



BUSINESS AND GOVERNMENT

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1. MODULE OVERVIEW

The Business and Government module focuses on how firms relate to and manage external forces outside their market place – i.e. in the ‘non-market’ business environment. According to a recent McKinsey global survey of senior executives, government ranks as the second most important stakeholder in affecting firms’ economic value, with customers being the most important stakeholder and employees third.¹ This module builds on the core module by asking how firms’ competitive strategies are shaped by governments, public policy, and external pressures, and also how firms can productively manage their relationships with these external actors. Understanding what factors drive government policy-making is a necessary prerequisite for firms wishing to constructively engage in policy-making processes and arenas.

The non-market environment consists of the laws, regulations, norms and institutions that shape the nature of competition within markets. Governments, regulators, courts, the media, non-governmental institutions, international treaties and cultural norms all affect how firms compete and which capabilities are valuable. For instance, new product

¹ How Business Interacts with Government. McKinsey and Company, 2010.

innovation, global competition, and operating practices can all be enhanced or constrained by the formal and informal “rules of the game.” This is true for many industries, from energy to pharmaceuticals to financial services. While a firm’s competitive advantage is created in large part through developing and exploiting difficult-to-imitate capabilities and resources in the market environment, the non-market environment in which the firm operates also presents important risks and opportunities for business leaders.

The challenges that managers face in the non-market environment are different in nature from the problems faced in markets. First, policy issues can arise unexpectedly, creating uncertainty in political and regulatory environments about the evolving direction of “rules of the game”. Second, policy-makers and policy-making institutions typically behave differently and have different objectives from consumers, suppliers and competitors. Third, firms that compete in the market place may cooperate as allies in policy arenas, and vice-versa. Firms can also confront entirely new opposition in the non-market environment from stakeholders not directly involved in the firm’s product or service markets.

In this module we will develop analytical frameworks that enable managers to analyze the non-market environment and how it affects competitive strategy. The disciplinary roots of the module are primarily rooted in economics, political science, and law, though the perspective adopted in analysis and class discussions is that of the manager and firm strategy. We will use a mix of case studies, simulation exercises, lecture/discussions and role plays to examine and illustrate analytical concepts. The course will also feature outside speakers from government and industry who will provide expert insights on contemporary issues.

We will consider two major topics during the module:

- *Public policy and government*: the economic and political logic for why and how governments intervene in markets; how public policies are formulated, legislated and implemented, with an emphasis on government in Canada; analysis of political, regulatory and stakeholder risks.
- *Non-market strategy*: formulating and implementing strategies for managing government, regulators, activists and NGOs; non-market strategy for globalization and international business; integrated market and non-market strategies.

2. MODULE OBJECTIVES

- Create awareness of the ways in which the non-market business environment affects corporate strategy and performance
- Develop conceptual tools and frameworks for assessing the non-market environment
- Understand the strategies and processes through which corporations and other groups can pro-actively engage with non-market institutions.

Module 2: Business and Government

Class and Topic Schedule

Business and Government	
Case / guest / exercise	Topic
11. Canada's Pizza Wars in the Era of 'Free Trade'	Public Choice theory
12. Guest speaker: Garth Whyte, President and CEO, Canadian Restaurant and Foodservices Association	Public Choice theory (2)
13, 14. Porter Airlines – A Political Fight for Flight	Stakeholder analysis and management
15. Globalive Telecommunications. Guest visitor: Richard DiCerni, former Deputy Minister, Industry Canada	Government relations
16, 17. AES in the Republic of Georgia	Corruption and political risk in emerging markets
18. StormFisher Renewable Energy. Guest visitor: Chris Guillon, CFO, StormFisher	Finance and political risk
19. The Beer Industry in Ontario. Guest speaker: George Croft, President and CEO, Brick Brewing	Strategy in regulated industries
20. Summary and Wrap-up	Major lessons from the course