

How Firms Change Bad Practices



By [Henrich Greve](#) , INSEAD Professor of Entrepreneurship

Organisations don't always respond to threats, but they change quickly when their peers do.

In early June, the authorities in Bangladesh filed murder charges against those involved in the collapse of the Rana Plaza factory in 2013. The owner, his parents and several government officials all face the death penalty if convicted. This is a stronger charge than the expected homicide charges and is based on the fact that they overlooked sudden cracks in the structure of the building, ordering employees back to work.

Meanwhile, the major U.S. clothing companies that used that factory and many others in Bangladesh have been increasing their checking of safety at their suppliers, and have formed consortia to effectively coordinate these checks. This is a big step forward from the earlier practice of rare checks (or no checks), but they are still checking less than one-third of the clothing factories in Bangladesh, leaving many unsafe factories with less-known (but usually foreign) customers.

In Bangladesh, people held responsible are being punished. In the U.S., companies buying from the factory were facing publicity problems and could also have been targeted by social movements against sweatshops if they had not acted quickly. So what drove the reforms? Threats of punishment or better understanding of the factory dangers?

Force or example?

A recent paper by [Forrest Briscoe, Abhinav Gupta, and Mark Anner in *Administrative Science Quarterly*](#) provides some useful answers. They looked at how universities react to threats – from social movements, not the law – that target sweatshop purchases by Russell, a firm that supplies branded sportswear. They looked at two ways that universities might decide to manage their supplier relations differently: either by learning from each other, or by simply responding to threats. Both would be good reasons to stop purchasing from Russell until it reformed its supply lines, but the key finding was how these reasons interacted. If a university stopped purchasing after being targeted by a threatening campaign, other universities reacted as if there was nothing to learn from it. It had simply reacted to a threat, so it probably didn't have a real reason. If a university stopped purchasing after collecting information, with no threat, other universities might copy its actions.

The conclusion is an interesting one for all who want to improve organisational practices. Threats work. But they work very locally, and expensively. The most important way that organizational change happens is actually when organisations learn from each other and that happens much less when threats are involved. So the prosecutions in Bangladesh are important for the families of the victims, and the actions of the social movements in the U.S. are important for the conscience of the activists, but organisations learning from each other's actions give the strongest results of all.

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