013. Chapter 8, "Implementing nonmarket strategies in government arenas"

\* Igan, D. and Mishra, P. 2014. "Wall Street, Capitol Hill, and K Street: political influence and financial regulation". *Journal of Law and Economics*, 57(4): 1063-1084

\* Jia, N. 2017. The make and/or buy decisions of corporate political lobbying: integrating the economic efficiency and legitimacy perspectives. *Academy of Management Review*.

\* Lambert, T. 2018. Lobbying on Regulatory Enforcement Actions: Evidence from U.S. Commercial and Savings Banks. *Management Science*.

### **VI: Strategy in Regulatory Arenas**

Holburn, G. L. F. and Vanden Bergh, R. 2008. "Making friends in hostile environments: political strategy in regulated industries". *Academy of Management Review*, 33(2): 520-540

De Figueiredo, R.J., and Edwards, G. 2007. "Does private money buy public policy? Campaign contributions and regulatory outcomes in telecommunications." *Journal of Economics & Management Strategy*, 16.3: 547-576

Fremeth, A., Holburn, G. L. F. and Vanden Bergh, R. 2016. "Corporate political strategy in contested regulatory environments." Forthcoming, *Strategy Science*

Hiatt, S. R., Grandy, J.B. and Lee, B.H. 2015. "Organizational responses to public and private politics: an analysis of climate change activists and U.S. oil and gas firms". *Organization Science*, 26(6): 1769-1786

\* Holburn, G. L. F. and Vanden Bergh, R. 2004. "Influencing agencies through pivotal political institutions." *Journal of Law, Economics and Organization*, 20(2): 458-483

\* McCubbins, M. D., and T. Schwartz. 1984. "Congressional Oversight Overlooked: Police Patrols vs. Fire Alarms," *American Journal of Political Science*, 28: 165-179

- \* McCubbins, M., Noll, R. G., and Weingast, B. R. 1987. "Administrative procedures as instruments of political control," *Journal of Law, Economics and Organization*, 2: 243-277.
- \* McCubbins, M., Noll, R. G., and Weingast, B. R. 1989. "Structure and Process, Politics and Policy: Administrative Arrangements and the Political Control of Agencies," *Virginia Law Review*, 75: 431-482.
- \* Spiller, P. T. 1990. "Politicians, interest groups, and regulators: a multiple-principals agency theory of regulation, or "Let Them Be Bribeed"." *Journal of Law and Economics*, 33(1): 65-101.
- \* Epstein, David, and Sharyn O'Halloran. 1994. "Administrative procedures, information, and agency discretion," *American Journal of Political Science*, 38(3): 697-722.
- \* de Figueiredo, R. J., Spiller, P. T., and Urbiztondo, S. 1998. "An informational perspective on administrative procedures." *Journal of Law, Economics, and Organization*, 15(1): 283-305.
- \* Macher, J. T., and Mayo, J. W. 2012. "The world of regulatory influence." *Journal of Regulatory Economics*, 41.1: 59-79.
- \* Hiatt, S. R., and Park. S. 2013. "Lords of the harvest: third-party influence and regulatory approval of genetically modified organisms". *Academy of Management Journal*, 56(4): 923-944
- \* Weingast, B. R., and Moran, M. J. 1983. "Bureaucratic discretion or congressional control: regulatory policymaking by the Federal Trade Commission," *Journal of Political Economy* 91: 765-800.

## **PRIVATE POLITICS AND NONMARKET STRATEGY**

### **VII: Activists and Firms**

- Baron, D.P., and Diermeier, D. 2007. "Strategic activism and nonmarket strategy," *Journal of Economics and Management Strategy* 16(3): 599-634.
- Lenox, M. J., and Eesley, C. E. 2009. "Private environmental activism and the selection and response of firm targets." *Journal of Economics and Management Strategy*. 18: 45-73.
- King, B. 2008. "A political mediation model of corporate response to social movement activism." *Administrative Science Quarterly*, 53.3: 395-421.
- King, B., and Soule, S. A. 2007. "Social movements as extra-institutional entrepreneurs: The effect of protests on stock price returns." *Administrative Science Quarterly*, 52.3: 413-442.
- \* Baron, D. P. 2012. "The industrial organization of private politics," *Quarterly Journal of Political Science*, 7:135-174
- \* McDonnell, M.H., and King, B. 2013. "Keeping up appearances: reputational threat and impression management after social movement boycotts." *Administrative Science Quarterly*, 58.3: 387-419.
- \* Chatterji, A., and Toffel, M. 2016. "Do CEO activists make a difference? Evidence from a field experiment". Harvard Business School Working Paper, 16-100
- \* Lyon, T. P. and Maxwell, J. W. 2011. "Greenwash: corporate environmental disclosure under threat of audit," *Journal of Economics and Management Strategy*, 20: 3-41.
- \* Holburn, G. L. F., Fremeth, A.R. and Piazza, A. 2018. "The impact of social activism on corporate nonmarket performance: evidence from the nuclear power generation industry". *Working Paper*.

### **VIII: Corporate Social Responsibility**

King, A. A. and Lenox, M. J. 2000. "Industry self-regulation without sanctions: the chemical industry's responsible care program," *Academy of Management Journal*, 43(4): 698-716.

Baron, D. P. 2014. "Self-regulation in private and public politics," *Quarterly Journal of Political Science*, 9:231-267

Flammer, C. 2015. "Does corporate social responsibility lead to superior financial performance? A regression discontinuity approach." *Management Science* 61.11: 2549-2568.

\* Lyon, T. P., Maxwell, J. W., and Hackett, S.C. 2000. "Self-regulation and social welfare: the political economy of corporate environmentalism," *Journal of Law and Economics*, 43: 583-617.

\* Reid, E. and Toffel, M. 2009. "Responding to public and private politics: corporate disclosure of climate change strategies", *Strategic Management Journal*, 30: 1157-1178.

\* Short, J. L., and Toffel, M. W. 2010. "Making self-regulation more than merely symbolic: the critical role of the legal environment". *Administrative Science Quarterly*, 55: 361-396

\* Kitzmueller, M., and Shimshack, J. 2012. "Economic perspectives on corporate social responsibility". *Journal of Economic Literature*, 50.1: 51-84

\* Werner, T. 2015. "Gaining access by doing good: the effect of sociopolitical reputation on firm participation in public policymaking". *Management Science*, 61(8): 1989-2011

### **IX: NONMARKET STRATEGY AND FIRM PERFORMANCE**

De Figueiredo, J. M., and Silverman, B.S. 2006. "Academic earmarks and the returns to lobbying." *Journal of Law and Economics*, 49.2: 597-625.

Bonardi, J. P., Holburn, G. L. F. and Vanden Bergh, R. 2006. Nonmarket strategy performance: evidence from U.S. electric utilities. *Academy of Management Journal*, 49(6): 1209-1228

Fisman, R. 2001. "Estimating the value of political connections." *The American Economic Review*, 91.4: 1095-1102.

Cooper, M. J., Gulen, H., and Ovtchinnikov, A. V. 2010. "Corporate political contributions and stock returns." *The Journal of Finance*, 65.2: 687-724.

\* Faccio, M., Masulis, R. W., and McConnell, J. 2006. "Political connections and corporate bailouts." *The Journal of Finance*, 61.6: 2597-2635.

\* Henisz, W. J., Dorobantu, S., and Nartey, L. J. 2014. "Spinning gold: the financial returns to stakeholder engagement." *Strategic Management Journal*, 35.12: 1727-1748.

\* Borisov, A., Goldman, E. and Gupta, N. 2015. "The corporate value of (corrupt) lobbying." *Review of Financial Studies*.

\* Acemoglu, D., Johnson, S., Kermani, A., Kwak, J., and Mitton, T. 2016. "The value of connections in turbulent times: evidence from the United States". *Journal of Financial Economics*, 121: 368-391

\* Faccio, M. 2006. "Politically connected firms." *The American Economic Review*, 96.1: 369-386.

## **X: INTERNATIONAL PERSPECTIVES**

Holburn, G. L. F, and Zelner, B. A. 2010. "Political capabilities, policy risk, and international investment strategy: Evidence from the global electric power generation industry." *Strategic Management Journal*, 31.12: 1290-1315.

Haveman, H., Jia, N., Shi, J. and Wang, Y. 2016. "The dynamics of political embeddedness in China". *Administrative Science Quarterly*.

Shotts, K. 2016. "Political risk as a hold-up problem: implications for integrated strategy". *Advances in Strategic Management*, 34:57-85.

\* Macher, J. T., and Mayo, J. W. 2014. "Influencing public policymaking: firm-, industry-, and country-level determinants." *Strategic Management Journal*, 36.13: 2021-2038.

\* Bonardi, J. P. 2004. "Global and political strategies in deregulated industries: the asymmetric behaviors of former monopolies." *Strategic Management Journal*, 25.2: 101-120.

\* Jia, N. 2013. "Are collective and private political actions substitutes or complements? empirical evidence from China's private sector." *Strategic Management Journal*.

\* Johns, L., & Wellhausen, R. 2016. Under one roof: supply chains and the protection of foreign investment. *American Political Science Review*, forthcoming.

\* Schuler, D. 1996. "Corporate political strategy and foreign competition: the case of the steel industry," *Academy of Management Journal*, 39: 720-737.

## **XI: INTEGRATED MARKET AND NONMARKET STRATEGY**

Baron, D. P. 1995. "Business strategy: integrating market and nonmarket components." *California Management Review*, 37(2): 47-65.

Baron, D. P. 1999. "Integrated market and nonmarket strategies in client and interest group politics." *Business and Politics*, 1(1): 7-34.

Bombardini, M., and Trebbi, F. 2011. "Votes or money? theory and evidence from the US Congress." *Journal of Public Economics*, 95.7: 587-611.

Holburn, G. L. F., and Vanden Bergh, R. 2014. "Integrated market and non-market strategies: political campaign contributions around merger and acquisition events in the energy sector." *Strategic Management Journal*, 35(3): 450-460

Beneish, M., Jansen, I., Lewis, M., and Stuart, N. 2008. "Diversification to mitigate expropriation in the tobacco industry". *Journal of Financial Economics*, 89: 236-157

\* Baron, D. P. 1997. "Integrated strategy and international trade disputes: the Kodak-Fujifilm case," *Journal of Economics and Management Strategy*, 6(2): 291-346.

\* Hillman, A. J., Keim, G., Schuler, D. 2004. Corporate Political Strategies: A Review and Research Agenda. *Journal of Management*, 30: 837-857

## **XII: STUDENT RESEARCH PRESENTATIONS**