



Market and Policy in Argentina: Exploring the Non- Market Strategies and Government in A Hybrid Regime

Paola De Simone¹

ABSTRACT

This paper investigates the nature of non-market strategies in the case of expanding business in Argentinian. Result of the enquiry presents a new conceptual framework that allow us to understand the Argentine reality in a proper manner. The full investigation suggests that in other countries the non-market strategies are being studied, without establishing a discipline. Academic material and specific courses have been developed in the business schools of the universities, but, except in specific and small cases, there is no research field and cases developed in Argentina. The expanded research hypothesis argues that companies in Argentina do not understand how to approach the political decisions of the State of hybrid political regimes in matters that concern them. Companies focus on market logic without understanding the logic of "non-market" environments.

Keywords: Non-market strategies, Government in business, Argentina.

Available Online: 25-01-2017

This is an open access article under [Creative Commons Attribution 4.0 License](https://creativecommons.org/licenses/by/4.0/), 2016.

1.0 INTRODUCTION

The last 20 years, the most important companies' CEO became to realize that for business success, they take the 90% of their time in activities that don't have relation with the product or service that they sell, but with non-market things that influence directly in their companies' profits.

In this sense, customers, social movements, Non-governmental organizations (NGOs), the government and the Unions such as media have a new influence that change the ways of consume. The Market has to deal with more demanding customers and regulatory policies. The non- market environment become

¹ Associate Professor, Universidad Argentina de la Empresa (UADE), E-mail: pdesimone@uade.edu.ar

is more important for business. The managers must dedicate time to understand the non-market environment. The customer buys an experience, not only a product or a service. They also pay attention in sustainability, environment care or in the way the company works and hires people. Important companies have lost customers because of the way that manage the production; for example, exploiting workers or polluting the environment.

We see the need of governance, but in the market. It is, the involvement in the decisions of public and non-public actors. In this case, we have market and nonmarket actors. By the other side, the State is an actor that implement policies with many different interests that affect people's reality and company's business. With different logics (profit and welfare) both market and state have dynamics that constrain activities. This is pointed out in the so-called hybrid political regimes like Argentina

Understanding that the academic areas of Business Administration and Business lack specific training in Social Sciences subjects, knowing that companies are developing non-market strategies to improve the performance of their business and within the framework of a research project that we are At the Universidad Argentina de la Empresa, whose main objective is to see the state of the subject in Argentina, we are exploring different conceptualizations of the dynamics between the Market and the Politics in order to understand the dimension and scope of these phenomena and to develop analytical and practices.

This paper will show the first approaches that we found in the analysis of the bibliography and the build a new conceptual framework that allow us to understand the Argentine reality in a proper manner. The full investigation suggests that in other countries the non-market strategies are being studied, without establishing a discipline. Academic material and specific courses have been developed in the business schools of the universities, but, except in specific and small cases, there is no research field and cases developed in Argentina.

The expanded research hypothesis argues that companies in Argentina do not understand how to approach the political decisions of the State of hybrid political regimes in matters that concern them. Companies focus on market logic without understanding the logic of "non-market" environments. It is assumed that there are concepts and tools of the Social Sciences, such as governance, that allow to understand this situation to improve the profitability of the business in political systems with hybrid regime as Argentina.

In the following pages we will explain the theoretical analyses developed, explain the particular characteristics of the Argentine political regime as a hybrid, the definitions of State and Market and the construction of categories in themselves of the non-market environment.

2.0 ARGENTINA, HYBRID REGIME: ELECTORAL DEMOCRACY

In the 1980s, Latin American countries became part of the well-known "Third Wave of Democratization" conceptualized by [Samuel Huntington \(1994\)](#). The author establishes that states with authoritarian regimes transition to democracy either through a transformation (when the elites in power take the reins to democracy and the authoritarian regime breaks or is interrupted), a transfer (when democratization came to great features of uniting government action with opposition groups) or replacement (when the military regime was changed by a defeat of authoritarian rule and sank as a result)². The case of Argentina in 1983 was the last concept in relation to the precipitation of the end of the Military Process by the defeat in War of Malvinas of 1982.

The concept of transition to democracy implied leaving definitively the authoritarian models in relation to building a "developing" country linked to the most stable institutional change. As [Levitsky and Way \(2002\)](#) enumerate, four minimum criteria must be met: 1) Executive and legislative power are elected by

² Hunting, Samuel P. (1994): La Tercera Ola. La democratización a finales del siglo XX, Paidós, Buenos Aires, página 111.

free, open and clean elections, 2) All adults have the right to vote, 3) Political rights and civil liberties, including freedom of the press, association and criticizing the government without reprisals, are respected, 4) Elected authorities have the real power to govern, as they are not subject to any kind of guardianship, military or clientelist control. This is, in short, the distinguishing characteristics of Poliararchy according to Dahl.³

This analysis understands that both democracy and authoritarianism are clear and exclusive conceptual categories. Authoritarianism is the starting point, democracy the aspirational point of arrival.

This transitional process to democracy parallels the process of retraction of the Welfare State, that is, the premise extended between the 1980s and 1990s that the State should only deal with certain aspects such as health, security, social assistance and to leave aside all the activities that link it with the Market. Authoritarian and interventionist, the Soviet state was dismembered for different reasons and is replicated that these obsolete dynamics must be discarded to reach a democratic and economically developed state. In both the 1980s and 1990s, the states that open up democracy are moving this road. Argentina was no exception.

The Alfonsín's government carried the inheritance of the authoritarian past in two key economic points: the indebtedness of the state and the crisis. With other unsuccessful political attempts, the president had to make the Austral Plan and agree to the refinancing of the debt (after the failure to "politicize the debt") with the International Monetary Fund.

With different shades, all the presidents of Argentina in the democracy had the same matrix linked to the prevailing economic logic: the withdrawn state of the economy, assisting, but not intervening, choosing particular corporate actors that are favoured. In this sense, an empty policy space was created, but full of people who do not meet their demands in the state and will not be taken by the market if they do not generate profit. This space is the one that generated new actors such as NGOs, Social Movements, etc. Many authors call it "gray zone". These actors have specialized in their fields of influence and it is the link with them that the State needs to articulate to formulate efficient public policies. This modality of articulation of the policy with the non-public actors to improve the practices we will call governance.

After more than 30 years, deep global and local phenomena, social networks, new actors and more, the concept of transition to democracy is still used. This means that countries that began their democratization process in the 1980s will be defined as failed states and / or weak institutions, economically and politically underdeveloped. They have not yet reached "democracy." Hence, their problems.

In this paper, we want to complement the view of several authors, that the concept of transition to democracy is obsolete. It is an inappropriate category that does not allow us to analyse the dynamics of the Argentine political system. In this sense, we will coincide with [Carothers \(2002\)](#)⁴ who wrote about the end of the paradigm of the transition framed in the Third wave of democratization. Here there is also a "grey zone" or "foggy zone" between democracy and authoritarianism.

This new category of political regime will be called the hybrid regime concept. There are many classifications of them: the closest to liberal democracy is electoral democracy and the closest to authoritarianism is competitive authoritarianism. In all of them, the elections matter. Each regime in each country operates with its own dynamics. That is why the concept of hybrid. They are not less democratic. They are hybrids. They are like this. Understanding the dynamics is the first task of political science to stop extrapolating foreign concepts that do not allow to understand the operation of the Argentine political system. In this sense we consider that the constitutional engineering, i.e. the legal framework

³ Levitsky, Steven and Way, Lucan (2002): The Rise of Competitive Authoritarianism en *Journal of Democracy*; pp. 53.

⁴ Carothers, Thomas (2002): The End of the Transition Paradigm en *Journal of Democracy*; pp. 5-21.

that determines the form of government (parliamentary or presidential) does not respond to understand the dynamics of the operation of the hybrid regime.

The Argentine political system is solid, operates with its own dynamics that can be seen as deficient or bureaucratic. The National Executive Power, the centre of the political system, develops a characteristic dynamic that, regardless of the nuances of the current government, responds to rebuilt the country by an earlier catastrophic past with conspiratorial styles and the need for a large amount of years to return to place Argentina in the place it deserves.

And here we add a further distinction of the hybrid regimes: the national political dynamics is not the sum of the political dynamics of the provinces or municipalities. That is, therefore, political parties at the national level do not have the same conformation as in the provinces. We incorporate the subnational dimension of both parties and the dynamics of the provincial political system. Political parties are vehicles to reach public office. There is no partisan loyalty action. Alliances change or consolidate according to the candidates rather than platforms or ideologies. Argentina is a country where the left-right categorization is not enough to understand the position of the parties or the candidates. In this sense it is very useful to incorporate the "high and low" dimensions of Pierre Ostiguy⁵ who develops these concepts from the point of view of the form of attraction to the voter. Both dimensions have two sub-dimensions that are political-cultural and sociocultural.

In the High dimension, the political-cultural sub-dimension candidates are institutionalized mediated with respect to society, that is, there is less direct contact, especially in the form of election. It is a more impersonal and procedural authority. The sociocultural sub-dimension is related to the behaviour of the candidate, his manners, his education, his good manners.

In the Low dimension, the political-cultural under-dimension implies that the candidate has strong personalist authority and leadership. In the sociocultural sub dimension, the candidate is uninhibited, culturally popular, close to the people. Despite the differences, the candidates in Argentina have to be shown in the LOW dimension to be voted on. There is a personalistic and paternalistic logic that must represent the executive power. Have "hands in the dough", that works completely for people. In the 2015 election, all presidential candidates have made the same style of election campaign based on these categories.

We reiterate the distinction between constitutional engineering (the institutional structure) and the dynamics of the political system (the actual functioning).

This work does not focus on analyzing the hybrid regimes in general, but rather on showing that this concept allows us to understand the Argentine political regime in order to understand the particularities of the "non-market" environment.

Our country is considered by the Freedom House index as a free country for both respect for civil rights and political freedom. Argentina is an electoral democracy because while it complies with the minimal aspects of liberal democracy some national practices and some local practices have to be less objective. The lack of alternation in executive powers, the tendency to close political games in the provinces, clientelist assistance, and lack of transparency in public accounts place Argentina within the hybrid regime category as electoral democracy. The rate increase made by the current government and rejected by the population began to reincorporate subsidies and discounts for those who cannot afford it. The policies that have been carried out except for the subject of withholdings to the field and the stump to the dollar, continue the social programs of the previous government. Even thinking about the 2017 legislative elections.

⁵ Ostiguy, Pierre (2009): *The High and The Low in Politics: A two-Dimensional Political Space for Comparative Analysis and Electoral Studies*, Notre Dame Working Papers 306.

With a strong and personalist president, despite the nuances that the center occupies without responding to the ideologies of left or right, and with a set of social welfare policies, the Argentine governments of democracy, respond to the international logic of The retraction of state in the economy. They may intervene, but more for the purposes of the government of the day than for the welfare of the citizens. The consequence, the grey spectrum that developed the new actors.

3.0 ACTOR / SOCIAL CONSUMER VS. "NO-MARKET" STRATEGIES

Connectivity, instant access to information, awareness of the environment, ecology, global warming, healthy food, violence against animals, migration, refugees, factor mobility, among others are factors that turned common man in an actor / social consumer with a more effective decision-making and organization. Social networks accelerated this process.

With this change of reality, the market also began to have another dimension of competition. According to [David Baron \(2011\)](#) the competition of a company was another company before. Now there is a "non-market" environment that competes with companies⁶. This means that the actions of the social actors / consumers affect the profitability of the company.

Company CEOs have to spend most of their time developing actions that are linked to the "non-market" environment to sustain and grow their dividends. Scholars of the central countries called them non market strategies.

According to Baron, the business environment has two environments: the market environment and the non-market environment. The manager has to arbitrate and design market strategies and non-market strategies. Each environment determines elements for business. The market environment establishes the significance of non-market affairs for the company. The non-market environment delineates business opportunities.⁷

The analysis of the non-market environment includes general variables such as issues, interests, institutions and information. Measuring the relative importance of each aspect and being able to categorize it is perceived as an analytical approach to developing the non-market strategy.

The literature on this topic is very interesting and mentions different approaches to how the non-market is perceived. [Bakker, den Hond, King and Weber \(2013\)](#), analyze the different points of contact between the relations of social movements and civil society, on the one hand, and the business world, on the other. They mention that organizations "interpenetrate" society so individual and collective dynamics change customs and customs⁸. [Doh, Lawton and Tazeeb Rajwani \(2012\)](#) believe that companies should invest more in non-market practices and adapt them to each country in which they operate.⁹

The Market seeks to study the non-market from its logic and from the contrast of environments. In the research that we are developing in UADE, we begin to redefine some traditional concepts giving them own entity so as not to resort to the opposing vision. We find that Political Science, Economics and Administration resort to simplify or underestimate this vision without understanding that the real situation requires an interdisciplinary and novel approach.

⁶ Baron, D.P (2011): Business and its environment, Stanford University, Pearson Prentice Hall, Cap 1.

⁷ Baron, D.P (2011): Business and its environment, Stanford University, Pearson Prentice Hall, Cap 1.

⁸ Bakker, Frank G. A. den Hond, Frank, King, Brayden and Weber, Klaus, (2013) Ahead Social Movements, Civil Society and Corporations: Taking Stock and Looking, Organization Studies, 2013 34: 573

⁹ Doh, Jonathan P.; Lawton, Thomas C. and Rajwani, Tazeeb (2012). Advancing Nonmarket Strategy Research: Institutional Perspectives in a Changing World. Academy of Management Perspectives, 26(3), pp. 22–39

If State seeks the common good and the Market, the profit, what do the social actors / consumers want considering that they are in the grey zone? How their political demands are satisfied and attracted to the purchase of a product?

Our work focuses on elucidating the complexity of the non-market environment. We analyse what are the particular characteristics according to Argentine companies and public authorities and how the concept of governance for the non-market environment could contribute to a better understanding by companies according to the needs of social actors/consumers. In this article, we will only categorize the complexity of non-market environment and outline some approaches to the concept of governance and non-market governance.

4.0 COMPLEX STATE-ACTORS / SOCIAL CONSUMERS

This section will establish that the non-market environment is the State-Actors/Social Consumers (SASC) complex. We agree with Baron that there is competition between the two environments. What we understand is that there is a combination between the public logic and the private logic in each environment.

The SASC complex combines NGOs, trade unions, the current government, social movements and individual actors. In addition, the State has different levels: National, Provincial and Municipal. However, within the SASC complex there is also a competition between the parts as there is in the market with the companies. *The dynamics are much more complex because there are so much more actors, they have different interests and, therefore, different actions. In the market, companies compete for consumers and establish a strategy for it, it is more direct than doing it in the complex SASC environment. Within the same SASC complex there may be internal conflicts (labour unions and government) or different conflicts with the market environment: (labour union-companies- or government-companies).*

For the company, the SASC complex is more intricate than the market environment. Now, this is how we see Argentina with the new government of Mauricio Macri. He called people from the private world to work in the public ministries and manage public affairs. The debate is if the CEOs can work in the state. We see that CEOs should have more training in governance because nowadays they have to deal with non-market strategies. In the management they cannot monopolize the handling of the number of variables that has the SASC complex. The same difficulty they perceive as ministers, they have as CEOs but they underestimated the impact of the environment on the market. The complexity of the actors comes to deepen and although these events also happen in the central countries, these phenomena are more intricate in the countries with hybrid regimes like Argentina.

That is, public and private management are more inelastic with the increasing demands of social actors / consumers occupying the grey (non-public) area. Here we incorporate the concept of non-market governance which is defined as the good practices of companies in order to articulate and contain the demands of social actors / consumers for capitalize their expertise. That result will improve the performance of the companies.

The non-market governance does not imply Corporate Social Responsibility. In this article, we present it as a different instrument to mitigate the negative consequences for the business of the SASC complex and increase the profitability of the company. The analysis we try to establish is that the Market uses its own logic to analyse the "non-market" or SASC complex considering it as an equal competitor to what it could find in the business environment.

In this sense, company executives could have an intense training in the social science and this could be a tool to understand a different reality which is not fixed in the goals of a business or in a balance sheet. How can they write in the budget "expenses for demonstrations", "funds for environmental problems" or "expenses for dissatisfied consumers"?

Many foreign examples of how an individual action of a dissatisfied consumer generates a significant problem in a company, invites us to reflect and investigate more about this new academic branch that combines Social Sciences and Administration. A singer travelled by an airline that broke his guitar. It was in charge of uploading a video with a song of this fact that was viralized. A terrorist event like September 11, 2001 changed the way to travel by plane. Mining companies know that they deal with ecologists because of the activity they perform. Teaching to recycle rubbish has an economic and social impact. A smoke-free country implies that cigarettes have to sell cigarettes with horrible pictures in their packages and, at the same time, the recruitment of human resources is more complex because of the product they market. We add that, in Argentina, the current government intervenes with public politics that can hinder the business of the companies or increase the protests of the social actors / consumers.

Non-market governance as a binding of the SASC complex is a field to explore and exploit (in a positive sense of the word) and it is what we are doing in our research. Listening to companies, the State and different social actors / consumers in Argentina is an important and necessary work to be able to measure, compare and understand problems, solutions, demands and obligations of social actors. The Social Sciences are not soft, they are sciences.

The next paper will tell you the empirical part of our survey with multinational and big national companies that operate in Argentina. We asked them about the non-market environment and the factors that affect the business. So, we explore the perception about the component of the SASC complex: current government, unions, social movements, NGOs and consumers.

BIBLIOGRAPHY

- Bakker, Frank G. A. den Hond, Frank, King, Brayden and Weber, Klaus, (2013) Ahead Social Movements, Civil Society and Corporations: Taking Stock and Looking, *Organization Studies*, 2013 34: 573.
- Baron, D.P (2011): *Business and its environment*, Stanford University, Pearson Prentice Hall
- Baron, D.P. (1995). "Integrated Strategy: Market and Non-market Components," *California Management Review*.
- Behrend, Jacqueline (2011): The unevenness of democracy at the subnational level. Provincial Closed Games in Argentina, en *Latin American Research Review*, Vol. 46, No. 1.
- Boddewyn, J.J. (2003). "Understanding and Advancing the Concept of 'Nonmarket'," *Business & Society*.
- Buckley, P.J. & Casson M. (1993). "Economics as an Imperialist Social Science," *Human Relations*
- Carothers, T., (2002): The End of the Transition Paradigm en *Journal of Democracy*; pp. 5-21.
- Cerrillo i Martínez, Agustí (2005): *La Gobernanza Hoy: 10 textos de referencia*, Estudios Goberna, Ministerio de Administraciones Públicas, Barcelona.
- Dahl, R., (2004): La democracia, en *Postdata #10*, págs. 11-55.
- Dann, Jeremy (2009): Why businesses need "non-market strategies" en <http://www.cbsnews.com/news/why-businesses-need-non-market-strategies/> consulta 25 de septiembre de 2015.
- De Simone, Paola, (2011): *Geopolítica y movimientos sociales*, Mimeo, Academia.edu
- De Simone, Paola, (2004): "La odisea de la economía argentina. Un estudio sobre la historia económica del país desde 1930" junto con Eduardo Gorosito, Ediciones de la Universidad, Buenos Aires
- Diamond, L., (2002): Thinking about Hybrid Regimes, en *Journal of Democracy*; pp. 21-35.
- Doh, J. P., Lawton, Thomas C. and Rajwani, Tazeeb (2012). Advancing Nonmarket Strategy Research: Institutional Perspectives in a Changing World. *Academy of Management Perspectives*, 26(3), pp. 22-39
- Gibson, Edward L. (2010) Politics of the Periphery: An Introduction to Subnational Authoritarianism and Democratization in Latin America en *Journal of Politics in Latin America*, volumen 2, páginas 3-12.
- Gilpin, Robert (1996): The Nature of Political Economy en *International Political Economy. State-Market Relations in the Changing Global Order*, editado por Lynne Rienner Publishers, Londres, 1996.
- Granovetter, M. (1992). "Economic Institutions as Social Constructions: A Framework for Analysis," *Acta Sociologica*

- Hernandez-Bonivento, José Andrés (2011): Capacidades, instituciones y gobernanza democrática local: elementos para el estudio de los gobiernos locales en América Latina, *Circunstancia*. Año IX - N° 26, Sevilla. <http://ortegaygasset.edu/fog/ver/1205/circunstancia/ano-ix---n--26---septiembre-2011/articulos/capacidades--instituciones-y-gobernanza-democratica-local--elementos-para-el-estudio-de-los-gobiernos-locales-en-america-latina>
- Kuttner, R. (1998). *Everything for Sale: The Virtues and Limits of Markets*. New York
- Levitsky, Steven and Way, Lucan (2002): The Rise of Competitive Authoritarianism en *Journal of Democracy*; pp. 51-65.
- Mahon, John F; Heugens, Pursey P. M. A. R. and Lamertz, Kai (2003): Social networks and non-market strategy en *Journal of Public Affairs*
- Ostiguy, Pierre (2009): *The High and The Low in Politics: A two-Dimensional Political Space for Comparative Analysis and Electoral Studies*, Notre Dame Working Papers 306.
- Schedler, Andreas (2002): The Menu of Manipulation, en *Journal of Democracy*; pp. 36-50.
- Strange, Susan (1996): "The Retreat of the State: The Diffusion of Power in the World Economy", Cambridge University Press.
- Tsebelis, G., (2006): "Jugadores con veto: cómo funcionan las instituciones políticas", FCE
- Williamson, O.E. (1999). "Public and Private Bureaucracies: A Transaction Cost Economics Perspective," *Journal of Law, Economics and Organization*