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Ralf Boscheck

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Strategies, Markets and Governance

Strategies, Markets and Governance addresses governance concerns at firm, industry, country and international levels. How do regulatory authorities deal with new business models, organizational structures and blurring market relations? What limits regulatory control and what are the implications of corporate self-regulation? What drives the spread of new regulation and what limits its effectiveness? How does 'the organized public' shape political and corporate interests and what is its legitimacy and impact on business? How do corporate strategies turn tighter regulation into profit opportunities, deliver public benefits in the face of predatory states and when is exit the only option left?

The contributing authors are leading researchers on governance and public policy, and present assessments of these questions in a variety of institutional and international contexts. The book is ideally suited to advanced students of business, public policy and business regulation, as well as practitioners and policy makers.

Ralf Boscheck is the Lundin Family Professor of Economics and Business Policy at IMD (International Institute for Management Development) in Lausanne, Switzerland.

Christine Batruch is Vice President, Corporate Responsibility, Lundin Petroleum.

Stewart Hamilton is Professor of Accounting and Finance at IMD.

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Caryl Pfeiffer is Director, Corporate Fuels and By-Products, e.on US.

Ulrich Steger holds the Alcan Chair of Environmental Management at IMD and is Director of IMD's research project on Corporate Sustainability Management, CSM.

Michael Yaziji is Professor of Strategy and Organization at IMD.

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STRATEGIES, MARKETS AND GOVERNANCE

Exploring Commercial and Regulatory Agendas

Ralf Boscheck

with

Christine Batruch

Stewart Hamilton

Jean-Pierre Lehmann

Caryl Pfeiffer

Ulrich Steger

Michael Yaziji



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Preface

Strategies, Markets and Governance addresses governance concerns at firm, industry, country and international levels. How do regulatory authorities deal with new business models, organizational structures and blurring market relations? What limits regulatory control and what are the implications of corporate self-regulation? What legitimizes private and public uses of market incentives to monitor executives, manage demand or shift economic risks and what are the responses to latent moral ambiguities? What drives the spread of new regulation and what limits its effectiveness? How can one separate symptoms from root causes of regulatory concerns to determine the direction and viability of necessary change? How does “the organized public” shape political and corporate interests and what is its legitimacy and impact on business? How do local, national and supra-national agendas align or conflict in governing the use of national or common resources, applying shared regulatory standards, or constituting global trade relations? How do corporate strategies turn tighter regulation into profit opportunities, deliver public benefits in the face of predatory states and when is exit the only option left?

The book is organized in five parts. Part I discusses the concepts of strategy, market and governance and offers an analytical framework for assessing their impact on company operations, managerial and regulatory control, agency and political supervision as well as local, national and international policy coordination. Parts II to IV apply this framework to sixteen contributions discussing governance concerns at the level of the firm, the industry, and international policy. The issues covered range from problems with identifying fraud, organizing board supervision, enforcing competition law, changing investment and market strategies in line with regulation or NGO campaigns, to finding institutional responses to international trade policy distortions, dissecting national economic imperatives governing global energy markets, and assessing political and cultural obstacles to policy reforms in systems as diverse as China and the EU. These contributions exhibit the richness of current governance discussions but also the need to

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review some of their underlying assumptions. They differ in style and reflect the professional background of their authors. Part V, therefore, traces rising governance concerns to the so-called “paradox of the market”, i.e. the apparent need to rely on, yet limit the pursuit of self-interest. The paradox is based on a narrow but popular conceptualization of economic behavior, which takes economic man to be driven by some loutish motivation that proves unsustainable in reality and confuses the means of competitive market selection with the goal of productive cooperation. To tackle this, research and teaching in commerce, economics, and law needs to return to the roots of classical political economy and rehabilitate moral reasoning to deal with unavoidable discretion.

Strategies, Markets and Governance is a group effort. Five contributors are members of the IMD faculty with particular research interests in economic regulation, corporate governance, international political economy, NGO activities and accounting and audit frauds. Two authors offer direct industry perspectives on regulatory and political risk and link technology and commercial aspects with concerns for legal and corporate social responsibilities. My assistant Virginie Boillat-Carrard worked hand-in-hand with Paula Parish at Cambridge University Press to see the manuscript through to completion. I would like to thank all of them. I am above all grateful to my wife Charo for her support and to Jupp for helpful conversations.

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Ulrich Steger holds the Alcan Chair of Environmental Management at IMD and is Director of IMD's research project on Corporate Sustainability Management, CSM. He was a member of the Managing Board of Volkswagen, in charge of environment and traffic matters and, in particular, the implementation of an environmental strategy within the VW group worldwide. Before becoming involved in management education, he was active in German politics. He was Minister of Economics and Technology in the State of Hesse with particular responsibility for transport, traffic and energy. Before that, he was a member of the German Bundestag, specializing in energy, technology, industry and foreign trade issues.

Michael Yaziji is Professor of Strategy and Organizations at IMD. His primary interests are in the areas of non-market strategy, strategy formulation and implementation, and change management. His current research focuses particularly on relationships between corporations and nongovernmental organizations (NGOs, e.g. Greenpeace, Friends of the Earth, PETA, WWF). The range of relationships he studies includes both antagonistic campaigns by NGOs against corporations and partnerships with them. His most recent publication was on partnering with NGOs for competitive advantage *Harvard Business Review* (2004). He has consulted for leading corporations and industry groups and has worked in both the private and civil society sectors.