

Strategy and Stakeholder Relations: Risk or Reward?

BY TRACY E. HOUSTON

THE BUSINESS ENVIRONMENT HAS changed dramatically in the last 20 years. Along with these changes have come information overload, unforeseen interconnectedness often on a global scale and increased environmental and social concerns. What business model can embrace these complexities while creating value and promoting ethical decision-making?

Mapping the values and concerns of stakeholders against company strategy is one way to show where stakeholder concerns are aligned with current strategy and to create awareness of where risk or reward exist. This approach includes both internal and external stakeholders. Their feedback is systematically gathered, mapped and prioritized to enable comparison of current and emerging stakeholder concerns with those of the organization, thereby informing how the organization will respond.

Viewing business as a set of relationships among constituencies that have a stake in the organization's success can help organizations anticipate change, understand risk and create value. Bill George, former CEO of Medtronic, writes, Serving all your stakeholders is the best way to produce long-term results and create a growing, prosperous company . Let me be very clear about this: There is no conflict between serving all your stakeholders and providing excellent returns for shareholders. In the long term, it is impossible to have one without the other. However, serving all these stakeholder groups

requires discipline, vision and committed leadership.

The Rebel's Role

Mitigating the risk and moving toward the rewards of stakeholder relations requires a new mind-set. In recent years, organizations have come under increased scrutiny from stakeholders. Activists

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who are part of stakeholder groups are often seen as posing a risk to organizations. Stakeholders that challenge convention can be viewed as having an insurgent mentality. But rebels, especially market rebels and their collective actions, can alert leaders to impending innovation and market changes that can create competitive advantages. Traditionally, our culture has understood collective action from a hero's viewpoint or from a community action orientation

rather than the dual perspective of stakeholders who can, on the one hand, create a new industry or on the other hand, privatize political movements that damage market share.

A deeper look at how rebels engender new beliefs that trigger new behavior is part of risk mitigation and can lead to rewards in market share and innovative ideas. Think of how the computer industry came to be personalized. Home-based clubs gathered to tinker with the technology. Then, people such as the founders of Apple, for example, personalized computers and entered the larger business arena. Similarly, in the green movement, activists have been successful in raising awareness and creating followers to the point that new green-based products are on store shelves everywhere.

When emotional causes gain attention, they can create unity within a chaotic world. They begin to foster a group identity and experience that creates the momentum to pursue a common goal that may involve change and taking collective risk. Such causes often give birth to new leaders that emerge in nontraditional ways. After all, Abraham Lincoln never took a leadership course, and Gandhi never participated in a 360-degree performance evaluation.

Embracing Signs of Change

Social movements also can be threatening. Think of organic food producers and their alliance with environmentalists and advocates of locally grown foods. This movement started not as a

communication strategy or something done to a customer, but rather at the grassroots level with customers who wanted a healthier lifestyle. But rather than viewing this movement as a competitive threat, large supermarket chains have added organic foods to their inventory to take advantage of this trend. Market rebels go where there is energy and focus on engaging people. Organizations can acquire this skill through enhanced stakeholder relations by using stakeholder feedback to map strategy for reducing market risk and increasing rewards.

Mapping stakeholder concerns creates a strategic sensitivity to address fast-changing, complex conditions, many of which are identified by stakeholders who

are market rebels. Traditional strategic thinking has involved foresight, a better way to anticipate key trends and the ability to see further into the future than competitors. While this skill is still needed, the increased volatility of our times requires stronger strategic insight. Gaining early insight from a relationship with stakeholders can be key to the development of strategic sensitivity that mitigates risk and creates rewards.

The current pace and breadth of change requires a new set of tools to enable boards and other decision-makers to effectively synthesize data into a coherent picture. Incorporating a deliberate framework for stakeholder feedback into the strategic planning process

provides an organization's leadership with the flexibility and agility to anticipate opportunities or problems.

Companies today are more likely to be outperformed strategically than tactically. Health care decision-makers are repositioning their organizations for risk and reward. Organizations and boards that use stakeholder feedback to inform their strategic perspective are more likely to end up winners in the transition. **T**

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