Learning Objectives

Upon completion of this unit, students should be able to:

1. Distinguish between the market and nonmarket environment of business.
2. Summarize some of the aspects of the nonmarket environment of business.
3. Explain the life cycle of nonmarket issues.
4. Assess the “four I’s” of the nonmarket environment of business.
5. Generalize the requirements for a successful business strategy.
6. Explain the importance of integrating a firm’s market and nonmarket strategy.
7. Identify the approaches that can be taken in addressing nonmarket issues in a business strategy.

Unit Summary

Chapter 1 introduces the concept of the nonmarket environment, provides frameworks for characterizing that environment, and presents a framework for the development of nonmarket issues. The nonmarket environment is characterized by the four I’s: issues, interests, institutions, and information. This characterization is illustrated in some detail for the automobile industry. The emphasis of the approach maintained throughout the book is on nonmarket strategy, i.e. actions by managers to improve the performance of their firms in both their market and nonmarket environments. The chapter presents the life cycle of the nonmarket issue and explores the origins of nonmarket issues.

Chapter 1 also presents a characterization of the pattern of development of a nonmarket issue and discusses the causes of change in the nonmarket environment. It also discusses how issues are placed on the nonmarket issue agenda. The nonmarket issue life cycle in Figure 1-2 is a useful framework for thinking about where an issue presently is and how it could develop. It is important to emphasize, however, that the focus of the course is how firms and their managers can participate effectively and responsibly in influencing the progress of such issues.

Issues such as fuel economy standards have clear implications for the design and marketing of automobiles and for the likely success of U.S. and foreign manufacturers. Environmental issues such as global warming, ozone depletion, and emissions of pollutants, also illustrate these interrelationships.

In discussing nonmarket issues and the nonmarket environment, it is important to emphasize the role of managers both in addressing the issues and in formulating strategies. Specialists, such as lawyers and consultants, can be important resources, but managers ultimately must make the decisions. In part because managers are at the center of decision-making, the appropriate level of analysis is organizational, i.e. from the point of view of a firm dealing with an
issue in its environment. The unit of analysis is thus the conjunction of a nonmarket issue and the firm.

The roles of institutions and interest groups is also important and such institutions are not only formal and public, such as Congress and NHTSA, but are also private, such as arbitration mechanisms or collections of private organizations as in the case of the news media.

The principal objectives of Chapter 2 are to introduce the concept of an integrated market and nonmarket strategy, introduce the concept of positioning, and provide a framework for the analysis of nonmarket issues and for the formulation of nonmarket strategies. Chapter 2 also reinforces the point made in Chapter 1, that managers are responsible for the formulation and implementation of nonmarket strategies furthering this point by focusing on the integration of those strategies with market strategies. One natural focal point for this integration is the relationship between market opportunities and the importance of nonmarket strategies. The principal factor restricting the pursuit of market opportunities is government policies. The other two factors are public sentiment and ethics. The section on positioning provides a foundation for nonmarket strategy as it affects the set of issues that the firm faces.