THE SANDWICH APPROACH

By Tomáš Klvaňa

'Doing good' requires execution of sound strategies that effectively engage stakeholders.

Though rarely expressed explicitly, the corporate calculus behind 'doing good' through corporate social responsibility (CSR) initiatives is simple: *We know that we pollute, take away precious resources, or make you obese, but we are doing our best to mitigate the downsides of our business and want to position ourselves as the good guys; part of the solution, not the problem. We hope that one day, especially when we need it (say, in a corporate crisis), you will appreciate it and cut us some slack.*

Although the premise is correct, what is often lacking is the execution of strategies.

A decade ago, Porter and Kramer pleaded for a more thoughtful approach to CSR, arguing that companies should create a shared value for themselves and society by designing their programmes much as they sell products and services–as a carefully crafted value proposition.[1] Since then, many corporations have gone that way, and some have even achieved the status of a gold standard. To name just a few, Coca-Cola with its water neutrality initiative, Siemens with its sustainability drive, or Nestlé with its introduction of genetically modified cocoa plants in Africa, are examples of immense value contributed to company brands.

At the same time, the corporate world found out that, despite generous funding of shared value initiatives, the anti-corporate social and media pressure has not gone away–indeed it is on the increase, especially after the financial crisis of 2008. A significant portion of opinion-leading audiences still considers CSR and sustainability programmes as mere exercises in public relations.

Corporates can avoid these pitfalls in two ways. First, they should target their responsibility message more strategically at those stakeholder groups that disproportionately help or harm a company's reputation in a given market. Second, they should change their language, abandoning quasi-professional semantic in favour of ordinary, direct and easy-to-understand messages.

I have identified two social groups that appear to be decisive in shaping the atmosphere, and attitudes of people towards business in the near future: young people between 18 and 25, the so-called 'millennials', and active seniors who are a naturally growing slice of developed or emerged societies, referred to as the 'silver wave'. The millennials and the silver wave are already playing a key role in shaping the environment in which businesses thrive or perish.

The two groups are distinct. In today's hyper-communicative environment, where messages travel from one context to another and from one culture to another at the speed of light, a business cannot use the same message for all its stakeholders; but neither can it use contradictory messaging. A good brand is all about consistency. I propose a response that can be likened to a sandwich–engage actively with the two groups on the polar ends of the age distribution and tie it to the corporate brand. In other words, make it consistent–both in terms of content and language–with who you are as a firm.

Strategic CSR: Adding value to the company name

Proper management of stakeholders involves a patient, steady and gradual fortification of the corporate brand. In the distant past, firms competed on price and quality. Then they connected their products and services to a style, atmosphere or attitude. Today, it is the impact of a corporation on the world beyond its market that is becoming an important tool for differentiation. Significant consumer segments in the West expect corporations to behave well. The driving force behind these new sentiments are young people active on social networks, who spread the message and organise campaigns capable of reaching a substantial portion of the customer universe. A strong corporate brand connected to forces of good can in tranquil times give you the necessary edge, and in times of crisis it could mean the difference between survival on one side and litigation, adverse regulation and bankruptcy on the other.

Some corporations have discovered this the hard way. SeaWorld Parks & Entertainment initially underestimated the fallout from an activist documentary film, Blackfish,[2] and a subsequent campaign to free the captive orcas (killer whales) led by activists and celebrities. By the time it got its crisis communication act together, it was too late. After a sharp drop in park attendance and a heavy beating of its stock price, Sea World finally announced that it would phase out the orca shows.

On the other hand, Chipotle, the fast-casual restaurant chain, went through a nasty e-coli and norovirus scandal relatively unscathed. The drop in its stock price was at least in part mitigated by the reservoir of goodwill created by smart, integrated and consistent engagement of key stakeholders. The company had built solid loyalty with university students and health-conscious urbanites, who appreciated the company's emphasis on fresh ingredients and local sourcing. The eventual crisis was viewed more as a by-product of a fresh and nutritious supply chain rather than cost-cutting efforts by the restaurant chain.

CSR should be seen as a strategic commitment, not short-term operational spend dependent on the whim of who happens to occupy the C-suite. CSR does not work as a short-term tactic, but must be a long-term commitment. Immediate, operational introduction of a do-good programme during a crisis tends to be seen largely by the cynical as an attempt to divert attention with new talking points. On the other hand, a continuous commitment designed for stakeholder needs has a much better chance of becoming an integral part of the firm's good name and its corporate identity as a good citizen. Too often, CSR is segregated and isolated in departments of corporate affairs or public relations and is not seen as a crucial part of stakeholder engagement on par with, for example, investor relations.

POSITIONING YOUR BRAND

Smart thinking about stakeholder engagement starts with an analysis of the company brand. Ask yourself pointed questions: Who are you? What do you stand for? Except for a few global brands, most Asian names would mean little to stakeholders in the West. Companies would therefore be well advised to think about their corporate brand reputation at home, the brand personality, and its strengths and possible weaknesses. They must decide whether to position themselves the same way as at home, or do brand pivoting in Europe and the U.S.

Asian corporations should capitalise on their diverse backgrounds and unique cultural characteristics to send easily understood value messages to their stakeholders. One often cited good corporate branding example is Singapore Airlines that has long bet on Asian-style politeness and bulletproof service. Similarly, Shiseido, the cosmetics maker, took advantage of its long Japanese heritage linked to elegance and exotica.

These cases present a strong starting point in corporate brand positioning based on differentiation, but they are no longer sufficient. Corporations must go beyond their products and services, and must address their impact on the world outside. An example of a company that has long done good and well, but not in a strategic way, is Whole Foods, the American food store chain. Whole Foods has long stressed the value of organic produce, and ethical and socially responsible business practices. Yet in the last couple of years, it has come under strong criticism for its pricing policies and the inability to communicate it to customers.[3] With a little foresight and a good analysis of key stakeholder needs, such problems could have been prevented. The company's subsequent bolstering of poverty alleviation programmes could therefore be seen as an all-too-easy attempt to alleviate its own conscience. Failure to address key stakeholders was probably among the various reasons for its stock price stagnating for over a year.

The sandwich approach

Consistent engagement of key stakeholders, growing out of the strong and weak points in the corporate brand, presupposes knowing who the key stakeholders are. Each company should periodically perform a thorough stakeholder mapping. This process ought to pay special attention to the

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very young segment of millennials and the group of active seniors, each like a piece of bread enveloping society on both ends of the age spectrum.

The first group is generally overlooked in corporate communications except by firms producing goods for this market segment. There is an untapped potential in appealing to this segment via corporate brand communication, especially through social media. These young people are not politically active in a traditional sense. They vote in small numbers and do not follow current events on a regular basis, but they are aware, socially conscious and animated by social justice. And they have grown up in the Age of the Brand: they are fans of firms like Patagonia and Ben & Jerry's, known for their excellent treatment of stakeholders. If I were an executive, I would pay closer attention to this opinion-shaping cohort. I would conduct an ongoing company dialogue with them and adjust my responsibility outreach and communication to them.

On the other end, the silver wave of active seniors is a growing and influential group in the West due to the demographic trend of an ageing population. A booming portion of civil society institutions, including governments, NGOs and corporate foundations focuses on active seniors. Corporations market their products and services to them with vigour. Some observers speculate that the cult of youth that was characteristic of the post-World War II baby boomer generation will be replaced with the decisive impact of the silver wave, their lifestyle and needs. Active seniors enjoy more free time due to advancements in medicine and healthier lifestyles. And they possess more disposable income than ever before. Top managers themselves, not through external agencies, should have a continuous discussion with active seniors. Such stakeholder talks can be flexible, informal and free of the traditional awkwardness of externally-audited social dialogue. After all, companies are looking for high-quality information about themselves, not for an exercise in public relations.

Naturally, companies need not accept all stakeholder demands. What Porter and Kramer advised a decade ago,[4] and others later,[5] still stands–CSR/stakeholder outreach should be creating a shared value in a strategic way, and should therefore not be a hodgepodge list of disjointed activities.

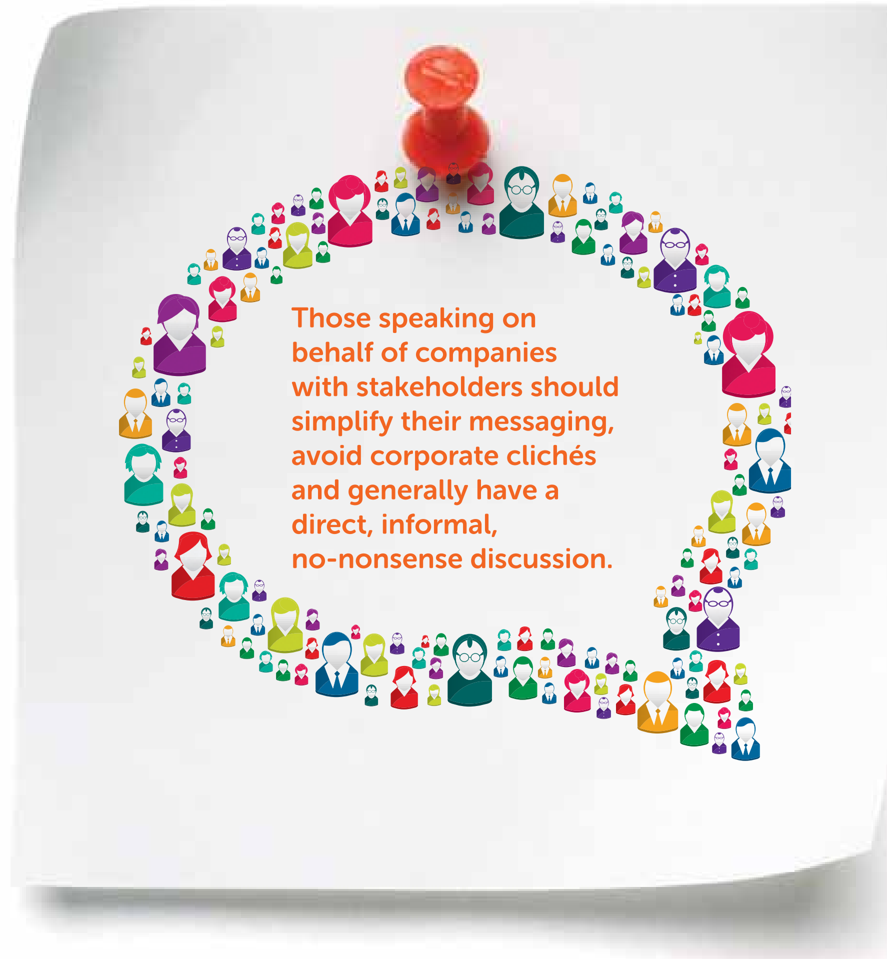
Wherever possible, corporations should gear their responsibility outreach towards the young and old. They could also think of creative ways to combine the two audiences. One can imagine a pharmaceutical corporation devising a project in which the young would be encouraged to help seniors be more active in society, an entertainment corporation sponsoring youth theatre group activities with elderly in senior citizen homes, or a consumer electronics company encouraging millennials to spread social media literacy among seniors. The activities could also be streamed in a reversed order–a media firm, or an agricultural company dependent on migrant workers, might encourage seniors to help the young understand better–perhaps through personal stories–the history of civil rights or the anti-war movement.

Mind your language

The last point about the sandwich approach is one about corporate communication. The backlash against globalism alerts us to the cultural change around us. Politics in the West and beyond are now more divisive, emotional and nastier than at any time in living memory. Populists are riding the wave of nativism and xenophobia. They are also reinforcing the public communication trend characterised by directness, informality, the common touch and loathing of what they see as the inhibitions of political correctness; a trend that originated due to the influence of social media. They prefer unbridled authenticity to suave professionalism. The changes in culture over the last two decades point towards a more honest and less calculated form of expression–witness the mainstreaming of TV reality shows, for example. Company executives should pay close attention to this wave.

While there is much to be criticised in the substance and style of the new populists, there is no denying that they have tapped into something real. Corporate communication will be affected. A significant portion of the stakeholder base is tired of vacuous and faux-sophisticated corporate speak. The PR industry, in my view, is at the threshold of a revolution. By no means do I recommend abandoning professionalism in communication, but its rethinking is warranted.

Those speaking on behalf of companies should simplify their messaging to stakeholders, avoid corporate clichés and generally have a direct, informal, no-nonsense discussion. They should feel free to say 'no' and 'we don't know' when appropriate. They should not particularly focus on engaging with disaffected rebels as a separate stakeholder group, but must draw lessons from them on their tone and style of speaking, as these are changing the communications landscape. Importantly, this generation demands



engagement through interactive content and not just a unidirectional push of ideas.

Brand differentiation through stakeholder engagement

Asian corporations entering Western markets should adopt a strategic mindset when it comes to social responsibility outreach. CSR should be seen as an integral part of stakeholder engagement and must tie into corporate brand building. A strong corporate brand is especially crucial today when businesses are competing for attention from politicians, civil society organisations, legacy media and a vast array of citizens on social media.

A strong company brand creates goodwill among consumers, gives social license to operate in the anti-corporate climate and helps attract young talent in the recruitment process. Talented young people today prefer companies that provide good remuneration and career opportunities, and are on par with companies with strong brands operating as good corporate citizens. These companies enjoy a reputation for caring equally about customers, communities and employees, all of whom can be their best ambassadors. Thus, CSR becomes a key instrument in the corporate toolkit for brand differentiation that can help companies stand out in the crowd.

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