

University of Pennsylvania
The Wharton School
BPUB 203-001,002

BUSINESS IN THE GLOBAL POLITICAL ENVIRONMENT

Spring Term 2005

Professor Betsey Stevenson
Class: TBA, TTh 12-1:30p Sec. 001
TTh 1:30-3p Sec. 002

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The environment of business has market and nonmarket components. The market component is characterized by the economics of an industry and a firm's position in it. The "non-market" component is the broader political, legal, and civil context in which companies function. This course addresses how businesses manage their interactions with political and regulatory institutions, the law, and the public. For instance businesses may need to cope with regulations, lobby for favorable legislation, ensure access to foreign markets, and deal with activist pressures, to name a few issues. Managers without prior exposure to these subjects can be woefully unprepared to develop business strategy, at great cost to their firms. Successful business people need to formulate strategy, not only for their product markets, but also in political, regulatory, and legal contexts.

This course focuses on strategic interactions of multinational businesses with their multiple nonmarket constituencies, in both the international and US environments. Lectures and case studies consider interactions between business and activist interest groups, the media, legislatures, regulatory and antitrust agencies, enforcement agencies, and international organizations such as the WTO. Lectures combine concepts and frameworks (policy analysis tools) and case-specific knowledge from business applications. Team presentations focus on current policy issues affecting business.

Required Reading

1. *Business and its Environment* (BIE), (4th Edition, Prentice-Hall, 2002) by David Baron
2. A course packet with selected readings and cases is available at Wharton Reprographics.
3. Additional readings and lecture materials may be downloaded from the BPUB 203 WebCafé, or will be made available as handouts in class.

Grades and Assignments

Mid-term exam, Both sections: Thur, March 3, 2005, During class	25%
Final exam, Both sections: Wed, May 3, 2005, 4-6p	40%
Team Presentations, Feb 15 – April 7, 2005	25%
Class Participation (Cases, Q&A, Peer Feedback)	10%

Mid-term Exam

A closed book mid-term exam will focus on nonmarket analysis tools from the first 14 sessions of the course. Applications of these tools will be made to current business environment issues as presented in news clips.

Final Exam

The closed book final exam will focus on *concepts/frameworks* presented with each class. *Applications* of these *concepts/frameworks* will be made to emerging business environment issues as presented in news clips. A sample final examination is included in Session 27.

Team Presentations

Students will self-organize into 6-person teams. Each team will engage in 15-minute nonmarket analysis presentations, which may take the form of, for example, business SWAT-teams, post-issue appraisals (lessons learned), congressional hearings, media interviews. A 10-minute Q&A will follow each presentation. An Information Sheet on Team Project Assignments is included in the bulk pack for Session 4.

Presentations should relate the topic area to relevant nonmarket analysis tools from previous classes. Team participants must hand in a one-page summary as well as complete PowerPoint slides on the day of the presentation. A rehearsal is required with one of the course Team Assistants. The TAs will make an in-class presentation on effective Team Presentations during Session 5.

All students are expected to be familiar with the news clips from the BPUB 2-3 WebCafé on each presentation prior to class and should come to class prepared with questions for the presenting team. Students will fill out peer feedback forms at the end of each team presentation. Provision of these forms will count as one-half of your class participation grade.

The instructor will go over team presentation topic areas in Session 4. All team assignments will be handled through webCafé and completed by Session 5. Please do not attempt to sign up for a presentation team until instructed to do so.

Class Participation

Please come to class prepared with analysis of the materials and questions posed for the case included in that session. The instructor will cold-call at random, and absences and/or inability to answer will reflect negatively on your class participation grade.

Characteristics of valuable classroom comments include:

- Comments are clearly *related to the case*
- Comments *clarify and highlight the important aspects* of earlier comments
- Comments *synthesize* the main components of the discussion
- Comments *provide analysis* on well-reasoned recommendations

Powerpoint Handouts: Sessions 1-27, see end of bulk pack

Non-Wharton Students

To access webCafé, non-Wharton students must first apply for a Wharton Computing account. This can be done online at <http://accounts.wharton.upenn.edu> for students that are already officially registered for the class. If there is any difficulty with doing this online, go to WCIT (F-35 JMHH), and apply there.

Tutoring Support

Students experiencing difficulty in this course should seek assistance from the Penn Tutoring Resource Center. Refer to the Wharton Undergraduate homepage for the schedule of walk-in tutoring hours. Private tutors from the Tutoring Center can be obtained (without cost) through the recommendation of a professor or professional advisor in the Undergraduate Division. Students who wish to inquire more about tutoring, study skills, learning disabilities, test-taking strategies, time management, or reading/writing coaching should call 215-573-9235 for more information, or see Chryssa Giannini <chryssa@wharton.upenn.edu> in the Wharton Undergraduate Division. A database of private peer tutors is also available. For information, including the tutoring fees, e-mail Chryssa Giannini after the second week of the semester.

Course Outline

Session 1 (Jan. 11) INTRODUCTION TO THE NONMARKET ENVIRONMENT

Reading: BIE: 1-18

1. **Case:** Hands-Free Cell Phone Regulation (Handout)
2. Kingdon, "The Policy Window, and Joining the Streams", 173-179, *Agendas, Alternatives and Public Policies* 1984
3. **Case:** Viagra and Birth Control (Handout)

Session 2 (Jan. 13) BUSINESS AND THE MEDIA

Reading: BIE: 61-83

Case: General Motors – Like a Rock?, BIE: 85-88

Session 3 (Jan. 18) ACTIVISTS' ROLE IN MARKETS

Reading: BIE 45-51, 90-108

Case: Citigroup and Subprime Lending BIE 829-832

4. **Information on Team Presentations**

Session 4: (JAN. 20) LEGISLATION AND RULEMAKING

Reading: BIE: 135-149, 197-201

Case: Repeal of the Luxury Tax BIE 157-158

5. **Successful Team Presentation**

Session 5: (Jan. 25) Political Analysis, Market Failures

Reading: BIE: 162-180, 313-327

Case: Scrubbers and Environmental Politics, BIE: 184-185

6. Fiorina and Peterson, "The Congress in Operation" 350-372
7. "US Regulators Release Vehicle Rollover Data", *New York Times*, 8/10/2004

Session 6 (Jan. 27) POLITICAL COMPETITION, WILSON MATRIX

Reading:

8. Krehbiel, "Interest Group Analysis for Managers" (11 pages)
Case: Internet Taxation, BIE 462-469

Session 7 (Feb. 1) IMPLEMENTING A POLITICAL STRATEGY

Reading: BIE 200-210; 220-234

Case: Sophis Networks, BIE 630-638

Session 8 (Feb. 3) EUROPEAN UNION (EU)

Reading: BIE: 511-521, 525-534

Case: Aldeasa and EU Duty Free Abolition BIE: 547-554

Session 9 (Feb. 8) INTELLECTUAL PROPERTY

Reading: BIE: 33-37, 388-393

Case: eBay and Database Protection, BIE: 425-431

9. Shell, Excerpts from “The Strategist’s Dream”, Ch. 1: 11-15, *Make the Rules or Your Rivals Will*, Crown, 2004

Session 10 (Feb. 10) COASE THEOREM AND TORTS

Reading: BIE: 346-350, 400-417

Case: California Space Heaters, BIE 400-416

Session 11 (Feb. 15) ECONOMIC REGULATION AND DEREGULATION (US)

Reading: BIE: (Review 313-327), 328-336

10. Bailey, “Integrating Policy Trends into Dynamic Advantage”, *Wharton on Dynamic Competitive Strategy*, 1997, 76-83

Case: Pharmaceutical Switching BIE 261-268

Session 12 (Feb. 17) ANTITRUST – ANTICOMPETITIVE PRACTICES

Team Presentation 1: Aids and the Third World

Reading: BIE: 269-290, 606-608

11. “U.S. Tariffs on Steel are Illegal, World Trade Organization Says”, *New York Times*, 11/11/2003

Session 13 (Feb. 22) ANTITRUST – MERGER POLICY

Team Presentation 2: Online Music and Copyright

Reading: BIE: 290-292, 521-524

12. “Europe Ends Bid by G.E. for Honeywell”, *New York Times*, 7/4/2001
13. Baker, “The Case for Antitrust Enforcement” *Journal of Economic Perspectives* Fall 2003

Session 14 (Feb. 24) CONTRACTS & WORKER PROTECTION

Team Presentation 3: Stem Cell Research

Reading: BIE: 396-399, 730-734

14. Contracts: A Summary, Mimeo
15. **Case:** A Wharton Graduate Gets an Unpleasant Surprise
16. “MBA’s of ’03 are Facing an Array of Closed Doors”, *Wall Street Journal*, 05/06/2003
17. **Case:** Discrimination Based on Sexual Orientation
18. Basu, “The Economics and Law of Sexual Harassment in the Workplace”, *Journal of Economic Perspectives*, 2003.

Session 15 (Mar. 1) INTERNATIONAL TRADE

Reading: BIE: 589-605

Case: Cemex and Antidumping, BIE 614-620

Session 16 (Mar. 3) MID-TERM EXAM

MARCH 4-14: SPRING BREAK – NO CLASSES

Session 17 (Mar. 15) RISK ANALYSIS, PRODUCT AND PROCESS SAFETY

Reading: BIE: 400-403

19. Viscusi et al, Irrationality and Biases in Risk Perception, Pre-manufacturing Screening, Economics of Regulation and Antitrust, MIT Press, 1995, 661-663, 755-758

Session 18 (Mar. 17) LIABILITY AND LITIGATION

Team Presentation 4: Steel Tariffs and the WTO

Reading: BIE: 388-390, 405-417

20. Shell, A Brief Note on Class Action Lawsuits, Mimeo, 1p
21. Faulhaber & Waldfoegel, Incentives to Settle Litigation, Mimeo, 1p
22. **Case:** Morgan Stanley and Sex Discrimination

Session 19 (Mar. 22) PRIVACY

Team Presentation 5: Bioengineered Food and the EU

Reading: BIE 437-442

23. "Airline Gave Defense Firm Passenger Files" The New York Times, September 20, 2003
Case: DoubleClick and Internet Privacy BIE 448-454

Session 20 (Mar. 24) CORPORATE GOVERNANCE

Reading: BIE 642-652, 661-665

Team Presentation 6: Obesity and the Food Industry

24. "Who Best Protects Shareholders? The Shareholders", New York Times, 11/04/2001
Case: The Collapse of Enron, BIE 667-674
25. Demski, "Corporate Conflicts of Interest" *Journal of Economic Perspectives* Spring 2003

Session 21 (Mar. 29) DUTIES OF CORPORATE OFFICERS, EXECUTIVE PAY

Team Presentation 7: Sinclair Broadcasting and the Election

Reading:

26. Yao, Notes on Duties and Liabilities facing Corporate Managers
27. **Case:** MegaMicro, Inc's Annual Incentive Plan and the Asian Currency Crisis

Session 22 (Mar. 31) FRAUD AND SELF-DEALING, SARBANES-OXLEY ACT

Team Presentation 8: Marsh and McLennan

Reading:

28. Shell, Basic Elements of Business Fraud, Mimeo, 4pp
29. Clark, Objections to Fraud and Unfair Self-Dealing, Corporate Law, 1986, 151-157
30. Understanding the Sarbanes-Oxley Act, Spring 2003

Session 23 (Apr. 5) SECURITIES REGULATION AND INSIDER TRADING

Team Presentation 9: Mutual Fund Conflicts of Interest

Reading:

31. Open Skies and Flights of Fancy, *Economist*, 10/4/2003
32. Metzger, Securities Regulation, Ch 44, 913-914, 917, 933, 936-937
33. Shell, Confidential Information Trading: A Model for Understanding Securities Crimes, Mimeo, 9pp

Session 24 (Apr. 7) ENVIRONMENTAL REGULATION, SUSTAINABLE DEVELOPMENT, TECHNOLOGICAL INNOVATION

Team Presentation 10: Vioxx and Merck

Reading: BIE: 351-370; 667-674

34. Population: Battle of the Bulge, *Economist*, 9/3/94
35. The Truth About the Environment, *Economist*, 8/4/2001
36. Schmidheiny, Declaration of the Business Council for Sustainable Development, *Changing Course*, MIT Press, 1992, 2pp

Session 27 (Apr. 12) CORPORATE SOCIAL RESPONSIBILITY

Team Presentation 11: The Martha Stewart Case

Reading: BIE: 682-703

Case: Nike in Southeast Asia BIE 113-116

Session 26(Apr. 14) ETHICS ISSUES AND INTERNATIONAL BUSINESS

Team Presentation 12: Kyoto and Global Warming

Reading: BIE: 759-776, 797-808

Session 27 (Apr. 19) CORRUPTION AND BRIBERY

Reading: BIE 815-821

37. Schleifer and Vishny, "Corruption", *Quarterly Journal of Economics*, August 1993, 599-617
38. "The Short Arm of the Law", *Economist*, 2/28/2002

Session 28 (Apr. 21) COURSE WRAP-UP

Reading:

39. Bailey, A Regulatory Framework for the 21st Century, *Eastern Economic Journal*, 1999, 253-263
40. Stiglitz, Evaluating Economic Change, *Daedalus*, Summer 2004, 18-25

Review and go over Sample Final Exam: Spring 2001