Learning Objectives

Upon completion of this unit, students should be able to:

1. Summarize the role of the news media in establishing a business strategy.
2. Discriminate between the various and sometimes contradictory roles that the news media plays in the nonmarket environment of business.
3. Discuss the theories of news media coverage and treatment.
4. List the recourse that businesses have in disputes with the media.
5. Compare and contrast private nonmarket action and public nonmarket action.
6. Explain the effects of private nonmarket action on business.
7. Discuss activist organizations and their strategies.
8. Explain how business organizations can constructively interact with activist organizations.

Unit Summary

Chapter 3 considers the role of the news media in the life cycle of a nonmarket issue. The media does not create nonmarket issues, but it can accelerate their development and broaden the set of actors who take an interest in them. Media coverage can also make it more difficult for management to address the issue if the firm’s actions are under close and continuing scrutiny. Furthermore, the news media can intentionally or inadvertently play a role in the nonmarket strategy of an interest group. Because of the importance of the news media in the nonmarket environment, managers need to understand the objectives of the news media and journalists and how to interact with them in an effective manner. From time to time, a dispute between a firm and the news media develops, and managers need to understand the possible avenues of recourse.

From the perspective of nonmarket issues and their development, the objective is to be able to predict which issues or actions of a firm are likely to be covered by the news media and for those that are likely to be covered, how they will be treated. The media can substantially expand an issue, particularly if it is acting as a “protector of the right of the public to know.” On some issues, the media can also act as an advocate for a particular group or for a particular resolution of an issue. The news media has a difficult job obtaining information often under considerable time pressure.

On many issues, reporters seek interviews for balance, controversy, or to have both sides of an issue telling their story. In such cases, the story may already be "in the can." The quick and easy answer, the scene that stirs up people and the emotional hook that will cause the ratings to jump is what is required for television. From the point of view of the television producer, there may be nothing more deadly in the vicious ratings game than a long discussion of the facts and figures of an extremely complicated economic program.
An issue for discussion is whether the news media is biased or just inaccurate in that its stories (particularly in the case of television) appear biased to those who are knowledgeable about the subject. The incidents of fabrication, at least those that are detected, are so prevalent as to call into question the review processes of the news media. These incidents also indicate the strong desire among some journalists to have their work published or broadcast, and that journalism ethics and the law are not sufficient to prevent serious violations of standards.

Chapter 4 introduces the concept of private politics and distinguishes it from public politics. Private politics is typically initiated by non-governmental organizations (NGOs) and activist organizations, but it can also be used by business interests. The participants in private politics are viewed as strategic in the same sense that a firm chooses market and nonmarket strategies to improve its performance. Private politics is viewed as strategic competition, and that competition often centers around a campaign.

In addition to characterizing the NGO/activist component of the nonmarket environment and highlighting actions that take place outside of public institutions, the chapter also addresses approaches for dealing with activists and their campaigns. Activists are important for a variety of reasons which are indicated in the chapter. Activists are especially important because they play a central role in identifying and shaping the development of nonmarket issues. Some activist groups, such as environmental interest groups and the Nader-affiliated groups, are members of informal networks of organizations that at times coordinate their actions.

Activist's/NGO's challenges to firms are intended to obtain changes in the practices of individual firms and their industries. In response to these challenges, some firms take proactive measures by changing the practices to avoid being targeted. This may be referred to as self-regulation. Proactive self-regulation and corporate social responsibility do not mean that a firm will not be targeted. Firms that are targeted can fight a campaign or bargain with the activist to end it. When the firm changes its practices as a result of a campaign, it is also exercising self-regulation, albeit forced self-regulation. In some cases, an industry and the activists may engage in private regulation in which an organization or private institution is established to govern industry practices and compliance.

Interest groups are defined as a collection of individuals or organizations that benefit from the nonmarket actions of the group. That is, the interest group acts on behalf of its members, typically through public politics. Activists may also be acting in their own self-interest and in the interests of their members, but they generally claim that they are acting on behalf of others as well. Some prefer to refer to themselves as advocates.

The susceptibility of a company to a challenge by activists depends on a variety of factors including the seriousness of the issue and on the characteristics of the company itself and its policies. The success of the strategies of activists depends importantly on their ability to attract the attention of the public and government officeholders to their issue. They may attempt to attract the media through the use of advocacy science and through networks. In addition, activists monitor firms and may call to the attention of the public actions of a firm to which they object. Activists may organize a boycott of a company. Activists also use their standing before public institutions to leverage their other actions, either when other aspects of their strategies fail or when an additional front can be opened to advance a cause.
Although some activists are successful, particularly when they are able to attract additional support, others have relatively weak organizations and are unable to sustain campaigns. In some cases, the cause of the activist may be wrong or misplaced and the responsible action may be to oppose the demands. Some of the cases provide an opportunity to assess the demands of activists, their strength, and their cause. In some cases, boycotts can be used against an NGO.

Chapter 5 makes the point that every business should prepare for how it will react to a variety of crises it might encounter. By their very nature, crises are unexpected, but, interestingly, they usually proceed along the same pattern: there is some unexpected event; there is incomplete information that hinders the firm’s understanding of and reaction to the unexpected event; there are misleading and uninformed comments made by a variety of people on behalf of the firm; and there is a delay in the appropriate action to contain the damage that occurs as a result of the event. Unexpected events cannot be avoided or anticipated, but the other aspects of the pattern of crises can be addressed by firms through first analyzing the firm itself then planning how the firm will react.