

Kellogg Insight
The Insightful Leader
Podcast transcript
July 2021 – Brayden King

Jessica LOVE: It seems like, more and more, you hear these kinds of news stories.

[NEWSCASTS] “Google employees all over the world staged a massive walkout today. They accuse the company of mishandling sexual misconduct allegations against executives.” ... “Crossfit CEO Greg Glassman has resigned after receiving backlash for controversial tweets that he made on Saturday about George Floyd and the Black Lives Matter movement.”

LOVE: People across the political spectrum are speaking out about the issues that matter to them. And often roped into these conversations...are corporations. That’s *usually* because companies have a big platform. And big platforms are *pretty* good at amplifying messages.

Now, the way companies use this platform to respond is a delicate dance. Because voicing your support for a movement, or vaguely promising to do better without backing it up comes with a price.

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Brayden KING: We've seen many examples of this in our research where companies will make a commitment, not do anything about it. And they end up becoming more of a focus of movements in the future than less.

LOVE: So, what’s a company to do?

LOVE: Welcome to The Insightful Leader. You just heard from Brayden King. He’s a professor of management and organizations at Kellogg who studies these very interactions between institutions and activists. Today on the podcast — just how effective ARE activists and social movements at bending businesses to their will? Should companies engage? And if they do...how should they respond to activists...all at a time when pressures to strike the right political tone with consumers continue to grow stronger?

There are good and...not so good...ways to respond to protestors. And we’ll get into those in a little bit. Before we even *begin* to consider that, we need to know: Why do businesses listen to protestors in the first place? Are protests effective?

KING: The answer is yes, in the sense that we can just look at history and see how policy issues have changed in response to movements. And if you look at one particular kind of protest tactic, the boycott, then, you know, it’s a clear yes.

LOVE: King did some research on boycotts. And he found that they get some form of concession from their target about one-quarter of the time. But it’s not because consumers decide to stop buying these companies’ products and services. It’s for a more indirect reason: The boycotts pose a serious reputational threat. And that can have a ripple effect.

KING: Protests had a direct impact on how investors viewed the value or the stock price of a company over a 26-day period. So when a protest happened, on average, there tended to be a one-percent decline in the expected returns of that company over that 26-day period.

LOVE: Protests and boycotts can measurably damage businesses, even in the short-term. And they put pressure on companies to respond. So, they *do* respond. And King says some of these responses are more meaningful than others. In fact, he thinks about these responses as existing on a spectrum from the least meaningful to the most meaningful.

KING: What I mean by meaningfulness here is that the least meaningful responses are those that are easy to do. It's less costly for a company to make these kinds of responses. And also they tend to involve less commitment on the company's part. Whereas the more meaningful tend to be higher cost and also more high-commitment kinds of responses.

LOVE: We're about to take a look at these kinds of responses in a second. But know that all of this is built on the assumption that you...the royal you — the company — actually want to engage with a social movement or a protest in a meaningful way. In a way that legitimizes the movement.

If you're staunchly against the changes protestors are calling for and you don't want to engage with them, that's okay. King is *not* saying that all activism is right and that corporations should fall in line. But just knowing what motivates activists, and how they think companies fit into their vision for a better world, can be a helpful framework for understanding the current moment we're in.

If you're still weighing your feelings on activism—or you're worried taking a stance on a social issue will risk alienating some consumers—consider this:

KING: I heard at a conference not too long ago, somebody in the audience asked a communications officer from a major Fortune 500 company when they take a stand on an issue. And the response was “we only take stands on issues that we think resonate with our core values.” So when companies feel that it resonates with their employees' values, with their core values, they're more likely to say something. If it doesn't, they'll sit it out.

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LOVE: Let's take a look at the kind of company response that would mean *the least* to an activist: The public statement of support. You probably saw a lot of this type of messaging after George Floyd was killed by police officer Derek Chauvin last year.

The public response to this was swift and strong, and support for the Black Lives Matter movement saw a steep incline.

KING: And so that shift in opinion changed companies' calculus about how this was going to affect their reputation.

LOVE: Public statements of support from corporations for the Black Lives Matter movement—and just an outright recognition of issues around racial justice and police violence, in general—went up. The companies that didn't speak out felt the heat.

KING: The more pressure that there is on companies by activists to make a statement, then if those companies don't make a statement, they risk sort of alienating those activists and you're increasing the likelihood they're going to be a continued target. You're inviting continued unwanted negative media attention.

LOVE: We've seen this with North Carolina's transgender bathroom bill, and more recently, Georgia's new voting law. What's unique about these responses is that many of the companies and CEOs speaking out don't seem to have any explicit ties to these sorts of causes. In other words, the causes they are championing have nothing to do with their core operations.

King has some insight into why this might be.

KING: It's not that CEOs are kind of political mavericks and using the company's platform as a way to promote their own causes. It rather seems to be that they're trying to use the company platform as a way to express the voices of their employees. Now clearly, not every employee thinks exactly the same way, but in many of these companies, there tends to be a stronger push from their employees to pursue these issues

LOVE: Public statements of support can only go so far. It doesn't mean they're bad. But...

KING: I see them merely as kind of the beginning of a process that can eventually lead to meaningful change within a company.

LOVE: So, if you're going to make a public statement of support for a cause or movement, be prepared to back it up. Because if you don't, you risk being called a hypocrite by activists, and could be on the receiving end of even more criticism as a result.

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There is another way that companies respond to protestors. And it typically happens after companies have been targeted over something specific. So...they make a concession.

[Sound from C-SPAN fades up] Good afternoon, my name is Jim Keady. And I'm here today to tell you about my story with Nike.

LOVE: Nike was a big target of protests in the 90s over accusations that it used sweatshops overseas to produce its apparel. You're listening to C-SPAN's broadcast of one of the protests.

[C-SPAN] I had done months of research that led me to conclude the following: Number one, the Nike Corporation has been one of the grossest violators of workers' rights. Number two, by St. John's being in a contract with this corporation, we are an indirect enabler of Nike's injustices.

LOVE: This particular protest was aimed at pressuring the Department of Labor to close loopholes that let sweatshop practices continue around the world. The speaker you just heard, Jim Keady, was a soccer coach at St. John's University who said he resigned over the school's contract with Nike after learning about its relationship with sweatshops.

This type of publicity was bad for Nike's reputation. Reports tied its eight-percent sales decline in the late 90s to bad publicity. Eventually, the company publicly committed to changing its practices.

It made a concession.

KING: It's notable that Nike changed its tune on this and became one of the leading leaders of their industry, in part, because boycotters were pushing them in that direction to improve their labor standards.

LOVE: But the turnaround didn't happen in a day.

Nike still had to make *infrastructural* changes, which...if we return to our spectrum of meaningful corporate responses to social movements...is more effective than merely making public statements of support or even conceding to pressures.

One example of an infrastructural change is the corporate social responsibility report, more commonly known as a CSR report.

KING: And you may think, "well, these seem kind of like low level kinds of changes," but the reality is that they are not. A CSR committee means you're putting, like, the highest level of the organization's board members on a committee that are specifically charged with dealing with these issues and overseeing the reputation and outreach with activists. And the CSR report is typically of great length. Sometimes these reports, you know, number in the hundreds up to a thousand pages. Just to create a CSR report, you have to put together a team of people inside your organization that can gather all that information and assemble it in a transparent way.

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LOVE: Nike has been doing this since 2001. The reports pushed the company to create new processes that reduced waste, and it partnered with factories to make sure they were treating their workers fairly.

None of this came cheap. But with time, Nike's reputation—and sales—bounced back.

While infrastructural changes are certainly a powerful way for companies to signal that they're committed to a movement's goals. actually *engaging with the activists* often carries more weight. It's a more meaningful way to respond.

KING: Activist engagement is a much more complex process than simply saying, "we hear you, we're making a concession." It means, "hey activists, come talk to us and help us devise better policies and practices."

LOVE: McDonald's did this with Greenpeace, the international environmental group. In 2006, Greenpeace started calling McDonald's out for sourcing food with ties to rainforest destruction in the Amazon. The head of sustainability for McDonald's at the time, Bob Langert, wrote a blog post about it. Here's King reading from that post.

KING: He said "Greenpeace sent us a fax"—this is back a few years—"sent us a fax with a set of demands that made it seem that McDonald's, alone, could solve the soy expansion into the

Amazon biome. Our team thought the proposals were ridiculous rhetoric. I got on the phone with Greenpeace the second day of its campaign and said, 'we agree with you, but don't agree with your proposed solution.' I waited tensely and silently for a long time for its response. I expected that would continue. They would continue with its rhetoric and campaign. Instead, Greenpeace surprised me by saying it was open to working together."

LOVE: Here is what Greenpeace said.

KING: "We understood that McDonald's did not want to expose themselves. Our strategy was to move McDonald's, and others would follow their example. That McDonald's would directly help us recruit others was not in our mind."

So this was an interaction, a kind of collaboration, that surprised both Greenpeace and McDonald's, but created a really fruitful platform for changes in the industry that are still resonating today. So activist engagement is necessary if you want to create meaningful, long-lasting change.

LOVE: King knows that going beyond a public statement of support, and actually taking actions that support a social movement, isn't always easy. It's hard. Which is why companies' efforts to implement change often fizzle out.

King researched this phenomenon. Specifically, he looked at how companies responded when they were pressured to improve consumer safety.

KING: One of my co-authors and I found that more companies were willing to make policy statements or public statements about changes in consumer safety than they were to make implementation of those policy changes...because they lacked internal support or internal know-how to make those changes.

LOVE: To get that internal know-how to make these changes, King says, you need people *in your company* who are going to champion them.

And this, here, is among the most meaningful steps companies can take: Growing the activists from within.

Take diversity issues, for example: Many of the companies that publicly supported the Black Lives Matter movement said they wanted to boost diversity in their workforce. But a lot of research suggests that's easier said than done, King says.

KING: The most common diversity enrichment programs actually have the opposite effect, in terms of managing diversity. So once companies institute mandatory diversity training, job testing or grievance systems, you actually tend to see a decline in diversity, not an improvement.

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LOVE: The things that worked better, according to the particular study that King references, were mentoring programs, diversity task forces and mid-level diversity managers.

KING: The kinds of practices that tend to work in improving diversity are those practices that engage people throughout, up and down the hierarchy of the organization and give champions, or moving allies, a chance to have an influence on the implementation of diversity.

LOVE: Get people in your organization to become advocates for these changes, and you'll find that the additional cheerleaders really make a difference as you chart a new path.

Nike is *not* a perfect company. But in King's view, it has done a good job engaging with social justice activists.

KING: Nike eventually changed because they not only listened to the activists, but then they began to bring the activists in and give them a real seat at the table. Now we kind of think of Nike as a company that is, you know, proactive and engaging on activist issues. It's become like a part of their brand, such that when it put up that billboard of Colin Kaepernick—you know, at the time when Colin Kaepernick was still seen as a bit of a radical by many sports fans—nobody was surprised because they thought, "well, of course Nike will do this because Nike is a company that cares about racial justice, human rights..."

LOVE: So, if you're going to take a stance in support of a social movement, know that you may have to do a little bit more work to convince activists, the public, and your own employees of your allyship.

Beyond public statements of support, you might make infrastructural changes that are more proactive, rather than reactive...like creating committees of people who will hold the company accountable for making certain reforms. Or giving activists a seat at the table by welcoming them into your company's discussions. And you may consider taking the big step of supporting and encouraging allies in your own workplace.

All of these steps can help your organization make changes that are hard, but meaningful.

KING: One of the reasons why I'm hopeful for the future of our world is because I think that activists increasingly do have a place at the table. Companies and governments throughout the world are increasingly willing to kind of let them in, and have them help set better practices for the future. In as much as that continues, I'm hopeful that our practices will continue to change in line to the kind of visions that activists have for our future.

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Mike SPIKES: This episode of The Insightful Leader was produced by Jessica Love, Emily Stone, Fred Schmalz, Kevin Bailey, Maja Kos, and Laura Pavin. It was written by Laura Pavin, edited by Laura Pavin and Jessica Love, and mixed by Mike Spikes.