

The Political Environment

Debate 1 – Hyperglobalists vs Skeptics – Is the State dead?

- Globalisation made business so mobile that state limited in responses it can make in governing business
- Government remains important actor, ongoing influence over business...
- *NO - Hyperglobalisation*; state is 'dead', little choice in policymaking, keep business happy = keep voters happy
 - Business can (threaten to) move operations if policy unfavourable
 - Government is no threat, government lost power
- *Opposing – Skeptics*; Government does have choice in policymaking, can be a threat, factor mobility not always so high that businesses can move.

State is dead?

- Government forced satisfy groups that satisfy their constituents
- *Hyperglobalisation*; loss of power & State authority, reduced barriers, intangible (thus mobile) assets & capabilities.
- *Skeptics*; nothing new about globalisation, not complete deconstruction of boundaries
- *Transformationalists*; globalisation is driving force but still important role of government, provide a spark
- As nation become more/ less competitive, firm relocate production to more operation efficient market

Government important role

- ***Factors influencing productivity***; wages, labour productivity, energy costs, exchange rates
- Not easy to establish new network (social, financial, customers etc.)
- Nature of assets & sunk costs hinder mobility of business

Ability to invert makes government less of threat (i.e. tax inversion) – enforcing more rules/ laws reverses this

Debate 2 – Statist Perspective – Is governance more important than growth?

- Institutions created by government as so important to business that, on balance, government actually continues to have important influence
- State functions & activities, rule of law (corruption, expropriation), institutional capacity
- Government creates structures/ institutions enabling business to exist, remains important actor/ influence over business
- *YES – Opportunity*; government create structures enable business – strong rule of law, minimise corruption, no expropriation, institutional capacity, competition regulation, IP laws, government provides opportunity (*to smaller players vulnerable to the bigger players*)
- *Opposing - Threat*; some government institutions impede business, constraining performance, government is a threat

Statist Perspective

- Views State, not markets, as controlling government & politics
- Businesses product of State, created & maintained under policies/ law
- Corporate law, frameworks for trade & exchange, legal systems settle disputes

What is the State?

- **The State;** institutions governing people within defined territorial boundaries
- **Features;** government, sovereignty, monopoly over legitimate use of force (police, military), public enterprises (utilities)
- **Activities of the State;** develop/ enforce law, manage economy (regulation, indicators, subsidiaries), social protection
- **Types of political systems;** democratic (Australia), single party (China), Military (Thailand)

Growth and Governance; Good governance accelerates economic growth, diminish fear of corruption, improve public spending, better health/ education

- *Anti-corruption laws make government opportunity – unless firm/ government starts behaving in corrupt ways*

Expropriation; Government takes assets off of individuals without adequate compensation

- i.e. money lost from changing tobacco packaging, disincentivising private investment
- *Legal infrastructures supporting IP makes government opportunity – alleged expropriation reverses this*

Institutional Capacity

- Institution exists but weak policies = development failures
- Corruption, lack training, insufficient personnel/ resources, poor management, conflicting institutional goals, insufficient networking between organisations, political instability/ weak government, absence rule of law

Political Science

- Bounded rationality; satisfice (good enough solution) rather than maximise
- Business face information asymmetry in political sphere
- Consider degree to which firm operates in dependence on government decisions. More regulated industry more politically active firms are.
- Entertainment, gambling, sports highly politicised. Alcohol, tobacco, highly regulated.

Business response to government

- **Denial**; deny government decisions, any relevance to activities, contraction of reality, life simpler short-run, trouble in long-run
- **Helplessness**; smaller business typical response, grudging acceptance that government affects business operations, posing threat.
 - Over taxed, regulated, unable do anything counter forces
- **Delegation**; typical response, accept affected by decisions. Band together with other businesses, modify government policy.
- **Insurance**; individual business, donation to political party, access to decision makers if needed
- **Sophisticated strategies**; largest firms, develop own specialised government relations division, actively involved, use political consultants/ lobbyists, pursue internal coordination of government relations activities

Dependent on factors...

- **Firm's industry**; level of politicisation, dependence on government approvals/ contracts
- **Firms culture**; adversarial approach is accepted?
- **Political Setting**; levels of government, traditional strength of business/ government relationship
- **Political parties**; strength relationship business & political parties

Cultural Dimension Frameworks

High vs. Low Context Cultural Framework (Hall 1976)

- **High**; what is unsaid but understood carries more weight than written/ verbal comments
 - Relies on trust for agreement
 - Personal relations add to business
 - Chinese, Korean, Japanese, French, Arab,
- **Low**; focus on specific of what was said/ written
 - Trust secured with legal agreement, personal relations detract from business
 - Swiss, German, Scandinavian, American, English

Kluckhohn and Strodtbeck – Variation in Value Orientation

- **Relationships to nature**; people have need to control nature (domination), submit to nature (subjugation), work in harmony and balance with nature (harmony)

- **Beliefs about human nature;** people are inherently good, evil, mixture of good and evil
- **Relationships between people/ responsibility;** greatest concern is oneself and immediate family (individualist), for one's own group (collateral), one's group that arranged in rigid hierarchy (hierarchical)
- **Nature of human activity;** people should concentrate on living for the moment (being), striving for goals (achieving), reflecting (thinking)
- **Conception of space;** physical space use in private, public, mixture of both
- **Orientation to time;** make decisions based on past, present, or future

High preference for one assumption does not imply low preference for other two assumptions.

	Variations		
Environment	Domination	Harmony	Subjugation
Time Orientation	Past	Present	Future
Nature of People	Good	Mixed	Evil
Activity Orientation	Being	Controlling/ thinking	Doing/ Achieving
Responsibility	Individualistic	Group	Hierarchical
Conception of Space	Private	Mixed	Public

e.g. *doing* – employees motivated to achieve goals. *Being* – employees work as much as needed to support lifestyle