**CHAPTER 2**

**MANAGING PUBLIC ISSUES AND**

**STAKEHOLDER RELATIONSHIPS**

# INTRODUCTION

Businesses today operate in an ever-changing external environment, where effective management requires anticipating emerging public issues and engaging positively with a wide range of stakeholders. Whether the issue is growing concerns about climate change, water scarcity, child labor, animal cruelty, or consumer safety, managers must respond to the opportunities and risks it presents. To do so effectively often requires building relationships across organizational boundaries, learning from external stakeholders, and altering practices in response. Effective management of public issues and stakeholder relationships builds value for the firm.

**PREVIEW CASE**

**Antibiotics and Food Safety**

**Teaching Tip: Preview Case**

This issue is on-going, so it may be a good exercise for students to research which additional companies have joined the “antibiotics” bandwagon and moved to provide safer food products. This also may be a good case to apply many of the public issues management tools that follow in the chapter, e.g., performance-expectations gap or environmental analysis.

For a good video to explain the history and current state of antibiotics in our food see: [http://www.bing.com/videos/search?q=antibiotics+in+our+food+videos&FORM=VIRE1#view=detail&mid=FB64BAC64CB6B02FA750FB64BAC64CB6B02FA750](http://www.bing.com/videos/search?q=antibiotics+in+our+food+videos&FORM=VIRE1%23view=detail&mid=FB64BAC64CB6B02FA750FB64BAC64CB6B02FA750).

***CHAPTER OUTLINE***

1. **PUBLIC ISSUES**
2. **ENVIRONMENTAL ANALYSIS**

**Teaching Tip: Eight Strategic Radar Screens**

The “eight strategic radar screens” is a useful tool for nearly any case. The instructor may want to introduce a case from the end of the book, before launching into a more elaborate analysis later in the semester using the same case, since the radar screens can provide an overview of the major forces engaged in the case. Or, a local situation from the community or campus might be a good focus for applying the radar screens.

1. **Competitive Intelligence**
2. **Stakeholder Materiality**

**Teaching Tip: Stakeholder Materiality**

This emerging notion comes out of corporate practice. Students may be assigned to search for companies, other than Symantec, that use this tool. The instructor may want to apply this tool to a case used earlier in the semester. Or, this tool is implicitly used to organize and prioritize the many demands on us in our daily lives.

1. **THE ISSUE MANAGEMENT PROCESS**
   1. **Identify Issue**
   2. **Analyze Issue**
   3. **Generate Options**
   4. **Take Action**
   5. **Evaluate Results**

**Teaching Tip: Issue Management Process**

This is another opportunity where a current issue on campus, in the local community, or on the national or international stage could be used for students to analyze how this issue is progressing or has progressed through the issue management process.

1. **ORGANIZING FOR EFFECTIVE ISSUE MANAGEMENT**
2. **STAKEHOLDER ENGAGEMENT**
3. **Stages in the Business-Stakeholder Relationship**
4. **Drivers of Stakeholder Engagement**
   * **Goals**
   * **Motivation**
   * **Organizational Capacity**
5. **The Role of Social Media in Stakeholder Engagement**
6. **STAKEHOLDER DIALOGUE**
7. **Stakeholder Networks**
8. **The Benefits of Engagement**

***GETTING STARTED***

**KEY LEARNING OBJECTIVES**

1. **Identifying public issues and analyzing gaps between corporate performance and stakeholder expectations.**

A public issue is an issue that is of mutual concern to an organization and one or more of the organization’s stakeholders. Stakeholders expect a level of performance by businesses, and if it is not met a gap between performance and expectation emerges. The larger the gap, the greater risk of stakeholder backlash or missed business opportunity.

1. **Applying available tools or techniques to scan an organization’s multiple environments and assessing stakeholder materiality.**

The eight strategic radar screens (the customer, competitor, economic, technological, social, political, legal, and geophysical environments) enable public affairs managers to assess and acquire information regarding their business environments. Managers must also assess the importance or materiality of public issues to the firm and their stakeholders.

1. **Describing the steps in the issue management process and determining how to make the process most effective.**

The issue management process includes identification and analysis of issues, the generation of options, action, and evaluation of the results.

1. **Identifying the managerial skills required to respond to emerging issues effectively.**

In the modern corporation, the issue management process takes place in many boundary-spanning departments. Some firms have a department of external affairs or corporate relations to coordinate these activities and top management support is essential for effective issue management.

1. **Understanding how businesses can effectively engage with their stakeholders, what drives this engagement, and the role social media can play.**

Stakeholder engagement involves building relationships between a business firm and its stakeholders around issues of common concern and is enhanced by understanding the goals, motivations, and organizational capacities relevant to the engagement. Social media is playing a more expansive role in stakeholder engagement.

1. **Recognizing the value of creating stakeholder dialogue and networks.**

Stakeholder dialogue is central to good stakeholder engagement, supported by network building or partnerships.

# KEY TERMS

competitive intelligence

environmental analysis

environmental intelligence

issue management

issue management process

performance–expectations gap

public issue

stakeholder dialogue

stakeholder engagement

stakeholder materiality

stakeholder network

**INTERNET RESOURCES**

[*www.wn.com/publicissues*](file:///C:\Users\weberj\AppData\Local\Temp\Temp1_For%20Final%20Review%20Jim.zip\www.wn.com\publicissues) World News, Public Issues

[*www.nifi.org*](file:///C:\Users\weberj\AppData\Local\Temp\Temp1_For%20Final%20Review%20Jim.zip\www.nifi.org) National Issues Forum

[*www.un.org/en/globalissues*](file:///C:\Users\weberj\AppData\Local\Temp\Temp1_For%20Final%20Review%20Jim.zip\www.un.org\en\globalissues) United Nations, Global Issues

[*www.issuemanagement.org*](file:///C:\Users\weberj\AppData\Local\Temp\Temp1_For%20Final%20Review%20Jim.zip\www.issuemanagement.org) Issue Management Council

[*www.scip.org*](file:///C:\Users\weberj\AppData\Local\Temp\Temp1_For%20Final%20Review%20Jim.zip\www.scip.org) Society of Competitive Intelligence Professionals

[*www.wfs.org*](file:///C:\Users\weberj\AppData\Local\Temp\Temp1_For%20Final%20Review%20Jim.zip\www.wfs.org) World Future Society

[*www.globalissues.org*](file:///C:\Users\weberj\AppData\Local\Temp\Temp1_For%20Final%20Review%20Jim.zip\www.globalissues.org) Global Issues

[www.millennium-project.org](file:///C:\Users\weberj\AppData\Local\Temp\Temp1_For%20Final%20Review%20Jim.zip\www.millennium-project.org) The Millennium Project

[*www.cfr.org*](file:///C:\Users\weberj\AppData\Local\Temp\Temp1_For%20Final%20Review%20Jim.zip\www.cfr.org) Council on Foreign Relations

## DISCUSSION CASE

**COCA-COLA’S WATER NEUTRALITY INITIATIVE**

**Teaching Tip: Discussion Case Video**

The PBS News Hour aired an 8-minute segment November 17, 2008, entitled “Coca Cola, Indian Farmers Compete for Water Supply.” In the segment, correspondent Fred de Sam Lazaro goes to India to interview a farmer, an environmental activist, and the president of Coca Cola India about the controversy over the company’s use of water there. These events helped prompt Coca Cola’s development of a new water policy, as described in the discussion case. The segment may be used to introduce the case. A full transcript of the segment is available at: [www.pbs.org/newshour/bb/asia/july-dec08/waterwars\_11-17.html](http://www.pbs.org/newshour/bb/asia/july-dec08/waterwars_11-17.html). The segment is available on streaming video at the PBS web site.

***Discussion Questions***

1. **What was the public issue facing The Coca-Cola Company (TCCC) in this case? Describe the “performance-expectations gap” found in the case - what were the stakeholders’ concerns, and how did their expectations differ from the company’s performance?**

The chapter defines a **public issue** as “any issue that is of mutual concern to an organization and one or more of its stakeholders... They are typically broad issues, often impacting many companies and groups, and of concern to a significant number of people. Public issues are often contentious—different groups may have different opinions about what should be done about them. They often, but not always, have public policy or legislative implications.” In this case, the relevant issue is public concern about the quality, safety, and availability of fresh water.

The chapter defines a **performance-expectations gap** as a gap <emph type="italics"></emph>between what a firm wants to do or is doing and what stakeholders expect. In this example, The Coca-Cola Company’s actions did not meet stakeholders’ expectations. <keyterm id="id\_0000000000\_001\_000042" type="keyterm"><term id="id\_0000000000\_001\_000043"><emph type="bold">[{&#x2013;}]</emph></term></keyterm><emph type="bold"></emph> Activists in India, where several Coca-Cola bottling plants operated, charged that the company had depleted local water supplies by diverting water for their own use. They also maintained that Coca-Cola drinks had been contaminated by pesticide residue in water used as an ingredient. World leaders had also pointed to growing prospects of acute water shortages in some regions. The public’s expectation that Coca-Cola would provide a safe product and not use more than its share of water resources seemed to conflict with some stakeholders’ perception that the company’s products were unsafe and that it had depeleted the groundwater near its bottling plants.

1. **If you applied the strategic radar screens model to this case, which of the eight environments would be most significant, and why?**

The chapter identifies **eight strategic radar screens**—different external environments which managers must systematically monitor. These are the *customer environment, competitor environment, economic environment, technological environment*, *social environment, political environment, legal environment,* and *geophysical environment.*  In this case, probably the most significant of the eight would be the **geophysical** environment. Coca-Cola’s stakeholders were concerned about possible scarcity and contamination of an important natural resource—fresh water. To a lesser degree, the company also faced challenges in its **political** and **legal** environment, since some government entities had taken regulatory action against the company. **Customers** had also expressed concern about product safety.

1. **Apply the issue management life cycle process model to this case. Which stages of the process can you identify in this case?**

The chapter presents a 5-stage issue management process model (Fig. 2.3). The five stages, or steps, are: 1) identify issue; 2) analyze issue; 3) generate options; 4) take action; and 5) evaluate results. Evidence in the case suggests that Coca-Cola had moved through, or was in the process of moving through, each of the five stages of the model. The company had identified water as essential to its business, because it used extensive amounts both as an ingredient in its products and in the manufacturing process. It was well aware of stakeholder criticisms, because one of its plants had been shut down by regulators for depleting groundwater. The company had undertaken an extensive survey of its water usage globally and had reached out to environmentalists and academic experts—evidence of analysis of the problem. (The case does not explicitly discuss alternative options, although its selection of a course of action implies that it generated options.) The case also describes the actions the company decided to take—a water neutrality initiative. Finally, the case describes the company’s efforts to evaluate its results and to share the results of this evaluation with others.

1. **How did TCCC use stakeholder engagement and dialogue to improve its response to this issue, and what were the benefits of engagement to the company?**

The case provides evidence that the company engaged in dialogue with both internal and external stakeholders. Internally, it consulted with its bottlers and operating groups, and exernally, it consulted with a range of environmental organizations and academic experts. The creative solution the company adopted is evidence that these meetings were productive.

1. **In your opinion, did TCCC respond appropriately to this issue? Why or why not?**

The company responded appropriately by declaring a goal of water neutrality. That is, it said it it would return to nature and communities an amount of water equal to what it used. It would do this by reducing its water usage, cleaning and recycling water, and contributing to water conservation projects. The company’s commitment was appropriate—because it addresses stakeholder concerns directly—and appears to be far-reaching and comprehensive. Evidence in the case shows that as of 2011 the company had made substantial progress towards meeting its goal of water neutrality.