

Week 3 Case Study: Avalon Pharmaceuticals, Australia and New Zealand

'What's that?' you wonder as you look out your window. A small group of people is gathered on the sidewalk at the end of the wisteria gardens in front of the Australasian headquarters of Avalon Pharmaceuticals. If you squint, you can see they're holding signs, but the only text you can make out is the word 'APCA' in big letters across the bottom. 'Just great', you think to yourself.

The animal-rights group, **Australians Preventing Cruelty to Animals**, more commonly known by the acronym APCA, raises more than **\$16 million a year from its 900 000 members** and supporters. APCA not only campaigns for animal rights, but also supports well known animal-rights groups, such as PETA (People for Ethical Treatment of Animals) to engage in activism. APCA is extremely adept at organising public campaigns and mobilising the public to boycott companies. Its public-relations tactics include celebrity endorsements, travelling displays of animal abuse and creative on-site demonstrations. Even large international companies like McDonald's, Red Rooster and KFC have bowed to pressure from APCA. In response to aggressive campaigns, all three have issued strict humane animal handling guidelines to suppliers of beef, pork and chicken and enforce those standards with unannounced audits of production farms and processing plants.

The US-based animal rights group, PETA, has been known to use pretty crude tactics. In one instance, a viral ad featuring scantily clad women with cow udders instead of breasts was distributed in the UK as part of a campaign against milk drinking and production. PETA had hoped to air a television version of the ad on the ABC network in the United States during the Super Bowl, but was told the execution 'falls outside boundaries of good taste'. Mimicking television shows like *Girls gone wild*, in which women are encouraged to disrobe for cameras, PETA's 'Milk gone wild' ad shows models dancing in a bar, surrounded by men drinking glasses of milk. When the women tear off their tops, they expose cows' udders. In another instance, the APCA successfully launched a campaign of against farms that bred puppies for scientific research. Their tactics, denounced by some in the medical research community, included hate mail, malicious phone calls, death threats, fireworks, a smear campaign, car vandalism and arson attacks. It is clear that APCA will do anything to achieve its goals.

Avalon Pharmaceuticals does not use animals to test the safety of its cosmetics, shampoos, detergents, cleansers and paper goods; it does, however, use animals to test the safety of new drugs, health-care products and products intended for use on babies and children. Nonetheless, Avalon still draws protests from APCA in the form of its 'Killed' advertising campaign, based on Avalon Pharmaceutical's best-selling laundry detergent Spring. The Killed ad shows a woman holding a box of Killed detergent with the words 'Thousands of animals were killed for your washing' boldly written on the box. APCA is urging consumers to boycott all Avalon products until the company ends all forms of animal testing.

From Avalon's perspective, eliminating animal testing altogether could compromise safety, as testing is critical to producing safe products for its customers. Avalon Pharmaceuticals has to know, for example, that a product will not cause injury if children accidentally swallow it or get it into their eyes. Furthermore, in the event that a product liability lawsuit is filed against the company, its best legal defence would be the scientific testing it performs on rats and rabbits.

As the CEO of Avalon Pharmaceuticals, should you, as APCA demands, eliminate all animal testing? Or, by minimising but not eliminating animal testing, has Avalon achieved a reasonable balance that still allows it to make sure its products are safe? The last things you need are product liability lawsuits against Avalon Pharmaceuticals. APCA and PETA are at best secondary stakeholders. Customers, on the other hand, are a primary stakeholder group, so customer safety is a critical concern. If these animals rights groups launch new campaigns and boycotts, it could rally primary stakeholders including potential customers against the company, which in turn could hurt revenue and declining revenues could affect stockholders (another primary stakeholder), and may even lead to downsizing affecting employees, yet another primary stakeholder group. APCA's and PETA's aggressive tactics and history of misrepresentation of facts are cause for concern. The buck stops with the CEO! What is the most socially responsible thing to do? If you were the CEO of Avalon Pharmaceuticals, what would you do?

GAP Inc.'s Stakeholder Map

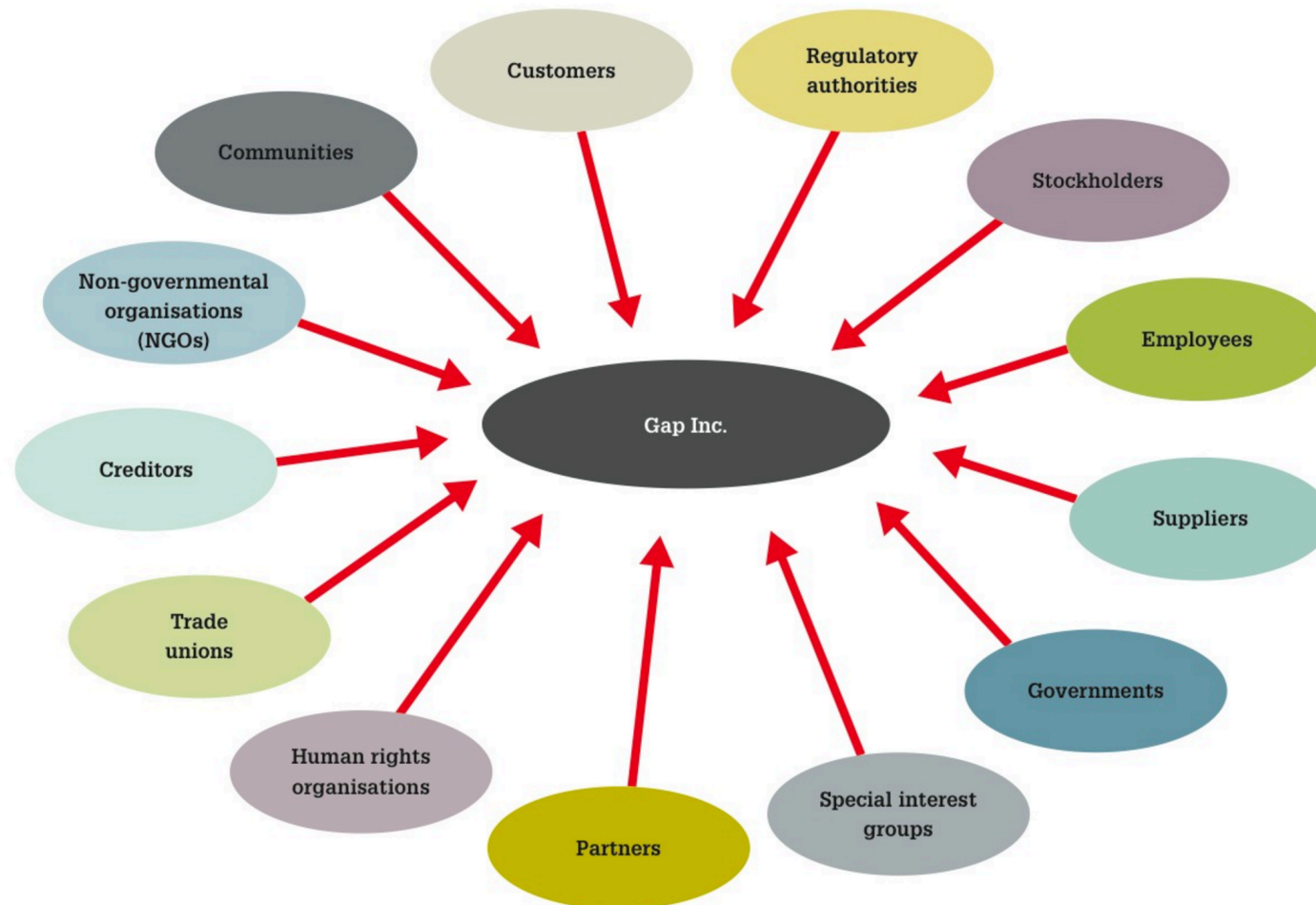


EXHIBIT 5.6 Major stakeholders relevant to Gap Inc.

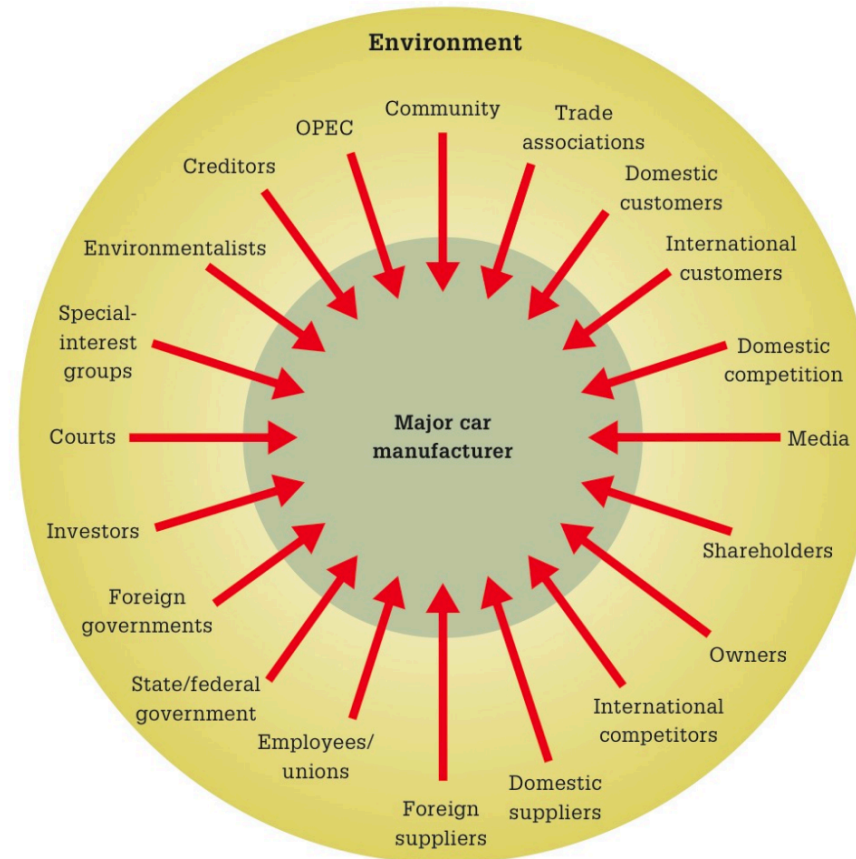
Sources: Based on information in D. Wheeler, B. Colbert and R. E. Freeman. (Spring 2003). Focusing on Value: Reconciling Corporate Social Responsibility, Sustainability, and a Stakeholder Approach in a Networked World. *Journal of General Management*, 28:3, 1–28; J. E. Post, L. E. Preston and S. Sachs. (Fall 2002). Managing the Extended Enterprise: The New Stakeholder View. *California Management Review*, 45:1, 6–28; and N. Craig Smith, Sean Ansett and Lior Erex. (Summer 2011). How Gap Inc. Engaged with Its Stakeholders. *MIT Sloan Management Review*, 52:4, 69–76.

Major Car Company Stakeholder Map

EXHIBIT 5.7

Stakeholders relevant to a car manufacturer

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The technique of stakeholder mapping lets managers classify which stakeholders they consider more important and will invest more time to satisfy. Is it appropriate for management to define some stakeholders as more important than others? Should all stakeholders be considered equ

