Chapter 7

Nonmarket Strategies for Government Arenas
Topics Covered

- Introduction
- Responsible nonmarket action
- Nonmarket strategy formulation
- Understanding outcomes
- Generic nonmarket strategies
- Institutions, interests, and strategy choice
Responsible nonmarket action

In the long run, a firm has influence on nonmarket issues to the extent that its interests are aligned with those of people. In the short run, however, firms and such other interests as labor unions and activists can have greater influence.
Criticisms of business nonmarket action

- Business objectives and the public interest
- Unwarranted power
- The possibility of manipulation
Figure 7-1 Approach to Nonmarket Strategy Formulation

- **Interest A**
  - Nonmarket Analysis
  - Strategy Formulation
  - Implementation
  - Institutional Arena
  - Administration Regulation
  - Nonmarket action

- **Interest B**
  - Nonmarket Analysis
  - Strategy Formulation
  - Implementation
  - Institutional Arena
  - Administration Regulation
  - Nonmarket action
Components of nonmarket analysis

- Assessing the characteristics of the issue and where it is in its life cycle
- Identifying the interests affected by the issue
- Assessing motivations and incentives
- Analyzing the likely demand for and supply of nonmarket action
- Assessing the nature of the politics of the issue
Components of nonmarket analysis (contd.)

- Identifying the institutional arenas in which the issue will be addressed
- Assessing institutional characteristics
- Identifying the relevant institutional officeholders and their constituent and policy interests
An approach to strategy formulation

- Nonmarket analysis
- Objectives
- Selection of institutional arenas
- Nonmarket strategy choice
- Unilateral and coalition strategies
- Nonmarket assets
- The rent chain
- Implementation
Figure 7-2  The Rent Chain

Factor Inputs
- employees
- suppliers
- capital
- communities

The Value Chain
- inbound logistics
- operations
- outbound logistics
- marketing & sales
- service
- support activities

Channels of Distribution
- wholesalers
- distributors
- retailers

Customers
- consumers
- locked-in customers

Alliances
Generic nonmarket strategies

- **Representation** strategies are based on the consequences of alternatives for constituents.

- These strategies often involve the mobilization of a rent chain and may include a grass roots campaign, coalition building, and public advocacy.
Generic nonmarket strategies (contd.)

- **Majority building** strategies focus on developing the needed votes in a legislature to enact or defeat a bill.

- A majority building strategy can build on a representation strategy, as when the rent chain is mobilized in districts of pivotal legislators.
Generic nonmarket strategies (contd.)

- **Informational** strategies focus on providing to government officeholders information about consequences.

- Informational strategies can be coupled with representation and majority-building strategies, as when a firm lobbies to provide information in conjunction with a grassroots strategy involving the mobilization of its rent chain.
Majority-building strategies

- Vote recruitment – votes are recruited by interest groups and by public officeholders.
- A vote recruitment strategy focuses on **pivotal voters** – those most likely to switch the outcome between victory and defeat.
Figure 7-3 Majority Building and Pivotal Voters

Least-costly pivotal voters

b = 30  i = 45  m = 50  a = 60  Issue dimension
Multiple pivots

- The U.S. legislative process is complicated because it has multiple pivots.
- First, it is a **bicameral system**, which requires that both the House and Senate pass a bill in identical language before it can become law. To enact legislation, it may be necessary to recruit pivotal voters in both chambers. To defeat legislation, however, it is only necessary to build a majority in one of the two chambers.
Multiple pivots (contd.)

- Second, senators can filibuster a bill, and cloture requires a vote of 60 senators.
- Third, the president can veto a bill, and overriding the veto requires two-thirds of both the House and Senate.
Multiple pivots in foreign countries

- In Japan, a two-thirds vote in the lower house of the Diet can enact legislation without approval by the upper house.
- The Council of Ministers of the European Union operates with qualified majority rule, which requires 255 of the 345 votes to approve legislation.
Agenda setting

- Agenda-setting strategies focus first on **recruiting** the agenda setter and then on building **support** for the alternative on the agenda.
Lobbying

- Lobbying involves the strategic provisioning of two types of information – technical and political.
- **Technical information** pertains to the likely consequences of alternatives.
- **Political information** pertains to the effects of alternatives on the constituents of officeholders.
Figure 7-4 **Institutions and Responsiveness**

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