STAKEHOLDER ENGAGEMENT BETWEEN MANAGERIAL ACTION AND COMMUNICATION

Gazzola Patrizia[1],Colombo Gianluca[2]
[1] *Department of Economics, Insubria University, Varese, Italy*
[2] *Institute of Management,* University of Lugano, Lugano, Switzerland
patrizia.gazzola@uninsubria.it
gianluca.colombo@usi.ch

Abstract: *This paper is aimed at designing a research programme to improve the communication with the stakeholder through the analysis of the managerial actions in order to create shared value. At the core of this research we propose to observe the relationships between management actions and the strategic conversations. Thus the dialogue and the communication become the key tool for strategic change. Two fields of analysis are proposed: the dialogue between stakeholders and among the scholars of share value creating. Our hypothesis is that enterprises are formed and changed through sequences of thoughts and actions, in which the medium is always conversational. Thus dialogue becomes the privileged method of intervention in strategic change. This dialogue is always constructive because it proceeds through positive feedbacks and feed-forwards. A dialogue is aimed at including the stakeholders and their arguments, in a relationship oriented to the mutual understanding.. A good relationship with potential customers, NGOs, citizens, governments and other stakeholder is not some vague objective that's good to achieve, if possible. It is a determinant key of competitiveness. But it is necessary to recognize that traditional Corporate Social Responsibility (CSR) fails the challenge by separating stakeholder engagement from business. In this way shared value creating becomes part of the culture of the company and as such it is fully integrated into strategy, thus finding its natural place in the value chain. The creation of long-term value is only possible through the implementation of a strategy to develop economic and social conditions simultaneously. For a company it is a strategic decision to fund the creation of value that binds to improving the quality of life of employees and the communities in which it operates. In the first part of the paper we introduce some basic concepts, the terminology and the model of the relationships between managerial actions, communication processes and stakeholder engagement. In the second part of the paper, to better understand the link between stakeholder engagement and shared value creating we consider one company that has distinguished itself, one time for scandals, now for shared value creating: Nestlé. The paper shows how implementing a shared value approach is an opportunity not only to contribute to good works, but also to redefine core business strategies, simultaneously creating value for society and for shareholders.*

Keywords*: creation of value; stakeholder engagement:; communication; strategy; CSR; managerial actions*

JEL classification: *M14 ; M16*

1. Introduction. Strategy and CSR: the Integration?

Business strategy determines how the firm will use human and financial resources to achieve its objectives. The value system (Mella, 2012) of corporate and stakeholders has a profound effect on corporate strategy implementation. There are some postulates in this respect:

- Business strategy must reflect the understanding of organization members and stakeholders value
- Business strategy must reflect the understanding of the ethical nature of strategic choices
- Business strategy should consider important stakeholders.

If these postulates are accepted, then stakeholder becomes a central concern in business strategy (Jucan and Jucan, 2010). These companies are adhering (or professedly adhering, Laufer, 2003) to Corporate Social Responsibility (CSR) standards and practices and integrating CSR principles and goals into their overall corporate strategy (Godfrey and Hatch, 2007; Lee, 2008; Smith, 2003).

Normally companies which prepared traditional CSR reporting (Gazzola, 2012b), employing a range of communication approaches to reach specific groups in targeted ways. The companies know very well at what groups they provide the informations, what these people need to know and how to meet those needs efficiently.

However, we have to remember that first of all the development and implementation of CSR depends on the management style of the company, and on the significance assigned to the task. Managers' strategic choices are typically influenced by their ambitions, attitudes toward risk, values, ethical beliefs, and business philosophies (Colombo and Gazzola, 2012). Then managerial values shape the ethical quality of an organization's strategy and Influence Company's attitude with respect to CSR (Martinet and Payaud, 2010).

The KPMG in the International Survey of Corporate Responsibility Reporting (2011) has studied the drivers behind integrated reporting of the G250 companies, drawn from the Fortune Global 500 List (2010). The companies that do disclose their motivations for Corporate Responsibility (CR) reporting, the most commonly cited driver (by more than half of integrated reporters) was the desire to integrate CR into the core business, reflecting the common belief that – if CR is to truly be integrated into the business strategy – it must therefore be an integral component of annual reporting as well. The survey also identified a number of other key business drivers including innovation, reputation and access to capital or increased shareholder value.

Figure 1: Integrated reporting drivers
Source: KPMG International Corporate Reporting Survey 2011

Companies, realizing a CSR strategy, maximize the value of corporate responsibility commitments. The identification of critical stakeholders, the definition of objectives in order to satisfy them, and the utilization of a reporting tool are crucial steps to launch a CSR strategy. Preferably, to obtain best results the CSR strategy should be aligned with the company's specific corporate objectives and core competencies. Further, organizational management that truly cares about CSR is proactive rather than reactive in linking strategic action and ethical behaviour.

2. Creating Shared Value and the Social Dimension of the Strategy

In the past companies often thought to business and society in opposition, but in these days external pressures for CSR continue to grow and numerous organizations monitor, rank, and report social performance. Sometimes the legal, business and reputation risks are great for companies engaging in practices deemed unacceptable.

Now companies recognize the enormous potential of business to contribute to social progress (Vlad, 2012) and they understand they depend on healthy and well-functioning societies to thrive.

For companies it's not enough to integrate CSR into strategy. It they integrate society into strategy they reinforce competitive advantage for the business. In this way they follow the principle of shared value, it can create economic value in a way that also created value for society paying attention to its needs and its challenges. The competitiveness of the companies will increase if they follow the economic and social conditions simultaneously. Creation of shared value (Colombo, 2003a) focuses on identifying and expanding the connections between societal and economic progress. Businesses must reconnect company success with social progress.

In this way the company creates economic value by creating social value. The companies could reach shared value when the interests of business and society are aligned (Porter and Kramer, 2011).

Management needs a new approach to engaging the stakeholder. Companies must incorporate interaction with stakeholders into decision making at every level of the organization. (Browne and Nuttall, 2013).

Shared value opens up new needs, new markets, and new value chain configurations. If the company follows this idea it's possible to create new opportunities for strategic positioning, new competitive advantages and the company can incorporate a social dimension in their value proposition. Shared value can help the company's strategy and the social dimensions of strategy to be more sustainable with competitors than conventional cost and quality advantages (Porter et al, 2012).

3. The Strategic Conversation and the Stakeholder Communication.

The creation of share value is possible with the interaction with the stakeholder. For this interaction the company has to communicate with the stakeholder (Gazzola and Meo Colombo, 2011).

We assume that communication is a form of strategic action and strategic action is mainly implemented through communication (Colombo, 1997). The complexity of the relationship implies a reflection on the multiple linguistic codes used in interpreting messages by the actors of the communication. If the communication builds the organisation, we can also observe that the latest allow the actors to share a set of linguistic codes and interpretations and, thus, to make the communication more effective. The institutionalisation of linguistic codes has always a negative implication because it narrows the field of meaning represented by the company or by its organisational units, impacting also on inter-organisation communication. This institutionalisation can represent a limit to innovation and to the co-evolution of strategic discourses.

The strategic conversation, through images and metaphors, allows the evolution and, in some cases, the rupture of the linguistic codes. In order to promote an innovation, a text (an oral message or even a multimediatic message) should combine both the old and the new contents the author is willing to transfer. Ambiguity, ambivalence and paradoxes are the tools that can be used to innovate the linguistic codes and the institutionalised grammars, without destroying the meta-grammar, on which the organisation is based and makes the message interpretable and, thus, actionable by multiple actors (Giordano, 1997). The strategic planning can be the privileged process of the strategic conversation as proposed by Martinet (1995) in opposition to Mintzberg (1994). Strategic action, even when it is symbolic, requires implementation. The latter always implies a cognitive basis, which in its turn implies an action. We thus propose the concept of conversational strategic action, which implies complex thought and a complex language. Conversational strategic action (as well as the reflexive action) creates tension and dialogue among different points of view (global and local), among different visions and projects. This allows the actualisation of the strategic vision. In accordance with Hatchuel (2000, 2002), we propose a recursive relationship between the co-conception (design) and collective action. This relationship implies an auto-reflection on the communicative action. The text analysis provides a stock of rough data to nurture the individual and collective reflection and to justify both the conception and the action, founding at the same time the communication process.

Conversational strategic action is at the same time vision-oriented and learning-oriented. The learning is addressed not only to the contents of the vision, but also to the relationships among the organisation's actors. The approach we propose requires specific skills and attitude of reflection and self-reflection, observation and self-observation, which are functional to the relational skills that are required both for communication and strategic action.

4. Stakeholder Involvement or Stakeholder Engagement?

This interaction with stakeholder leads to a systematic dialogue with the social agents by means of meetings and other exchanges ("stakeholder dialogue"), in order to grasp in advance the opportunities for an economic development and growth that respects society, without interfering with or changing the objectives (Seabright and Kurke, 1997) of the stakeholders, which often differ from those of the firm (Schmidheiny and Zorraquin, 2000; Gazzola, 2012a)

The best way to interact with the stakeholder is integrating internal and external engagement into business decision making at every level of a company. What kind of interaction with stakeholder is necessary? Involvement or engagement?

It's important to understanding the difference between involvement and engagement. One of the dictionary definitions of involve is "to enfold or envelope" whereas one of the meanings of engage is "to come together and interlock". Thus involvement implies "doing to", engagement implies "doing with".

Therefore companies must incorporate engage with stakeholders into decision making at every level of the organization.

The stakeholder engagement non only reduces the conflict of interests (Ienciu, 2012), but helps a company to manage its relationship with the stakeholder. This relationship can and should include a wide variety of activities: not just corporate philanthropy (Porter and Kramer 2006), community programs, and political lobbying, but also aspects of product design, recruiting policy, and project execution.

Companies now consider the external environment more carefully than they did in the past. But in a majority of cases, CSR has failed to fulfill its core purpose, to build stronger relationships with the stakeholder.

For companies it is very important to know their stakeholders. Knowing the stakeholders means more than writing a list of risks they could pose, and holding a few focus groups. It means understanding the stakeholders in the same way as a company understands the consumers.

Some companies have achieved significant progress through such efforts. In general, however, traditional approaches to corporate engagement represent a missed opportunity. Equally, from a business perspective, benefits are typically claimed in terms of reputation or goodwill only. Concepts that, while important, are

often nebulous, difficult to define and measure, externally influenced, and only indirectly connected to the action being taken.
With our understanding of stakeholder engagement, companies focus on where stakeholder engagement can have the biggest impact on their strategy and operations, learn from past experiences to assess ambition and clarify objectives, understand and manage stakeholder expectations. The relationships described above are illustrated in the following diagram.

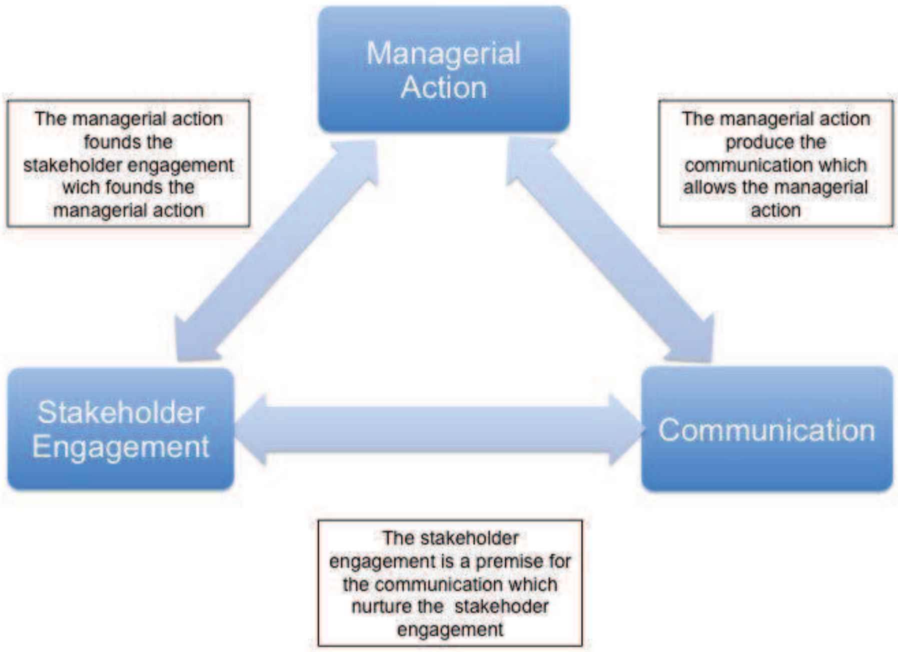

Figure 2: The relationships between managerial actions, communication processes and stakeholder engagement.
Source: Colombo 2003b (with modification).

5. Nestlé: Scandal and Exchange of Strategy
Environmental group Greenpeace launched a social media attack on Nestlé's Kit Kat brand, to stop using palm oil in its products. Greenpeace accused Nestle of supporting deforestation and threatening the Orang-utans monkeys with extinction, contending that the harvesting of palm oil was damaging the environment. The organization created a faux Nestle' Kit Kat logo, and posted a video on You Tube. It highlighted the use of unsustainable forest clearing in production of palm oil. This is used in the Swiss food group's products including Kit Kat.
Greenpeace had found that Nestlé was sourcing palm oil from an Indonesian supplier that it claimed was acting unsustainably. The company's chairman defended the company's position, saying Nestlé only used under one per cent of global production of palm oil.

Nestlé's initial response was to force the video's withdrawal from YouTube, citing copyright. This led to a viral outbreak of criticism on social media. The antipathy soon gained expression in mainstream media around the world (Ionescu-Somers and Enders, 2012).
The challenge for a new senior operations manager, and his team was twofold. They had to limit the immediate damage. And in the longer term, Nestlé's resistance to Greenpeace's request for them to stop using palm oil predictably evaporated, and they did soon announce that they wouldn't use it any longer.
Nestlé needed to address the palm oil sourcing issue and turn the reputational risk into an opportunity.
Instead of trying to control social media conversations, Nestlé's team had adapted its approach. The first problem was to deal with the short-term damage. Nestlé suspended sourcing from the Indonesian supplier, and the company held meetings with Greenpeace in which it provided details of its palm oil supply chains. With a focus on the longer term, Nestlé sought a credible external partner to certify the sustainability of its palm oil suppliers. The company chose the Forest Trust, a non-profit organisation, which helped the company when it came to liaising with Greenpeace as well as helping Nestlé to audit its suppliers (www.nestle.it).
In May 2010, Nestlé also joined the Roundtable for Sustainable Palm Oil, a partnership of companies and other parties aimed at eliminating unsustainable production.
Nestlé had set up a "digital acceleration team" as part of Nestlé's efforts to monitor social media sentiment 24 hours a day. When the team sees problems, the communications unit co-ordinates the company's engagement with the relevant parties, such as suppliers, campaigners, governments and consumers.
Nestlé now has a goal of using only palm oil certified as sustainable by 2015.
Showing leadership on sustainability is becoming a business imperative. A sustainability risk is potentially big when the whole world can find out about it overnight. Nestlé discovered that engaging with its critics and addressing some of their concerns was more effective than trying to shut down discussion on social media.
Now Nestlé has a good stakeholder engagement. Nestlé engaging with the stakeholders underpins Creating Shared Value, enabling to identify emerging issues, shape their responses and continue to drive performance improvements.
Topics raised by their stakeholders and discussed with them in a variety of local and international forums include: nutrition, health and wellness – education and access; Nestlé's role in public policy issues; auditing and disclosure of infant formula marketing practices; and food safety

6. Conclusion. The Centrality of the Person.

The multinational companies are vulnerable to new media campaigns by NGOs that can involve individuals in a way that was impossible before the creation of the Internet. The campaign also illustrated the intense environmental controversy surrounding palm oil. It's very important to consider all the stakeholders.
Nestlé, when managing the scandal, made a lot of mistakes:

- to force the video's withdrawal from YouTube, citing copyright, angered the Greenpeace members;

- to protect their Facebook page by removing critical comments; This move by Nestlé angered Greenpeace more
- This lack of transparency and apparent unconcern was translated into disdain and unfeeling by the Greenpeace movement.

CSR cannot be just a response to problems when they arise. Only if the company includes ethical concerns since its foundation and includes CSR in businesses strategy, social responsibility, as a concept, is integrated into daily decision making. In this process communication is particularly important. Stakeholder engagement has long been at the root of corporate responsibility and social engagement practices. This is particularly true for companies that seek to create shared value. Shared value creation requires the active participation of a wide range of corporate functions. It is important to develop a sense of shared ownership, into every part of the business by defining what they contribute to society, knowing their stakeholders, engaging radically with them, and applying world-class management. In other words, it requires the same discipline that companies around the world apply to procurement, recruitment, strategy, and every other area of business. Those that have acted already are now reaping the rewards.

Two elements play a crucial rule:

- The centrality of the person in its complexity.
- The internal dialogue characterizes the functioning of the managerial action produced a working method in the organs of governance that promotes openness negotiated to external communities, and therefore the socially responsible behavior.

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