

# Non-Market Considerations: The Socio-Political Imperative in International Business

Timothy M. Devinney

**Non-Market Considerations:**  
The Socio-Political Imperative  
in International Business



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**What is the socio-political imperative**

- Understanding sociopolitical institutions
  - Macro: the rules that determine the rules
    - Rule of law vs. administrative fiat
    - Rules of appeal, arbitration and jurisprudence
    - Division of authority: executive vs. parliamentary, regional vs. federal
  - Micro: the rules & routines of governance
    - Regulatory policy
    - Exchange rate policy
    - Corruption
  - Stakeholders and global monitors,  
both within a jurisdiction and across jurisdictions

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**The political imperative in international business:  
why is it important?**

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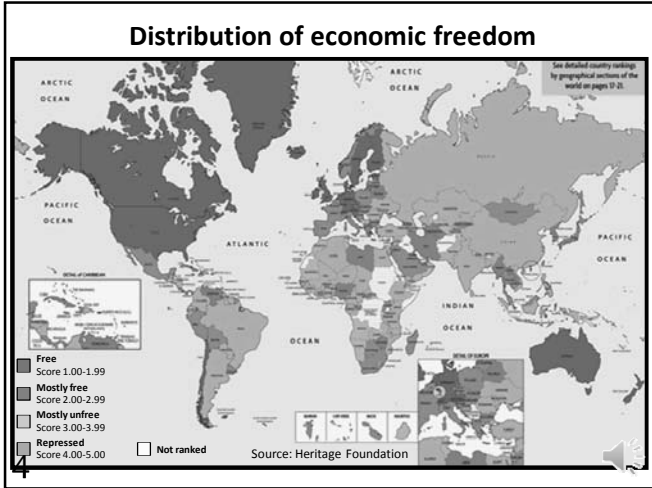
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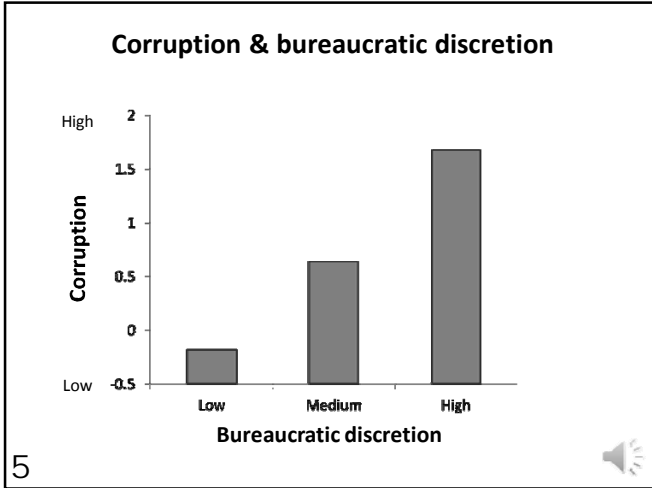
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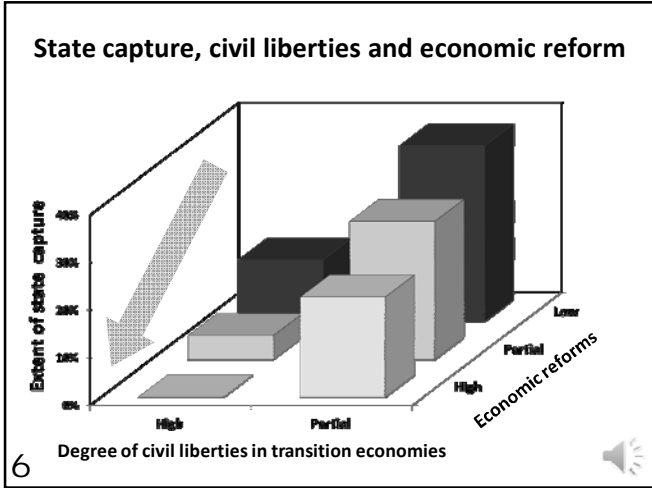
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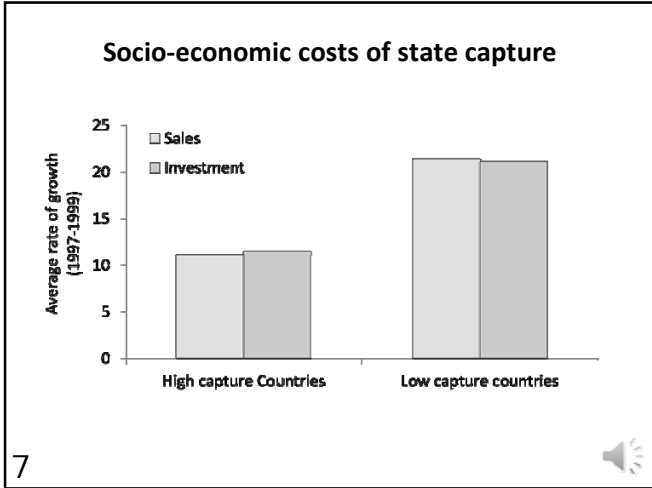
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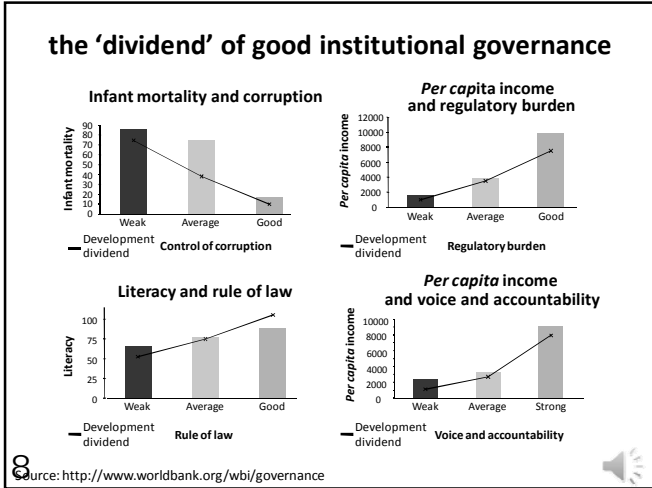
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**The political imperative in international business:  
decomposing it**

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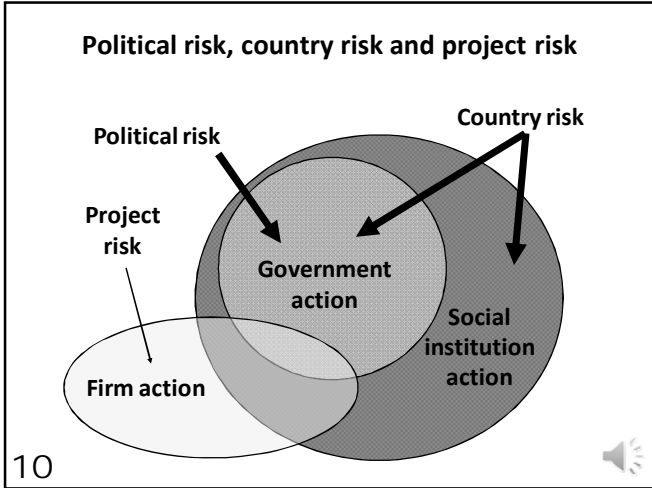
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**Interest group politics & stakeholders**

- What is it that drives the governmental risk?
- It depends on the levers that the government has
- e.g. the German government green energy policy
  - Were all of the exports affected equally?
  - No, the burden fell disproportionately on individuals and small enterprises
  - The government knew very well what it was doing
- The government isn't a neutral entity

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**Going beyond the local socio-political context:  
global stakeholders & stakeholders globally**

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**Stakeholders: a definition**

- Business dictionary:
  - A person, group, or organization that has direct or indirect stake in an organization because it can affect or be affected by the organization's actions, objectives, and policies
    - Although stakeholding is usually self-legitimizing (those who judge themselves to be stakeholders are stakeholder ), all stakeholders are not equal and different stakeholders are entitled to different considerations

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**Issues with the stakeholder approach**

- 'Standard' stakeholder theory is bedeviled by a number of definitional and operational issues:
  - How much "affect" is sufficient for a stakeholder to be instrumental?
    - Small impacts of the many *versus* big impacts on the few
  - Who determines the degree to which "affect" is sufficient?
    - Corporate interests: then why is this not just good management?
    - Society/government/stakeholders: what is the process of legitimization?
  - If someone is "affected" by the reaction of another "affected" by corporate actions are they a legitimate stakeholder?
    - Is the stakeholder of my stakeholder my stakeholder too?

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**What happens when we go global?**

**Stakeholder issues**

- Complexity (factorial)
- Stakeholder conflict
- Legitimization/legality
- ...

**Corporate response**

- Prioritize
- Standardize process
- Marginalize around the core
- ...

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**Global stakeholders vs. Stakeholders globally**

Stakeholders globally

- Stakeholder management is affected by additional 'local' stakeholder demands
  - Process dominates "purpose" (process standardization)
  - Stakeholder schizophrenia is tolerated (local adaptation)
  - Conflict arises when local-for-local collides

Global stakeholders

- Stakeholder management is affected by multinational stakeholder groups
    - Stakeholders tend to be "organizational"
    - Stakeholder schizophrenia is not tolerated (global standardization)
    - Purpose dominates "process"
- 16 - Conflict arises between local and global stakeholders




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**Compare and contrast**



Locally directional conflicts



Universality in direction (no conflicts)

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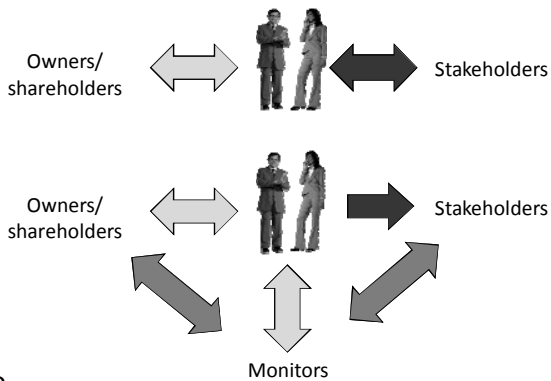
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**To whom do managers listen?**



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**Are monitors always 'valid'?**

	Govt. sanction	
	Self appointed but 'legitimized'	
	Self appointed but failed to be 'legitimized'	

Self appointed monitor for self interest

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**A takeaway for discussion**

- For firms, there is a trade-off between consideration and complexity, which implies
  - As firms globalize they replace an emphasis on outcomes with an emphasis on processes (standardization)
  - Monitors take on a representative role and become *de facto* controllers because firms legitimize them
    - In essence we see an 'outsourcing' of CSR *via* stakeholder monitor control but that outsourcing will generally not arise because the stakeholders choose the monitor

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**Back to the socio-political imperative**

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### Thinking about the nature of politics

- According to Ambrose Bierce (The Devil's Dictionary) politics is *"the pursuit of private ends by public means"*
  - One must address the issues of:
    - Who is relevant to any specific decision?
      - ✦ Politics is not an activity limited to politicians and bureaucrats
    - Why do 'they' act as they do?
      - ✦ Formal and informal norms
      - ✦ What is the revealed intent of the 'they'
    - How do 'policy entrepreneurs' achieve their goals?
      - ✦ Application of direct and indirect policy instruments

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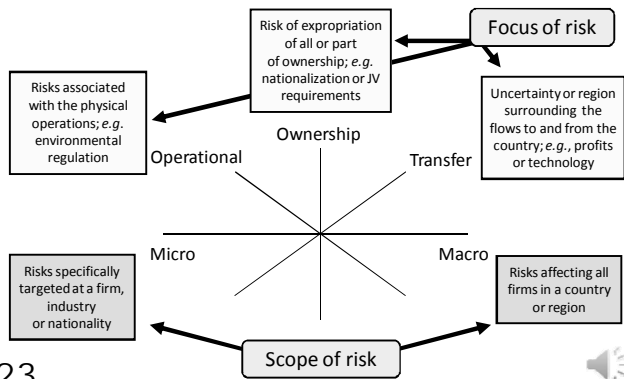
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### The dimensions of socio-political risk



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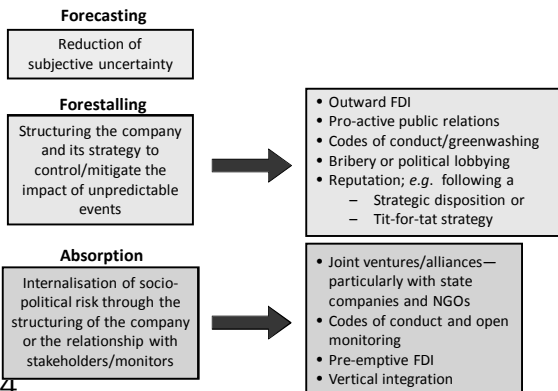
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### Managerial responses to socio-political risk



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## Thank you and further reading

- Devinney, T (2011). "Social Responsibility, Global Strategy, and The Multinational Enterprise: Global Monitory Democracy and the Meaning of Place And Space", *Global Strategy Journal*, 1(3-4): 329-344
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- Ring, P, Lenway, S and M Govekar (1990). "Management of the Political Imperative in International Business," *Strategic Management Journal*, 11(2): 141-151

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