Activism and Public Relations Basics for Supply Management

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Abstract. What would you do if you opened the door of your office and found the “60 Minutes” television crew ready to do a live interview with you regarding one of your company’s overseas suppliers and its alleged illegal and immoral business practices?

Questionable business practices by foreign suppliers can leave a domestic buyer open to the adverse effects of activism. Social activism represents a real and growing threat. Activists often utilize highly disruptive strategies, including negative public relations and smear campaigns via the media, intervention from governments, and targeted product or company boycotts. Therefore, activists can be a significant force to be reckoned with and are not to be ignored. Their tactics can easily destroy a company’s reputation, negatively impact sales, reduce profitability, lower employee morale, and ultimately even reduce its stock price.

Yet, how much do most buyers really know about their suppliers, particularly those located offshore, and how they operate day-to-day? Recall what happened to Kathie Lee Gifford and her infamous fashion clothing line in 1996. Once the news hit the streets about her alleged use of “sweatshop” labor, the clothing line was completely pulled off shelves in the U.S. Her clothing disappeared permanently once it was discovered that her Honduran supplier, Global Fashion, had actually engaged in undesirable labor practices, such as operating sweatshops utilizing child labor under deplorable working conditions. Savvy buyers need to be aware of these negative ramifications of questionable supplier business practices and learn to use proven tools to prevent and mitigate their effects.

The Problem. What is a “sweatshop?” According to TED Case Studies, “sweatshops do not give fair wages to the employees, do not provide safe working conditions for the employees, evade taxes to the state or the government, and do not contribute to the social and economic health or attributes of the nation.” Also, a 2006 Business Week article looked at pervasive labor abuses in China in a variety of industries: garments, computers, furniture, and household electronics.

The Chinese indicate that substantial ongoing pressure for the lowest possible price has exacerbated the situation, forcing many factory operators to ignore minimum wage, overtime, and work week regulations. Chinese factories utilize a number of mechanisms to screen their abuses, such as maintaining different sets of books, subcontracting to unapproved factories, maintaining locked back rooms inaccessible to auditors, hiring audit evasion consultants, training employees to use scripted replies, hiding original documents, and falsifying official records.

U.S.-based multinational corporations (MNCs) use a variety of techniques to monitor overseas supplier factories in the attempt to avoid such potential problems. The primary emphasis to
date has been on corporate compliance audits, conducted either internally or through a third party. The results of such audits have been mixed in that many suspect suppliers have discovered how to circumvent them using the mechanisms outlined above. Also, each U.S.-based MNC has a different set of internal audit standards which has resulted in “audit fatigue” to the suppliers according to the Business Week article.

Other common techniques of supplier compliance monitoring include: reliance on corporate codes of conduct, supplier development activities to implement more efficient production methods to avoid supplier overtime requirements, formation of industry alliances and standards, use of a balanced scorecard, and third-party certification using a common set of standards developed between customers.

Perhaps the best technique available to supply management is a thorough and properly designed supplier selection process to identify and qualify potential overseas suppliers. During the due diligence phase of the supplier selection process, it is important to impress on potential suppliers the MNC’s requirement to meet local wage and labor regulations. One should consider only suppliers who have previously demonstrated their ability to meet cost, quality, and delivery performance standards, in addition to meeting applicable local wage and labor standards. Also, the MNC should reconsider its demands for the lowest possible purchase prices. This demand for the lowest possible price may lead an otherwise capable supplier to adopt illegal labor management shortcuts to meet this price pressure.

**Dealing with Activists.** Let’s assume that your organization is dealing with an overseas supplier who has recently been discovered using illegal or immoral labor management techniques. The media has discovered this situation and now wants you to address the situation. What do you do? How will you react? The balance of the paper is a recap of Deegan’s 2001 book on Managing Activism, although it is modified somewhat to be used by supply managers.

Social activism exists under a variety of names, including pressure groups, advocacy groups, activist groups, interest groups, or citizen groups. Most are loosely organized local groups often founded around a single “cause,” but other groups, such as Greenpeace, can be far more international in their reach and scope, highly organized, and sophisticated in their media and fundraising activities. However, any group that seeks to pressure companies or governments for change can be labeled as an activist group, ranging from a neighborhood watch group to a global enterprise. Note that all activist activities can cause disruption in some manner.

Activism is typically motivated by a strong sense of moral superiority focused on eliminating perceived social injustices and dangerous living conditions to create a better society for all. For example, Greenpeace USA’s executive director, John Passacantando, recently described its activities thusly. “Greenpeace has indeed changed the world, and we continue to make the world a better place….Our fight to save the planet has grown more serious…. The motives of an activist group can often be far more multifaceted than merely publicizing issues.

Activist groups often use a variety of high-pressure tactics to further their reform agendas. They may use high profile media campaigns to educate the populace, recruit new members and funding sources, influence public opinion, or initiate government action and regulation.
Using a favorably disposed media to get the message out, the following activities, ranging from mild to severe, can be employed (Deegan). These activities often begin on the mild side and escalate as the desired changes are either not made at all or not quickly enough for the activist group.

1. Media contact;
2. Campaigns directed towards legislators or members of the public;
3. Lobbying;
4. Public reform activities;
5. Petition drives;
6. Litigation;
7. Pseudo events (such as Earth Day);
8. Public education;
9. Picketing;
10. Boycotts; and
11. Sit-ins.

However, research indicates that how an organization meets or responds to demands from activist groups will dramatically impact how aggressively or cooperatively the activist group will behave (Grunig). “[A]ctivists often move from direct pressure and lobbying ‘to a more trusting, cooperative attitude, at the first sign of the organization’s willingness to negotiate’.” (Deegan)

**How Not to Deal with Activism.** When initially confronted by the demands of an activist group, most organizations are likely to react with one or more of the following approaches: 1) simply ignoring activists; 2) ignoring them but seeking to influence public opinion; 3) seeking to mislead audiences; 4) persuading activists of the organization’s positions; or 5) fighting back” (Deegan).

Ignoring activists is almost always the first response an organization makes but is usually ineffective for several reasons. First, the organization is typically unprepared and may not know how to respond. Also, there may be some truth in what the activists say. Third, the organization may not want to be viewed as the Goliath in a “David vs. Goliath” struggle. Next, they may erroneously assume that the public will not believe the activists’ claims. Fifth, many organizations miscalculate the real power that the activists can bring to bear on the situation. Some organizations do not want to legitimize the activist group by responding which would give it some perceived credibility. Lastly, the organization may try to outlast the activist group and hope that it fades away over time.

Ignoring the activist group and seeking to influence public opinion is usually attempted through the media. However, it is usually difficult to change public attitudes, especially in the short term. There is also a danger that this attempt may miss some of its intended audience. The public may also view the public relations effort as either being factually incorrect or even manipulative. Note that the activist group is likely to counter the organization’s every move in the media. The unintended consequence may be that the influence tactic may actually build more public opinion in favor of the activists’ position.

Seeking to mislead an organization’s audience is futile at best. In today’s environment of a highly skilled investigative press, the organization is likely to be found out rather quickly which will dramatically reduce its credibility. Former and/or disgruntled employees with a like mind to the activists may share sensitive information with either the activists or the media, and internal documents may be leaked.
Trying to change the activists’ minds through persuasion is never effective. They are activists because they have a passion about changing the world. An organization’s attempts to do so may raise suspicions and negative emotions and actually have the opposite effect by inadvertently affirming the activists’ message.

Fighting back is also ineffective. Trying to discredit activist groups in the public realm is likely to be very time-consuming and expensive, as well as being a long shot at best. This tactic may backfire, increasing public sympathy for the activists.

**How to Properly Deal with Activist Groups and Other External Stakeholders.** Activists tend to think the worst about targeted organizations, often thinking them to be unresponsive, corrupt, inept, or uncooperative. Likewise, targeted organizations feel that the activists are either troublemakers or misinformed. However, research indicates that sometimes the two groups are not as often diametrically opposed as they think they are. If organizations are willing to be proactive regarding potential activist groups and intelligently prepare themselves for such incidents, they can initiate a number of behaviors that will prevent or mitigate costly and disruptive activist activities and adverse public relations.

These behaviors and activities include the following (Deegan):

1. Implementing two-way symmetrical communication with communities, government, and activist groups;
2. Appointing appropriate in-house responsibility for planning for and dealing with activists;
3. Conducting detailed research on potential activist risks;
4. Understanding how activists perceive the organization;
5. Engaging in market research;
6. Building collaborative relationships with activist groups; and
7. Maintaining an ongoing community relations program.

Two-way symmetrical communication recognizes that both the organization and activists have some common ground and interests in addition to separate and conflicting goals and objectives. As such, it is important to create an easily accessible channel of communication between the organization and its various stakeholders, including current and potential activist groups. Ongoing two-way communication helps to facilitate more collaborative negotiations when confronted with activist tactics and pressures. This exercise in relationship-building helps to develop and maintain a more positive community image for the organization.

It is imperative that the organization appoint a trained and qualified central point of contact to deal with actual and potential activism issues before they actually occur. This relatively high-ranking manager needs to possess excellent interpersonal and communications skills, as well as a thorough and complete understanding of the overall organization. Specific training needs include: 1) the ability to conduct relevant research; 2) the ability to develop a strategic communications plan; 3) practiced negotiation and conflict resolution skills; and 4) an understanding of risk communications, public relations, and crisis management (Deegan).

Research here refers to the organization’s ability to keep in touch with its external environment and stakeholder communities. At a minimum, the research program should include: 1) identification of all possible activist groups that may pose a threat; 2) each group’s specific
goals and objectives; 3) the group’s perception of the organization; 4) recent public opinion of the organization and its activities; 5) the organization’s actual performance in areas that may pose an activism threat; and 6) recognition of outside political influences, legislation, environmental initiatives, and changes in technology.

The Internet, trade publications, media, on-line chat rooms, newspapers, magazines, and various other publications are all excellent sources of secondary information regarding how activist groups, the public, and local communities perceive the activities and business operations of the organization. One caveat here, though, is that much of the published information regarding the organization and its relationships with activist groups may prove to be inaccurate, incomplete, or outdated. Only when the organization and an activist group actually engage in a two-way dialogue can much of this information be verified.

Market research firms can be engaged to conduct private, original research for determining how the organization is viewed by the public. This type of research may be either quantitative (measuring the issue) or qualitative (understanding the issue) and keys in on monitoring people’s attitudes, how they are evolving, and whose perceptions are changing.

Building collaborative relationships with various activist groups may be the most challenging activity available to the organization. Beyond the obvious mistrust between the parties, each has differing goals, objectives, and stakeholders to whom it is responsible. An organization must determine which groups to approach and when to approach them. “Ideally, groups should be approached before they have formed opinions specifically on the organization” (Deegan). The organization should not consider the size of groups when deciding which groups to approach. Smaller groups are often more likely to be committed, motivated, and active.

The organization and its designated representative must develop a strong sense of empathy and learn to “think like an activist.” This can help prevent major oversights and mistakes that can needlessly incense an activist group. In making initial contact with an activist group, it is often helpful to use a neutral third party that might facilitate the contact. If no appropriate third party can be identified, it is important to make the first contact with a very senior organization executive which will demonstrate the organization’s commitment to a collaborative relationship.

Finally, it is important to maintain the organization’s contact with activist groups over time. Ongoing communication and exchange can eliminate much of the mistrust inherent in the relationship. Mutual goals should be developed to foster an atmosphere of joint commitment between the parties. An effective tool that can be utilized here is interest-based negotiations, which attempts to identify the needs and wants of both parties and find collaborative means of satisfying them.

**Communicating About Risk.** The operations of many organizations have inherent risks already built in. If an organization does not discuss them with its external constituencies but instead tries to reassure them that there is no problem, people may become suspicious. The natural assumption is to think that the organization is hiding something or that it doesn’t care. Likewise, people are more likely to believe activists’ assertions if the organization does not communicate openly about them. Once the organization’s stakeholders develop a fear of risk, it will be very difficult to reduce it.
This perception of risk is not always based on logic or facts. “[P]eople fear risk more if they do not understand it, do not take it voluntarily, feel they have no control over it, do not trust the organization presenting it, or believe the consequences of the risk to be severe” (Deegan). Risk communication involves proactively discussing risk and what the organization intends to do about it before it occurs. To develop “ownership” in the solution, it is important for influential stakeholders to be more involved in any decision-making process.

There are several principles of risk communications (Deegan) which include:

1. An ongoing process of two-way symmetrical communications;
2. Listening to and accepting concerns regardless of merit;
3. Apologizing for the risks;
4. Seeking to address stakeholder concerns openly and honestly;
5. Using conflict resolution techniques to deal with negative reactions; and
6. Involving stakeholder audiences early on.

The buyer needs to make sure that stakeholder concerns are heard and that they have input. Even if their fears are without legitimacy, they are, nonetheless, real to those who have them. The organization must ensure that it exerts sufficient effort to fully explain the nature of the risk and the plans it has should the risk actually come about. This may involve putting the risk into perspective for each of the stakeholder audiences. People can then understand what risk is being dealt with and how the organization is taking steps to protect their interests. Trivializing the risk can leave the organization vulnerable to social activism pressures and activities.

Key stakeholder audiences to be considered can include:

1. Activists and potential activists;
2. Employees;
3. The local community;
4. Regulators;
5. Politicians;
6. Experts in the field;
7. Opinion leaders;
8. The media; and
9. Members of the general public.

In summary, organizations have a responsibility to behave ethically in their business dealings with others. Ignorance of illegal or immoral conditions at an overseas supplier is no defense in the realm of public opinion. Supply managers must take the necessary steps to ensure that they select the right suppliers and then monitor their activities to prevent the potential negative repercussions of dealing with activist groups.

REFERENCES


