



STANFORD

GRADUATE SCHOOL OF BUSINESS

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POLECON 230 - NONMARKET STRATEGY

This course addresses managerial issues in the social, political and legal environments of business. Cases and readings emphasize strategies to improve the performance of companies in light of their multiple constituencies, in both international and US environments. Topics include integrated strategy, activists and the media, legislation affecting business, lobbying, regulation and antitrust, intellectual property, international trade policy, and business ethics.

Most core courses focus on firms' interactions with customers, suppliers, and alliance partners in the form of mutually beneficial exchange transacted in markets. In contrast, this course considers the strategic interactions of firms with comparably important constituents, organizations, and institutions *outside of markets*. Issues considered include those involving activist and interest groups, the media, legislatures, regulatory and antitrust agencies, and international organizations such as the WTO. Markets and the business environment are increasingly interrelated: issues such as boycotts, legislation, regulation, judicial decisions, and trade policy directly affect firms' market performance. Conversely, the profit-maximizing activities of firms often give rise to issues that involve governments and the public. For example, the market strategies of some e-commerce firms have sparked debates ranging from intellectual property protection to Internet privacy.

Correspondingly, managerial decision-making almost always has ethical implications. More often than not, however, those ethical implications are viewed as implicit byproducts, rather than explicit determinants, of business decisions. In POLECON 230 ethics is made explicit taking the perspective of managers who must take action on issues with an ethical dimension.

The course is structured in four parts of roughly equal lengths:

- 1. Business and the Public:** focusing on the strategy of firms vis-à-vis the public, activists, and the news media.
- 2. Strategy in the Political Environment:** focusing on issues such as lobbying, voting and regulation in domestic and international settings.
- 3. Strategy in the Legal Environment:** focusing on issues such as torts, antitrust, intellectual property, privacy, etc.
- 4. Business Ethics:** focusing on decision making when ethical dilemmas are involved.

COURSE MATERIALS

1. *Business and its Environment (BIE)*, (5th edition, Prentice-Hall, 2005) by David P. Baron. This book was written specifically for P230 at Stanford and has been adopted by a number of other leading business schools.
2. The course packet, which contains some newly developed cases and additional readings on topics not covered in BIE.
3. To supplement these, additional reading materials are on reserve in Jackson Library.
4. Timely updates on issues addressed in class will be posted to the class webpage, linked to: <http://coursework.stanford.edu/>

COURSE REQUIREMENTS AND GRADING

The course requirements are mastery of the content of the readings, constructive contributions to class discussions, a group-level project and the final examination. Grades will be assigned as a weighted average of three components—class participation (40%), a study-group level project (20%) and the final examination (40%). The final examination will be open book and notes. It will be emailed on the last day of classes, Tuesday May 29th at 5 pm and due in paper copy on Thursday May 31st at 5pm. Further information on the final exam will be given near the end of the course.

CLASS SESSIONS

The course will be conducted on a case discussion basis. A typical class session may start with a short introductory lecture that either addresses a conceptual approach or develops an issue, providing the setting for the topic being addressed. The main body of a class session will involve the discussion of a case that serves as an application of the reading materials.

CHARACTERISTICS OF EFFECTIVE CLASSROOM PARTICIPATION

The key to effective classroom participation is *engagement*. I expect you to engage the material, your classmates, the faculty and your abilities, with *vigor*. The quality of an individual's participation is more important than the quantity. Characteristics of valuable classroom comments include the following:

- Comments that are clearly *related to the case* and to the comments of others,
- Comments that clarify and *highlight the important aspects* of earlier comments,
- Comments that *synthesize* the main components of the discussion,
- Comments that *support the collective learning process* of the class,
- Comments that go *beyond the commonplace* and bring fresh analytic perspectives.

Class sessions should be viewed as business school analogs of professional business meetings. As such, you are expected to attend and be well prepared for every class session. If you must miss a class due to an emergency, please send me a note of explanation as a courtesy *prior* to class. Absences are otherwise regarded as unexcused and will be reflected negatively in your class participation grade. You may not make up for absences by attending another professor's section (you may however attend another professor's section with his *prior* consent if you wish to be exposed to the material). A case write-up will be requested for any second absence.

THE GROUP PROJECT

The final project is a required study-group assignment that fills several unique objectives of the course. It allows you to acquire a deeper understanding of a specific organization and industry of your choice. It lets you see up-close the impact of the business environment on organizational performance. It gives you an opportunity to practice various forms of analysis developed in the course in a setting of special interest to you. The project also encourages you not only to reason within, but also to extend beyond the frameworks used in the course.

The project should focus on the social, political, legal, or ethical environment of a company, nonprofit organization, or (somewhat less desirably) industry. You may select a company for which a member of your study group has worked. It is strongly encouraged that you make contacts in the organization whose problem you study. Broad topics of interest can usually be recast at the company or organizational level. For instance, "trade barriers" by itself is much too broad a topic for the project, but a study of how a Japanese semiconductor company should address Mexican trade barriers is a good topic, depending on the availability of information and access to the company or industry.

The project involves two phases:

1. Phase I consists of topic selection and culminates in a one-page prospectus due in class on Thursday, May 3. The prospectus should provide a concise overview of the topic, list the main frameworks you plan to use in your analysis of the issue, and present strategic alternatives facing the company or industry. The prospectus does not require you to choose and implement a strategy.
2. Phase II of the project is the final report and is due at the start of class on Tuesday, May 29th. The final report should do the following: expand on the overview in the prospectus, apply frameworks that help understand the environment in which the issue or problem is located, specify a strategic alternative, describe its implementation, and explain why it is likely to be more effective than other possible strategies.

The paper should be written in a style suitable for thoughtful executives who are generally familiar with the situation but who are relying on your analysis of the business environment. The group project is not to exceed 20 double-spaced pages. Obviously, every member of a study group will receive the same grade on the group project. Some outstanding past study group projects will be made available on the class webpage.

STUDY GROUPS

It is advantageous to meet as a group and discuss cases prior to class. Unless you are asked to prepare a presentation, reaching a consensus is a subordinate purpose of meeting. The main purposes of group preparation are to review and clarify readings, and to share and challenge individual analyses of the case. You are therefore strongly encouraged to use study group meetings for the purpose of class preparation. The instructor will not be involved in addressing free riding problems within study groups, especially regarding the group project.

PEER EVALUATIONS

The GSB has introduced a system of peer evaluation for classroom participation, and P230 will utilize this system. At approximately the one-third and two-thirds marks in the quarter, each student will evaluate ten classmates in a simple Web-administered questionnaire. The evaluations of a student will subsequently be made available to him or her, but the evaluators' identities will be concealed. To encourage candid and serious feedback and, if necessary, to provide corrective feedback, I reserve the right to monitor this process. I will not use the feedback you receive to assess your performance, but I will take the thoughtfulness of the feedback you give to others into account in the class participation component of your grade.

ADMINISTRATIVE DETAILS

Class sessions will begin on time and the total time allocated for class is 90 minutes. Office hours are Tuesdays 1-3 pm in Littlefield 214 or by appointment (if so please email me at wacziarg@gsb.stanford.edu to set up a time to meet). I will respond to all your emails in a timely fashion.

THE HONOR CODE

Stanford has a tradition of respect for students' integrity in academic work. The Honor Code outlines mutual obligations for students and faculty in making this system work. Students are encouraged to work in groups to prepare for class, but it is a violation of the Honor Code to secure and use another person's notes, papers or handouts from an earlier section to prepare for class. Sorting out the issues for yourself is an important value-adding learning experience. Constructive collaboration in the sense of sharing your ideas and synthesis with others after doing the basic work is also an important component of the learning experience, and you are strongly encouraged to collaborate. Although not explicitly covered by the Honor Code, the advent of modern information services makes it easy to find information on the cases to be discussed in class. Students are encouraged to seek additional information on the case and on the conceptual materials assigned for a session.

BOOKS ON RESERVE IN JACKSON LIBRARY

- Bagley, Constance E. 1999. *Managers and the Legal Environment: Strategies for the 21st Century*, 3rd ed., West Publishing, St. Paul, Minnesota.
- Baron, David P. 2005. *Business and Its Environment*, 5th ed., Prentice-Hall: Upper Saddle River, NJ.
- Barone, Michael and Grant Ujifusa. 2002. *Almanac of American Politics 2002*, National Journal, Washington, D.C.
- Besanko, David, David Dranove, and Mark Shanley. 2000. *The Economics of Strategy*, 2nd ed., New York: Wiley.
- Bhagwati, Jagdish. 1988. *Protectionism*, MIT Press, Cambridge, Massachusetts.
- Breyer, Stephen. 1982. *Regulation and Its Reform*, Harvard University Press, Cambridge, Massachusetts.

- Carp, Robert A. and Ronald Stidham. 2001. *The Federal Courts*, 4th ed., Congressional Quarterly, Washington, D.C.
- Cooter, Robert and Thomas Ulen. 1997. *Law and Economics*. Addison-Wesley: Reading, MA.
- Fiorina, Morris P. 1989. *Congress: Keystone of the Washington Establishment*, 2nd ed., Yale University Press, New Haven, CT.
- Kennedy, Scott. 2005. *The Business of Lobbying in China*, Cambridge, MA: Harvard University Press.
- Kerwin, Cornelius M. 1999. *Rulemaking: How Government Agencies Write Law and Make Policy*, 2nd ed., CQ Press: Washington, DC.
- Lardy, Nicholas R. 1998. *China's Unfinished Economic Revolution*. Brookings Institution: Washington, DC.
- Lynn, Leonard H. and Timothy J. McKeown. 1987. *Organizing Business: Trade Associations in America and Japan*, American Enterprise Institute, Washington, D.C.
- Mayhew, David R. 1974. *Congress: The Electoral Connection*, Yale University Press, New Haven, CT.
- Nugent, Neill. 1999. *The Government and Politics of the European Union*, 4th ed., Duke University Press, Durham, NC.
- Okimoto, Daniel I. and Thomas P. Rohlen, eds. 1988. *Inside the Japanese System: Readings on Contemporary Society and Political Economy*, Stanford University Press, Stanford, CA.
- Oster, Sharon M. 1999. *Modern Competitive Analysis*, 3rd ed., Oxford University Press, Oxford, UK.
- Porter, Michael E. 1980. *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, The Free Press, New York.
- Polinsky, A. Mitchell. 1989. *An Introduction to Law and Economics*, 2nd ed., Little, Brown & Company.
- Prakash, Aseem. 2000. *Greening the Firm*. Cambridge University Press: Cambridge, UK.
- Rugman, Alan, John Kirton, and Julie Soloway. 1999. *Environmental Regulations and Corporate Strategy: A NAFTA Perspective*. Oxford University Press: Oxford, UK.
- Saloner, Garth, Andrea Shepard, and Joel M. Podolny. 2001. *Strategic Management*. New York: Wiley.
- Shapiro, Carl and Hal R. Varian. 1999. *Information Rules*. Harvard Business School Press: Boston.
- Weidenbaum, Murray L. 1990. *Business, Government, and the Public*, Fourth Edition, Prentice Hall, Englewood Cliffs, NJ.
- Wilson, James Q. 1981. *The Politics of Regulation*, Basic Books, New York.
- Wilson, James Q. 1989. *Bureaucracy*, Basic Books, New York.
- Wilson, James Q. 1995. *Political Organization*. Princeton University Press: Princeton, NJ.

COURSE OUTLINE

PART I. BUSINESS AND THE PUBLIC

SESSION 1 – TUES., APRIL 3: INTRODUCTION TO THE NONMARKET ENVIRONMENT

This session introduces the concept of a nonmarket strategy and its integration with a market strategy. It also introduces four concepts and a framework: The 4 I's are useful concepts for classifying strategically relevant features of the nonmarket environment of business. The issue life-cycle framework is helpful in assessing strategic opportunities and constraints. We apply these concepts and frameworks to the nonmarket issues surrounding Wal-Mart, both globally and in the US.

Case: Wal-Mart: Nonmarket Pressure and Reputation Risk (A) (in course packet).
Reading: BIE pp. 1-16, 31-37.

SESSION 2 – TUES., APRIL 3: LAWRENCE JACKSON

This compulsory special session in Bishop Auditorium (noon-1 pm) will complement the first session on the same day. Lawrence Jackson was until February 2007 the President and Chief Executive Officer of Wal-Mart's global procurement division. Before joining Wal-Mart, Lawrence Jackson was President and COO of Dollar General Corporation, and prior to that he was Senior Vice President of supply operations for Safeway Inc.

Case: As for session 1
Reading: As for session 1

SESSION 3 – THURS., APRIL 5: BUSINESS AND THE MEDIA

Companies frequently face issues brought to the attention of the public by the news media. In some cases the news media play an active role in the events and story. However, managers' reactions to coverage of corporate issues by the media range from mystification to outrage. This session introduces a framework for a deeper and dispassionate understanding of this important determinant of business success. This case centers on a high-stakes confrontation between General Motors and NBC and invites you to consider GM's immediate strategy in the broader context of the company's market objectives and nonmarket challenges.

Case: General Motors: Like a Rock?, BIE pp. 91-93.
Reading: BIE pp. 66-78.

SESSION 4 – TUES., APRIL 10: PRIVATE POLITICS

Companies frequently face issues brought to the attention of the public by activists. Such private nonmarket action is prevalent on issues such as labor standards, the environment, and social justice. This session considers a case in which activists arose to challenge Citigroup's strategy. Just as companies choose market and nonmarket strategies, activists choose strategies to further their interests and objectives. Issues thus can involve strategic competition between companies and activists, i.e. private politics. The session will also introduce a framework to assess the likely emergence and success of consumer boycotts. A study group level assignment will provide an opportunity for you to formulate strategies from three different perspectives: that of RAN, that of a major news media organization, and that of Citigroup. A randomly chosen study group advocating RAN's viewpoint will play first. A group assigned to formulate media coverage will move next. Finally, it will be Citigroup's turn to address RAN's challenge. A general debate will follow.

Case: Anatomy of a Corporate Campaign: RAN and Citigroup, BIE pp. 131-134.

Reading: BIE pp. 96-114, 123-130.

Assignment: Different study groups will be asked to either 1) formulate an activist strategy for RAN, 2) formulate media coverage of the issue for a prominent media organization such as CBS News, or 3) formulate a strategic response from Citigroup. Please prepare a maximum of 3 PowerPoint slides and bring them to class on USB key drives. Role assignments and further details will be provided ahead of class. You *will not be required* to hand in paper copies of your slides.

SESSION 5 – WED., APRIL 11: CHALLENGING THE SYSTEM: MIKE BRUNE.

The lessons reached in the first three sessions of class are further illustrated by this compulsory special session held in Bishop Auditorium, featuring the leader of a successful environmental activism organization. The special session will take place from noon to 1:00 pm in Bishop Auditorium. Mike Brune, Executive Director, Rainforest Action Network, will discuss his organization's strategy.

PART II. STRATEGY IN THE POLITICAL ENVIRONMENT

SESSION 6 – THURS., APRIL 12: INTERESTS GROUPS AND THEIR ORGANIZATION

Laws are byproducts of competing interests. Throughout the world democratic political systems rely upon elected parliamentary or legislative bodies to pass laws. This session focuses on competing interests as inputs in the legislative process. A plurality of interests may become active on an issue, and the session focuses on predicting the intensity and likely impact of interest group activity (subsequent sessions focus on the features of government institutions and the objectives of their officeholders). The reading introduces a framework for the analysis of actions by interest groups, based on *pluralism*. The case concerns a major increase in automobile fuel economy standards and focuses on formulating a strategy for addressing the issue.

Case: CAFE Standards 2002, BIE pp. 271-279.

Reading: Krehbiel, “Interest group analysis” (in course packet).
BIE pp. 199-217.

SESSION 7 – TUES., APRIL 17: STRATEGY IN LEGISLATIVE INSTITUTIONS

The objective of the session is to bring together the analysis of interests and their likely impact with features of the institution and the preferences of their officeholders. The session is intended to begin the process of unlocking the “black box” of government by taking into account the workings of a legislature. We will illustrate some principles of collective choice through a legislative role-playing exercise. The analysis of issues, their impact on interests, and the nature and features of institutions provide the foundations for formulating effective strategies for dealing with issues in government arenas. The readings provide a basic overview of Congress and a framework to predict likely outcomes in legislative decision making.

Case: Internet Taxation, BIE pp. 264-270.

Readings: Fiorina & Peterson, “The Congress and Its Work” pp. 311-334 (in course packet)

SESSION 8 – THURS., APRIL 19: LOBBYING IN THE EUROPEAN UNION

This session provides an opportunity to discuss lobbying strategies, and to apply the course frameworks in the context of the European Union. Lobbying of various forms is a critical—yet highly idiosyncratic—component of business strategies in governmental arenas. This session introduces a framework to formulate and implement lobbying strategies. The case centers on a Spanish duty-free operator, Aldeasa, that must deal with plans by the European Commission to abolish duty-free zones for intra-EU air travel. The session highlights the nature of the EU institutions and the applicability of the course frameworks to a variety of geographic settings.

Case: Aldeasa and EU Duty Free Abolition (A), BIE pp. 557-563.
Reading: BIE pp. 230-238, pp. 524-534.
Birnbaum, “The Fly-In” pp. 188-200 (in course packet).

SESSION 9 – TUES., APRIL 24: SOCIAL, ECONOMIC, AND POLITICAL CHANGE IN CHINA

China represents tremendous opportunities for companies, yet its particular political context gives rise to a host of strategic and ethical issues. The case deals with Google's strategic handling of the issue of censorship by the Chinese government. Should Google go along with the system of internet censorship in China? Should it instead forego the profit potential of its presence in this large and growing market? Is there a feasible third way? The session provides an opportunity to study the specific institutional features that characterize the nonmarket environment of China, and also introduces key ethical concepts that will be used later in the course.

Case: Google in China (in course packet).
Readings: BIE pp. 564-588.
“Is the wakening giant a monster?” *The Economist*, February 13, 2003, “Political forces,” *The Economist*, January 23, 2003 (in course packet).

SESSION 10 – THURS., APRIL 26: FOREIGN DIRECT INVESTMENT IN INDIA

With 1.1 billion people, more than half of whom are under 25 years of age, and a dearth of major retail chains, India presents tremendous opportunities for global retailers. For Tesco PLC, the largest retailer in the United Kingdom, India was an attractive market for expansion in 2006. Entry into India, however, required navigating its specific rule for Foreign Direct Investment (FDI). What strategy should Tesco adopt for entering the Indian market? Should it lobby the Indian government for a relaxation of its restrictions on FDI? The session illustrates both the nonmarket environment of India and the politics and economics of market opening. This session concludes Part II of the course, on business strategy in political arenas.

Case: Tesco PLC in India? (in course packet).
Readings: Articles from the Economist on India (in course packet)

PART III. STRATEGY IN THE LEGAL ENVIRONMENT

SESSION 11 – TUES., MAY 1: REGULATION AND THE PHARMACEUTICAL INDUSTRY

This session focuses strategic competition within regulatory institutions. The case involves the strategy a pharmaceutical company must adopt vis-à-vis a regulatory institution (the FDA) in the face of a bid by insurance companies to switch the classification of a drug from prescription to over-the-counter status. The case emphasizes salient issues in the nonmarket environment of the pharmaceutical and health care industries, stemming from rising health care costs. The case discussion will also illustrate the FDA's rulemaking process.

Case: Pharmaceutical Switching BIE pp. 481-488.

Readings: Krehbiel, "An Introduction to Rulemaking" (in course packet).
BIE pp. 18-22.

SESSION 12 – THURS., MAY 3: ANTITRUST

In the past several years antitrust enforcement watchdogs in the United States, the European Union, and other countries have become more active. In addition, they have begun to address issues in information industries. This session considers an important case affecting the computer, software, Internet, and related industries. In addition to its implications for those industries, the case provides some important lessons for dealing with government. The session will include a discussion of the implications of the economics of winner-take-most markets and the antitrust hazards in those markets. Contrast Cisco's and Microsoft's approaches to their antitrust environment.

Case: The Microsoft Antitrust Case, BIE pp. 313-322.

Readings: BIE pp. 280-290, 534-538.

"Microsoft's Behavior is Helping Cisco Learn How to Avoid Trouble," *The Wall Street Journal*, June 1, 2000. (in course packet)

Assignment: There will be an in-class debate. Half of the study groups will be assigned to argue the viewpoint of Microsoft's competitors and the DOJ in the antitrust case ("the prosecution"). The other half are to be prepared to defend Microsoft's position in the antitrust case ("the defense"). Two study groups (one on each side) will be randomly selected to present their positions in class, courtroom style. A classroom debate will ensue, with a ruling from the presiding judge. You may bring up to 3 PowerPoint slides on a USB drive. You *will not be required* to hand in paper copies of your slides.

SESSION 13 – TUES., MAY 8: INTERNATIONAL TRADE AND ANTIDUMPING

International trade policy structures the market environment in many industries. The specific policy instrument considered in this session is antidumping, whereby a country may restrict imports from another if “unfair” competition is established. The case focuses on the experience of a Brazilian steel company, CSN, in dealing with U.S. trade law and its strategy for responding to an antidumping petition. The session provides an opportunity to discuss the domestic industry's efforts to limit foreign competition through the use of politics and regulation.

Case: CSN and Steel Antidumping (A) (in course packet).

Readings: Krugman, “Dumping,” pp. 141-145 (in course packet).
BIE pp. 602-619.

SESSION 14 – THURS., MAY 10: INTELLECTUAL PROPERTY AND ITS PROTECTION

In information industries intellectual property is the principal asset of many companies. For these companies protecting their information assets is crucial to creating and sustaining a competitive advantage and capturing value. The protection of digital intellectual property is a particular challenge. This case concerns an e-commerce company that faces a database protection challenge and must formulate a strategy to deal with it. The case is set in the United States, but intellectual property issues are pervasive everywhere.

Case: eBay and Database Protection, BIE pp. 437-443.

Readings: Bagley, “Intellectual Property,” pp. 367-383, 401-409 (in course packet)

SESSION 15 – TUES., MAY 15: TORTS AND PRODUCT SAFETY

Companies receive guidance on issues such as safety, health, and the environment from a number of public sources. One is regulation that imposes standards on performance and design. The setting of such standards is complex and difficult particularly when technology is changing. An alternative guide for companies comes from the common law, which is a system of law that relies on decisions by judges guided by precedents from earlier cases. This session considers the nature of the common law as applied in the case of product safety—in this case, unvented kerosene space heaters. The reading on products liability characterizes this body of law with the objective of identifying the underlying principles. The session concludes the third part of the class and transitions to a more explicit consideration of ethical issues.

Case: California Space Heaters, BIE pp. 434-436.

Reading: BIE pp. 362-367, 415-432.

PART IV. BUSINESS ETHICS

SESSION 16: THURS., MAY 17: UTILITARIANISM AND MANAGERIAL DECISION-MAKING

This session introduces one set of principles for reasoning about ethical concerns. Specifically, we will discuss a consequentialist framework – utilitarianism. In addition to applying utilitarian concepts to the case, you are to identify limitations of utilitarian analysis as well as omitted moral considerations, if any, that should be taken into account. You are also to demonstrate how to reason when moral transgressions are possible or likely. For example, suppose you believe a competitor is likely to offer a bribe. What should you do, from the perspectives of both act and rule utilitarianism? Can utilitarianism help managers formulate ethical strategies in the case of corruption in international business dealings?

Case: Complications in Marnera, BIE pp. 835-836.

Readings: BIE pp. 702-718, 824-833.

Assignment: Dilemma of the Day: Ciulla, "Corneas in the Congo" (in course packet)
Be prepared to answer the following question by yes or no, and to motivate your answer orally in class in a 5 minute presentation: Should you use the corneas?
(you should *not* prepare slides, nor are you required to hand in anything written)

SESSION 17 – TUES., MAY 22: PRIVACY

The Internet is based on the free exchange of information, yet the access to and transferability of information can create privacy concerns. The growth and ultimate potential of the Internet and e-commerce depend on the confidence people have in how information they provide is and could be used. This session deals with an episode and an ongoing debate about Internet privacy rights and their enforcement. The purpose of the session is to introduce ethical reasoning based on *rights*, to consider the privacy issue, how it affects the strategy of a company, and how companies address the pressure from government and the public. The broader issue is whether self-regulation is workable and sufficient to ensure the degree of privacy the public demands. These public demands vary among countries, and part of the session will focus on whether the United States and the European Union can agree to what constitutes “adequate protection.”

Case: DoubleClick and Internet Privacy, BIE pp. 464-470.

Reading: BIE pp. 453-458, 555-557.

Assignment: Dilemma of the Day: Ciulla, "Innocent or Guilty?" (in course packet)
Be prepared to answer the following question, and to motivate your answer orally in class in a 5 minute presentation: Should you fire Jones, move him to some other part of the company or keep him in his current job?
(you should *not* prepare slides, nor are you required to hand in anything written)

SESSION 18: THURS., MAY 24: DISTRIBUTIVE JUSTICE

This session introduces a framework for reasoning about issues that involve justice concerns and addresses a case in which a company is faced with an important justice issue. The case concerns the emerging issue of environmental justice and the conflict between that concept and a pollution credits trading system designed to generate economic efficiency (a utilitarian standard) by achieving environmental goals at the lowest possible cost. The case raises the issues in the context of an oil company that faces a moral and a legal challenge to its participation in an important government program.

Case: Environmental Justice and Pollution Credits Trading Systems, BIE pp. 767-771.

Reading: BIE pp. 750-764.

Assignment: Dilemma of the Day: Ciulla, "Does Personal Morality Matter?" (in course packet) Be prepared to answer the following question, and to motivate your answer in class in a 5 minute oral presentation: Should you appoint Deer as regional manager? (you should *not* prepare slides, nor are you required to hand in anything written)

SESSION 19 – TUES., MAY 29: CONCLUSION AND APPLICATION

In this section we will jointly generate an integrated strategy for Glaxo, using lessons from the course. The case provides an opportunity to apply the course frameworks to a salient issue facing the pharmaceutical industry, in a global context. Glaxo faced an enormous challenge. How could it address the continuing concerns raised by activists, the media and world governments, while simultaneously serving the interests of Glaxo stakeholders? How should social responsibility be balanced against generating profits? How should it price its next AIDS drug currently in the pipeline? What role should social concerns and societal pressure play in Glaxo business strategy? And how could Glaxo better manage nonmarket considerations?

Case: GlaxoSmithKline and AIDS Drugs Policy, BIE pp. 841-847.

Reading: Note on AIDS and the Pharmaceutical Industry (in course packet).

The takehome final exam will be distributed by email at 5 pm on Tuesday May 29th, and paper copies of the exams will be due at 5 pm on Thursday May 31st in a GSB lockbox to be announced. Further details on the final exam will be provided in class.