

CRITICS

ACTIVE ENGAGEMENT: WINNING FRIENDS AND INFLUENCING PEOPLE

By Claude G. B. Fontheim

Several years ago a major international clothing retailer decided to take the future of its brand image into its own hands. And it did so in a surprising way.

Given the nature of its business, this retailer – let’s call it Acme - relied heavily on labor in developing countries to produce goods for its stores. Acme’s executives knew that in today’s media and political climate, reliance on developing world labor made them vulnerable to charges of unfair or unethical labor practices. The company constructively engaged groups, including labor unions and human rights NGOs, which were traditionally thought to be hostile to the firm’s and the industry’s interests.

In my experience, this active engagement approach, when based on authentic CSR practices, is effective in almost all businesses and situations. Indeed, while the effort should be tailored to individual circumstances, I have seen this work for businesses ranging from financial services, technology and energy to entertainment, consumer products and beyond. It has worked for CSR matters ranging from environmental, diversity, development and human rights issues to health care and product safety.

When done right, this saves companies time, money and resources and builds lasting brand value. Most important, it is good for the bottom line and does not mean giving in to unreasonable demands that will undermine your business.

So Acme decided to get out in front of the issue and developed a program of sweatshop prevention before most others in the retail industry took action. The goal was continuous improvement in their supply chain.

LOVE THE ENEMY

In the past, corporate brass might have thought of these groups as the enemy. But this company realized that these organizations are powerful stakeholders that are both media and politically savvy. An honest dialogue and joint action was more effective than waging a battle in the press with these potential critics.

Through active engagement, Acme Retail has built strong relationships that have benefited its business. It has cultivated unlikely allies that have come to its aid publicly when the inevitable crises have erupted. This made Acme’s public response in the wake of controversy more credible and meaningful.

I have also worked with another retailer – let’s call it Zenith - that found itself the target of a high-profile campaign by labor groups alleging widespread use of sweatshop labor. Zenith was initially confrontational in responding to these public attacks and didn’t engage. This initial response caused the crisis to escalate in the press. After unsuccessfully trying various communications strategies, the company looked for a new way out of this very disruptive crisis.

Zenith did not have the sorts of credible third-party relationships that Acme did, but Zenith was still able to deploy an effective active engagement strategy – in the midst of a crisis – and bring the campaign to an end. Zenith’s CSR practices are now widely admired and it has instituted extensive programs to weed out bad labor practices from its supply chain. These programs include partnerships with credible third parties to monitor the labor practices of its suppliers.

What do these experiences tell us about how companies can execute a successful corporate social responsibility strategy by engaging with important stakeholders?

While there are up-front costs associated with developing good CSR practices, the savings in the longer run are large. Active engagement can help generate good stories for a firm when the PR waters are calm; but more importantly, it can do so when storm clouds gather as it has for Acme.

WINNING OVER DETRACTORS

The benefit to corporate reputation, brand and other communications objectives is enormous. For example, these engagement efforts generate beneficial spillover effects, including with government policy makers and regulators.

Of course, deploying such a strategy is not always easy. There is typically a level of mutual distrust at the outset that needs to be overcome between a company and many stakeholders. You need specialized insight and due diligence.

Not all environmental organizations are created equal, for example. Some have greater credibility and influence than others. The same goes for health, labor and other groups. It is important to develop the right partners or allies so that a company doesn't go off on the wrong track in its efforts to engage – a common problem.

Authenticity is also critical to success. CSR and other relevant business practices must be effective in advancing their stated goals. If they are perceived as phony greenwashing, for example, or a cynical effort to co-opt an outside foe, the strategy will backfire.

Engagement backed up by action is not a panacea but it is vital to the effectiveness of any public relations strategy concerning corporate social responsibility. Most important, past experience shows it is a winning strategy for business.

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