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# Issues Negotiation<sup>TM</sup> – investing in stakeholders

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## Abstract

Consumers are increasingly demanding and less tolerant of organisations that fail to live up to their expectations. Organisations are expected to change their approach to business, giving the same priority to all stakeholders, with integrity and commitment. This means that the traditional approach to issues management where organisations “decide” on their plans, “dictate” them to stakeholders, and prepare their “defence”, will no longer be adequate. Issues Negotiation<sup>TM</sup> offers business leaders a powerful alternative that builds trusting relationships, turning potentially negative issues into competitive advantage. It is a process that supports the organisation in its long-term growth.

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## Getting to the source of the issue through mutual gains

A changing society demands new approaches by organisations in order to, not only just stay in the game, but ahead of the competition. Issues Negotiation<sup>TM</sup> is an approach that offers a totally integrated solution for dealing with issues at source and building valuable relationships that develop insight and offer new opportunities. In order to understand the benefits of this approach it is first essential to review the changing environment within which organisations are expected to thrive.

To compete effectively, and offer a competitive advantage, businesses must be constantly challenging and innovative in their approach. The demands of today’s society put pressure on organisations to develop new methods of working and communicating with stakeholders.

The requirement for organisations to openly communicate on both social and ethical accounting is increasingly emerging as a standard practice as a means for organisations to offer greater transparency to stakeholders. Leading companies are beginning to use this type of reporting to help build stakeholder confidence and trust. Of the companies quoted on the FTSE100, 60 per cent have produced annual reports with separate environmental reports.

Ghoshal and Bartlett (1997), have argued that corporations create social value. “To see them merely as vehicles for shareholder value is blinkered. Amid a general decline in authority in other institutions – political parties, churches, the community, even the family unit – corporations have emerged as the most influential institutions of modern society; not only in creating and distributing a large part of its wealth, but also providing a social context for most of its people, thereby acting as a source of individual satisfaction and social succour”.

However, increasingly complex situations, where there are environmental and social implications to securing business success, demand that organisations better understand stakeholders, developing new strategies for communications that reach beyond the “show and tell” approach. Business leaders no longer satisfy stakeholders with a few well-chosen, often sanitised, words. Today’s demanding consumer means companies are now expected to deal directly with the sources of issues – not



just build a case against potential stakeholder concerns.

The demands placed on organisations and their directors today are highlighted by the fact that the CEOs of 40 of the USA's largest 200 companies lost their jobs last year. That is double 1999's toll. Hundreds of CEOs of smaller companies were also fired. The reasons for dismissal included poor communication, misunderstanding the importance of culture and an inability to adjust quickly enough to changing times. All these underlying problems eventually presented themselves in the form of poor financial performance by the organisations.

The financial consequence of not recognising potential issues and dealing with them effectively can be harsh for the company concerned. For example, Royal Dutch/Shell's 1995 plan to dump the Brent Spar offshore platform at sea, was halted by a renowned environmental outcry. The negative exposure Shell suffered was not driven by the choice of disposal – scientists proved in the end that this was the best method – but that Shell were perceived to be trying to do it without the public's knowledge. This left them open to criticism and vulnerable to "exposure" by Greenpeace.

In 1998, shares in pharmaceuticals research company Huntingdon Life Sciences were suspended after a prolonged campaign by anti-vivisection activists, following the televising of secretly filmed pictures of animal mistreatment. Huntingdon's reputation has continued to suffer, as has its bankers, from a sustained attack by protestors that has moved away from its front gates to the City of London and the homes of directors, employees and bankers. At the time of writing the company had only just survived another financial crisis.

Recently the Church of England removed GKN from its share portfolio because of the company's involvement in the arms trade, an action that attracted significant publicity. What constitutes ethics in business is wide-ranging. Ken Rushton, director of the Institute of Business Ethics, agrees there is no easy definition. He says: "For a company it means being morally responsible but implies going beyond that, and treating people fairly and decently while having values which are defined and articulated. People are often hesitant about using the term ethical, and are

more comfortable with the concept of being trustworthy" (see Finn, 2001)

Shareholder value is directly influenced by both an organisation's reputation and the bottom line. Therefore, the increasing trend in litigation warrants consideration, alongside the costs of defending. This year, the USA will have more than one million lawyers for the first time. There will be 281 lawyers for every 100,000 people. In Germany the number was 111. It was 82 in the UK and only 11 in Japan. In 1970, there were approximately 10,000 lawyers in Washington DC. Today that number is nearly 50,000. This is bad news for business that is increasingly the focus of the trial lawyer targeting corporations. The expectation is that this will increasingly distract companies from their core business and the media will be "used" to its full advantage. Litigation also has the potential to force companies into liquidation if the costs cannot be supported.

The change in our communications channels also needs some consideration when reviewing corporate reputation. The Internet has dramatically increased the speed at which everyone of us can potentially communicate around the world. This in turn has had a significant effect on direct action. One need only search under "Nestlé" or "McDonalds" to appreciate the potential damage to reputation brought about by pressure groups campaigning against the actions of these companies over the World Wide Web, and demanding to be heard. The protests in Seattle and Prague were also mobilised by the power of the Internet with a combination of pressure groups and individuals strongly campaigning against and questioning the policies of institutions that make up the international economy.

A recent MORI survey found that "50 per cent of customers are paying attention to the social behaviour of companies". More significantly, 30 per cent of the UK public has boycotted a product or company for ethical reasons in the past 12 months. A decade ago, companies saw keeping the shareholders' pockets lined as their main responsibility. Limited thought was given to the cost of the environment or moral codes. Now these organisations realise that business and society are interlinked, and that they have wider responsibilities; to customers, suppliers, the community; and an increasingly global marketplace.

Corporate reputation is fragile now that word gets around quickly through television, radio and the Internet. Adverse publicity about unethical activities can seriously damage the health of a company. Clearly a company that can effectively manage these issues and consequently support the objective of maximising shareholder value, is likely to be more sustainable, now and in the future. However, this means more than open reporting, it means being able to effectively relate to stakeholders and the issues that concern them.

Issues Negotiation<sup>™</sup> offers an alternate approach to the traditional strategies of issues management. It takes a “mutual gains” approach that requires the development of new skills and insight, allowing organisations to better predict and manage their future.

So what is wrong with the traditional “decide, dictate, defend” approach? This is the most common strategy where an organisation “decides” on its plans, before “dictating” them to often a selected group of stakeholders, with a pre-prepared “defence” to its position. This is usually backed up by pre-prepared “questions and answers”.

In practice, this means that business leaders all too often fail to acknowledge the public’s concerns. Statements attempt to undercut the public’s interests through the development of countervailing “facts” or rebuttals from pseudo-independent experts and unscientific polls. They commit to nothing and admit to nothing.

The “questions and answers” opportunity does little to improve this situation. If there is an issue that stakeholders want to know about but on which they have not been informed, it is probably considered confidential by the organisation and will not be fully responded to, even through “questions and answers”. The process then becomes a cause of frustration, rather than one of open communication that increases concerns and causes further grievance, rather than dampening them. It is a lose-lose situation.

This “issues management” approach courts a number of costs. To start with you spend time and money communicating with your public – telling them that what you are doing has a clear rationale and is being done for the “right” reasons. However, simply telling people “this is the right decision” does not mean they will necessarily agree, or ignore your plans. Pearson (1989) stated: “It takes

two minds to make a truth, whether scientific or moral”. The GM debate and the issues raised around the MMR vaccination are just two examples of where the science creates as many questions as it answers and where the public is not always prepared to agree with perceived wisdom.

This debate on scientific “fact” can be regularly witnessed in the media. These frustrating debates are partly due to the media’s tendency to first personalise and then simplify risk stories into dichotomies – safe or dangerous. Sandman (1986) argues that there are valid reasons for this. When confronted with an environmental risk the public is generally faced with a yes-or-no decision. Journalists seek to offer information to the public in a form that is consistent with the decision at hand. Also, modern media formats do not allow for complex, extended presentations. The media’s tendency to personalise news stories reflects the perspective of the individual.

An example of this is revealed by the mobile phone industry over the health effects of phones or masts. Last year the mobile telephone industry admitted that it had not done enough to allay public fears about the health effects of phones or masts. As the Government prepared to publish its long-awaited report into mobile phones, the industry said it would win the argument over health risks by making more information available to the public. Prepared by the Independent Expert Group on Mobile Phones, that has spent eight months weighing up the evidence on mobile phone transmitters, the report stated that there was no scientific evidence to suggest that mobile phones can trigger brain cancers, headaches or other illnesses. But there was a small but convincing pool of research that radiation from mobiles can interfere with the brain in surprising ways. It is these findings that encouraged the group to urge a precautionary approach.

However, despite this sharing of science and information, the protests have continued. In January 2001, Kent County Council announced a refusal to allow the building of mobile phone masts on its land. It claimed the ban would “protect residents from the possible effects of mobile masts” (Baker, 2001). The authority is believed to be the first in the UK to take such a tough line while it waits for the Government to pass national

legislation. The council's leader cited the Government's Independent Expert Group report as a reason for the policy.

This “decide, dictate, defend” approach has an “iceberg” effect – it only scratches the surface of the issue, without actually solving the underlying issues. This costs time and money and has the effect of taking an organisation's attention away from its pursuit of competitive advantage and puts it in a position and mind-set of defence. There may be a temporary lull but as the mobile phone case reveals, the issue appears at a later date and the costs escalate. For the mobile phone industry a limitation on siting masts will have a significant effect on the industry's ability to grow and meet the needs of its consumers in the future.

There is therefore a fundamental financial value in effective communication, which extends to the practice of communicating in a truly relevant, timely and regular way with all stakeholders. Managers should be able to show investors their talent for dealing with challenging circumstances. Success here builds investor confidence in a manager's ability to handle risk and create value for shareholders.

The role of Issues Negotiation™ is as an empowering and powerful process for both the organisation involved and its stakeholders, by which trusting relationships are built with those that potentially affect the value of your organisation – either in a positive or negative way. It is about being ahead of the game in a way that offers the opportunity of competitive advantage and strong relationships in the future.

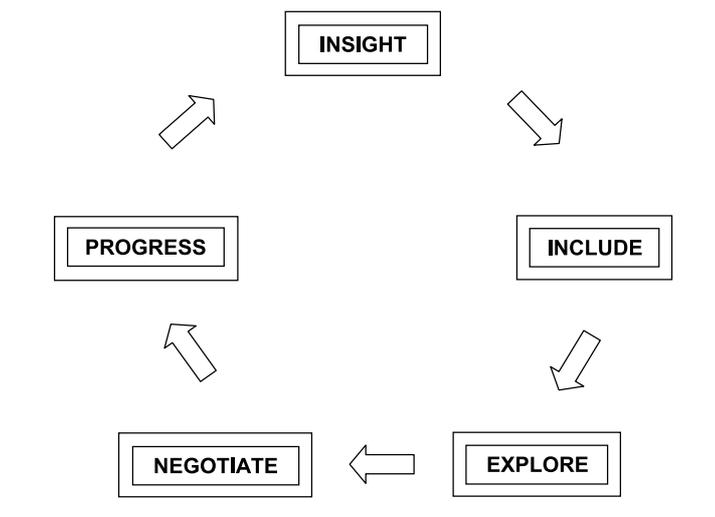
The Issues Negotiation™ process is made up of five key stages – insight, include, explore, negotiate and progress, forming a continuous process of relationship building (see Figure 1).

## The five stages of Issues Negotiation™

### Insight

Understanding an organisation's environment, the people influencing it, and their motivations, is key to ensuring a sound basis from which to start the Issues Negotiation™ process. Framing the issue and investing in stakeholder analysis builds this insight, allowing the effective transition from data to dialogue.

Figure 1 The five stages of Issues Negotiation™



Understanding what makes the public angry, or raises their concerns is a first key step. An individual's understanding of a particular action is significantly affected by the manner in which the information is presented and by the broader social context. Five different sources of anger have been identified:

- (1) *Reality*. This is where an individual's life has actually been affected as a result of another's actions. Parties will base their arguments on principles of fairness that are accepted by the larger society, such as using the national and international standards of human rights as a reference point for being “just” and “fair”.
- (2) *Expectation*. There is an expectation that another's actions will affect your way of life. For example, a group of neighbours might oppose the construction of a chemical factory near their homes, because they have fears about safety, noise and traffic.
- (3) *Ideology*. Where it is believed that another's actions are morally or ethically wrong. This situation demands an understanding of why people hold the position that they do and what affects and influences their reactions. Examples of such groups are the anti-abortion and animal rights campaigners.
- (4) *Impotence*. Where individuals feel picked on, usually by someone perceived as more powerful. Nestlé's promotion of baby milk in developing countries was a case in point as was the “McLibel” case in the UK. While McDonald's substantially won the case, it was labelled a reputation disaster. McDonald's was viewed by

many as bullying two members of the public who could not afford their own lawyer. In fact, they had lawyers acting for them free of charge. The anger generated in instances such as this is also likely to be fuelled by the prevailing assumption that “big” is bad, and the “bigger” the company the “greater” the concern.

- (5) *Power and manipulation.* Where anger is used as a means of manipulating a situation to gain a position of power. It attracts media attention to get the desired result and is used as a way of creating awareness for an organisation or an individual.

The source of concern must be seen to have a significant impact on the behaviour of the organisation thereafter, in order to be able to effectively frame and relate to the situation in hand. For example, offering financial compensation over an ideological issue will only fuel the fire.

Having understood the motivations, the next stages include:

- Defining the problem, who is involved, the context of the issue and the complicating factors, such as fact-finding, procedural problems, personality issues.
- Reviewing the situation in small parts – assessing what is working well and what needs changing. Look at the options in the approach.
- Effectively prioritising resources to influence public perceptions. This requires a deep insight into how issues potentially affect stakeholder perception and shareholder value.
- Deciding with whom you can reasonably build relationships and who will not honestly work with you to solve an issue, and should therefore be avoided. This is an important step as not everyone will be willing to change their approach and take a disciplined path to seeking areas of common ground. In certain circumstances it should be recognised that whatever the approach there is no value to be gained from dealing with certain people or groups. There has to be a desire on both sides for change and an acknowledgement that the status quo is no longer acceptable.
- Understanding the opportunities and risks in relation to communications with

the media and the public. Experts take a narrower view of risk than the general population. They tend to focus on “objective” factors such as mortality statistics. However, our common sense notion of risk includes many other facets. Situations are more risky when they are unfamiliar, beyond the individual’s control, unfair and immediate. Questions of reasonable risk are often overridden by moral issues. For example, when pollution is seen as immoral, then balancing the costs of cleanup against the risks of human harm is irrelevant. Moral principles are not subject to cost benefit analyses. Consider the fact that the police do not always catch a child molester, but they know not to argue that an occasional molested child is an acceptable risk. Similarly, what may be at issue is not the size of the risk but the fairness of the distribution of risk. This is key to understanding fully the situation.

- Clarify goals and strategies. Considering the options for alternative strategies against the objectives of both parties is an important step towards finding common ground with stakeholders. There are generally two types of goals; a preferred future where conditions, relationship and need are met; and the goal of what you would like your opponents to do to bring that future about. One’s interests are generally shaped by one’s needs and one’s values are related to needs and interests but they are not the same. Values are more difficult than interests to clarify yet are at the core of most conflicts. Understanding them can be difficult, but is an essential part of the process.

### **Include**

The next stage in the process is to include all relevant stakeholders. Inviting the involvement of those you consider your opponents, or even enemies, is an essential part of the process. This means opening the doors to all, without exclusion, and offering them the opportunity to participate. This in itself can be a powerful tool. Inviting the “enemy” in can have the effect of disarming the other parties involved. It shows willing in a positive and active way.

Avoiding certain parties will almost certainly cause problems later. The outcome of the Brent Spar case reveals how the

inclusion of Greenpeace at the beginning may have avoided the extensive flow of negative coverage that subsequently appeared – there would have been no story to report.

Involvement has to be optional however, as when coerced people become stubborn. They are not motivated to expend the effort needed to understand complex risks, since their understanding would have no real use. However, having some decision-making power motivates people to expend the effort to understand risks. The energy of these stakeholders can then be mobilised into helping the organisation to move forward, even if you believe at the start that there is no way you can find common ground.

The recent coverage over the effects of depleted uranium, which has built on the ongoing debate on Gulf War syndrome, reveals how the two parties involved – the Ministry of Defence and the war veterans have remained at loggerheads. The war veterans have pursued a media voice because they felt ignored and neglected by the MOD, and wanted to see action. The MOD has kept its distance throughout the years, holding the war veterans at arms length, and has continued the debate in the public gaze, rather than including them in its plans and being seen to be actively listening.

The process of inclusion immediately offers the opportunity to improve communications and relationships by developing them face-to-face, rather than at a distance, or worse still, in the media. This helps build trust and involves acknowledging the concerns of the other side.

When companies are positioned against an opponent in major or protracted conflicts, or when an adversary has been demonised or ridiculed it becomes almost impossible to listen to, let alone acknowledge, that person's or group's concerns. However, the organisation being challenged must be prepared to look at the issue from the position of the "opposition". Only by putting itself in their shoes and taking a step away from its own interests, can the underlying interests can be identified.

If the organisation involved fails to appreciate the needs and concerns of the contending stakeholder the only common ground that will be realised will be that of perpetuating the conflict.

Considering this assertion, Shell may argue that, in the case of Brent Spar, by telling

Greenpeace before it took action the pressure group would have pursued the same position. However, if this was likely to be the case anyway, at least Shell could have improved its position in the eyes of the media and the public. Believing that Greenpeace would not have found out about the action suggests a misjudgement of the pressure group's inside knowledge.

### Explore

Understanding each other's viewpoints helps build relationships by developing understanding, thus avoiding the presence of assumptions. This understanding and knowledge is needed for learning, but is not sufficient. What companies also need is the capacity to translate knowledge into new ways of doing business. Similarly, organisational learning implies change. Much knowledge is held in people's heads as tacit knowledge. Reports and data provide facts and figures but when the public is angry it is usually because of the experience and/or perceptions it has. These need to be shared and understood.

This tacit knowledge is not easily committed to paper and is often best retrieved through discussion and the sharing of concerns and experience in a combination of formal and informal communications. Dow Chemicals, for example, supports 26 advisory panels that address issues of importance to the community (Jackson and Schuler, 2001). In addition to sponsoring local activities, these panels work as partners to community organisations. They share their experience and expertise to assist the community in planning for, training for, and implementing responses to emergencies. The resulting eclecticism in environment, information, perspectives and experiences is the catalyst of creativity.

At this stage in the process the organisation is required to display the issue as it is seen from their point of view, while encouraging the other parties to share understanding, concerns and experiences. Bazerman and Neal (1993) conclude in their book *Negotiating Rationally*, "In a negotiation, if each side understands and can explain the viewpoint of the other, it increases the likelihood of reaching a negotiated resolution".

If support is there, it is necessary to agree the desire for resolution of an issue and commit to working together. However, this

relationship must have solid foundations and ground rules.

Roles and responsibilities between members of all parties must be clarified to maximise the returns from the process – making it an efficient and effective working practice. The ground rules also ensure that everyone involved understands the parameters within which they are expected to work. This helps build trust and strengthen relationships. For example, if one party reports discussions to the media without prior agreement between all concerned the relationship will be undermined and is unlikely to be productive for long.

### **Negotiate**

The focus of negotiations should always be to seek common ground. It can, however, be difficult to appreciate where this common ground may exist. Focus on areas of interests, not positions; look for compatible interests and consider both short and long-term interests.

Trade associations constantly work to promote the interests of their members who, more often than not, are also competitors. However, strong common goals exist. The negotiations approach takes a similar tack in that it forces the positives into the foreground where only negatives and fear have previously existed.

This process appreciates that there are likely to be areas that the two parties will never agree on. However, focusing on the positive and developing workable solutions means organisations can focus on developing competitiveness, rather than defending their current position.

This is a strong argument when developing corporate strategy as it offers a key point of strategic differentiation that your competitors will not have and something that simply learning through best practice does not offer.

It is also likely that research will need to be carried out in order to establish the “reality” of the situation in a way that both parties find acceptable. Joint fact-finding, therefore, plays a key role in moving the focus of the argument away from the source of the data onto the issue in hand. This is achieved through the joint exercising of power in acquiring the necessary information that is believable to

both sides. For many organisations this can be an uncomfortable process.

Traditionally, lawyers have earned their money by advising organisations not to release information that could be damaging. There are many companies however, that prove that this approach has not served them well. The tobacco industry, for example, denied that their products were harmful, producing “scientific fact” to argue the case. However, this information did not meet with the public’s perception and was not powerful enough to compete with the anti-smoking lobby and fell on deaf ears.

A recent survey by Shandwick International (Tsang, 2001) found that companies involved in litigation face hostility from a public that overwhelmingly believes that a business is “probably guilty” if it is being sued. As well as fighting in court, companies face public relations battles to ensure that their names and reputations are not damaged even when the case goes in their favour.

Decision-makers need to have the best possible information to be certain they are making wise decisions. The best possible information may not be the most convincing. It may even be counter-productive. The answer is to take an open approach, where information is gathered in a way that is agreed by both parties, not behind closed doors. This goes against the grain for many organisations that want to control the outcome. However, in an environment where the public and the media are increasingly sceptical, joint fact-finding is far more likely to lead to believable and productive outputs.

### **Progress**

A written and agreed plan for progress needs to be completed. A plan means everyone faces the stark reality of the agreements and it ensures the execution of the plan within manageable time frames. It provides the proof from each party that they are truly willing to participate and proceed, within an agreed framework and practices. Careful planning, attention to detail and strong administration is needed to ensure the commitment is harnessed and the process of moving forward is not hindered.

It is also essential that this plan is communicated internally within the

organisation to ensure the development of understanding and levels of commitment required. The implementation depends on support from stakeholders – both internal and external. This communication must also be a constant factor and continuous process in order to ensure relationships are maintained and improved.

### Outputs

The aim at the outset was to build long-term relationships through a process that achieves mutual gains. Goals of a win-win solution should, therefore, be measurable and measured in terms of the relationships built and how they work for you. This will be achievable by comparing the initial insight and state of play with the output of the plan and progress made within it.

A cost benefit analysis is also possible by looking at the time spent by the company on Issues Negotiation<sup>™</sup>, compared to those charged by lawyers and other players involved in the “defence mechanism”, and reputation measured by stakeholder perception and media coverage.

However, this is not an overnight solution or one that can be dropped once immediate goals have been met – otherwise all your work could not only be undone, but also back-fire and build mistrust.

Leadership of this process demands energy and integrity, supported by the willingness and ability to:

- share knowledge and power openly;
- communicate clearly and confidently;
- be co-operative and treat others with respect;
- be inclusive and fair;
- listen actively;
- be creative;
- enjoy change and, even chaos.

### Conclusion

Issues Negotiation<sup>™</sup> is a continuing process for all parties that builds understanding as part of a joint investment in the future. The greatest benefits of all are the new insights it creates for your organisation through a greater understanding of the elements influencing it and the building of constructive relationships that support the organisation in its growth for the long term.

Companies should therefore be encouraged to take a more involving approach to dealing with all its stakeholders. The PR function must actively focus on solving issues at their source through effective communications, not just abide by a strategy of defence. This will ensure the organisation is truly in touch with all aspects of its environment and act as an insurance policy in an uncertain and rapidly changing world.

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