I.

THE ALIGNMENT FACTOR: LEVERAGING THE POWER OF TOTAL STAKEHOLDER SUPPORT

Organizations are lost without the full support of key stakeholders both inside and outside of its four walls. Support from employees is reflected in a high degree of motivation, which in turn stimulates the productivity that drives financial performance. Similar proof points confirm the value of symbiotic relationships with the external world. When the viewpoints of outside stakeholders are in sync with a company's strategic intents, the benefits are clear. For example, the organization may have access to cheaper capital from a lender and lower transaction costs from vendors and contractors who enjoy doing business with a trusted partner. An admired workplace also attracts the most talented workers who make products that customers not only purchase, but also rate highly—and this is critical in an era of social media where offline is non-existent. Perhaps most important, when elected officials and regulators view an organization in a favorable light, it has earned a sustainable and unrestricted "license to operate."

Taken together, this is what RI co-founder and vice chairman Cees B.M. Van Riel calls Alignment: *a mutual rewarding relationship between a company and its key stakeholders, which enables the firm to meet its objectives and realize its purpose.*[1] In the best of circumstances, Total Stakeholder Support fuels the alignment. "Support" may include: employee actions to make a strategy happen; new government regulations that allow a business sector to grow; or simply a lack of interest or opposition from an external activist organization. Alignment and stakeholder support are the most powerful tools any company can have in its operational arsenal, providing leverage that opens markets, sells products, and allows a business to thrive.

This issue of *Reputation Intelligence* explores how managers can create a roadmap for building organizational relationships that align internal and external stakeholders, primarily through the coordinated actions of line and communication executives. Like interpersonal connections, maintaining an alignment between an organization and all of its stakeholders is an ongoing process, and one in which communication is critical to prosperity, stability and endurance.

Indeed, skillful reputation management is fundamental for building total stakeholder support and alignment. It requires creativity, discipline and the use of numerous management tools, including key performance indicators. As illustrated time and time again since the global financial crisis of 2008-09, the framework for effective persuasion must be integrated throughout an organization, and yet also be actively led by the chief executive and their extended leadership team.

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A Roadmap to Alignment Gives You License to Operate

The reputation champion inside the company does two important things: First, they help the executives draw up a Roadmap to Alignment, a clear and systematic set of steps that all departments of the company follow, with the aim of winning alignment with internal and external stakeholders. Elements of the map and how it is created,

[1] Cees B.M. Van Riel. *The Alignment Factor: Leveraging the Power of Total Stakeholder Support.* London: Routledge, 2012.

interpreted and managed are the ingredients of a winning recipe for success in the reputation economy of the 2010s. At the same time, there are waypoints on the journey that involve intelligence gathering, analysis, message creation, delivery and reiteration. And while the map is very much an organized process, large companies must be flexible with its use, since earning alignment in today's very public world takes corporations into terrain where firms of 40 years ago never had to travel.[2]

However, once alignment is achieved (in particular with external stakeholders) the company will have earned an unrestricted License to Operate. It is the bi-product of a sterling reputation, and reflects the quality of a firm's performance as well as the contributions of the reputation champion—specifically to organizational objectives.

In abstract terminology, the license embodies the organization's degree of success in obtaining and maintaining favorable relations with the "permission givers" of society. In terms of winning permits, concessions, or contracts with governments, a license to operate can be quite literal and legally binding, the loss of which could put a firm out of business. When indirect stakeholders interfere with business operations or sow discord with consumers, the company may not go out of business but will suffer wounds.

Alignment Step 1: Intelligence Gathering

Organizations gather intelligence in a variety of ways and through several channels. Experts usually identify information that is most useful for their own piece of the organization. For instance, Research & Development searches for the most promising technologies that could improve the company's products and processes, while Legal watches proposed litigation and legislation. Marketing looks for shifts in consumer behavior and emerging needs. Corporate communication executives focus on more holistic types of information that enables them to serve the organization as a whole. Reputation managers have to know, in detail, what stakeholders know and believe about the organization. Gathering the required intelligence from employees and external groups requires substantial investments of time and money.

Gathering and using external intelligence can work in two ways. First, continuous tracking of social issues and beliefs about the company is aimed at understanding the reactions of these key stakeholders to the overall strategy and purpose of the organization. The information serves as decision-making inputs about how to position (or reposition) the company in relationships with corporate stakeholders like financial analysts, governments, and potential employees. Second, intelligence is needed to build alignment with stakeholders on specific strategic objectives that are extensions of the company's overall vision and purpose.

Gathering internal intelligence happens at the macro level as well as at the employee level. Managers need to understand the identity traits that typify their organization. Companies also need to understand employee attitudes, behaviors, and support for strategic objectives. When management launches an internal program aimed at stimulating desired actions, it is essential to measure the degree to which employees show supportive behavior for the strategic objectives.

Alignment Step 2: Select the Right Roadmap

There are two different roadmaps to alignment, each with variations in reaching either an internal or external audience. In general, executives can choose either a negotiation- or confrontation-focused approach to building alignment. Both extremes require different types and levels of support from reputation managers and executives.

Explaining the strategy to stakeholders and adjusting its implementation and nuances in response to feedback characterize the negotiation model.[3] An often-applied technique is consulting with crucial stakeholders to discover how prepared they are to either support the company or whether they would offer little or no

[2] For an excellent discussion of how the relationships, values, and evolution of the corporate communications function have unfolded in the first decade of the 21st century, check out the Arthur W. Page Society's 2007 seminal white paper, *The Authentic Enterprise* .

[3] Charles J. Fombrun and Mark D. Nevins. *The Advice Business: Essential Tools and Models for Management Consulting*. New York: Prentice Hall, 2003.

opposition. In addition, dialogues can be used to reach a mutual understanding or agreement. Building alignment with negotiation techniques usually fosters better and longer lasting relationships with stakeholders, both inside and outside the organization.

That does not suggest that a confrontation-based roadmap is not useful and even preferable in many cases. Confrontation techniques often involve a combination of low-risk interactions between company management and stakeholders, including a pair of techniques known as mirroring and power play.

Mirroring essentially sells a story about the strategy using the persuasive techniques common in advertising and political communication. In a power play, a company might file a lawsuit against an opponent, hire key talent away from a competitor, or take a firm stand in a public debate.

Developing an effective roadmap to internal and external alignment requires a balanced approach between negotiation and confrontation. Selecting the most appropriate roadmap requires managerial courage in parallel with relevant intelligence about stakeholders and a clear anticipation of their reactions to the roadmap's style.

Alignment Step 3: Benefit from Corporate Storytelling

Numerous functional specialists (public relations, investor relations, marketing communications, issues management, public affairs, and employee communications) jointly provide support in building and maintaining internal and external alignment in a variety of ways. First, reputation managers have to establish lasting foundations used as a starting point for developing communication activities about the company in general. This is done in a few steps:

- Codify the rules and directives for the corporate story;
- Organize the reputation management team (some have standing councils, others are more ad-hoc or issue-speciic like M&A or litigation);
- Gather intelligence for the company—usually both issues and perception research; and
- Develop a distinctive corporate positioning that appeals to multiple stakeholders (GE's ecoimagination or IBM's Smarter Planet are two well-known global examples).

"Building and maintaining alignment around core strategic issues is difficult for organizations as it requires a high degree of trust among a large variety of stakeholders. Even the most trusted organizations could be hit by reputation problems, be it through actions that are illegal or considered immoral or simply through mistakes in business judgment. However, hard-earned reputations can recover from unforeseen events that cast an ugly shadow over an organization. This is mainly due to the care and effort that goes into building relationships and alignment with a wide range of stakeholders."

A second key role for reputation managers is to develop tailor-made strategic communication programs aimed at building external alignment about particular strategic objectives.

1. Set the starting points. They should be a logical consequence of the overall corporate branding promise.
2. The second step is simply to determine which competitors have to be taken into consideration, and what in comparison are their strongest characteristics.

Reputation Management: A Precise Path to Improving Perceptions

The foundation of every effective reputation management program is the alignment of stakeholders' expectations with a company's core competencies. Every company must engage with various stakeholder groups in order to mitigate potential risks, prioritize initiatives, develop strategies, and improve transparency. Of course, to better fulfill the needs and expectancies of these stakeholders, it is first essential to understand their beliefs, assessments, and opinions about the organization.

Public opinion in particular can play a critical role in determining how a company is both valued and perceived. After all, the notion of reputation entails the degree of admiration, positive feelings, and trust individuals have for a particular individual, country, or organization. Maintaining a favorable public opinion can lead to: a number of positive supportive behaviors, including an increase in sales; a boost in recommendations; superior financial performance; and greater brand recognition. Nonetheless, it is important to note that public opinion and reputation management are distinctly different. Reputation management might simply be thought of as "managing public opinion for corporations." Further, the manner in which public opinion research is conducted differs greatly from how reputation is actually assessed.

Reputation is largely based on the perceptions that stakeholders have of a particular company's performance and behavior over a certain period of time, including expectations for future endeavors and initiatives. Additionally, evaluating a company's reputation often calls for comparisons to similar organizations in order to determine the best practices to emulate and pitfalls to avoid. In contrast, public opinion research is not specifically targeted to one organization, but rather on the individuals and institutions that dominate the court of public opinion, such as media analysts, advocacy groups, and thought leaders. While both public opinion research and reputation management each play a crucial role in understanding the impact of opinions and perceptions, reputation management provides a more thorough and precise look at individual corporations in order to guide others on how to create a more positive and prosperous reputation for their own organizations.

3. Gather additional specialized intelligence in the context of the strategic objective; for instance, gathering data about genetically modified food requires different intelligence than knowledge aimed at improving shareholder value.
4. Decide how to position the communication support in the overall context of the roadmap that the company is applying to a specific strategic objective.
5. Transform the choices into messages than can be used in the execution of the communication support. All these decisions result in messages that have to be implemented.
6. Evaluate the successes and failures of this specific communication program. The aim is to increase the degree of external alignment around this specific issue.

A strong reputation enables an organization to have better interactions with stakeholders, and in turn helps the institution meet its goals—both key benefits of alignment. An organization that is able to align with internal and external stakeholders is given much more latitude and the benefit of a doubt should its acts or behavior ever be questioned.

Given this dynamic, it behooves corporations to include communication experts in all business discussions, elevating the discipline to the same level as legal, human resources, strategic planning, and operations. In turn, reputation managers must help the organization define its core mission with the most authentic description possible. While developing the organization's key messages for various audiences, reputation managers must also anticipate issues in the social context of their operating environment that can either be a threat or an opportunity. This should enable an organization to create a thought leadership position with factual proof points and appealing communications. It should also guide most of the corporation's interactions with stakeholders, and will enable an organization to build and maintain sustainable alignment with crucial stakeholders they depend upon.

Conclusion

It is difficult for organizations to build and maintain alignment around core strategic issues because it requires a high degree of trust among a large variety of stakeholders. Even the most trusted organizations could be hit by reputation problems, be it through actions that are illegal or considered immoral or simply through mistakes in business judgment. However, hard-earned reputations can recover from unforeseen events that cast an ugly shadow over an organization, mainly because of the care and effort that goes into building relationships and alignment with stakeholders. Whether the institution is a for-profit company, a non-profit advocacy group, or a government entity, all are being judged by a number of interested and interconnected stakeholders.

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Practitioner Views on Alignment

"My role as CEO of the group is to deliver two things of super-ordinary importance—maximizing the alignment of what we have in Barclays and finding the best team in the world… We've got all our ducks in a row. We're very self-confident because we're clear about what we're seeking to achieve. In my first conversation with the board after I'd got the job, I said I believed there was a different trajectory of growth available. I said I needed them to take a clear, irrevocable, unambiguous decision to internationalize and diversify."

—John Varley, former CEO, Barclays

"You need a shared vision of the corporate strategy because that's what creates the alignment, and if the alignment is there then you have a framework within which people can enjoy more freedom. If we are aligned on goal and purpose; if we are aligned on values; if we are aligned on vision and strategy, then you can rely on people doing the right thing without an extensive set of controls."

—Gerard Kleisterlee, former president & CEO, Philips

"Communication is at the center of everything. You can't execute strategy if you can't communicate about it…The communication philosophy goes back to the [founder] Fred [Smith] and his military training. His management philosophy is 'Shoot, move, communicate."

—T. Michael Glenn, president and CEO, FedEx Services and Executive Vice President, Market Development and Corporate Communications, FedEx Corporation