

# **To Trump or Not to Trump - When Business and Politics Mix**

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## **TEACHING NOTES**

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The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

## Case Synopsis

This case looks at managerial decision-making during times of inadvertent involvement in political activity. “When business and politics mix” is a prime example of an organization's compulsion to move. During Donald Trump’s schismatic presidential campaign and often outspoken and controversial proposals, retail outlets such as Macy’s department store, faced a brand crisis from being closely associated with the Trump brand through a negative spillover effect. Macy’s department store has been put in a situation where they had to decide whether to continue to sell the Trump clothing collection or whether to disassociate themselves with the Trump organization, Donald Trump himself and consequently drop the clothing brand.

The conundrum and entanglement with Trump became even more apparent considering Macy's deeply rooted organizational values. Within Macy’s striving for keeping their position as a transparent and innovating organization they were urged to take a stand. However, as the case develops the decision to keep or drop the clothing line becomes more complex. This ultimately leads towards unforeseen consequences and snowball effects comprising of social media movements and company boycott/support.

## Learning Objectives

The purpose of this case study is to understand the negative spillover effects that an organization can receive when being closely associated with a political campaign that is controversial. Moreover, the managerial challenges an organization must go through to balance the brand and overcome it are being elevated. In order to fathom this, it is crucial to comprehend exactly what a brand crisis involves and what the theoretical background of this area comprises. Additionally, it is necessary to understand what an organization stands for and what their corporate social responsibility is as exemplified by Macy’s history. Lastly, the brand identity and image of an organization are scrutinized as further actions or decisions need to be aligned with the company culture. Sticking to principles and core values can however be costly and bear consequences.

### *Crisis Management*

Greyser (2009) is arguing that the most serious situations are those that affect the distinctive characteristics or the so-called essence of the brand. Referring to Macy’s progressive character that has put equality and fair treatment always as their central identity, the conflict of selling the Trump clothing brand becomes clear. In the middle of a restructuring program and sell off of unfavorable clothing mall's, Macy's is also directly losing public support as the protests are rising. The public is not overlooking the strong association of selling the Trump clothing brand and making them look like it would endorse those political measures. Trump Clothing is shedding a bad light on Macy’s and framing the organization.

The role of corporate communication has to entail all the stakeholders. Stakeholders looking in the inside and the outside have to be included. The CEO's statements had the purpose of showing this communication on a public stage. In relation to this, it is of crucial importance according to Greyser (2009) to convey authenticity in the communication, the core elements and in the organization's stewardship in the defense of the authenticity. Having built a reputational reservoir over time, Macy's can obviously draw from this but has to see that it will not exhaust it. The central question here is to determine: Where to draw the line of dropping the business relationship or keep it contained?

### *Corporate Social Responsibility*

Corporate Social Responsibility (CSR) has become one of the most important aspects when it comes to linking the world of business and the community (Roper & Fil, 2012). Jobber (2010) defines CSR as the "ethical principle that an organization should be accountable for how its behavior might affect society and the environment". Thus, CSR is centered on the stakeholder theory that argues that a company's interests affect the interests of a wider pool of stakeholders and not only their shareholders' interests (Freeman, 1984). As a result, an organization will create a more positive image towards all stakeholders and be trustworthier.

Carroll's Pyramid of CSR (1991) is a useful way of managing the nature of CSR (Figure 2). He argues that there are four components that constitute CSR: Economic, legal, ethical and philanthropic. Only if a firm considers all four aspects in a thorough way, it meets its obligations. Referring to Urde (2016, p.112) a company has to understand to "what extent in managing its brand(s) should an organization be guided by its identity, and to what extent should it be guided by other's views and wishes". This is central to the brand orientation and market orientation tension.

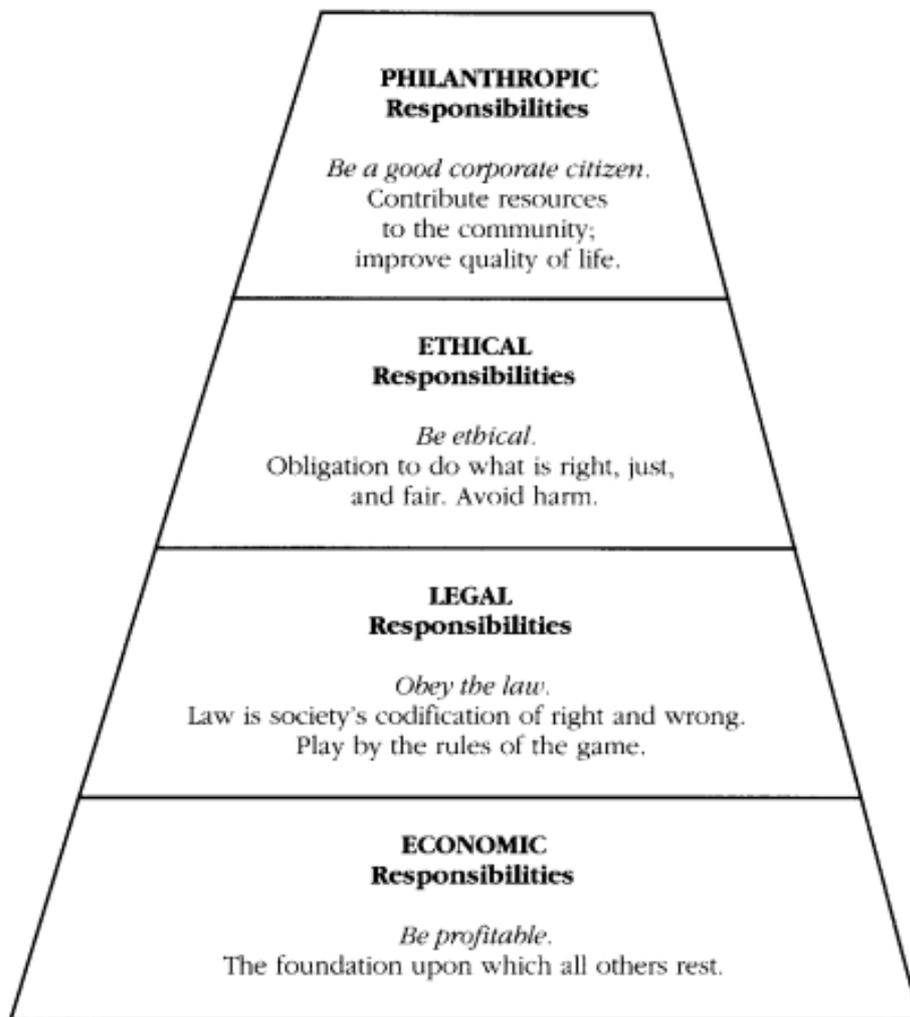


Figure A: The pyramid of Corporate Social Responsibility (Carroll, 1991)

Looking back at the history of Macy's it becomes apparent that CSR has always been an extremely important part of their philosophy and reputation. They have been a longstanding supporter of the LGBT movement and their employee equality is one of their central pillars upon which they base their business strategy. Macy's is being tested for their radical hospitality (St. Norbert College, 2016) in an open and public discourse. Hence, the organization has to be consistent with regards to selecting those brands that are in line with these values. It can have the greatest profitability in the market, if their ethical and philanthropic responsibilities are not corresponding with the rest of their value system, the organization will not be credible and trustworthy to the public.

### *Organizational Culture*

As illustrated, Macy's organizational culture has been fundamental for their management decisions and how they are perceived in public. Being extremely open in terms of cultural diversity and gender equality Macy's organizational culture embodies what Schein (1992) calls the three levels of culture in an extremely distinctive way (Roper & Fill, 2012).

Hence, the artifacts, espoused beliefs and assumptions, and underlying assumptions are decisive for Macy's corporate strategy.

Threatened by the negative spillover effect from the association with the Trump organization, Macy's can leverage on their strong corporate culture to keep their credibility and reliability. Next to considering corporate culture as information source emphasizing the organization's values it can serve as means to create competitive advantage (Roper & Fill, 2012). With regards to Macy's organizational culture their open-mindedness and their vision to break the glass ceiling have anchored their position as diverse organization (Wald, 1989).

## Key Learnings

### *External Forces: The PESTEL Framework*

The PESTEL framework describes external forces that have an impact on an organization's reputation (Roper & Fill, 2012). The framework is composed of six external influences: political, economic, social, technology, legal and ecological. Roper and Fill (2012, p.37) consider these influences as "largely uncontrollable" so that it is crucial to always bear potential outcomes of external forces in mind. Additionally, the four building blocks of a corporation can be affected. Thus, the corporate personality, identity, image, communication and consequently the whole corporate reputation, depend, to a certain degree, on external influences.

In our case, one external force is extremely strong: Politics. As we have seen, an organization cannot neglect and ignore external forces such as willing or unwilling political affiliations that ramify the organization's brand essence. Ergo, it is important to react towards such influences and take a firm stand. Macy's decided to drop the Trump collection and has therefore reacted towards these external forces. Still, it is questionable to which degree companies and organizations can shape political forces and foresee the eventual consequences of their decisions and actions.

*Political Affiliation Matrix (PAM)*

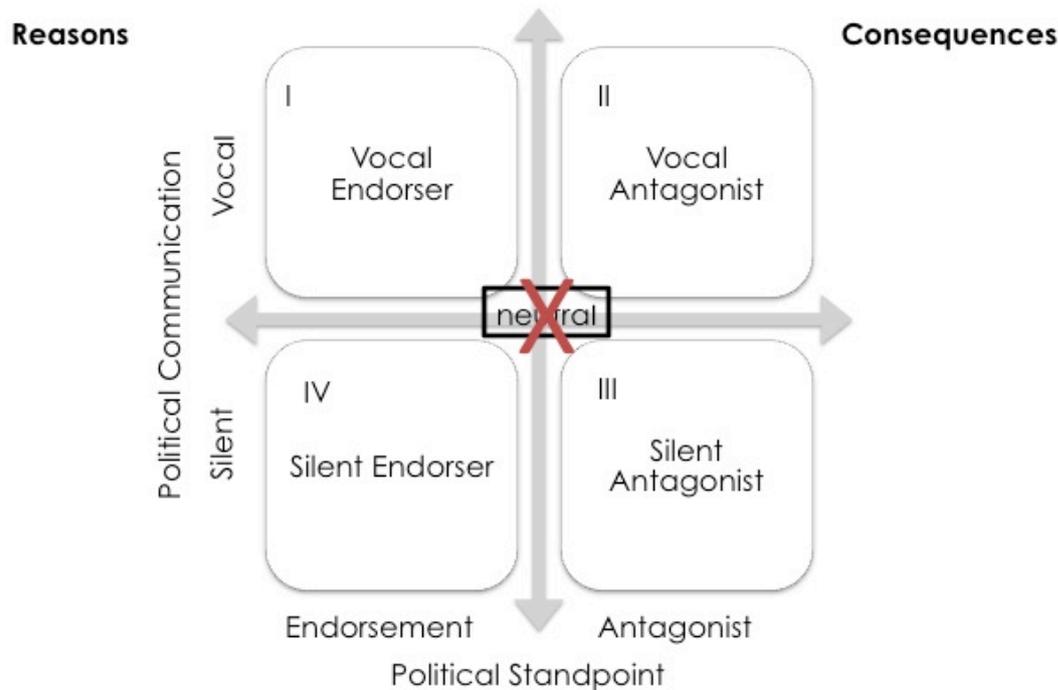


Figure B: Könnecke, Lopez, Young, Zierke (2017)

The Political Affiliation Matrix (PAM) originates from Delmas and Burbana’s (2011) “Typology of Firms based on Environmental Performance and Communication” and has been altered to fit, comprise and exercise a uncontrollable political conundrum. “When business and politics mix” is an adequate application of the PAM. It serves as a managerial tool highlighting the diverging *political standpoints* and *political communications* axes. Managers can revert back to this framework and define a quadrant in which their organization fits best taking a political standpoint and communicating this. On the communication axes, one can either be vocal or silent. On the standpoint axes, one can either be an endorser or an antagonist. Deliberately a neutral position (in the middle) is crossed out, as any action in the political and business field will yield a certain affiliation. Finally, as supporting pillars to both sides the underlying reasons for each of the four possible quadrants should be mentioned and also the consequences of either action and direction. Reasons and consequences help to sort the political affiliation and justify the grounds for actions and aid towards hypothetical future bearings in any of the four directions.

The four quadrants are named accordingly to the axes and their corresponding directional heading: Vocal endorser (Quadrant I), vocal antagonist

(Quadrant II), silent antagonist (III) and silent endorser (IV). Specific actions to be undertaken can directly be deducted from the quadrant's name.

Within the realm of this case, the main learning that we wanted to bring across is that oftentimes there is no neutral zone to revert back to, not even radical hospitality and openness can leave a brand invulnerable. Actions or even no action can and will be considered by different stakeholders and are interpreted accordingly. Therefore, we generated a managerial framework tailored specifically to the inadvertent mix of business and politics.

The PAM holds high relevance as it covers organizations' and political members' affiliation in affected areas such as brand reputation, brand image and brand core. In addition to that, applications of this framework reach towards public affairs, consultants in media and corporate communication.

## Teaching Plan

With the aid of a carefully planned teaching structure, the live case can be executed in a thorough and understandable way. First, the discussing questions serve as guidance throughout the whole live case. Second, the use of a time plan helps to prepare the discussion beforehand and to ensure not to neglect important learning objectives and outcomes of the case. Third, it is of utmost importance to have a clear case focus. This enables the professor to guarantee a high learning curve for all students on the one hand and a feasible structure for himself or herself on the other hand. Lastly, it is recommendable to use certain tools and techniques that facilitate and support the learning process during the live case.

### *Discussing Questions*

The class will take the position as Macy's and work on the PAM- Matrix with an assigned role as *vocal antagonist* in the first part of the discussion and *silent endorser* in the second part of the discussion. As the case unravels, the polarized directions within the political affiliation should become clearer and the reasons and consequences will unfold.

*You are part of Macy's brand management team:*

*FIRST PART:*

*As a vocal antagonist: Apply the Political Affiliation Matrix (PAM) and give reasons why dropping the Trump clothing line is the right decision. Also, think of possible consequences.*

*SECOND PART:*

*As silent endorser: Why is Macy's still carrying the Ivanka Trump clothing line? Think of reasons and consequences.*

The reveal of the fact that Macy's is still carrying the Ivanka Trump clothing line, is supposed to come as a surprise for most people in the audience. The initial choice for a Macy's brand manager was to not affiliate with Trump and drop his clothing line. But the reasons Macy's has been silent about carrying the Ivanka clothing line have to be explored as well. Not always the most obvious choice is the "right" but could likely be the one that is being communicated. Politics has many layers, so does this case.

### *Time Plan*

The following time plan aims at demonstrating the structure of the live-case and the resulting emphasis of each part:

5 minutes: *Philosophical Briefing - Have an open mind and show radical hospitality*

10 minutes: *Case Introduction and Background*

15 minutes: *Class discussion I - Vocal Antagonist - Drop clothing line*

5 minutes: *Management Decision*

10 minutes: *Class discussion II - Silent Endorser - Keep clothing line*

It is important to notice that the PAM can be used by all organizations. Therefore, a possible backup question can also deal with the respective view of Trump clothing line brand Manager's - should they keep or drop the relationship with Macy's, accompanied by their reasons and consequences.

### *Focus of the case*

Our case has three main foci: Applying, evaluating and understanding. These focuses will help the professor to lead the discussion in an effective way emphasizing on the fundamental concepts, which will ultimately result in optimal learning outcomes for the students. Table 1 demonstrates the key learnings:

<i>Key Learning</i>	<i>What?</i>	<i>How?</i>
Understanding	The uncontrollable external influences (in our case: political influences) that can affect an organization's reputation	Spillover effects of a resulting mix of business and politics
Applying	Take a stand as an organization towards a certain direction	PAM-Matrix
Evaluating	Critical questioning of decisions made and its process to come to a decision	Reflect upon theory and concepts plus their integration into a decision-making process

Figure C: Key learnings

### *Teaching Suggestions*

With regards to tools and techniques that can be used during the live case there are several recommendations to consider. First and foremost, in order to

provide valuable input throughout the whole live case it is helpful to integrate theory and concepts from literature. In our case, we recommend to use the following journal article in particular:

(a) The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders by Carroll (1991) - Four responsibilities: economic, legal, ethical, philanthropic; holistic application to entire company structure

(b) Corporate Brand Reputation and Brand Crisis Management by Greyser (2009), The four contexts of authenticity: talking, authentic, being authentic, staying authentic and defending authenticity by drawing from the organizations reservoir; steps for crisis management and actions in brand reputational crisis

(c) The brand core and its management over time by Urde (2016) - brand core management, the active reviewing of matches and mismatches between the brand core and how it is expressed and perceived internally and externally, a stronger and more coherent brand can be achieved

Second, it can be utterly useful to integrate a whiteboard to measure the case progress and track results and ideas visually for the entire class. When integrating a whiteboard into a live case it recommended planning the use thoroughly to avoid a potential disarrangement of comments and ideas raised by the students.

Third, the implementation of visuals, such as videos can enhance the student involvement in the live case as it makes the whole case scenario more vivid and interesting for the students. Furthermore, it enables the professor to back up the case on facts that are easily graspable for the audience and thus can lead to a more profound and rich discussion.

Fourth, the application of the PAM can enhance the level of potential learning outcomes for the students with regards to the mix of business and politics. This is especially true for the uncontrollable external influences such as politics. The Matrix can help to plan and structure an organization's reaction and handling towards this external force in a structured and well-reasoned way.

## Reflection

The following table shows possible reasons and consequences that are likely to arise during the class discussion:

	Vocal Antagonist	Silent Endorser
<b>Reasons</b>	<ul style="list-style-type: none"> <li>• Staying, being, walking authentic</li> <li>• Alignment of core values → Employees, CSR &amp; Company Culture (Equality, Liberal, Radical Hospitality)</li> <li>• Connect to what he stand for → political affiliation</li> <li>• Employer Branding</li> <li>• Pathos/Emotions</li> </ul>	<ul style="list-style-type: none"> <li>• Economic reasons: Money</li> <li>• Trump supporters, customer target group → 62. Mio voted for Trump, 65. Mio for Hillary</li> <li>• Strong independent woman (role model?); feminist movement</li> <li>• Cash Cow Ivanka Trump</li> </ul>
<b>Consequences</b>	<ul style="list-style-type: none"> <li>• Social Media Storm by Trump supporters</li> <li>• Buy and Boycott calls by Trump himself</li> <li>• Announcement by Terry Lundgren to step down as Macy's CEO?</li> </ul>	<ul style="list-style-type: none"> <li>• Defend authenticity</li> <li>• Losing core value and eventually misaligning inner core - who are we and brand core crisis</li> <li>• Mutiny of employees (company culture), employer branding</li> </ul>

*Key Questions that result from discussion*

1. Are we actually excluding stakeholder?
  - a. Customer groups (Trump supporter vs. Trump antagonist)
  - b. Employees (cultural/sexual diversity vs. intolerance or diversity)
  - c. Relationships (Supply Chain, Producers)
2. How much are you willing to pay to stay true to /or move away from your core values?
3. Where do you draw the line between walking the talk and managing an organization successfully?

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