Managing Stakeholder Engagement on a Global Scale

By Brian Duffy
Foundation for Public Affairs

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Introduction

When mining conglomerate Rio Tinto developed its stakeholder engagement strategy — widely regarded as one of the best in its class — it literally began schooling its employees in the subject.

Back in the 1980s, the company had invested substantially in a copper-mining operation in Papua, New Guinea, called Bougainville. But before withdrawing in 1989, the company was accused of contaminating nearby communities and helping to spark a deadly civil war.

After that experience and others like it, Rio Tinto executives realized that they needed a unified, proactive strategy for engaging the company's broad cast of dynamic stakeholders around the globe. At the time, the company was still using six different versions of a stakeholder mapping strategy. They had to go, as did the thinking that had produced them.

"We basically created a new stakeholder engagement process," says Judy Brown, Rio Tinto's chief advisor for stakeholder engagement. "What we had was a regional organizational structure focused on products — ore, diamonds, oil. What we needed was a Rio Tinto structure."

Working with the faculty at Georgetown University's McDonough School of Business, which specializes in stakeholder issues, Brown and her colleagues developed a new process that brought fundamental change.

But the process wasn't always pretty. The Rio Tinto-Georgetown team had to canvas internal company stakeholders and make a candid assessment of their "pain points." Were they the source of Rio Tinto's inability to make greater strides with external stakeholders in the decade since Bougainville? For a company whose scope of operations was so vast, the challenges were nearly as broad as its global reach.

The 'Academy Approach'

"What was needed," says Georgetown's Nancy Beer Tobin, "was an academy approach. This was not unfamiliar to [Rio Tinto]. They had marketing and leadership-development academies. What we needed now was a stakeholder engagement academy. We needed to completely penetrate the organization."

Today, the Rio Tinto stakeholder engagement academy boasts more than 300 alumni of its intensive four-day executive education program.

Perhaps no industry is more reliant upon successful stakeholder engagement than the extractive business.

Brown estimates that as much as 90 percent of mining operations worldwide succeed or fail as a result of stakeholder issues. Why? The massive amount of investment required to start and operate a mine is one reason. The "long life" nature of such operations is another.

A lot of money, a lot of resources — you don't want to go down that path, Brown says, unless you're sure you will be able to see it through successfully to the very end.

Authentic, Transparent Engagement

Rio Tinto is far from alone. Authenticity and transparency have long been vital to successful stakeholder engagement; but in recent years, their meaning has shifted markedly, requiring companies to make substantial investments of time, resources and personnel to ensure that goals are met and meaningful changes are made.

Anything less, in the eyes of many, is not just a waste of time but a lost opportunity to grow and guide one's business.

It's not that global businesses have been operating with a sense of disingenuousness, although some have been accused of that. It's more that, because our world has been transformed by the speed and immediacy of so much of the information we consume, opacity of operation is no longer an option — if it ever was.

Stakeholder engagement — once considered a "soft area" by many chief executives, something a bit more than window dressing but less than full, face-to-face dialogue — is now widely recognized by many executives as a vital tool of successful business operation, one that can deliver real value only if it is undertaken genuinely.

"The words matter; the actions matter more," says Ladan Manteghi, executive director of the Global Social Enterprise Institute at Georgetown's McDonough School of Business. "So there has to be that authenticity." And it cannot be faked.

The financial crisis that gripped the nation and convulsed Wall Street is only one of the more dramatic examples in which an inauthentic response resulted in some painful lessons learned.

Big banks made a significant investment in outreach efforts aimed at illuminating how transparent and responsive they had been to growing consumer and regulatory concerns about overleveraged and unsustainable investments.

But after so many millions of Americans saw their retirement savings vanish, the banks' message never got through.

"We were wrong about that," Bank of America CEO Brian Moynihan said at the time.

Added Jamie Dimon, chairman and CEO of J.P. Morgan Chase: "We've got to do things differently. I was wrong; we were wrong. Mea culpa."

"The words matter; the actions matter more."

— Ladan Manteghi
Global Social Enterprise Institute

Today, it's not just about finding new and better ways of engaging stakeholders in a forthright, meaningful way, but applying a certain rigor to those efforts — in terms of tools, metrics, mapping, scenario planning — to ensure that these efforts result in real business value.

Perhaps more than anything, the increased rigor that more and more companies seek to invest in their efforts to assess capacity and strengthen their approach to stakeholder engagement is the difference between success and failure.

And this is true for companies in fields ranging from agriculture and consumer products to extraction in parts of the world that have not traditionally welcomed such ventures.

At the 1992 United Nations Conference on Environment and Development, commonly known as the Earth Summit, conferees engaged in a spirited debate about how to categorize global civil society and stakeholders.

Ultimately, they settled on something called a "major groups" model that identified nine groups of stakeholders, ranging from women and children at the top of the list to NGOs and trade unions in the middle to indigenous people and farmers at the bottom.

These groups, the conferees decided, were the constituencies around the world that had the greatest stake in sustainable development and were most affected by global policymaking.

One may quibble with such a list and its rank-ordering of constituencies, but it was a meaningful start to ongoing efforts to define stakeholders and identify their motivations.

The 'Business Case' for Engagement

"This is actually part of the business case," says Stephen D'Esposito, president of the consulting group RESOLVE, which works with companies around the globe to define stakeholder groups, determine their motivations and draw an effective map of the future that allows them to make choices about potential opportunities.

He says effective mapping is one of the best ways to "build value for the company."

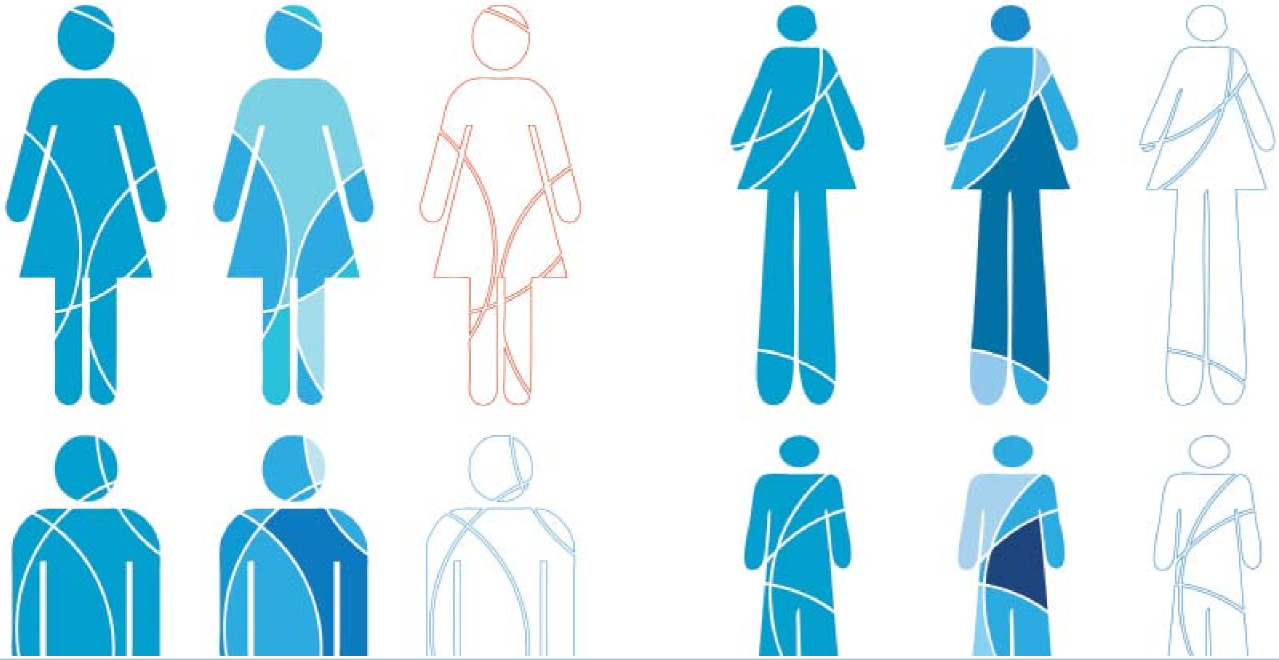
Allyson Park, vice president of corporate external affairs at The Coca-Cola Co., agrees, calling stakeholder mapping and engagement "a business-critical decision."

Yet for all that is riding on successful stakeholder engagement efforts — and, given the rapid and viral nature of social media, the cost of failure is increasingly steep — there remains a wide latitude of viewpoints on who is and is not a stakeholder, how to prioritize them and when and when not to engage with them.

"Part of the problem is, the definition is very broad," says Robert Blood, founder and managing director of Europe-based SIGWATCH Inc., which tracks over 4,000 activist groups engaged in more than 700 issues around the globe. "I focus on NGOs, but I don't call them stakeholders. I like to reserve the use of the word 'stakeholder' for those who have an interest in the business."

Jason Jarrell, head of international programs for the Public Affairs Council, has a slightly different view.

NGOs, he says, are "not necessarily stakeholders in your corporation but can very much have a stake in a shared issue. As a result, we often refer to them as 'issue stakeholders.'"



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Defining Stakeholders

It's not just the revolution in information technology that has resulted in more robust efforts by companies to engage their global stakeholders. The arc of history, it has been said, bends toward justice. An important corollary for companies with business operations spanning the globe is the trend toward greater openness.

In the dim, dark past, many say opacity — insisted upon by legal counsel, risk managers and executives feeling unfairly bruised by misguided or inaccurate outside criticism — was the order of the day. Since the 1980s, however, corporate executives have been compelled to answer stakeholder questions about an increasingly wide range of business operations. And not only has the number of questions increased; so has the number of questioners. Today, the ranks of those importuning companies for more detailed information about sustainable agriculture, supply-chain management and other issues are comprised not just of issue stakeholders like NGOs but also customers, communities, investors, suppliers, business partners, public authorities and journalists.

The rapid rise of the corporate social responsibility movement has also encouraged greater community involvement, corporate philanthropy and employee support.

While there is some overlap between CSR and stakeholder engagement efforts, the latter comprise a discrete but increasingly important subset of issues that require considerable time and expertise to manage skillfully. If, as the dictionary suggests, a stakeholder is "someone who has an interest in the success of a plan, system or organization," the number of concentric circles of shareholders with whom a company must engage can be very large indeed. And it is not just the compelling vortex of the Internet and ubiquitous social media that require such management.

As more companies release codes of conduct outlining the fundamental principles undergirding their operations and activities, they are increasingly placing a greater burden of openness on themselves, further raising stakeholders' expectations of transparency. Independent actions by groups of companies and/or industries to adopt principles like the Global Reporting Initiative and the Extractive Industries Transparency Initiative add still greater impetus to the trend toward openness.

Happily, more and more companies are finding new and inventive ways of responding to this growing demand. As they have done so, however, the demand only continues to grow, making stakeholder engagement an ever more vital component of a successful strategic business plan.

"Sustainability was a core value for our firm even before it became something of a catchphrase," says Theresa Loar, senior vice president of international programs at CH2M Hill, the Colorado-based engineering and construction giant that, in 2005, was among the first such companies to publish a sustainability report. "It's important to frame the issues [of core values] for the outside world. There's a lot of pride, and people appreciate this effort."

> "When do you jump in? … It's an art, not a science."
>
> — Helaine Klasky, GE

Still, making the right decision requires not just time and expertise but an almost relentless quest for information, and an infrastructure that can support that demand.

Helaine Klasky is the director of global public affairs for GE, and the company system she describes to rank stakeholder relationships and divine the motivations that might make some prime candidates for engagement is not unlike a senior officer at a major intelligence service "pulsing the system" for the latest, best information.

"Brand-recognition optics are always being thrown to us," Klasky says. "Is it a group we want to be engaged with? Is it political? What's its reputation?"

Not unlike Robert Blood's SIGWATCH reporting service, GE has an internal media center for excellence that provides Klasky and her colleagues a report each morning on what issues are trending, "on what's the buzz. Who's happy? Who's ticked off?" The information is digested before an 8:30 a.m. daily call among Klasky and her colleagues on the corporate communications team, though she regularly reaches out across the company for insight and additional information. On Mondays, there is a 7 a.m. "global call" for colleagues around the world to exchange information on issues that may be beginning to gain traction in far-flung places where GE has operations. Klasky calls these "rhythm calls" and says they are an invaluable tool for helping her and her colleagues assess motivation, intent and suitability for engagement by GE.

"You get it from the left, the right," she says. "Do you monitor? When do you jump in? What's the cost of not engaging? It's an art, not a science."

Mike Fernandez sees a bit more science than art, though plenty of the latter, too. "The key to our business model," says Fernandez, corporate vice president for corporate affairs at Cargill Inc., "is that partners will come to us and say, 'Hey, can you help us?' Maybe it's in China, Indonesia, Mozambique."

In Indonesia, the issue was palm oil and how to harvest it in a responsible, sustainable way. The stakeholders there were many, including the government, environmentally oriented NGOs like the World Wildlife Fund and more than 100 farmers whose livelihoods and communities were directly affected by Cargill's operations.

"When I was in South Sumatra," Fernandez recalls, "I met with over 100 smallholder farmers, and their question [was], 'Are you committed to RSPO?'" That would be the Roundtable on Sustainable Palm Oil, an international consortium dedicated to improving palm oil harvesting techniques and practices by, among other things, eliminating harvesting in high-value forests and development on deep-peat lands. Cargill's reply to these stakeholders, according to Fernandez: "'Look, we won't get there unless we are committed to work with you.' One of the things we learned was that we could better manage our supply chain by operating a bunch of plantations so we could see how to do it better."

And it worked. Today, Cargill operates two bustling palm oil plantations in Indonesia and 12 refineries around the world that produce the world's most widely used and versatile vegetable oil. The road wasn't easy, Fernandez says, but the company did have a roadmap of sorts. Cargill operates 72 different business units in 67 countries around the world, but in every one, Fernandez says, the company employs the same six-step process for determining how best to assess and engage stakeholders.

An Almost Scientific Method

The first three steps seem simple: Identify stakeholders, prioritize their issues, then map and analyze to develop a plan to address them. After creating a plan that can pass muster with most, if not all, of the stakeholders, Fernandez says, the final two steps — implementation and evaluation — are pretty straightforward. "It's almost like applying the scientific method to everything we do," he says.

As a result of its efforts in Indonesia, Cargill is on track to deliver 100 percent of its palm-oil-related products under RSPO approval to the United States, Canada, Europe, Australia and New Zealand by 2015 and to the rest of the world by 2020.

With corporate investment in stakeholder engagement steadily increasing, the quest to measure its efficacy is understandable, as is the desire to be able to paint as accurate a map of the future as possible. Stakeholder engagement, says Rio Tinto's Judy Brown, is "core to our business. We have a pretty major impact not just on communities but on entire countries. You don't take a 6-to-10-billion-dollar investment lightly. You don't want to find out six years into an investment that you're not going to be able to expand. We've learned a lot along the way."

Consistency is also the objective of another process that's being enthusiastically embraced by a growing number of companies that insist on genuine, and genuinely effective, stakeholder engagement efforts. That process is mapping.

"The process is not linear," says Craig Kramer, who oversees worldwide government affairs and policy for Johnson & Johnson. "We show it as a circle, and it's continuous. … There may be something that's telling you you need to act, whether it's a new product or a forthcoming government action. It's a list of issues, and you prioritize the stakeholders around it."

How that's done, of course, varies from company to company. Just a few years ago, Rob Robinson, one of Kramer's colleagues who had spent some 20 years in various Johnson & Johnson business units, was asked to move over to the government affairs and policy group. Robinson, now senior director, health policy excellence, for Johnson & Johnson, has an unusual portfolio. "My goal," he says, "is to illustrate to the businesses the value of stakeholder engagement." As with so many companies, the subject was not exactly top of mind for many Johnson & Johnson employees, so Robinson first had to explain what it was — and wasn't — and then get colleagues throughout company to buy in.

About a year and a half ago, Robinson upped the ante, urging his uncertain new recruits to begin thinking seriously about how they would map the various stakeholders they had been discussing with regard to a variety of company issues. As part of the exercise, he gave them an empty piece of graph paper with both X and Y axes, with the X representing stakeholder accessibility and the Y how much a stakeholder might be able to influence a company business objective.

According to Kramer, a key determinant of success or failure in such an exercise is the number and diversity of people you have in the room. At Johnson & Johnson, the ideal number, depending on the issue, seems to vary between 10 and 20, and can include anyone from in-house medical specialists and attorneys to sales and marketing people, communications staff, business-unit leaders, IT staff and government affairs experts.

After examining who has the greatest impact on an issue, who influences whom and which stakeholders require special attention, Robinson says, "the idea is to put together a single map, on a single page. It's not as easy as it sounds." The map that is ultimately generated is not the end of the process but, rather, the beginning.

In a recent McKinsey & Co. report, former BP CEO John Browne and Robin Nuttall, a London-based McKinsey principal, examine the importance of establishing reliable processes for evaluating stakeholders and then determining how to engage them. In the mapping process Robinson designed for colleagues at Johnson & Johnson, you can get an up-close look and see warts and all.

"Once you get all the stuff mapped visually," Robinson says, "the first thing that happens is it often tells the business folks what they don't know. And that's a good thing. What you do is take your best guess first, then you shop [the map] around, and it doesn't need to be accurate. It needs to stimulate questions. You've got to start somewhere. We've done it a few ways, and we're learning as we go. It's not new, it's not rocket science, but we're getting better and better at it."

'The Beginning of a Process'

One clear lesson learned is that if the objective the group is asked to assess is too broad — "You want to increase business in China by 26 percent by 2016," Robinson offers — that's not going to work. But if the objective is assessing the utility of metabolic surgery for diabetic patients, that's doable. He repeats his mantra: "It's not an event. It's the beginning of a process."

Danna Pfahl, vice president for stakeholder engagement at Future 500, a San Francisco-based consulting organization that works with corporations to monitor and assess reputation issues and help develop response strategies, describes a remarkably similar process. Pfahl has worked for the past five years bringing together corporations and activist organizations, and she blogs regularly, along with several of her colleagues, about what works and what doesn't, liberally offering tips to both sides to help move the engagement process from a preliminary phase to a more meaningful one.

On a recent issue involving extraction of natural gas through the controversial process of hydraulic fracturing, or "fracking," Pfahl says, "the first thing we did was get everyone in the room, all the key players, starting with the big boys."

Perhaps no one was thrilled with the first iteration of the map, but Pfahl put it into an Excel spreadsheet. Then the next phase of the process commenced.

"We kind of use that as a tool," Pfahl says. "It's more like getting your house foundation in place before you move the furniture in. That's why we do this for the companies, so they can see how the process works."

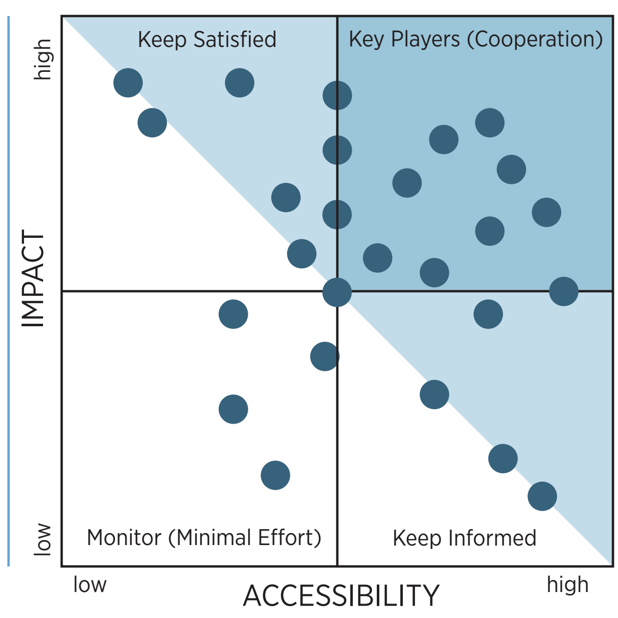
Whatever variants there may be in the mapping process from company to company and activist group to activist group, there appear to be two common denominators.

The first, which may seem obvious at first but which is not so in a contentious meeting of opposed parties, is listening. Being a good listener, if you are engaged in a process of trying to understand and engage a particular stakeholder, is critically important. (Pfahl offers a rule of thumb of 70 percent listening, no more than 30 percent talking.)

The second commonality is the quality of the questions asked. Precisely crafted questions about a potential stakeholder's motivations, ability to influence an issue, willingness to engage in dialogue and relationship with the company at issue can, according to practitioners like Robinson and Pfahl, yield surprisingly accurate information for purposes of mapping them on a grid.

Then begins the discussion about how to move some of those stakeholders to the upper-right-hand quadrant

Sample Stakeholder Map



Source: Johnson & Johnson

of the grid. That's the sweet spot, where stakeholders with the most influence on an issue are also those with whom the company has a positive relationship that can persuade them to help move the dialogue forward.

"We're not shy," says Johnson & Johnson's Kramer. "We go out and meet with people who don't like us. If worse comes to worst and they still don't like us, we try to make them less impactful somehow. But the payoff in the process is moving those other guys into that [upper-right-hand] box."

The Importance of Training

Consistency, as someone once said, may be the hobgoblin of little minds, but for companies like Rio Tinto, Cargill and GE, with so many different businesses operating in so many different parts of the world, it is an essential ingredient in their recipes for success. It has worked for Rio Tinto. Working with mining experts from Australia and investment specialists from the University of Pennsylvania's Wharton School of Business, the Rio Tinto-Georgetown collaboration continues to yield significant results.

"We designed a program for engineers," Rio Tinto's Judy Brown says. "We didn't want plug-and-play. So [now] we take the training program out to the business units, to the front-line people." The program has computer-simulated models for various approaches to stakeholder engagement, and employees construct case studies based on their individual portfolios.

Upon completion of the intensive four-day program, employees return to their jobs with the case studies to help guide them with specific stakeholder relations issues.

One of the key building blocks of the training program was what Rio Tinto calls a "materiality matrix," which helps employees rank potential for stakeholder engagement on a scale from low to medium to high based on internal and external views and information solicited from suppliers, customers, partners, NGOs and the news media, among others.

The matrix helps employees assess potential for Rio Tinto's "long life" mining operations to engage productively with civil society through local communities, customers, employees, government agencies and other industry partners.

"It's a different level of engagement," Brown says. "We survey before we go in. We ask, 'What do you think of mining? What do you think of Rio Tinto? What do communities need? What do rural communities need?' So you survey a lot before you go, and then we redo our surveys every three to five years. Sometimes we do them for internal use, tracking whether attitudes [of those in affected areas and communities] are changing."

One commonality of all the stakeholder surveys, Brown says, "is we don't define them. We let them define themselves. … We try to understand them."

Besides the substantial investment of time and resources increasingly required of companies intent on better managing their stakeholder engagement efforts, on the other side of the ledger there can be significant benefits.

In the case of Rio Tinto, which operates in more than 40 countries on six continents and has approximately 71,000 employees, one benefit, counterintuitive as it may seem at first, has been the transparency of its reporting on the amount of taxes it pays both per country and by product line. Detailed tax reporting is increasingly required by governments overseas that are now moving to put greater transparency initiatives into effect, placing the company ahead of the curve — no insignificant thing for a company with, as Brown puts it, "so many legacy issues."

"It's not an easy thing to do," she concludes, "to be so transparent, but sometimes you have to open the kimono a little more than perhaps you're comfortable with."

A more tangible benefit is the reduced cost of capital some companies are seeing as a result of their efforts to improve transparency.

"Markets run on information," says Nell Minow, editor and co-founder of The Corporate Library, an independent information resource on corporate governance and executive compensation. "Anything that you do to detract from the efficiency of markets is going to cost your company dollars — in terms of loans, debt issuance and share price."

Case Study:

London 2012

When Queen Elizabeth II officially convened the 2012 Summer Olympic Games, a global television audience marveled at the extravagant opening ceremony, in which the queen memorably played herself in a cameo appearance alongside actor Daniel Craig as James Bond.

Unseen beyond all the gold medals and glitter, however, was an accomplishment of equally Olympic proportions. That was the design, creation and implementation of a sprawling venue for the Games in one of the most congested and challenging cities in the world.

London's Olympic Development Authority (ODA) had set for itself the immodest objective of delivering "the healthiest, safest and greenest Olympic and Paralympic Games" in history.

A Unique Stakeholder Map

"Our stakeholder map," says Theresa Loar, senior vice president of international programs at CH2M Hill, which had principal responsibility for meeting the ODA's objectives, "was really a lot different from a map for, say, a consumer-products company."

For starters, the ODA wanted nothing to do with the creation of a vast client delivery organization to oversee the design, planning and construction of the site that included the Olympic Stadium, the Landmark Aquatics Centre, the bubble-wrapped basketball center and the distinctive "Pringle-shaped" Velodrome.

Rather, it wanted a more fluid structure that would "deal directly upward with stakeholders," including the British government, the London mayor's office, the various sporting bodies and the five London boroughs in which the Games would be held.

This, say Loar and her colleagues, may have been the key to the company's success in London. A relatively flat management structure with direct lines of communication and authority allowed CH2M Hill to establish clear objectives based on stakeholder concerns and objectives and to monitor progress toward their achievement.

Such clarity, it turned out, was critical given the tangled complexity of stakeholder issues. Sustainability, of course, was a watchword, but the ODA's commitment was to the creation of a site for the Games that would have the smallest carbon footprint ever.

The site itself presented still more issues: Dirty water sources had to be cleaned up, unexploded ordnance from World War II had to be rendered safe and removed, and preservation of ancient artifacts dating back to a 3,000-year-old Roman settlement on the site had to be guaranteed.

If that weren't enough, a high bar was set for the number of female construction workers who would be employed on the site, as well as the employment of a significant number of people from the communities affected by the construction at the various sites.

"They had great ideas, and we had great ideas," Loar says. "But what came out of this were *really great* ideas."

It wasn't exactly as if CH2M Hill was a novice when it came to such challenges. The company had played a major role in designing and building complex sites for the Olympic Games before, in Atlanta (1996), Salt Lake

City (2002), Beijing (2008) and Vancouver (2010).

Jonathan Refoy joined the company in 2011 to help manage the expectations of the notoriously unruly British press and other skeptics from around the world who, citing the London riots that same year, fretted about the provision of security, among other things.

“The London 2012 Olympics,” Refoy says, “was quite groundbreaking across all the KPIs.”

The KPIs, or key performance indicators, established by the ODA ranged from sustainability and safety issues and diversity of employment to hard-edged budget baselines and rigorous delivery schedules.

“We had to have alignment across every program management [phase],” Refoy says.

The KPI for worker safety, to take just one example, was mind-boggling. Some 8,000 construction workers, and 30,000 employees overall, put in over 18 million hours designing and building the site for the Games and its underlying infrastructure.

New Standards for Safety and Diversity

Amazingly, there was not a single fatality, allowing London 2012 to become the first Olympic Games in post-war history to be able to make such a claim, Refoy notes.

Diversity? The company more than doubled the KPI for hiring women in the construction trades, including thousands of female engineers and 2,000 unemployed Londoners from the five host boroughs, many of them young people apprenticed to job assignments where they could learn career skills.

As to bottom-line issues, work on every site for the Games was completed months before deadline, and overall savings from the baseline budget that had been established in 2006 totaled some $1.5 billion.

Such success, CH2M Hill executives are quick to say, could not have been achieved without a genuine effort to understand the motivations and demands of the company’s many stakeholders.

CEO Lee McIntyre is fond of quoting Winston Churchill’s famous maxim of “punching above one’s weight” in describing the company’s approach to challenges like the London Olympics.

In some countries where CH2M Hill operates, issues like employment of female engineers, for example, are seldom discussed, much less defined as a key performance indicator.

“Some of the countries are getting there,” Loar says. “But it’s a very good example where, if they do nothing, it blows back on our reputation, so we love for people to start asking, ‘What are you doing about that?’”

In London, happily, the answers were, “Quite a lot.” Says Loar: “You want clients — and not just clients, but all stakeholders — to know that you can deliver. And in doing this, you do a lot of good in the world.”

Refoy notes that even the skeptics in the press were finally persuaded. There was, he says, “a lot of cross-party praise.” And not just from the media.

In designing the 80,000-seat Olympic Stadium, for example, in such a way that it could be “right-sized” to a 25,000-seat venue after the completion of the Games, CH2M Hill was able to ensure that Londoners were not saddled with a large, underutilized albatross of the type left behind at the sites of several previous Games.

“That will be the lasting part,” Refoy says, “determining whether we and the ODA got it right.”

So far, all the evidence suggests they did.

Not long ago, months after the Games had ended, the Olympic Torch was delivered to CH2M Hill’s London office with a note from a well-known British political figure. “Great job!” it said.

Today, the torch hangs in the lobby of the building where, as one wag noted, “it’s likely to raise some insurance issues.”

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Assessing the Situation

Perhaps too much has been made in some quarters about the impact our transformed media landscape has had on the way we live and operate our businesses.

If one accepts Gutenberg as a touchstone demarking the dynamic dimensions of our newly changed world — and more and more companies do — it seems almost impossible to underestimate the nature of the challenges facing companies with global operations seeking to navigate this brave new world.

Decentralized, Democratized Power

"With electronic media," says Georgetown's Ladan Manteghi, "there has been this decentralization of power, of voice, and a democratization of all this. As the landscape expands, the complexity increases. … It used to be, if you were in a certain kind of business, it was the environmental groups, consumer watchdog groups, the health care sector. It was pretty linear."

Adds Olav Ljosne, senior manager of international operations at Shell Oil Co.: "We have issues on the reputation side, on the investment side, across the whole range of stakeholders — owners, staff, society, suppliers, customers. The communications part [requires] engaging a huge number of people, including staff. That's increasingly part of our training."

The explosion of social media, of course, complicates that challenge enormously.

"There is nothing magical about social media," Ljosne says. "There can be transparency within the company. There can be transparency outside the company. Customers are a huge [target of] engagement. Suppliers, the same thing. The key is sharing as much information as is appropriate."

Focusing on the interaction between consumers and social media, however, Manteghi sees the challenge in slightly different terms.

"The social media side," she says, "is that consumers are very vocal about what they do and don't like about products, which can either make something catch fire, or it can tank it before it's good and ready to come out of the box.

"It's not just the use of the product," Manteghi says. "It's the perception of the company."

If there is a single point of consensus about the impact of the digital world on companies' efforts to identify and engage appropriate stakeholders, it may be in the social media sphere.

The Value of Social Media Tracking

While some companies refuse to even dip a toe in these uncertain waters, many more seem to find that tracking Facebook, Twitter, Reddit and other social media sites provides a highly valuable tool for monitoring reputation, identifying a troubled product rollout and managing supply-chain issues.

It's surprising how many people involved in stakeholder engagement efforts seem to look askance at the possibility of a more proactive role for social media, but given the pace at which these same people are being asked to define, refine and execute their jobs, perhaps such hesitancy is understandable.

"We do a lot on the consumer side with bloggers, etc.," says Johnson & Johnson's Craig Kramer. "But in terms of public affairs, we don't engage in social media. … I think we could be stronger in that department."

That, of course, doesn't mean the phenomenon is going to dry up and blow away.

Take Apple. Much has been written about the company's supply chain and manufacturing issues in recent years, but despite significant efforts to address the problems, Manteghi says, uncomfortable perceptions remain in the minds of some would-be consumers.

"With Apple," she says, "the perception is of Chinese workers living in dorms and jumping out of windows to commit suicide. So some people say, 'Why am I paying $500 for this product?'"

An inauthentic response to such problems is demonstrably problematic, Manteghi says, yet "there are still a number of companies that are doing window dressing about how they're good corporate citizens. They're not being authentic."

RESOLVE's Stephen D'Esposito cites Rio Tinto's experience with the troubled Bougainville copper mine as an example of an appropriate, authentic response.

What Rio Tinto did, in closing the mine and addressing issues surrounding its operation, he says, "is a game-changing event."

"That's the way you can use [stakeholder engagement] to get away from business as usual. … Reputation, being out front, being more open — often there's a business driver associated with that," says D'Esposito, who previously worked at Greenpeace and other NGOs.

"When I go home at night and talk to my kids, I want to make sure I am doing the right thing."

— Stephen D'Esposito, RESOLVE

But he adds, there is a far bigger issue, too: "When I go home at night and talk to my kids, I want to make sure I am doing the right thing."

That, many executives say, is more difficult than ever, and it's not just because of the new ways we consume, process and communicate information.

Take Dow, for instance. Like Rio Tinto, Cargill, Microsoft and GE, the Dow Chemical Co. has long experience operating a wide range of businesses in different parts of the world.

The company, which has been in business for 150 years, has seen the shape of its global business operations morph again and again, and not only because of the revolution in communications technology.

"We're a highly regulated company, even in emerging economies," says Lisa Schroeter, global director of trade and investment policy, who helps lead the company's stakeholder engagement efforts.

The challenge there, she says, is first identifying emerging issues in the far corners of the globe that the company should pay attention to — and then persuading the right people in the company to do just that.

"If the business doesn't care about [an issue], then it's not worth spending a lot of time on it, right? [But] sometimes the company doesn't know what it should care about. Sometimes, if you're running a business, you're not going to see, for example, draft legislation coming down the pike somewhere."

Not unlike other companies, Dow's different business units span the globe, with 140 manufacturing locations globally and sales operations in 170 countries.

Viewing the World Through a Company Lens

How to make sense of all that? Like a growing number of companies, Dow attempts to apply a single lens to all its overseas operations, not to superimpose an artificial construct on a problem or relationship but to apply to it a unifying set of principles to help guide the company toward a solution.

"We don't have a global point of view, a U.S. point of view or a European point of view," Schroeter says. "We have a Dow point of view."

This, unsurprisingly, requires not only some creative thinking but a good deal of collaboration and brainstorming. For example, where Dow has boots on the ground, running business operations far from headquarters, "that's going to be a priority," says Schroeter.

Such views, however, have to be tempered with, say, views from sales and marketing, which in turn must accommodate the views of the company's government partners in different corners of the world.

Not long ago, Schroeter says, she had breakfast with the foreign minister of Kazakhstan as he was passing through Washington. Like others in its industry, Dow is a highly regulated company in emerging markets, and for her to be able to share the foreign minister's views on the company's operation in his country is a valuable source of intelligence her colleagues can obtain from nowhere else.

"This is the value of intelligence versus information," she says, and when it is sifted together to reflect other points of view from within and outside the company, it allows Schroeter and her colleagues to articulate a precise but unified company point of view to stakeholders.

Refining and articulating such a view is critical to effective stakeholder engagement.

Novozymes, the Danish industrial biotechnology company, operates nine different businesses in 30 countries around the world.

And executives there, says Chris Bender, the company's head of public affairs and communications, seek to employ many of the same monitoring tools — social media, interaction with government officials, employee input, investor and NGO critiques — that their peers in other companies use, while also applying an analytical framework not unlike that of Dow or Cargill.

"We look at it in terms of, 'What is our goal?'" Bender says. "What stakeholders do we need to work with, to get through to? What channels, strategies and tactics do we need to employ? It's almost like a dartboard, working from out to in. If you want to think about it as mapping, that's kind of how we think about it."

Case Study:

A Tale of Two Mines

The Upper Peninsula of Michigan — affectionately known as "Up There" to native Michiganders — might, to an outsider, seem to have a thing or two in common with Mongolia.

Both share a bleak and forbidding winter climate and a relative sense of remoteness from the rest of the world. But there the parallels pretty much come to an end.

Defining Common Denominators

For a company like Rio Tinto, with its vast stretch of mining operations, it's important to find common denominators as it considers the issues and concerns of its many stakeholders around the world.

One, of course, is fear. Another is worry. Both may manifest themselves in similar ways, differences in language and culture notwithstanding. But understanding such common denominators is one thing; responding to them effectively is quite another.

In Western Marquette County in Michigan's U.P., a wholly owned subsidiary of Rio Tinto announced last year that it would begin conducting a geophysical survey of the area to confirm its viability as the only primary nickel mine in the United States.

The mine, which is expected to be in full production sometime next year, is projected to yield some 300 million pounds of nickel, 250 pounds of copper and smaller quantities of assorted other minerals.

Currently employing some 300 workers in this development phase, it is also projected to create approximately 1,000 new jobs in a part of the country where jobs aren't all that plentiful.

New jobs or no new jobs, the proposed mine drew the not-unexpected chorus of criticism from many in the community, along with a not-unexpected legal challenge.

What *was* unexpected, to many inside and outside the mining conglomerate, was the company's reaction to the community's response.

Judy Brown, Rio Tinto's lead executive for stakeholder management issues, says that the company, like most others in the extractive industry, has "a lot of legacy issues" to address every time it enters a new community with a proposal to dig a mine there.

Wherever the proposed mine might be, whether it is in the Upper Peninsula of Michigan or on the outskirts of the Mongolian capital of Ulan Bator, understanding the concerns and motivations of stakeholders is critical. Why? Because mines are something that those in the extractive business refer to as "long-life operations." They are typically built in two to three stages, the latter sometimes not even begun until years after the first spade of earth is turned.

"We know when we build in small stages," Brown says, "that [the mine] is going to be much bigger." So there is great incentive to ensure that all potential stakeholders are in for the long haul.

How you do that, however, depends on where you are proposing to dig. In the Upper Peninsula for Rio Tinto, this meant a rather unusual approach.

"We got the community together," Brown says. "We created a board. Funding went to an environmental NGO. … We put together a community website."

Inside and outside the company, she says, the approach was controversial. Relying on outside partners to communicate Rio Tinto's plans for operating the mine, and highlighting the benefits it sought to bring to the community, is not something the company had a lot of previous experience with, but in the Upper Peninsula of Michigan, she says, it made a lot of sense.

In another U.S.-based operation, by contrast, a big copper mine outside Salt Lake City, no thought was ever given to outsourcing the company's stakeholder engagement efforts, Brown says, "but in the U.P., this model — outsourcing — we felt that could work. We tried to have the flexibility to deal with the local community, so we outsourced. … That's what you do with stakeholders. There's a lot of cliffs here, but how do you find some common ground? We have a lot of investment in our reputation, [so] inviting people in, instead of creating a fence, makes sense."

A Different Kind of Stakeholder

In Ulan Bator, Rio Tinto was confronted with a different category of stakeholder. There, the company had embarked on development of a vast, three-phase copper mine called Oyu Tolgoi in conjunction with the government of Mongolia and a third equity partner, Turquoise Hill Resources.

The ramp-up for Phase I of Oyu Tolgoi centered on development of a large open-pit mine, but 80 percent of the project's projected revenue was to come in the more difficult and complex Phase II, all of it underground.

The government currently owns a stake in the mine equivalent to 17 percent of Mongolia's GDP; but although that is expected to rise to 30 percent during Phase II, the government, citing concerns ranging from those of parliamentarians to environmental advocacy groups to ordinary citizens, has put further development plans on hold. Rio Tinto declines to talk publicly about Phase III.

Still, the company believes, all is far from lost — and valuable lessons have been learned along the way.

"We have submitted these very large environmental impact statements," says Brown. "So we're submitting hundreds of pages of documents [to the government], but they don't have the regulatory capacity to deal with that, and so a lot of it is just a lack of capacity, a lack of understanding. … We've gone from brinksmanship to brinksmanship."

Rio Tinto publicly declared its commitment to develop the mine in concert with its government partner, and the mine began shipping copper concentrate this summer. Still, the parties acknowledge that some hurdles remain.

"We haven't successfully communicated," Brown says. The company refuses to pay local media for favorable coverage of the mine's development, relying, at least at first, on its own advertising efforts.

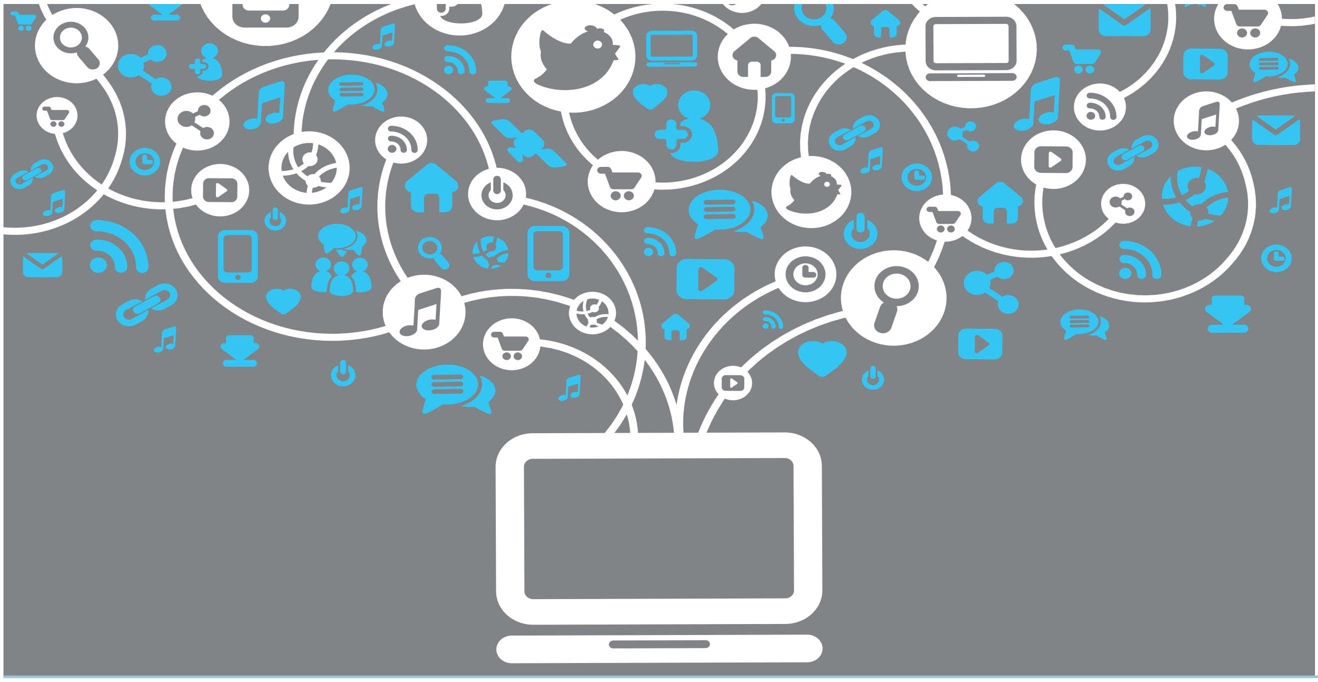
"One of the criticisms we've had," Brown says, "is that our ads are too slick, … and that just reinforces the idea that, 'Hey, here comes a big, slick company.' So sometimes you have to bring it down and reach out, and [then] it's locals speaking out for us."

That, Brown says, has greatly improved the environment for more productive discussion and engagement, although she concedes, "I wouldn't say that we've necessarily won the taxi driver campaign yet."

All of this, Brown says, is part and parcel of a companywide commitment to greater transparency in every country in which it operates, no matter how different they might be from one another.

Such challenges come with the turf, she says, because Rio Tinto must drill or dig its mines in parts of the world that promise the greatest return on investment, no matter how difficult the relationships with local governments, affected communities and other stakeholders may be.

"We have no choice," Brown says. "We have to go where the resources are, so it's really kind of an arranged marriage."



3

Reputation Management

There are certain truisms about managing one's reputation that, no matter how carefully focused the effort of understanding stakeholders' motivations may be, nevertheless mask the deep complexity of the challenge. "Brand point of view," RESOLVE's Stephen D'Esposito calls it. "The higher the brand visibility, the more that's at stake. That's not rocket science. It's just fact."

But it's a fact that, because of its import, can sometimes result in inaction or paralysis.

A Template for Dealing With Stakeholders

Like so many others trying to work through increasingly complex stakeholder engagement issues, D'Esposito and his colleagues have sought to create a template of sorts to help with their analysis. In one slide of a recent PowerPoint presentation, titled "What Makes an Issue," the RESOLVE team spotlighted the following ingredients: a triggering event, conflict or instability, enlightened policy leads, advocacy, a groundswell of public opinion and a shift in key underlying values.

All of these came together, in one way or another, several years ago, as RESOLVE began to work with the Tiffany & Co. Foundation to engage a variety of stakeholders on some delicate conflict-minerals issues. Tiffany is obviously a high-profile brand, and RESOLVE helped introduce a number of influential NGOs into the conversation, but a resulting advertising campaign highlighting Tiffany's efforts to ensure that it was extracting, marketing and selling diamonds only in the most socially responsible manner never ran.

A more recent RESOLVE effort, still in the planning stages, addresses another complex issue, that of fracking. This involves the injection of high-pressure water and chemicals into underground shale deposits that, in many cases, hold enormous quantities of untapped natural gas.

Many in industry, economic and political circles have acclaimed the new access to these previously unavailable supplies of energy as everything from the death knell for the coal-fired power plant to the end of America's dependence on volatile stores of Middle Eastern oil. Some have even gone so far as to hail the new supplies of shale gas as something approaching a panacea for low-income families, who rely to a greater extent than middle- and upper-class families on affordable supplies of energy to heat their homes. Others, however, have cited a failure to completely come to terms with the environmental impacts of fracking, some of which remain poorly understood. Still others have pointed to the impact on public health as a result of water pollution and traffic accidents and traffic fatalities, among other things, in the under-resourced communities where most fracking takes place.

RESOLVE is working at the nexus of these development and health issues to create a Web-based toolkit to help not only the communities themselves but companies that have established programs to address these community health issues and concerns. The project, D'Esposito says, replicates strategies previously employed in the oil and gas sector in key regions of the United States.

Tools for Managing a Company's Reputation

There are other ways, obviously, to manage a company's reputation. Surveys, conducted in-house by stakeholder management teams, are one way. Many companies prefer to complement such efforts with opinion research conducted by informed outside consultants. GE is one such company, and executives there say the results have been fruitful. Such multi-layered strategies, if managed astutely, can yield insight and intelligence more narrowly focused efforts may be unable to. Will all of this work? Will any of it? The issues are complicated, and as with most things in life, there are no guarantees.

One thing does seem certain, though. Not engaging real and potential stakeholders is an invitation to trouble.

"There are two schools of thought," D'Esposito says. "One is that people opposed [to something] are opponents, so you don't engage — I try to not let that barrier go up with real or perceived opponents. But I've seen companies, NGOs and civil-society organizations move from an oppositional stance to engagement. The danger is if you create a box where you just don't go. I don't assume that an opponent's box is one that you don't go in. If you're only managing that particular piece, that's no good. But if you're managing the overall reputation of the company, that's much better."

Fracking, of course, is only one of today's more daunting challenges. But the business climate now is profoundly changed from what it was a few short years ago.

More than a decade ago, a cavalcade of boardroom activists raised stakeholders' expectations for greater transparency by demanding the release of more information about operations.

That demand was soon met with corporate scandals like those of Enron and WorldCom, which in turn prompted the United States and other countries to enact legislation like the Sarbanes-Oxley Act, imposing new financial reporting requirements on publicly held companies.

The Wall Street financial crisis and the tragic BP oil blowout in the Gulf of Mexico provided further impetus for demands for still greater accountability, and growing numbers of companies like Cisco, Nike and Verizon have responded with ever-more-detailed codes of conduct explaining the fundamental principles they employ to govern their operations and activities.

"It's been accelerating. The global demand for companies [to be more accountable] has been an opportunity and a challenge," says Bill Shireman, president and CEO of Future 500. "Anything that happens anywhere in a retailer or supply chain can have an effect everywhere. … Denial of a problem is the first indication that you've got a problem. You come across as having no credibility if you claim you have all the answers."

Case Study:

By the Numbers

"Bespoke" research — a term Robert Blood and his colleagues at SIGWATCH use to refer to research that's customized to fit individual client needs and demands — is something growing numbers of multinationals are finding useful as they attempt to engage more productively with activist stakeholders.

"We do have a formula for weighing the influence of NGOs," says Blood, founder and managing director of SIGWATCH, which tracks the activities of more than 4,000 activist groups around the globe on over 700 issues, adding between 25 and 35 new activist initiatives every day. "It looks more scientific than it really is, but if you don't try to measure things, you don't really have much. We try to create usable tools."

Tailored Measurements

In the evolving world of stakeholder engagement initiatives, the buzzwords "transparency" and "authenticity" have lately been joined by an intriguing new cousin: "metrics." As more companies invest more time and resources in refining their efforts to identify their most important stakeholders, better understand their motivations and engage them in a mutually profitable dialogue, there is a growing desire to determine what kind of returns such investments are yielding.

Gone are the days when pretty words and clever marketing campaigns could woo stakeholders. Too much has changed. But with more money being spent on new staff positions, in-house stakeholder management teams, consultants, face-to-face meetings and ever-increasing international travel budgets, CEOs are either pressing or being pressed to come up with new ways to measure how such efforts are paying off.

SIGWATCH tracks only the efforts of activist groups and NGOs, albeit on a wide range of issues. Left out of its analysis are other categories of important stakeholders, including customers, shareholders, employees, supply chain providers, a wide swath of government agencies and the news media.

Still, as anyone who has been tasked with the daunting chore of understanding an activist campaign against a company or industry can readily attest, a successful NGO initiative can have a profound impact on all stakeholders, often confounding those charged with devising an effective response. "NGOs," says Blood, "are your early-warning radar for emerging issues."

"The secret," according to SIGWATCH's website, "is taking a measured and responsible approach, which recognizes the merits of one's critics without capitulating to unjust attacks, exaggerated claims and scare-mongering."

The metrics employed by Blood and his associates, which they refer to as a "reputational impact-scoring system," are deceptively simple. Designed to "distinguish significant signals from the Internet noise and chatter," they range from a "five-point sentiment scale" to a "shareholder satisfaction pyramid" to a seven-element weighting formula to assess NGO influence. All have been introduced in about the past two years.

The response to such offerings, Blood says, has been impressive. Why? Long regarded as a "soft area" in many corporations, stakeholder engagement for many remains, in Blood's words, "quite fluffy." In comparison, metrics appear to provide a stiffer spine for companies interested in better defining their ROI in engaging stakeholders.

Case Study:

Growing Goodwill

Mike Mack, CEO of Syngenta, a global agricultural chemical and biotechnology company, has a fascination for numbers. It comes with the territory, perhaps you might say. “Over the next 50 years,” Mack says, “we’re going to have to produce more food than we have in the last 10,000.”

If it takes a bit of time to wrap your brain around that concept, don’t feel bad. It took Mack and his colleagues some time, too. They began teasing out the elements of the challenge starting a few years ago, developing an initiative deceptively titled “The Good Growth Plan,” which is both elemental in its approach and boldly ambitious in its objectives.

Sustainable Growth

The plan focuses on six key initiatives. By 2020, Syngenta intends to do nothing less than: improve food-productivity efficiency by 20 percent; rescue some 10 million hectares of farmland that is now in danger of being lost; help 20 million smallholder farmers produce more food and extricate themselves from poverty; increase biodiversity; train 20 million farmworkers to use Syngenta tools more safely and productively; and promote greater fair-labor conditions around the globe.

Forget for a moment his obligations as a CEO. As a parent, Mack says, he can do nothing less than try to make the planet a more reliable source of food for his children and other generations to come.

But before Mack and his colleagues finally rolled out the plan in September, there was some trepidation about how it would be received.

As Paul Minehart, Syngenta’s head of media relations for North America, put it, “We didn’t want to just talk to each other; we wanted to see what we could really do. And we didn’t want to talk just with our friends and allies but even with folks who are against us.”

The global rollout was impressive. At live-streaming events from Jakarta to Brussels to Brasilia to Washington, Syngenta invited a wide range of interested parties to comment on and critique The Good Growth Plan.

The company’s website explains that the events at every venue “had one thing in common: They engaged stakeholders from different backgrounds in an open and honest dialogue on the food-security challenge our world is facing. From farmers’ associations to NGOs and universities, those in attendance represented diverse (and often opposing) points of view.”

The approach represents a significant step forward for Syngenta.

“Why now?” asks Minehart. “Because there has been a lot of talk, a lot of misinformation floating around out there, and we got tired of writing white papers and writing speeches. So we decided we really have to put a stake in the ground, to say clearly, ‘Here’s what we do, and here’s why it works.’ … We want to shape our future instead of having it shaped for us.”

Syngenta promises to report regularly on the progress it is making toward its goals — to document where it is making strides and where it may need to do more.

The response? Judging from the comments posted on the company’s website, pretty positive, albeit with an undercurrent of caution that Syngenta’s stakeholders will be watching.

“Be transparent, explicit and ready to measure and report,” one guest wrote.

Case Study:

Pfizer's GHF Program

Oonagh Puglisi is in the business of changing lives. A successful executive at Pfizer Inc., with an office in Manhattan and a calendar full of deadlines, meetings and travel obligations, Puglisi regularly uses her vacation time to visit Africa — specifically, Uganda and its tumultuous capital, Kampala. She doesn't visit to go on safari or to commune with nature. Her visits allow her to work in a bare-bones medical clinic, helping to treat men, women and children infected with HIV.

"There's been so much progress, but there are so many challenges," she says. "But people are living their lives. They're getting jobs, they're raising families. Kampala has become a second home to me."

Puglisi is Pfizer's senior manager for corporate responsibility and an alumna of the company's pioneering Global Health Fellowship program. This year marks the 10th anniversary of the GHF program, and in that time Pfizer fellows have donated over 325,000 hours in working with underserved communities around the globe, contributing some $47.6 million in pro bono services. The GHF program is part of the CSR portfolio at Pfizer, but as Puglisi explains it, it is far more than that, "a small but mighty team … whose first obligation is stakeholder engagement."

The Pfizer Cavalry

By spending six months in the field, while maintaining their health benefits and regular pay, Pfizer fellows not only promote access to health care and medicine; they also serve as Pfizer's cavalry, ranging far and wide beyond traditional lines of corporate communication to better understand how the company is perceived in distant corners of the globe and identify whatever issues or challenges need to be monitored and addressed.

"The program really helps Pfizer in both our business and social value," Puglisi says. "It's an opportunity to develop colleagues and expose them to global health and development issues, … to have them meet our stakeholders and build trust and relationships that we wouldn't be able to develop in a corporate setting. We really feel like it's win, win, win — for partners, Pfizer, colleagues."

Where other companies have skills-based volunteer programs that send employees into underserved communities, the typical program is limited, Puglisi says, to a few weeks or relies on employees who volunteer for brief "pulse" assignments abroad. At Pfizer, Puglisi leads a "global recruitment team" to identify not only employees who want to serve for six-month periods abroad but who are temperamentally suited to identify new and potential partners and stakeholders, even in instances in which some of them may not wish to engage.

Puglisi and her team have a strict set of criteria by which they evaluate both potential fellows and potential partners. Enthusiasm is on the list, but so, too, are discipline, determination and a demonstrated commitment to work together under often trying circumstances. While some fellows may have the benefit of following in the footsteps of predecessors on their far-flung assignments, others must start afresh someplace where a partnership with Pfizer could mean the difference between life and death.

Like other big companies seeking to find new ways to identify and engage stakeholders, Pfizer is always trying to find new avenues for evaluating and assessing the success of such efforts. Pfizer fellows, Puglisi says, are more than corporate goodwill ambassadors. A critical part of their assignment is to reach out to existing customers and those who have no familiarity with Pfizer products to assess how the company is perceived. The company takes pains to ensure that its fellows communicate their findings to executives back home so they have yet another stream of intelligence on how the company is doing.

"We've continued to grow," Puglisi says of the 10-year-old program, "but also to change and be really organic, [to ask] how, specifically, does it help Pfizer improve stakeholder engagement?"

Puglisi explains: "Every day, Pfizer colleagues work across developed and emerging markets to advance wellness, prevention, treatments and cures that challenge the most feared diseases of our time. … We also collaborate with health care providers, governments and local communities to support and expand access to reliable, affordable health care around the world. Therefore, our social purpose mirrors our business purpose, and Pfizer colleagues embrace this ethos. At the same time, fellows learn how these environments operate, and they return to Pfizer with experience and new relationships that inform their ability both to have an impact on pressing health concerns and to do business more effectively."

The Metrics Challenge

Puglisi and her colleagues are mindful of companies' desire to apply a variety of metrics to such efforts. It is a worthy goal, she says, but it has a limited scope.

"There really isn't this magic metric equation," Puglisi says. "It's a lot more difficult to measure the business impact — sometimes you won't see it for five or 10 years. It's a tough thing; and everyone, quite honestly, struggles with it. It's tough. But we all know we have a responsibility to the stakeholders in the communities we operate in."

Applying a precise mathematical yardstick to stakeholder engagement efforts may be a chimerical goal, but that doesn't mean that all efforts to measure effectiveness are in vain.

Over the years, Pfizer has implemented a three-pronged approach to measure the GHF program's impact. Working with Boston University's Center for Global Health and Development, the company fields regular surveys of fellows during and after their assignment and then again, a year later, to determine what impact their work has had on a community. Individual growth-assessment surveys help further evaluate fellows' work, and the findings are reported to Pfizer management. Finally, detailed case studies and partner testimonies round out the picture.

A couple of examples: Over the past six years of Pfizer's partnership with Mothers2Mothers, a grassroots nonprofit in South Africa, 11 Pfizer fellows helped scale up services to combat the spread of HIV from mothers to children, Puglisi says. The fellows worked in financial management, strategic planning, monitoring and evaluation, human resources and communication. And their work has served as a revenue multiplier, bolstering and enhancing M2M's systems, making them increasingly able to turn donor funding into public health outcomes — which, in turn, attracts more funding.

A second case involved Uganda's Infectious Disease Institute. Between 2003 and 2012, the IDI hosted 12 fellows whose assignments were designed to address core needs, including training staff in clinical research procedures and developing budgeting, planning and facilities maintenance systems. Today, Puglisi says, the IDI has capacity in a variety of areas that it would not have obtained unless it hired expatriate staff or consultants to undertake the same tasks.

Increased transparency, Puglisi says, also helps with stakeholder engagement.

Three years ago, Pfizer established the Alumni Business Network, which allows current and former fellows to share information about their assignments, often in the same communities, so they can learn from past mistakes and gain new insights. The company also publishes a newsletter for alumni and posts individual case studies on its website.

4

Stakeholder Management Is All About Integration

The debate over whether it is more art than science should not obscure some basic facts about stakeholder management today: It is essential, it can be expensive, and if you get it wrong, woe unto you.

The changing landscape has obviously led many companies to experiment with new approaches, to revise and refine existing models to meet shifting demands from stakeholders of all stripes — and not only boardroom activists and NGOs. The Coca-Cola Co., for example, was founded in 1886, and for the entirety of its existence, it has had a profound impact on the communities from which it obtains source ingredients like water and vegetables, as well as on the millions of people around the world who consume its products.

"It really goes back to our core," says Allyson Park, the company's vice president of corporate external affairs. "There's a lot in our history that laid the groundwork for where we are today."

Having embraced the Global Reporting Initiative some years back, Coca-Cola created the new position of chief sustainability officer a little over two years ago.

Through a program called "Me, We and the World," the company has concentrated its efforts not on an impossibly diverse array of real and perceived shareholders but on three categories of key issues: well-being, women and water. The focus is on responsible marketing to kids, human rights and labor rights, water policy, sourcing product ingredients locally and reducing the company's carbon footprint.

"We're a global company," Park says, "but we're really local. We produce locally, we source locally. We're selling locally."

Still, getting engagement right remains something of a moving target. Since creating the position of chief sustainability officer, Coca-Cola has aligned all of its sustainability initiatives across the board to comply with a new model for the vision it is articulating for 2020.

"We don't live in an either-or world," Park says. "I'm finding more and more interest in the whole picture. It's not about, 'I'm going to do something about the environment but not about health care.' You've got to treat [all interests as] equal. That's our commitment, and our actions stand behind that."

How? "We're still traditional," Park says. "A lot of what we do is in person. … We've made a lot of changes coming out of stakeholder convenings."

Coca-Cola executives work with CERES, among other NGOs, on a range of sustainability issues, from water to climate change.

"They have done a lot of stakeholder engagement work for us," Park says, "convening and mobilizing businesses and investors. … We try to have a very humble confidence, [but] we know we can improve. It's just not good enough to say we do so many meetings around the world. Over the past couple of years, we've really evolved this. In the past, we were much too insular."

Consider the Audience

Translation: Many of the communications to stakeholders were judged more by how they sounded to in-house judges and less by how they were judged by their intended recipients. When those efforts fell on deaf ears, many Coca-Cola executives were caught by surprise.

One of the criticisms the company received, Park says, was that its efforts to reach out and try to explain itself to stakeholders were "too much 'happy-speak.'"

"We realized the approach we were taking, the tone were taking, was wrong," Park concludes. "It's just a different world. It's going to take a lot of people talking to a lot of people. Everyone to everyone."

Sometimes, it seems, that's exactly what's happening, though the ensuing cacophony isn't always quite what some businesses anticipated.

GE, for example, despite having extended itself significantly into a number of very different businesses, is still viewed in some parts of the world as primarily an energy and engineering company.

Yet in Saudi Arabia, where the company has a significant and growing presence, GE has invested some of its most important efforts, company executives say, in health care — and, specifically, women's health care.

In a country where women are forbidden to work alongside men or even drive, GE also just recently helped to open a new, all-female business-operations center to provide Saudi women greater employment opportunities.

> "It's going to take a lot of people talking to a lot of people. Everyone to everyone."
>
> — Allyson Park, The Coca-Cola Co.

"It's working with the government, which has a need," says GE's Helaine Klasky. "What do you do with the whole female population? [Serving them] is great for our business, but it's also great for the Kingdom. We want this to be a long-term relationship."

The same has been true for Verizon. Most folks know it as a phone company; but increasingly, company executives want it to be recognized for its efforts in health care.

"We want to go into a hospital," says Georgetown's Ladan Manteghi, who has worked with Verizon, "and not be directed to the server room. We want to go to the chief-of-staff's office."

Verizon has invested enormous sums in efforts to reduce the length of hospital stays, reduce the cost of care delivery and improve the quality of doctor-patient relationships; but still, for many, the old image of the phone-centric company lingers.

Recently, Manteghi says, Verizon's ads "showing more than just the corporate responsibility angle" appeared to result in something of an image breakthrough. "That gave them a better sense of authenticity, a better sense of who they are trying to be."

How to manage such a sea change, if that's what is required? There may be as many answers as there are corporate executives, consultants and polyglot stakeholders asking the question.

Know When to Engage Senior Executives

RESOLVE's Stephen D'Esposito suggests that sometimes the person seeking to engage a potential stakeholder on behalf of a company should be more senior.

When he was at the environmental NGO Earthworks, D'Esposito recalls, he and his colleagues were approached by representatives of the mining industry who were planning to convene a high-profile public event in Toronto illuminating how major mining companies were planning to improve environmental sustainability.

"We said no," D'Esposito recalls. "We thought they had already baked the process to achieve a desired result."

If at first you don't succeed, however, the old saw about trying again can prove useful. A more senior representative of the mining industry approached Earthworks, D'Esposito says, and sought to reopen the conversation with a different question.

"The question became," D'Esposito says, "not, 'Will you talk to me?' but 'What would you need to have happen to have a conversation get started?'"

The less imperial, more open-ended approach worked. Soon the parties were in productive discussions about the creation of a new advisory board. The senior interlocutor for the mining companies was in a position to deal. Earthworks received several seats on the board, and the conversation finally moved ahead.

"They approached us with, 'Who can go onto our advisory board?'" D'Esposito says. "It gave us space to engage."

Different strokes, as the saying goes, for different folks. Manteghi says she has seen similar results from a variety of approaches.

A good business development person, she says, who is not intent on doing a hard sell, "can engage the customers' needs and align those needs with what you have to offer — and be candid about what you can do and can't do, and say, 'Here's the reason why.'"

If junior or mid-level people are deputized to be a company's front line of engagement for real and perceived stakeholders, Manteghi adds, "they need to be given safe harbor; they need to be given cover" while their superiors attempt to bring senior executives on board to validate the usefulness of the approach being suggested.

Enlisting help from the outside, Manteghi says, can also be a productive way to go, "because it's their job to deliver the hard news to you, as well as offering solutions."

Perhaps the only thing that may be said with certainty is that there is no one right answer.

"Internal or external strategy?" Manteghi says. "You kind of need both because it's not just an integration strategy, not just a communications strategy, but a marketing strategy, a maybe-changing-their-supply-line strategy, and perhaps even a regulatory strategy. The degree of complexity has increased significantly."

Case Study:

A Sea Change In the Desert

Travel nearly anywhere in Saudi Arabia — from the mud-walled city center of Jeddah on the Red Sea to the bustling capital of Riyadh to the eerie Empty Quarter in the east — and you're bound to see signs of GE's presence.

A place of stark contrasts, the Kingdom — despite its vast reserves of highly desired light, sweet crude — is an insatiable consumer of the type of energy it cannot produce on its own. Hence the nearly ubiquitous presence of GE there.

But GE's investment goes far beyond its contribution of technology and know-how.

Offering more than 50 health care courses in the Kingdom, with 900 staff hours of instruction per year, GE, in conjunction with the Saudi Ministry of Health and the King Fahd Medical City, has trained more than 3,000 medical professionals in a variety of specialties.

A big one is radiology. While data were not easy to come by in such a traditionally secretive society, breast cancer rates among Saudi women appeared abnormally high, and GE sought ways to attack the problem and bring the rates down.

Addressing Partners' Concerns

Helaine Klasky, GE's director of global public affairs, says the motivation was simple: "We work with partners around the world, and we try to think about what people in different places are concerned about."

President George W. Bush and his wife, Laura, had spotlighted the problem of a high incidence of breast cancer among women around the globe — and particularly in developing countries.

For most women in Saudi Arabia, money was not an issue preventing them from seeking and obtaining medical care.

Yet after GE opened its first breast cancer screening clinics in the Kingdom, few Saudi women availed themselves of the opportunity to get checked. GE's experts were flummoxed. Why were Saudi women staying away from the clinics in droves?

It took more than a little bit of digging, but a credible answer soon emerged: Women, it turned out, could not visit the clinics and sign up for mammograms without the signed consent of either their husband or their father. This, Klasky says, "was a big turnoff."

So with the approval of its partners in the Kingdom, GE set about creating an ambitious program to train Saudi women as mammogram technicians.

The number of clinic visits soon soared — and so did the demand for GE's state-of-the-art screening technology.

At the same time, a blog designed to promote the availability of mammogram screening, authored by a prominent Saudi woman, was published in Arabic and English and drew enormous attention.

This was no small feat. For GE to challenge the accepted order in the Kingdom by finding a new way to check for breast cancer was not the most obvious thing to do, particularly given that the government is the company's biggest stakeholder. Yet it worked.

"We don't pretend we're not self-serving," Klasky says. "We make mammogram machines. But we're also improving women's health, and so we're doing well by doing good."

Conclusion

Virtually everyone involved in stakeholder engagement efforts agrees that the process has undergone profound change in just the past few years.

To borrow from Robert Blood's trenchant description, not only has much of the "fluff" been swept away by company executives who are increasingly serious about interacting with stakeholders in a more meaningful and productive way. The money and manpower being invested in such efforts have also never been greater — and are likely to continue to increase.

A Growing Need for Measurement

The necessary corollary is that there is a greater demand than ever to measure the efficacy and success of these efforts.

In the past, at Anheuser-Busch InBev, the company's efforts to identify, map and meet with stakeholders around the world were tightly harnessed to broader CSR initiatives, according to its senior director of global corporate affairs, Adrienne Vanek. With the addition of highly experienced staff, however, the company this year has created a new global affairs policy group charged with tailoring stakeholder engagement efforts to make them more effective. Says Vanek: "We're really ramping it up."

The cost of such efforts cannot be diminished, which is why the demand for better metrics and more precise processes for measuring success is growing so quickly.

Look for this to continue. Today, the buzzwords "transparency" and "authenticity" are just as important as they have ever been. But now they come with a yardstick attached.

"Ultimately, it's not an issue of money; it's an issue of shared value in our increasingly complex world," says the Public Affairs Council's Jason Jarrell.

That may be because the landscape for stakeholders, including NGOs, has changed — just as it has for corporations.

Says Blood: "I've always found NGOs to be fascinating because they represent the cutting edge."

He dates this "watershed moment" to the meeting of the World Trade Organization in 1999.

The violence in Seattle was characteristic, he says, "of old-fashioned trade union activity and the hard left," and led many corporations to "do the right thing for the wrong reasons" — inviting NGOs not involved in the violence into discussions about stakeholder issues while ignoring most of the rest.

First, NGOs were brought in by various international bodies, then by individual corporations.

After Seattle, Blood says, the NGO community "never looked back."

NGOs' Power May Have Peaked

Blood's theory — a controversial one, he concedes — is that the power of the NGOs may finally have peaked. Why? Because their influence, he says, extends almost exclusively to Western Europe and the United States.

In Asia, he adds, with the possible exception of India, NGOs "are very weak," and today this is, as the British used to say about the decades of Cold War struggles with Moscow, where "the game is afoot."

Still, Blood says philosophically, "If NGOs didn't exist, we'd probably have to invent them. They're the grit in the oyster."

While the nature of stakeholders may shift, it's clear that the value is in the process. Stakeholder management, especially on a global scale, is a living process that must constantly be referenced, updated and adjusted to suit shifts in the organization and the stakeholders it serves.

It's critical that organizations regularly assess which stakeholders may affect their work, map their positions relative to the organization's issues, seek ongoing feedback and input, listen and authentically engage when they can.

Finally, adding measurement not only ensures an indicator of success but also offers a chance to benchmark and maximize future interactions.

By proactively engaging stakeholders, companies can help form more lasting, meaningful relationships — and deliver better results for themselves and for all of their key stakeholders.

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