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**Going Head to Head  
When Companies and Activists Square Off,  
Sometimes No One Wins**

By David P. Baron

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# Going Head to

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# Head

IN THE SUMMER OF 2000, WITH THE WORLD gearing up for the Sydney Olympics, Greenpeace launched a boycott against Coca-Cola. Coke, an Olympic sponsor,

used hydrofluorocarbons, or HFCs, as refrigerant in its dispensing machines – gasses that Greenpeace said contributed to global warming. Greenpeace Australia produced a downloadable poster under the caption “Enjoy Climate Change” depicting Coke’s family of polar bears worriedly sitting on a melting ice cap. It urged the public to download the posters and paste them on Coke machines.

In launching its campaign, Greenpeace had forsaken other, more traditional avenues of protest. Greenpeace could have lobbied the Australian government or the U.S. Congress, seeking to outlaw HFCs in soda machines. Or it could have taken the issue up with environmental agencies, hoping for new regulations.

Instead, the environmental advocacy group targeted the company directly – offering an example of “private politics.” That is, a strategic competition in which an activist attempts to force a company to change its practices – without relying on law-making or law enforcement.

From Coke’s perspective, the issue fell outside the purview of what many people think of when they think of “competition.” Greenpeace’s challenge had nothing to do with the price of a bottle of Coke, manufacturing costs, or the activities of a competitor like Pepsi. The challenge was unrelated to market forces like supply and demand; rather, with the specter of international media attention looming, it presented Coke with a potentially serious “nonmarket” issue.

Bowing to increasing public pressure, Coca-Cola announced that it would eliminate the use of HFCs in refrigeration by the 2004 Athens Olympics.

Greenpeace’s decision to target Coke directly is an example of a campaign strategy that has become increasingly common over the last decade. It reflects a growing reliance by activists on private politics to effect corporate change. *New York Times* columnist Thomas Friedman, writing on June 1, 2001 about an international boycott against Exxon Mobil for its refusal to address global warming, characterized the movement as “globalization activism.” Friedman quoted Paul Gilding, the former head of Greenpeace, who explained, “The smart activists are now saying, ‘OK, you want to play markets – let’s play.’”

“Environmentalists refuse to sit on their hands anymore. Instead, the smart ones are mobilizing consumers to fight multinational polluters on their own ground,” Friedman wrote. “They don’t waste time throwing stones or lobbying governments. That takes forever and can easily be counter-lobbied by corporations. No, no, no. They

PHOTOGRAPH BY MASTERFILE

by David P. Baron

# “The smart activists are now saying, ‘OK, YOU WANT

start with consumers at the pump, get them to pressure the gas stations, get the station owners to pressure the companies and the companies to pressure governments.”

An activist’s decision to take on a company directly, and a firm’s response to that action, constitutes strategic competition. When activists seek to force a company to make a move it doesn’t want to make, boycotts are one of the primary weapons in their arsenal. Often, a boycott is reinforced by demonstrations, public chastisement, or criticism of a firm’s leaders.

Several studies have measured the stock price performance of companies that were boycott targets. The empirical evidence is largely inconclusive.<sup>1</sup> The boycotts we remember are generally the ones that worked. If data were available on all attempts, it would probably show that most boycotts fail. However, just as one cannot infer the importance of the veto by examining the small percent of bills vetoed by the president, one cannot infer the significance of private politics from the number of campaigns initiated. Congress anticipates the president’s veto and modifies bills accordingly; many firms attempt to proactively adopt policies that reduce the likelihood of becoming targets.

From the activists’ perspective, the first thing they need to do before launching a boycott is to assess the saliency of their issues. Can the message be clearly articulated in a straightforward way? Is it a morally compelling argument? Will it likely engender public support? Is the issue capable of attract-

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*Greenpeace created this poster during the Sydney Olympics, which Coca-Cola co-sponsored. The environmental organization urged the public to download the posters and place them on the company’s vending machines. Coke eventually agreed to eliminate HFCs in time for the 2004 Athens Olympics.*

ing the media’s attention?

Once the issue is identified, the key for any activist is to assess, and then select, a target. A company that makes consumer products, such as Coca-Cola, is susceptible because consumers, if motivated to do so, can switch to competing products. (Companies that make non-consumer products – like machine tools, which are sold to other businesses – are not as vulnerable.) A company could be particularly vulnerable if consumers’ switching costs are low, as is the case with gasoline, for instance. A company whose activities produce something harmful, such as pollution, is vulnerable to attack from those affected, or from sympathetic advocacy groups. Multinational companies must be concerned about actions taken in one country that could spark protest from advocacy groups in another.

Activists also need to take a hard look at the firm’s operations. Does the firm truly produce negative externalities – such as pollution or global warming? Does it have an image that can be exploited? Or is the firm, in reality, a good corporate citizen?

Firms, when faced with a boycott, need to understand the activist groups, their agendas, and their concerns. Companies

# TO PLAY MARKETS – LET’S PLAY”

must also quickly ascertain the extent of public support for activist agendas. Where is the issue in its life cycle and how rapidly it is progressing? Are government officials likely to get involved? Are sympathetic individuals likely to act? Determining the most effective strategy requires understanding the nature and strength of activists and interest groups, the concerns that motivate them, the likelihood of media coverage, how much damage they might cause, how central the issue is to their agenda, and whether they are led by professionals or amateurs. Professionals are more difficult to co-opt, but they may be more practical as well. With limited resources, activists and interest groups must determine which issues to address, and they may abandon an issue where winning appears unlikely.

Some companies seek to avoid becoming targets by positioning themselves as “socially responsible.” That strategy, as we shall see, is not without risk. Other firms, sensing that the activists may have the upper hand – that they have hit on an issue with merit and the potential for strong public backing – seek to cooperate with activists, hoping to preempt a boycott through bargaining and a negotiated solution.

When activists miscalculate in their strategic approach, their boycotts tend to falter and fade away, squandering valuable organizational resources and credibility. When companies mishandle their nonmarket strategies, they may have to pay a steep, if unanticipated, price.

## When Boycotts Work – Greenpeace v. Shell UK

In the summer of 1994, Greenpeace learned that Shell UK was planning to dispose of Brent Spar – a 453-foot-high cylindrical oil storage facility weighing about 14,500 tons – in the North Sea.<sup>2</sup> Greenpeace, founded in 1971, was by that time the world’s largest environmental group, with about 3.1 million contributors worldwide and a budget of about \$140 million.

The Brent Spar issue seemed to be a solid choice for Greenpeace. It was relatively easy to grasp (Shell was dumping its “garbage” in the North Sea) and morally suspect (deep-sea dumping was bad for the environment). “The average citizen thinks, ‘Here I am dutifully recycling my garbage, and there comes big business and simply dumps its trash into the ocean,’” said Harald Zindler, head of campaigns for Greenpeace Germany.

The issue also fit in with Greenpeace’s more general strategic approach. “We try to keep it simple,” said Steve D’Esposito, an American who was executive director of Greenpeace International. “One, we raise environmental awareness. Two, we want to push the world toward solutions, using the most egregious examples.”

Shell UK turned out to be an excellent target for Greenpeace. For one thing, it sold branded gasoline worldwide. Consumers

could easily switch to another brand of gasoline without any significant cost increase. And because it was a multinational, its operations in the North Sea left it vulnerable at the pump across Europe and North America. Finally, the company turned out to have a cautious and reticent approach to dealing with public issues. Greenpeace’s approach was quite different. “The whole point is to confront; we try to get in the way,” said D’Esposito. “Confrontation is critical to get coverage in the press or to reach the public some other way.”

On April 30, 1995, 14 Greenpeace activists from the United Kingdom, the Netherlands, and Germany landed on Brent Spar by boat. Nine journalists joined the group, and broadcast the incident via satellite. The group was expelled by Shell, but German television broadcast extensive coverage of soaked activists throughout the three-week occupation. In response to the media coverage, expressions of outrage and protest grew in Germany and the

## Activist strategies when launching a boycott

### SELECT A STRONG ISSUE

- Can it be articulated in a simple and accessible way?
- Is it morally significant to a wide segment of the public?
- Is it likely to attract media attention?

### SELECT A GOOD TARGET

- Companies that make consumer goods. Public can punish by not purchasing goods.
- Companies that make products with low switching costs. Public can easily purchase another product.
- Companies that produce negative externalities (such as pollution).
- Multinational companies. Operations in one place can be attacked by activists in another.
- Companies with a combative or confrontational style.

### EXAMPLE OF A GOOD ISSUE, GOOD TARGET:

Greenpeace and Shell

### EXAMPLE OF A BAD ISSUE, BAD TARGET:

Jesse Jackson and Anheuser-Busch

# “The average citizen thinks, ‘Here I am dutifully recycling my garbage, ITS TRASH INTO THE OCEAN’”

Netherlands – satisfying a key element of private politics: public support. On May 22, the worker representatives on Shell Germany’s supervisory board expressed “concern and outrage” at Shell’s decision to “turn the sea into a trash pit.”

Under pressure, executives of Shell Germany met with Jochen Lorfelder of Greenpeace, who argued that 85 percent of German motorists would participate in the boycott. The chairman of Shell Germany said that studies indicated deep-sea disposal was the best alternative for the environment. “But Joe Six-Pack won’t understand your technical details,” Lorfelder shot back. “All he knows is that if he dumps his can in a lake, he gets fined. So he can’t understand how Shell can do this.”

In June, the German boycott of Shell gas stations hit full stride, and sales dropped 20 to 30 percent – in some areas as much as 40 percent. The mayor of Leipzig banned Shell gas in city vehicles. Boycotts spread to the Netherlands and Denmark. Shell resorted to using high-powered water cannons to keep a Greenpeace helicopter from approaching Brent Spar, providing graphic TV images. On June 19, German economics minister Guenther Rexrodt announced his ministry would join the boycott.

For its part, Shell’s response was uncoordinated and unfocused, so the German public received inconsistent messages from the oil company. Although Shell Germany suggested the project could be halted, Shell UK refused to stop towing Brent Spar toward the dumpsite.

The pressure continued to build, and the firm chose perhaps the most direct way to resolve the issue: It gave in to activist demands. In June, under still mounting pressure, Shell UK announced that it would abandon plans to sink the Brent Spar. Instead, the company said, it would attempt to dismantle the platform on land.

Afterward, a variety of public relations experts criticized

Shell’s handling of the protests and its decision to abandon its original plans. “They failed to communicate the benefits of the course they believe to be right,” said Mike Beard, former president of the Institute for Public Relations. “They lost what they believed to be their case, and now they’re having to defend something they don’t consider to be defensible.”

## When Boycotts Fail – Jesse Jackson v. Anheuser-Busch

The Rev. Jesse Jackson, founder of Operation PUSH, had what initially seemed to be a powerful issue: economic equality for black Americans. In 1982, Jackson sought an economic reciprocity agreement with Anheuser-Busch, the St. Louis-based beer company. Blacks consumed 15 percent of Anheuser-Busch’s output, Jackson reasoned, and therefore 15 percent of the company’s deposits should be in black-owned banks, 15 percent of its wholesalers should be black, and 15 percent of its purchases should be from black suppliers.

The issue seemed to have saliency. It was pitched as a basic question of economic fairness. Jackson had previously reached more modest agreements with Seven Up, Coca-Cola, and Heublein. And so Jackson threatened that if Anheuser-Busch did not agree to an economic reciprocity program, he would launch a nationwide boycott using the theme “Bud is a dud.” He planned to kick off the boycott in St. Louis and then carry it to other cities with large black populations.

While Jackson was at the time a public figure, most Americans knew relatively little about his views or activities. He had not yet sought public office, although politicians and the media knew of his presidential aspirations. But his fiery rhetoric was already much in evidence. He called for “economic reciprocity, not social generosity,” “parity, not charity,” and “trade, not aid.”<sup>3</sup> With Jackson’s public backing, the campaign seemed destined to be a media sensation.

But as it turned out, this time it was the activists who were poorly positioned vis-à-vis the company. Earlier in the year, PUSH had irritated the St. Louis black community when it held an economic reciprocity conference and charged \$500 for admission. (Jackson told them, “If you want to play, you have to pay.”) The *Sentinel*, a black weekly, attacked Jackson in an editorial, and Jackson threatened a \$3 million libel suit.

Furthermore, while it might have been easy for consumers to switch to another beer, Anheuser-Busch turned out to be a poor target. The company was proud of its minority employment record and had established good relations with the St. Louis black community and its leaders. Eighteen percent of its employees were minorities, including 9.6 percent of its managers and officers. The company maintained deposits of \$10 million in minority banks and purchased \$18 million in goods from minority

## Questions firms should ask to assess the issue and the adversary

- How much public support do activists have?
- Where is the issue in its life cycle?
- Are government officials likely to get involved?
- Are sympathetic individuals likely to act?

## and there comes big business and simply dumps

suppliers. It had two black board members, including Wayman F. Smith III, vice president for corporate affairs. Anheuser-Busch believed its minority programs were among the nation's best. It decided to fight back.

One key to Anheuser-Busch's counterattack was that it was proactive. First and foremost, it adopted an aggressive media campaign. Smith traveled to cities where Jackson was appearing, and held press conferences of his own, presenting information on the company's minority programs.

Another key element of the company's strategy was that top-level officials refused to meet with Jackson. August A. Busch III, the company chairman, thus denied Jackson the opportunity to negotiate directly, diminishing the opportunity for a media event. Smith was willing to meet Jackson, but he controlled the release of information, refusing to give out statistics on black employees. The company's policies, he said, focused on all minority groups.

The result was a stalemate, and Jackson was forced to seek rapprochement. Busch finally agreed to meet him in September 1983. Following the meeting, Jackson seemed to step down. "You may recall that Operation PUSH has, on past occasions, been critical of the extent of Anheuser-Busch's commitment to providing the black community with opportunities for advancement," Jackson said. "As a result of my recent meeting with August Busch III, I believe that our prior view of the sufficiency of his and his company's commitment may have been attributable to a failure of communication."

### Reducing the Boycott Threat? BP and Social Responsibility

One way that firms try to avoid the glare of private politics is through positioning; that is, they take proactive steps to reinforce a socially responsible image.

British Petroleum is a company that has positioned itself as a model of corporate social responsibility, opening a dialogue with environmental groups including Greenpeace, Environmental Defense, and the World Resources Institute. In May 1997, the Lord Browne of Madingley, BP's CEO, told an audience at Stanford University that it was time to "consider the policy dimension of climate change."

"A new age demands fresh perspective of the nature of society and responsibility," Browne said. "We are all citizens of one world, and we must take shared responsibility for its future." To that end, BP announced specific goals to reduce, by 10 percent, its carbon dioxide emissions contributing to global warming.

Browne's words and policies earned praise from environmentalists and the public. "Compared to other oil companies, BP was the first major to come out in favor of policies to reduce CO<sub>2</sub>

emissions," said Chris Rose, deputy executive director of Greenpeace. Rose called BP one of "the good guys in this industry."<sup>4</sup>

BP set targets for reduction of overall air, waste, and water emissions, building BP Solar International into one of the world's leading companies developing and manufacturing solar power generating equipment. (Exxon had eliminated its portfolio of renewable energy projects in the 1980s and sold its solar unit in 1984.)<sup>5</sup> The company inked a \$30 million contract with the Philippine government to install over 1,000 packaged solar systems in 400 remote villages. BP also pledged to eliminate flaring – the burning of natural gas generated in conjunction with crude oil production, and a major source of carbon dioxide emissions.

As BP embarked down the path enunciated by Browne, it seemed clear that the company was in part hoping to stave off the kind of tarnishing that can come from a sustained private politics campaign. Lee Edwards, one of Browne's executive assistants, noted that since there is very little price difference in the market for gasoline, the competition comes from elsewhere. "Consumer choice has something to do with their perception of the company they're buying from," Edwards said. "And if we are seen as relatively bad – that is as having a poor record in some areas that are of concern to the consumer – we might lose out, in relative competitive position."

This type of positioning may diminish the risks of private politics. Consider the motivation behind the boycott against Exxon Mobil gas stations, launched May 8, 2001 by Greenpeace, Friends of the Earth, and People & Planet, and backed by public figures including Bianca Jagger, pop stars Annie Lennox and Sting, and Anita Rodrick, founder of the Body Shop. The "StopEsso" campaign (Esso is the brand name for Exxon Mobil gasoline in Europe) started in the United Kingdom and quickly spread to France. The campaign Web site clearly differentiated between Exxon Mobil and companies like BP that had accepted the reality of global warming. The Web site explained that while "all oil companies [are] responsible for global warming ... Esso stands out by far. This is because Esso refuses to accept that burning oil causes global warming."

In his June 1, 2001 op-ed on the topic, *Times* columnist Friedman wrote: "Consumers do have choices where they buy their gas, and there are differences now. Shell and BP-Amoco (which is also the world's biggest solar company) both withdrew from the oil industry lobby that has been dismissing climate change."

But in suggesting that oil companies ought to accept greater social responsibility, Browne opened himself and BP to the challenge of meeting that higher standard. That eventually became a problem for BP, which remained the largest producer of oil on the North Slope of Alaska. "[BP has] made a valiant attempt to put a green sheen on [its] organization," said Matthew Spencer

# “When there is **NO BOTTOM LINE** to examine **DIFFICULT TO KNOW WHO**, in fact, has

of Greenpeace, in an August 12, 1998 *Wall Street Journal* article. “Inevitably, if you scratch the surface, you find an aggressive company looking for new oil reserves.”

When BP initially sought permission to drill in the Arctic National Wildlife Refuge, environmentalists cried foul. Activists placed a shareholder resolution on the BP annual meeting agenda, seeking to phase out oil and gas production. (It received only 7 percent of the vote, but attracted considerable public attention.)

“[BP] built their brand on how environmentally friendly they are,” a Greenpeace campaigner told *The Wall Street Journal* on April 16, 2001. “This has given us the impetus to push them to fulfill the implicit promises they’ve made.”

In November 2002, BP stated that it would stay on the sidelines on the Refuge issue, pulling out of the lobbying group spearheading the campaign to open the wildlife area to drilling.

## **Synergy on Solid Waste – McDonald’s and Environmental Defense**

When confronted with a private politics campaign, one reaction is to be defensive – as Anheuser-Busch was when challenged by Jesse Jackson. Another possible response is to evaluate activist claims and demands, and determine whether they have merit. In such a scenario, companies may opt to cooperate with activists. This is the tactic that McDonald’s followed when faced with an increasing solid waste problem in the early 1990s. The result – instead of boycott – was a negotiated arrangement that arguably left both sides, and the environment, better off.

McDonald’s, at the time, was an ideal target for a private politics campaign. It had more than 11,000 restaurants, including 8,500 in the United States alone, and served 22 million customers daily. That meant that on any given day, millions of people held McDonald’s coffee cups and sandwich containers in their hands. McDonald’s, which used 50,000 tons of foam packaging each year, was a natural target for environmentalists concerned about solid waste disposal and the dwindling availability of landfill space. By 1990, under pressure from the Citizens Clearinghouse for Hazardous Waste, McDonald’s had agreed to replace its polystyrene clamshell sandwich container with paper.

McDonald’s was under attack from other quarters as well. Health and nutrition advocates attacked its menu items. Environmentalists targeted McDonald’s for the volume of paper it used and the timber cut as a consequence. The fast food giant had begun to experiment with on-site incineration, and pledged in newspaper ads to purchase more recycled materials. But the massive solid waste problem was still much in evidence.

The company’s strategy changed in 1990 when an invitation came from Environmental Defense (ED), which had been critical of McDonald’s on-site recycling plans. ED president Fred

## Strategies for responding to public pressure

### Position the firms as socially responsible

Example: British Petroleum as a green oil company

### Meet with activists; cooperate and bargain; negotiate a resolution that goes beyond what is required by law.

Example: McDonald’s and Environmental Defense

### Launch proactive and counteractive media offensive

Example: Anheuser-Busch and Jesse Jackson

### Accede to activist demands

Example: Greenpeace and Coca-Cola

Krupp invited then-McDonald’s U.S.A. president Ed Rensi to sit down and discuss the waste disposal issue, as well as general environmental protection. Rensi accepted. And after a number of staff meetings, recognizing a possible mutual benefit, McDonald’s and ED established a joint task force. Over the course of its investigation, the task force analyzed the company’s operations and its 39 regional distribution centers, and visited suppliers and recycling facilities. ED members spent a day working in a McDonald’s restaurant.

In 1991, the task force released its final report, identifying 40 steps to reduce solid waste by 80 percent. The study revealed that 79 percent of on-premises waste was generated behind the counter, and made specific recommendations on source reduction, reuse, recycling, and composting. McDonald’s formally agreed, for the first time, to consider waste reduction when making decisions on disposable packaging.

“The results of the task force far exceed all of our expectations and original goals,” said Keith Magnuson, McDonald’s director of operations and a task force member. “We started out to study waste reduction options. Instead, we developed a comprehensive waste reduction plan that is already being implemented.”

## **Winner Take Some – Gauging a Boycott’s Success**

How do activists gauge the success of a private politics campaign? How can firms know if, in the end, they have achieved a com-

# and no earnings to tabulate, it can be **VERY** **‘WON’**”

petitive edge in the nonmarket arena? Sometimes, when there is no bottom line to examine and no earnings to tabulate, it can be very difficult to know who, in fact, has “won.”

In the Anheuser-Busch case, for example, the company seemed cognizant of the potential impact Jackson’s barbed campaign might have had on its image. In a statement released after Busch and Jackson finally met, the company took pains to reaffirm its commitment to minority programs and detail steps it had already taken.

“Anheuser-Busch has a record of which we are proud,” Busch said. “We are not perfect. We are committed to a course of fairness and are determined to build upon an already strong record. We recognize our obligations to work closely toward that end with all respected civil rights organizations.”

Though Jackson did not get his reciprocity agreement, the issue had been placed squarely on the company’s radar screen, and its chairman, in the end, had publicly promised to keep it a top priority.

Consider also the epilogue to the Brent Spar case. Soon after Shell UK backed down, a report came out in the journal *Nature* concluding that the environmental impact of dumping Brent Spar in the ocean would “probably be minimal.” Indeed, the article stated, the metals of the Brent Spar might even be beneficial to the deep-sea environment. Furthermore, according to some scientists, disposing of the Brent Spar on land actually posed more serious risks to the environment.<sup>6</sup>

Robert Sangeorge of the Switzerland-based Worldwide Fund for Nature argued that, in fact, “deep-sea disposal seemed the least harmful option.” He called the Brent Spar episode “a circus sideshow that distracted from the big environmental issues affecting the world.”<sup>7</sup> At this point, however, Shell UK said it would stick to its decision to abandon deep-sea disposal.

The Brent Spar was towed to a fjord in Norway. After an independent Norwegian inspection agency surveyed the contents of Brent Spar, doubts arose about Greenpeace’s estimates of the remaining oil sludge. Shell had estimated the Spar contained about 100 tons of sludge; Greenpeace had estimated 5,000 tons.

On September 5, Greenpeace UK’s executive director, Lord Peter Melchett, admitted that the estimates were inaccurate and apologized. Shell UK welcomed the apology, and announced its intention to include Greenpeace among those to be consulted the next time it was considering actions with environmental impact.<sup>8</sup>

After a year of bitter and acrimonious competition, in which both sides expended tremendous resources, it seems the two adversaries ended up where they might have done well to begin. After an open process to explore disposal options, the Brent Spar was dismantled and used to build a quay in Norway, identifying a new solution to an environmental problem. □

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