

Who Manages Cartels? The Role of Sales and Marketing Managers within International Cartels: Evidence from the European Union 1990-2009

October 2012

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Cartels?

BACKGROUND

- International cartels involve two or more independent firms from more than one country colluding on certain terms of trade, such as pricing, in one or more markets.
- The actions of cartelists have a highly detrimental impact on consumers with international cartels commanding 25% in excess of the competitive price.

METHODOLOGY

- The authors seek to shed light on anticompetitive managerial practices by addressing two research questions:
 - are marketing and sales executives involved in international cartels?
 - if so, what is the role of marketing and sales managers within these illegal business conspiracies?
- The analysis focuses on 56 international cartels investigated under European Union antitrust laws in the 20-year period 1990-2009.

KEY FINDINGS

- A substantial proportion (42.9%) of the cartels examined involve marketing and sales managers, although they are rarely the most senior managers within these conspiracies.
- Marketing and sales manager involvement is observed most frequently in worldwide cartels, and cartels within manufacturing industries, where punishments are employed to police the cartel, and where market allocation and customer-sharing practices occur.
- Cartels involving marketing and sales managers are observed to employ different organizational approaches to limit cartel detection, including relatively infrequent numbers of meetings, the increased use of organizational 'punishments' for incumbent cartelists breaking cartel agreements, and more levels of organizational hierarchy within cartels.

POLICY ISSUES

- The results of the study raise the question of how cartel activity, and the exposure of marketing and sales management to serious legal risks, may be reduced. The authors point to how cartel activity is not always publically viewed as comparable with offences leading to personal harm. This being the case, they suggest that, through greater education within management professions, normative and empirical perceptions of cartel activity may be challenged.

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