

# Friends, Foes, and Regulation

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Spring 2022

## COURSE OVERVIEW

In this course we will learn about the political context in which firms operate, its different actors, and how these shape the rules of the game. We will discuss the creation, enforcement, and contestation of regulations—the rules that govern the behavior of businesses. In each session, we will understand the role and functioning of regulations from the perspectives of different actors: policymakers, businesses, activists, international organizations, and society at large. The course combines knowledge from the fields of Political Science, Public Policy, Management, and Sociology to offer students insights on the social and political world of business organizations.

## LEARNING OBJECTIVES

1. Understand the political context in which firms operate, the roles of different actors, and how these actors shape the rules of the game
2. Gain consciousness on the consequences of businesses' actions for workers, society, government, and the environment as well as the consequences of regulations on businesses' functions and goals
3. Develop practical skills on research, teamwork, policymaking, and critical thinking

This course promotes the diversity and inclusion of different forms of thinking and doing both through the course contents but also during class interactions and participation. All students must be willing to learn from each other and are encouraged to share their views and opinions.

## STUDENT EVALUATION

The final grade will be based on these elements:

Participation	10%
Class activities (4)	40%
Peer evaluation of final assignment	20%
Final group presentation	30%

The intensive format of this course means there is limited time for before-class preparation and take-home assignments. Therefore, a lot of emphasis is given to in-class participation. Participation will be evaluated each session according to how often a student participates in class discussion and how well she/he/they shows consideration and respect for others' opinions. There are 4 class activities throughout the course, each will account for 10% of the final grade.

Absences without justification will result in zero points for participation and for the class activity taking place during the session. In accordance with school regulations, students can have a maximum of two unjustified absences before failing the course. If the absence is justified, students will be given the chance to hand an additional assignment to regain lost points. If you find yourself in any of these situations, it is your responsibility to come see me.

The final assignment consists of a group activity (see Annex 1) that will be presented in the last session of the course (May 6) and amounts to 50% of the final grade. The presentation will make up 30% and the other 20% will be determined by how teammates evaluate each student (see Annex 2). Given the intensity of the course, I will give time to work on the final assignment during sessions. However, if teams need more time to prepare their final presentations, they are expected to find this time after sessions.

Students should act according to the school's code of academic integrity. Any act of academic dishonesty will not be tolerated.

## **COURSE CONTENTS**

### **Session 1 (April 27): Introduction**

In this first session we will introduce the course, get to know each other, and go through the syllabus together. We will have a general discussion of the concept of business regulation and the main perspectives on the issue.

Class activity 1 (10%): I will present a current issue on business regulation. You will choose a side (for or against) and have time to prepare your group position and arguments. We will hold a short debate to understand the pros and cons of business regulation.

### **Session 2 (April 28): The Role of Governments in Regulating Businesses**

We will look at the basic theories to understand business regulation through government legislation, policymaking, and the work of regulatory agents. We will discuss key concepts and tools like social cost, risk, public interest, public value, public policy, cost-benefit analysis, deregulation, compliance, and autonomy.

Class activity 2 (10%): In groups of 2 to 3 people, choose a government regulator in France, Europe, or your home country that shapes how businesses behave. Research and prepare a presentation that explains who the regulator is, what are its goals and functions, examples of its main regulations, why is the role of this regulator important, what actors does it interact with regularly, and what government ideology or approach is behind it.

Readings:

- Coase, R. H. (1960 / 2013). The problem of social cost. *Journal of Law and Economics*, 56(4): 837-877.
- Braithwaite, John, John Walker, and Peter Grabosky. "An enforcement taxonomy of regulatory agencies." *Law & Policy* 9.3 (1987): 323-351.
- Schrefler, Lorna. "The usage of scientific knowledge by independent regulatory agencies." *Governance* 23.2 (2010): 309-330.

- Sabatier, Paul. "Social movements and regulatory agencies: Toward a more adequate—and less pessimistic—theory of “clientele capture”." *Policy Sciences* (1975): 301-342.
- Christensen, Tom, and Per Lægveid. "Regulatory agencies—The challenges of balancing agency autonomy and political control." *Governance* 20.3 (2007): 499-520.

### **Session 3 (April 29): Responses to Corporate Wrongdoing**

We consider what happens when businesses misbehave: how is society impacted? What is the role of government, business associations, and employees in preventing or remedying these actions? And what consequences do businesses face?

Class activity 3 (10%): In groups of 2-3, you will research a famous scandal involving wrongdoing, corruption, and/or whistleblowing and present its facts to the rest of the class. Some examples include Nike’s or Apple’s labor rights violations, Boeing 737 MAX crashes, or workers’ rights in the platform economy. Prepare a short presentation with the following questions: What happened (i.e., facts of the case)? Who was affected? What regulations (if any) were violated? What regulators or other authorities were involved in the case? What was the resolution (if any)? What are the dominant public opinions on the case?

This activity will get you started in your final assignment. At the end of the activity, you will have the opportunity to form definite teams for the final assignment (4 to 5 people per team) and choose a case (from the ones used in class or propose a different one). Make sure to send me the names of the people in the group and the topic or case chosen to [ortizcasillas@em-lyon.com](mailto:ortizcasillas@em-lyon.com) before midnight.

Readings:

- Hill, Charles WL, et al. "An empirical examination of the causes of corporate wrongdoing in the United States." *Human Relations* 45.10 (1992): 1055-1076
- Carberry, Edward J., Peter-Jan Engelen, and Marc Van Essen. "Which firms get punished for unethical behavior? Explaining variation in stock market reactions to corporate misconduct." *Business Ethics Quarterly* 28.2 (2018): 119-151.
- Miethe, Terance D., and Joyce Rothschild. "Whistleblowing and the control of organizational misconduct." *Sociological Inquiry* 64.3 (1994): 322-347.

### **Session 4 (May 2): Corporate Political Activity**

An introduction to the nonmarket strategies of businesses. We will learn about the concerns of businesses regarding regulations and the strategies they use to impact legislation, policymaking, and public opinion.

Time will be given in class to work on final assignment. As a suggestion, you should make sure to research and discuss all facts of the case today.

Readings:

- Nielsen, Helle Ørsted, and Vibeke Lehmann Nielsen. "Different encounter behaviors: Businesses in encounters with regulatory agencies." *Regulation & Governance* (2022).

- Hillman, A.J., Keim, G.D. and Schuler, D., 2004. Corporate political activity: A review and research agenda. *Journal of Management*, 30(6), pp.837-857.
- David Bach & David B. Allen. 2010. “What Every CEO Needs to Know About Nonmarket Strategy.” *Sloan Management Review*, 51(3), 41-48.
- Kamel Mellahi, Jędrzej Frynas, Pei Sun and Donald Siegel. 2016. “A Review of the Nonmarket Strategy Literature: Toward a Multi-Theoretical Integration.” *Journal of Management*, 42(1): 143-173.

### **Session 5 (May 3): Corporate Social Responsibility and Corporate Activism**

In this session, we look at CSR and Corporate Activism from a critical perspective. What are the pros and cons of these types of business strategies?

Class activity 4 (10%): choose an example of a CSR or Corporate Activism campaign. Reflect and explain to the class what the company’s motivation was for doing this campaign, what the campaign consisted of, and evaluate its impact on the issue.

Readings:

- Stephan Meier & Lea Cassar. “Stop Talking About How CSR Helps Your Bottom Line”, *Harvard Business Review*, Jan 2018.
- Megali Delmas and Vanessa Burbano. 2011. “The Drivers of Greenwashing”, *California Management Review*, 54(1): 2011.
- Lyon, T.P., Delmas, M.A., Maxwell, J.W., Bansal, P., Chiroleu-Assouline, M., Crifo, P., Durand, R., Gond, J.P., King, A., Lenox, M. and Toffel, M., 2018. CSR needs CPR: Corporate sustainability and politics. *California Management Review*, 60(4), pp.5-24.
- Purtill, Corinne. 2021. “How Public Letters Became Companies’ Favorite Form of Activism”. *The New York Times*, <https://www.nytimes.com/2021/06/19/business/dealbook/corporate-activism-letters.html>.
- Cory Maks-Solomon, 2020, “Corporate activism is more than a marketing gimmick”, *The Conversation*, <https://theconversation.com/corporate-activism-is-more-than-a-marketing-gimmick-141570>

### **Session 6 (May 4): Anti-corporate Activism**

We will learn about the role of activists in shaping regulations, reflect about their role in formulating and protecting the public interest, and what are some of the strategies they have developed.

Time will be given in class to work on final assignment. As a suggestion, by today you should know what position you are adopting in your final assignment and have begun preparing that position.

Readings:

- Mae-Hunter McDonnell & Timothy Werner. 2016. “Blacklisted Businesses: Social Activists’ Challenges and the Disruption of Corporate Political Activity.” *Administrative Science Quarterly*, 61(4): 584-620.
- Ingram, P., Yue, L. Q., & Rao, H. (2010). Trouble in store: Probes, protests, and store openings by Wal-Mart, 1998–2007. *American Journal of Sociology*, 116(1), 53-92.

- King, B. G., & 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.

### **Session 7 (May 5): A Business-Friendly Approach to Regulation**

We will learn about Better Regulation or Smart Regulation, an approach to improving the regulatory practices of the State, championed by international and intergovernmental organizations such as the World Bank, the OECD, and the European Union.

Time will be given in class to work on final assignment. Teams should be ready to present all aspects (see Annex 1) by tomorrow.

Resources:

- *Doing Business 2020*, World Bank, <https://archive.doingbusiness.org/en/doingbusiness>
- OECD (2021), *OECD Regulatory Policy Outlook 2021*, OECD Publishing, Paris, <https://doi.org/10.1787/38b0fdb1-en>
- Better regulation: Joining forces to make better laws, *European Commission*, [https://ec.europa.eu/info/files/better-regulation-joining-forces-make-better-laws\\_en](https://ec.europa.eu/info/files/better-regulation-joining-forces-make-better-laws_en)

### **Session 8 (May 6): Group Presentations**

In this last session all teams will present their final assignment (see Annex 1). Each team has 45 minutes to present. All students should also submit, via email, their evaluations of fellow team members before the end of the day (see Annex 2).

## **ANNEX 1: FINAL ASSIGNMENT**

In teams of 4 (maximum 5) students, you will choose a recent case involving a new business regulation that is being discussed, an event of corporate wrongdoing, or an anti-corporate activist campaign. You will email me the names of team members and the topic or case you have chosen to [ortizcasillas@em-lyon.com](mailto:ortizcasillas@em-lyon.com) before midnight on Friday April 29<sup>th</sup>.

The team must research the facts of the case, identify the actors involved (their interests and positions) and discuss their roles and actions. The team will decide if they take the position of the firm, the regulator, or an activist organization. After deciding on the position, they will prepare either a nonmarket strategy (if the firm), a policy (if the regulator), or a campaign strategy (if activist group) to address the issue. In preparing the strategy, policy, or campaign, teams should take into account the position of other relevant actors in the case

The grade for the final presentation (30%) will take into account how well groups prepare and present the following issues:

1. The facts of the case: What happened? When? Why? How? What is this a case of? What are the types of regulations that are relevant to this case?
2. Identification of actors: Who is involved in the case? Who caused the incident or committed the actions in question? Who is or was affected? What are the relevant authorities? Who else has interests in the situation? Build a map to visualize actors
3. Consideration of different interests and positions: What are the different perspectives, opinions, and interests at play? How can we understand these events from different approaches? Reflect on what the different interests and positions say about issues like public interest or social cost
4. Your position: Why did you choose to adopt the position of the regulator, firm, or activist group? What is the strategy, policy, or campaign you are proposing? Why? How will this be implemented? What are some challenges you foresee during implementation? What are the primary and/or secondary goals you hope to achieve? How will you measure their achievement?

All members of the team should participate equally in the preparation of the case and in the final presentation. Final presentations will last 25 to 30 minutes, with an additional 10 to 15 minutes for questions from the rest of the group.

## **ANNEX 2: PEER EVALUATIONS**

Each student will evaluate the other members of her/his/their team in the final assignment. To do this, copy paste the following form on the body of an email, with answers, and send it to [ortizcasillas@em-lyon.com](mailto:ortizcasillas@em-lyon.com) before Monday May 9 at 10am.

### *EVALUATION FORM*

#### GENERAL EVALUATION:

Title of your team project:

Describe how you organized work in your team and why:

Describe your general experience working with this team:

Rate your general experience working with this team from 0 to 10 (0 = the worst experience you've had, 10 = the best experience you've had):

#### EVALUATION MEMBER 1

Team member name:

Describe and assess the role and work of this member in your team:

Rate the performance of this member in your team from 0 to 10 (0 = he/she/they did not do ANY of the work and harmed the dynamic of the team, 10 = excellent team member, brought unique value to the work of the team and fulfilled his/her/their responsibility):

#### EVALUATION MEMBER 2

Team member name:

Describe and assess the role and work of this member in your team:

Rate the performance of this member in your team from 0 to 10 (0 = he/she/they did not do ANY of the work and harmed the dynamic of the team, 10 = excellent team member, brought unique value to the work of the team and fulfilled his/her/their responsibility):

#### EVALUATION MEMBER 3

Team member name:

Describe and assess the role and work of this member in your team:

Rate the performance of this member in your team from 0 to 10 (0 = he/she/they did not do ANY of the work and harmed the dynamic of the team, 10 = excellent team member, brought unique value to the work of the team and fulfilled his/her/their responsibility):

EVALUATION MEMBER 4 (IF APPLICABLE)

Team member name:

Describe and assess the role and work of this member in your team:

Rate the performance of this member in your team from 0 to 10 (0 = he/she/they did not do ANY of the work and harmed the dynamic of the team, 10 = excellent team member, brought unique value to the work of the team and fulfilled his/her/their responsibility):

EVALUATE YOURSELF:

Rate your performance in the team from 0 to 10 (0 = I did not do ANY of the work and harmed the dynamic of the team, 10 = I was an excellent team member, brought unique value to the work of the team and fulfilled my responsibility):

Additional comments (optional):