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CHAPTER 2
MANAGING PUBLIC ISSUES AND
STAKEHOLDER RELATIONSHIPS

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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 global warming, water scarcity, child labor, animal cruelty, or Internet privacy, 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

> **Teaching Tip: Preview Case**
> The chapter opens with a short case on the response of IKEA, the Swedish home furnishings retailer, to stakeholder complaints that some of the company's rug suppliers in South Asia used child labor. The company responded proactively, meeting with a range of expert nonprofit organizations. It subsequently stated it would immediately terminate any supplier found to be using child workers, and funded an extensive community development project, in partnership with UNICEF, in the affected areas. The instructor may wish to use this story to illustrate the use of creative engagement with stakeholders to respond positively to a performance-expectations gap on a public issue.

CHAPTER OUTLINE

I. **PUBLIC ISSUES**

    A. **The Performance-Expectations Gap**

II. 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 – paralleling the exercise that may be used with Chapter 1 when identifying multiple stakeholders involved on campus or in the community.

A. **Competitive Intelligence**

III. THE ISSUE MANAGEMENT PROCESS

A. **Identify Issue**

B. **Analyze Issue**

C. **Generate Options**

D. **Take Action**

E. **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.

III. ORGANIZING FOR EFFECTIVE ISSUE MANAGEMENT

IV. STAKEHOLDER ENGAGEMENT

A. **Stages in the Business Stakeholder Relationship**

B. **Drivers of Stakeholder Engagement**

        a. **Goals**

        b. **Motivation**

        c. **Organizational Capacity**

    C. **Makinig Engagement Work Effectively**

    D. **Stakeholder Networks**

    E. **The Benefits of Engagement**

GETTING STARTED

KEY LEARNING OBJECTIVES

1. Evaluating public issues and their significance to the modern corporation.

A public issue is an issue that is of mutual concern to an organization and one or more of the organization's stakeholders. Emerging public issues present a risk, but they also present an opportunity, because companies that correctly anticipate and respond to them can often obtain a competitive advantage.

2. Applying available tools or techniques to scan an organization's multiple environments.

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 learn to look outward to understand key developments and anticipate their impact on the business.

3. 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.

4. Identifying who is responsible for managing public issues and the skills required to do so 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. Top management support is essential for effective issue management.

5. Understanding how businesses can build collaborative relationships with stakeholders through engagement, dialogue, and network-building.

Stakeholder engagement involves building relationships between a business firm and its stakeholders around issues of common concern. It may involve dialogue, network building, or partnerships.

6. Identifying the benefits of stakeholder engagement to the business firm.

Engaging with stakeholders benefits businesses by bringing in expertise, enhancing legitimacy, and generating creative solutions to common problems.

KEY TERMS

competitive intelligence, *31*

environmental analysis, *29*

environmental intelligence, *29*

issue management, *31*

issue management process, *31*

performance–expectations gap, *25*

public issue, *25*

stakeholder engagement, *38*

stakeholder dialogue, *40*

stakeholder network, *41*

INTERNET RESOURCES

www.wn.com/publicissues   *World News, Public Issues*

www.nifi.org   *National Issues Forum*

www.un.org/en/globalissues   *United Nations, Global Issues*

www.issuemanagement.org   *Issue Management Council*

www.scip.org   *Society of Competitive Intelligence Professionals*

www.wfs.org   *World Future Society*

www.globalissues.org   *Global Issues*

dir.yahoo.com/Society_and_Culture/issues_and_Causes   *Yahoo's list of issues*

DISCUSSION CASE

Coca-Cola's Water Neutrality Initiative

Teaching Tip: Discussion Case Video*
The video supplement that accompanies the textbook includes a segment from the PBS News Hour (8 minutes, 20 seconds; first aired 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.

Discussion Questions

1. What was the public issue facing The Coca-Cola Company in this case? What stakeholders were concerned, 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. 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 depleted the groundwater near its bottling plants.

2. 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.

3. 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 is the case suggests that Coca-Cola had moved through, or was in the process of moving through, each of the first four 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. In meetings with its bottlers, operating groups, and experts, the company evaluated various options. The case also describes the actions the company decided to take—a water neutrality initiative. The case does not include evidence of evaluation of results of this initiative.

4. 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 company used both face-to-face meetings and web-based tools to gather insights. The creative solution the company adopted is evidence that these meetings were productive.

5. 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 proejcts. The company's commitment was appropriate—because it addresses stakeholder concerns directly—and appears to be far-reaching and comprehensive. However, it remains to be seen whether or not Coca-Cola will follow through on these commitments effectively.