

Strategy Beyond Markets

Session 2: Regulation of Autonomous Vehicles

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Auto Safety: Past, Present, and Future



Bersey Electric Cab



Ford Pinto



BMW M3



Self-Driving Cars:
Mercedes, Google, Volvo

Session Outline

- Break into assigned roles (companies and groups)
 - Consumer Reports
 - General Motors or other traditional auto manufacturers
 - Mobileye/Intel
 - State Farm or other insurance companies
 - Tesla
 - Uber
 - Unions (Teamsters, SEIU, others representing low-skill workers)
 - Waymo/Google
- 10 minutes: discuss your assigned company or group's
 - Overall objectives
 - Political resources
 - Positions on key policy issues
- General discussion of policy issues (taking assigned role)
- General discussion of policy process (outside of roles)
- Wrap-up lecture : Self-Regulation and Government Regulation

Policy Issues (in roles)

- Degree of autonomy: Should self-driving cars be partially autonomous (sometimes operated by driver) or fully autonomous?
- Safety and liability: Should automakers always use the best available safety technology? How should liability be handled?
- Jobs: Will AVs result in job losses? If so, what should be done about this?
- Choice and control: Who should make decisions about programming (e.g., the degree to which a car prioritizes the safety of its passengers over the safety of other people) and design (e.g., whether to have partially or fully autonomous vehicles)?
 - The government?
 - Individual companies?
 - Individual consumers?
- Others suggestions for topics?

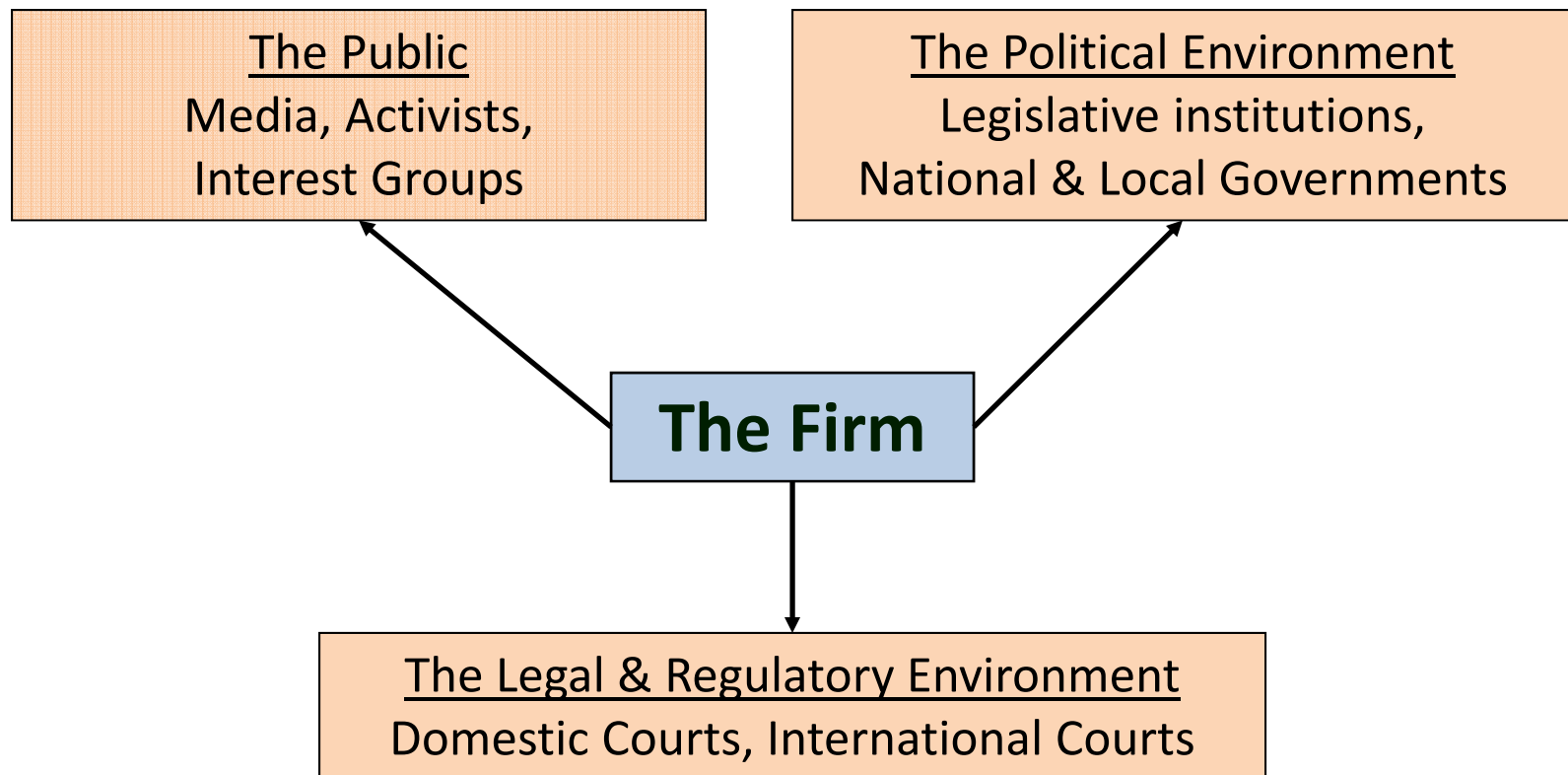
Policy Process (outside of roles)

- Shared or divergent interests: What regulatory policies will expand the market? What policies will advantage one company over others?
- Regulators' perspective: What are their goals? What are their nightmares?
- Geographical variation: How will regulation vary across states and across countries? How will this affect companies' market and nonmarket strategies?
- Self-regulation: Will autonomous vehicle companies successfully self-regulate? Why or why not?

Self-Regulation

Voluntarily choosing to follow standards that are more demanding than what is required by law

Self-Regulation and Strategy Beyond Markets



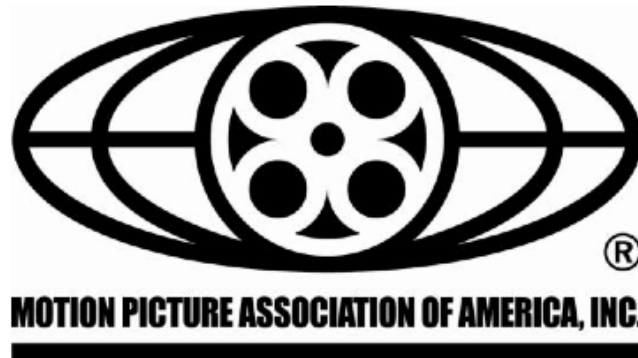
Motivation: Maintain Consumer Confidence



SUSTAINABLE
FORESTRY
INITIATIVE

Good for you. Good for our forests.®

Motivation: Avoid Government Regulation



- Early 1900s: state and local censorship
- 1922 Production Code: no lustful kissing or suggestive dancing
- 1968: ratings system (G, PG, R, then PG-13 & NC-17)
- Voluntary, not required by law

Motivation: Avoid Legal Trouble

Microsoft's litigious decade

In America....

- 1993 Justice Department launches probe
- 1994 Jul: Justice Dept reaches settlement with Microsoft over charges that it blocked competition from Novell and others
- 1995 Apr: Microsoft drops acquisition of Intuit after Justice Dept lawsuit
- 1997 Dec: Justice Dept says Microsoft broke 1994 agreement. Judge orders Microsoft to "unbundle" Internet Explorer browser but it does not
- 1998 May: Court rules in favour of Microsoft in unbundling case
- 2000 Apr: Judge orders Microsoft be broken up
- 2001 Jun: Appeal court rejects Microsoft break-up, imposes "behavioural" remedies

Microsoft

and Europe....

- 1997 Nov: European Commission (EC) settles charges that Microsoft blocked competition from a Unix software firm
- 2000 Feb: EC investigates bundling of features in Windows 2000
- Aug: EC says Microsoft blocked competition from Sun Microsystems
- 2001 Aug: Competition officials accuse Microsoft of blocking rivals in audiovisual market by bundling its Media Player into Windows
- 2003 Aug: Brussels warns Microsoft it may be fined, required to unbundle Media Player or to carry rival software
- 2004
- Mar 15th: EU member states endorse EC's draft decision
- Mar 18th: After talks with Microsoft's Steve Ballmer, Mario Monti says settlement "has not been possible"



Why Self-Regulate?

An alternative strategy

- Fight against legislation & regulatory rulemaking
- Delay compliance as long as possible

Advantages of self-regulation

- Useful in opposing government intervention
- Compromise now to avoid aggressive intervention in future
- Craft standards that are less burdensome

But there are challenges....

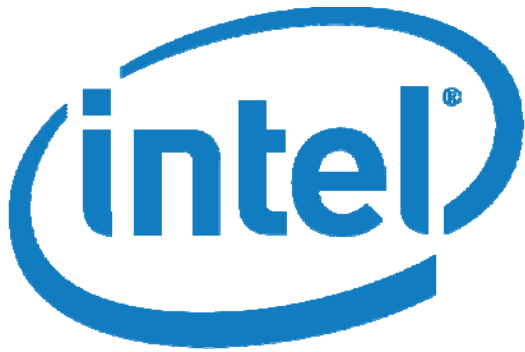
Credibility (or lack thereof)

- “We cannot allow the reputation of football and Fifa to be dragged through the mud any longer. It has to stop here and now. We have the opportunity to begin on what will be a long and difficult road to rebuilding trust....”



Sepp Blatter, May 27, 2015

Credibility



Competing Self-Regulation Systems



look for the blue card



Collective Action Problems

The sins of your competitors may haunt you

Example: Financial advisers for retirement savings in U.S. (2016)

- Have a collective interest in avoiding regulation
- If they could all limit their actions, they'd be better off
- But, can individually profit by pushing the envelope

Lesson: an effective self-regulation system must either:

- police the entire industry, or
- align incentives so individual firms have an incentive to meet standards

Ongoing Research: Callander, Foarta, and Shotts “Cycles of Self-Regulation”

Failing to Live up to Commitments

PR problems



Regulatory problems



When is Government Regulation Appealing?

Normally firms oppose government regulation

Exceptions:

- Government stamp of approval for credibility
- Standardization in a federal system to avoid heterogeneity & uncertainty
- An individual firm may pursue regulation to restrict competitors' practices
 - Can even be used as a barrier to entry

Key Lessons in Strategy Beyond Markets

- Need an integrated strategy
- Nonmarket issues are pervasive
 - Managers often perceive these as threats
 - But proactive management can present strategic opportunities
 - To seize these opportunities, need
 - Expertise of top leaders
 - Training of people throughout the organization