

Prof. D. Mazutis, PhD

Social Context of Business

Week 3a: Understanding Business and Stakeholders



VOTRE LIEN AVEC CE QUI COMPTE — CONNECTS YOU TO WHAT MATTERS

ADM1301A

Week	Day	Date	Topic	Reading
	Wednesday	Sept. 7	Introduction	Syllabus
1	Monday	Sept. 12	The Relationship Between Business and Society	Chapter 1
	Wednesday	Sept. 14		
2	Monday	Sept. 19	Difference Makers Workshop	
	Wednesday	Sept. 21	Understanding Business and its Stakeholders	Chapters 3 & 4
3	Monday	Sept. 26		Chapter 13
	Wednesday	Sept. 28		
4	Monday	Oct. 3	Corporate Social Responsibility	Chapters 7 & 8
	Wednesday	Oct. 5		
5	Monday	Oct. 10	Thanksgiving – No classes	
	Wednesday	Oct. 12	Corporate Social Responsibility (measurement)	Chapter 9
6	Monday	Oct. 17	Group Project Details/Review	
	Wednesday	Oct. 19	Mid-Term Examination	
	Monday	Oct. 24	Reading Week – No classes	
	Wednesday	Oct. 26		
7	Monday	Oct. 31	The Ethics of Business	Chapter 5
	Wednesday	Nov. 2		Chapters 6
8	Monday	Nov. 7	Regulating Business	Chapter 10
	Wednesday	Nov. 9	Governance of the Corporation	Chapter 11
9	Monday	Nov. 14	Ethics in the Workplace	Chapter 12
	Wednesday	Nov. 16		
10	Monday	Nov. 21	The Environment	Chapter 14
	Wednesday	Nov. 23		
11	Monday	Nov. 28	Globalization	Chapter 15
	Wednesday	Nov. 30		
12	Monday	Dec. 5	Sustainability	Chapter 16
	Wednesday	Dec. 7	Integration, Review and Synthesis; Projects Due	
		TBD	Final Examination	

Learning Objectives:

1. Examine civil society stakeholders in more detail
– NGOs and Media in particular
2. Understand how these stakeholders can influence business

Chapter 13: Learning Objectives

- LO 13.1 Non-Governmental Organizations (NGOs)
- LO 13.2 The Case For and Against NGOs
- LO 13.3 Strategies for Relationships with NGOs
- LO 13.4 Partnership Relationships with NGOs
- LO 13.5 The Media Stakeholder
- LO 13.6 The Interaction Between Business and the Media
- LO 13.7 Media Ownership
- LO 13.8 The Media and CSR
- LO 13.9 Policy Development Institutions (Think Tanks)
- LO 13.10 Religious Institutions
- LO 13.11 Educational Institutions

Civil Society: Definition

- Civil society is composed of the voluntary, community, and social organizations or institutions that contribute to the functioning of society but are not related to or supported by government.



The Non-Governmental Organization (NGO) Stakeholder

PETA and KFC

- People for the Ethical Treatment of Animals (PETA)
- Claims to have over 3M members
- Many celebrity endorsements
- Organize massive campaigns and protests against corporations (12,000 against KFC alone)
- Non-profit, but has \$34M in revenues



The screenshot shows a PETA website article. At the top, there is a navigation bar with links: HOME | WHY KFC? | HISTORY & RESOURCES | CELEBRITY SUPPORT | UNDERCOVER INVESTIGATIONS | GET ACTIVE | DONATE NOW. A 'SUBSCRIBE TO E-MAIL UPDATES' button is also visible. The article title is 'Cruelty Capital, USA' and the sub-headline is 'Pamela Anderson KFC Exposé'. The main image is a portrait of Pamela Anderson with a play button overlay. The text describes the inhumane conditions of KFC suppliers, including overcrowding, drug use, and scalding. It also mentions that KFC's own animal welfare advisors have resigned in frustration. A call to action at the bottom of the article reads: 'Please join Pamela Anderson, Sir Paul McCartney, His Holiness the Dalai Lama, The Rev. Al Sharpton, and countless other kind people worldwide by not eating at KFC.' At the bottom of the page, there is a 'CAMPAIGN NEWS FROM PETA' section and a 'Kick the Bucket!' button with the text 'Sign Dink's Petition Against KFC'.

PETA and KFC

- Forced KFC in Canada to agree to:
 - Purchase from suppliers who kill chickens in the least painful way (gas)
 - Insist suppliers have more animal-friendly processes (crowding, lighting, growth-hormones, broken bones)
 - Introduce a vegan faux-chicken sandwich
 - Form an animal welfare advisory panel



Issue: Animal welfare
What would you do if.....

What is your advice to Antonio?



What is a Non-Governmental Organization (NGO)?

- An NGO is any group that holds shared values or attitudes about an issue confronting society and advocates for changes relating to the issue.
- Also called public interest, special interest or just interest groups
- Usually, but not always, non-profit.

How many NGOs can you name?

NGOs



Size of the Civil Society Sector

- In the world: 40,000 international NGOs
- In Canada:
 - 55,000 registered voluntary sector organizations
 - 72,000 if including churches, hospitals, universities
 - 5 million Canadians participate in these organizations in some way
 - Does not include advocacy or political action groups (which can't be charities)
 - Provide over 500,000 jobs and \$13B in salaries

***What are the most prominent issues
being raised by NGOs today?***

NGO Societal Issues Most Relevant to Business

- Animal rights (e.g. fair treatment, oppose consumption)
- Technology (e.g. oppose biotech; GMOs)
- Economic (e.g., oppose capitalism, corporate elite)
- Social development (e.g. gap between rich and poor; social services – housing, health care)
- Workers'/human rights (e.g. working conditions; unions)
- Environment (e.g. nature preservation; pollution)
- Religious activism (e.g. gay rights; abortion)

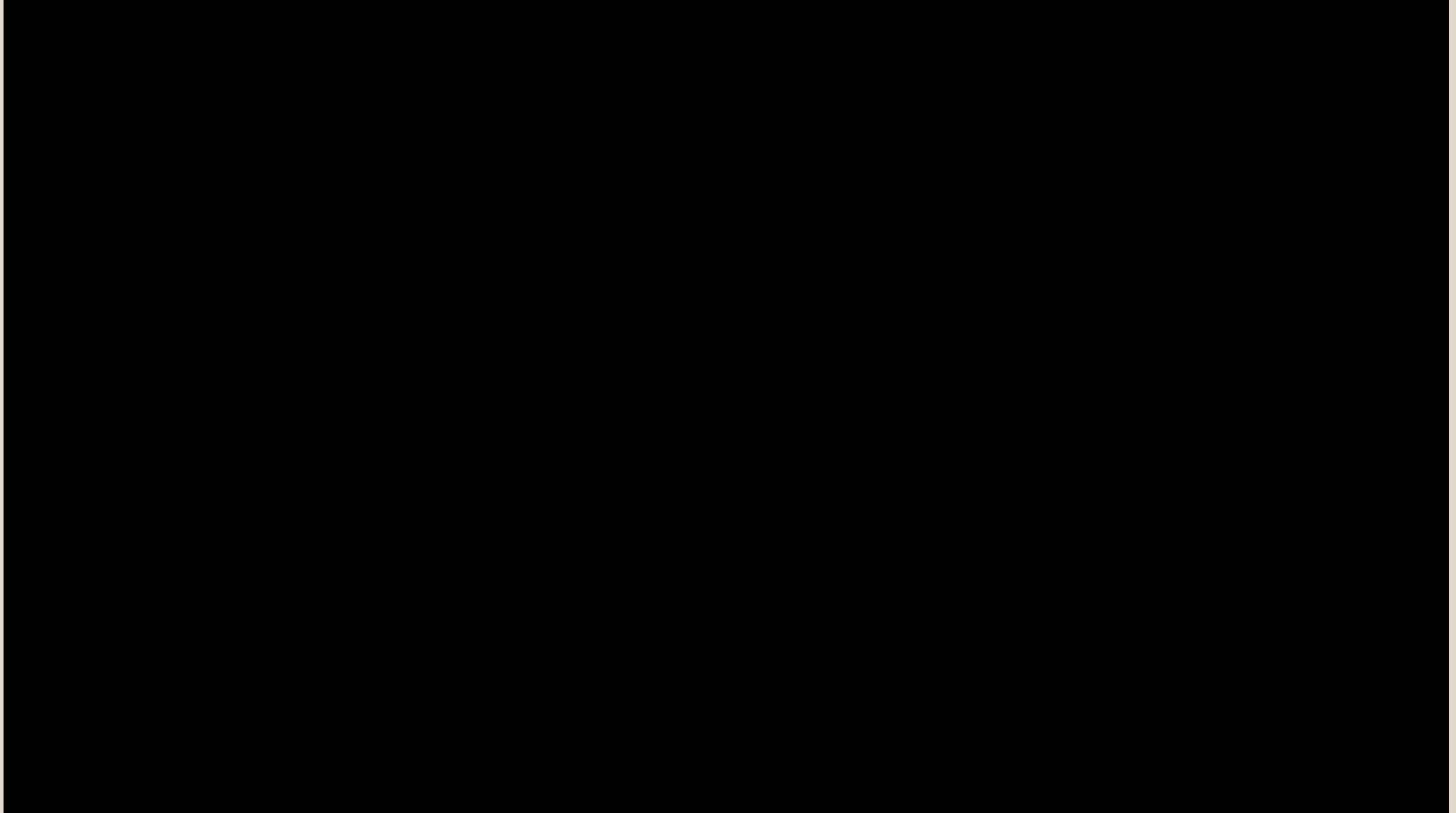
***How to NGOs try to influence
business?***

NGO Tactics

- Pressure on governments to change policies
- Damaging publicity
- Disrupt annual meetings
- Develop shareholder social policy resolutions
- Damaging physical property
- Picket managers' homes
- Sponsor demonstrations or picket corporate locations
- Organize boycotts
- Launch letter-writing campaigns
- Initiate legal proceedings
- Non-violent use of the Internet (i.e., 'hacktivism')
- Develop anti-business websites
- Support anti-business documentaries
- Provide support for alternative sources of goods and services



NGO Tactics - KitKat



As Nestle, what would you do?

The Greenpeace logo, featuring the word "GREENPEACE" in a bold, green, sans-serif font.

GreenPeace and Nestle



- Initial response: force withdrawal of video from YouTube citing copyright
 - Reaction: viral outbreak of criticism on Facebook and other social media
 - Re-appears on Vimeo
- Challenge: limit immediate damage & address palm oil sourcing issue in long term

The Greenpeace logo, featuring the word "GREENPEACE" in a bold, green, sans-serif font.

GreenPeace and Nestle



- Suspend sourcing from Sinar Mas (palm oil supplier)
- Partner with ForestTrust (Non-profit) to audit its suppliers
- Join Roundtable for Sustainable Palm Oil
- Create new position/division – Global Head of Digital and Social media (monitors social media 24h/day)

Strategies for Relationships with NGOs

- Continuum of possibilities: From resist to capitulate to pre-empt
- Do not underestimate NGO's influence
- Reversing a decision from a project shouldn't be viewed as a defeat
- Sometimes selective concessions are sufficient
- Sometimes better to deal with "realist" NGO, not radical ones
- A pre-emptive strategy may be feasible
- Proactively engage NGO

Example of an NGO-Business Partnership: Sustainability Consortium

Launched by Walmart in 2009

A consortium of 90 leading academics, NGOs, government agencies, and businesses
Jointly administered by Arizona State U and U of Arkansas

Mission

Design and implement credible, transparent and scalable science-based measurement and reporting systems accessible for all producers, retailers, and users of **consumer products**.



Partnership Relationships with NGOs

- Four key ingredients to a successful partnership:
 - Corporate and NGO leaders must show leadership
 - The corporation must be open to change
 - Must be a commitment to being committed
 - Partners must have a shared goal

Source: Canadian Business for Social Responsibility, 2005

The Case for NGOs: Benefits from Partnership

- Identifying opportunities and risks
- Influence on public opinion
- Innovation possibilities
- Reputation and trust by the public
- Expertise on specific issues
- Employee engagement

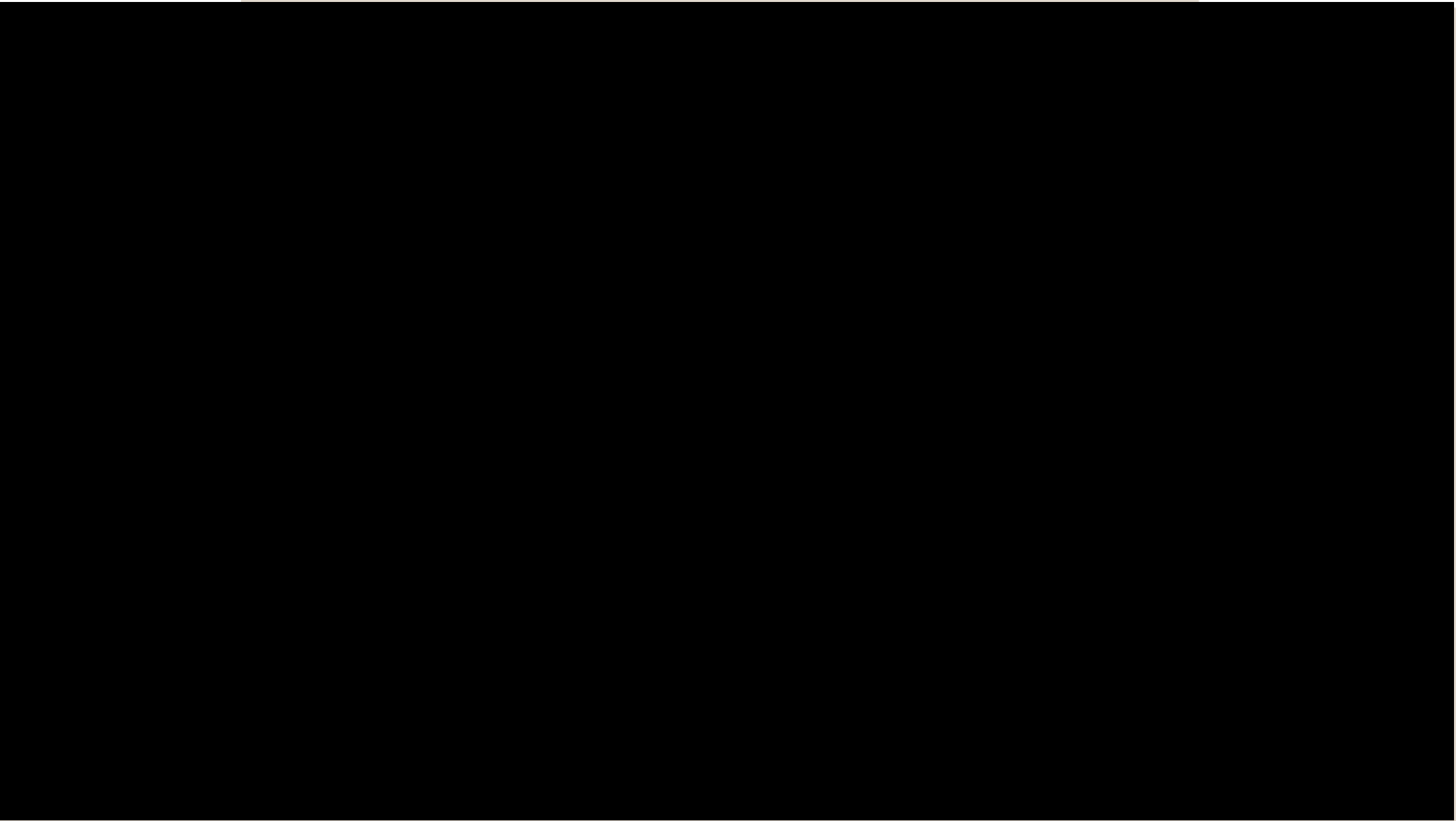
Source: Canadian Business for Social Responsibility, 2005



The Media Stakeholder

The Media Stakeholder

- Dealing with the media is part of managers' responsibilities
- Legitimacy of business is dependent upon public's knowledge of events and issues
- Information spread through newspapers, periodicals, radio, television, and social media



Turing Pharmaceuticals
September 22, 2015



- <http://www.thestar.com/news/world/2015/09/22/turing-ceo-to-roll-back-5000-price-hike-for-daraprim-pills.html>

The Media and CSR

- Ethical, social, and environmental responsibilities of business of increasing interest to public
- This has led to increased coverage of ethics in business and CSR in the media
- Corporations owning media have also recognized importance of CSR or sustainability

Media Ownership

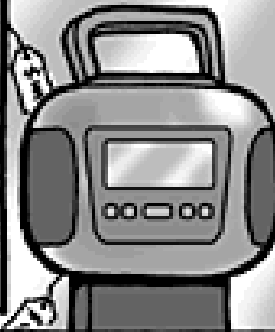
- Business enterprises now own and operate major media outlets.
- Issues:
 - Newspaper monopolies
 - Interlocking ownership between print and broadcasting media
 - Licensing process favours some corporations over others
 - Newspaper chains more focused on profits than professional journalism

ELECTRONICS

OUR TOP STORY:
WHAT'S SO BAD
ABOUT MORE
MEDIA
CROSS-OWNERSHIP?

OUR LEAD STORY:
WHAT'S SO BAD
ABOUT MORE
MEDIA
CROSS-OWNERSHIP?

K-MERGE NEWS:
WHAT'S SO
BAD ABOUT
MORE
MEDIA
CROSS-
OWNERSHIP?



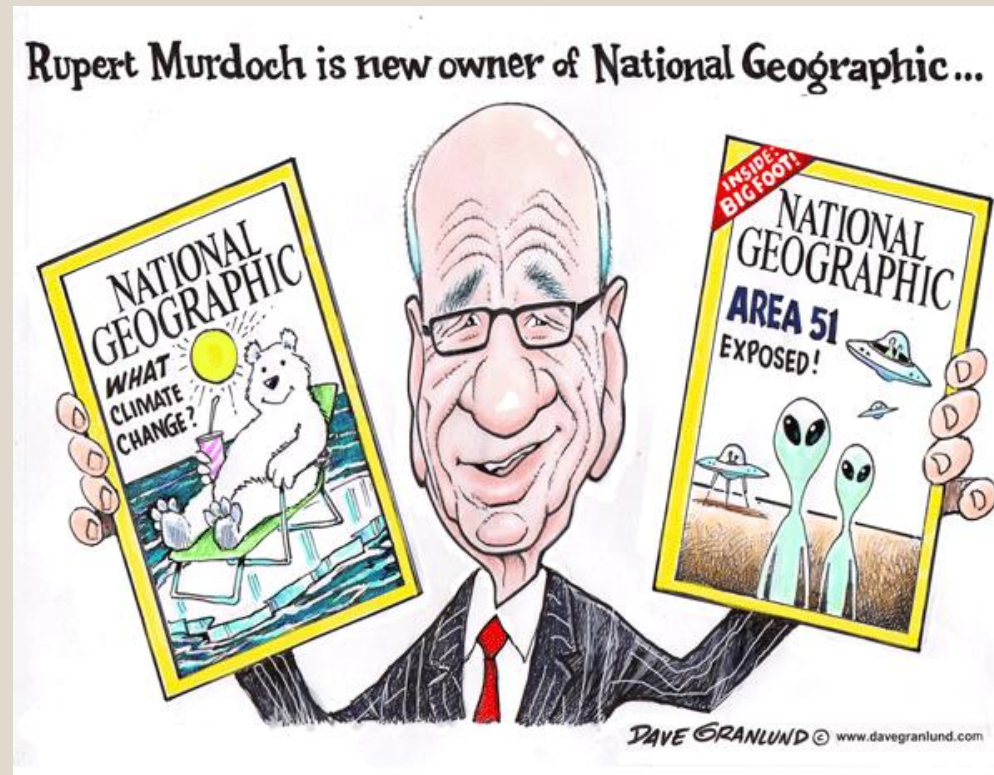
GREENBERG VENTURA COUNTY STAR 2003 sgreenberg@iasidex.com www.greenberg-irf.com



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Media Ownership and Concentration

- Sept 10, 2015: Rupert Murdoch buys National Geographic
- Also owns: Fox News, The Times, New York Post, BskyB, 21 Century Fox, etc.



The Interaction Between Business and the Media

Business complaints:

- Reporters not sufficiently knowledgeable
- Only interested in “bad” news
- Inherent bias
- Do not respect “off-the-record” comments

Media complaints:

- Businesspeople dishonest
- Use excuse that they are only accountable to shareholders
- Overreact to reporting process

Other Civil Society Stakeholders

- Policy Development Stakeholders (Think Tanks)
- Religious Institutions
- Educational Institutions

Key Learnings

- Corporations and their managers must develop a relationship with both NGOs and the media in which managers not only learn about these stakeholders but also recognize their role in society and develop mechanisms for interacting with them.
- This focus is not one-way but instead is a proactive relationship in which managers understand and respect the roles of these civil society stakeholders.

Week 3: Mini-Assignment

Journal Entry – Understanding Stakeholders

- We have been exploring big issues facing business and the role of stakeholders and their influence on business. The purpose of this week’s mini-assignment is for you to apply some of the concepts discussed to current real world events.
- Find an example of a recent newspaper or web article that looks at a specific social, ethical or environmental issue pertaining to a specific company (e.g. an ethical breach at Company X, an environmental disaster at Company Y, the community engagement of Company Z, etc.). Post the article or the link to the article in your journal under Week 3: “Understanding Stakeholders”. Provide a brief note (no more than 250 words) that:
 - Describes the issue
 - Identifies the stakeholders involved and describes their positions regarding the issue
 - Identifies the implications for the particular business(s) involved

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