The Art of Corporate Listening

Coca-Cola, Wal-Mart, and Ford are all companies that have learned how to do it well, observes Peter Firestein

By Peter Firestein

Answering charges that their companies have damaged the environment, violated human rights, or harmed customers with defective products has become a part of life for many corporate managers. Allegations of misconduct coming from activist NGOs and other outside groups can threaten the reputation of any company—and therefore its commercial viability.

A company's reputation rests, first of all, on its business practices. Do its operations protect the environment, treat workers fairly, accommodate the interests of surrounding communities, and produce quality at a fair price? But even if a company can honestly answer "yes" to all those questions, that isn't enough to protect its reputation. Even the strongest corporate leadership can't control the actions of a global workforce that numbers in the tens or hundreds of thousands. Acts carried out by just a few in a remote location can become a national or global scandal. And the result can be merciless exposure by the media—or media-savvy NGOs that may have been awaiting such failure to advance their own agendas.

A few global corporations, despite long-entrenched business practices, have undertaken remarkable course corrections. By learning that respect for social concerns plays a large role in determining their continued prosperity and adapting as appropriate, these corporate managements are redefining their relationships with the world around them.

Sharing the Water

Coca-Cola (KO) found itself the target of withering international criticism earlier this decade for using water sources in India that could have gone to thirsty villages. That Coca-Cola's water practices lay entirely within the law did little to curb global resentment

against the company. And prior to the 2008 Beijing Olympics, of which it was a big corporate sponsor, Coca-Cola was the object of a new wave of criticism from activists who wanted the company to leverage its relationship with China so that China in turn would pressure Sudan to stop the war in Darfur.

Coca-Cola responded by saying that the war was being fought primarily over water and that it had given $5 million toward water improvements in Sudan. Coca-Cola's diversion of the argument away from its Chinese partners (and the relative modesty of its contribution in Sudan) notwithstanding, it became clear that the company was coming to see water as an important reputation issue. Virtually coincident with the Olympics, the company announced it would become "water-neutral" by 2020, meaning that it will have implemented systems to replace all the water it uses.

To fulfill this commitment, Coke will have to generate new technologies that will likely be transferable to wider use. It's impossible to say now whether Coke will succeed in meeting this goal. But no evolution in the alignment of corporations with society can occur without the type of fresh thinking evident here.

Our Town

Wal-Mart (WMT) has never been known as a company that would waste a dime. Nor has it been shy about dropping huge box stores into the countryside. For better or worse, Wal-Mart has changed the face of many small and midsize American towns. The company has answered charges of accelerating the decline of Main Streets and the tradition of small shopkeeping by pointing out that people like low prices. And Wal-Mart's position as one of the world's largest companies proves the point.

But Wal-Mart has also realized that it would take more than low prices to secure customer loyalty. With a customer base that makes up one of the world's largest consumer groups, and noting a crescendo of concern about the environment among all segments of society, management has seen that it must become a more eco-friendly company. Activist groups have long been highlighting the company's enormous use of resources, and the level of criticism can only grow.

Wal-Mart has responded to the looming challenge with a program to reduce greenhouse gas emissions in its truck fleet over five years by 20 million metric tons, an amount equal to that produced by 3.8 million cars. In addition, it's now started a program to tag products for their effect on the environment. Wal-Mart is no less interested in profits than ever. But management has come to understand that it must transform its business to one that reflects customers' values—before those customers can find another company that does.

While companies like Coke and Wal-Mart have been making the changes needed to remain strong and sustainable, others—from Enron to Toyota (TM)—have seemed to act out some inner death wish.

Reading the Landscape

As a consultant, I've worked with many executives who understand that sustainability for both their companies and their careers depends on the ability to interpret the shifting social forces around them. There are thousands of corporate executives who witness the implosions of seemingly great companies and start thinking, "If it can happen to them, it can happen to anyone."

Those who recognize how fragile corporate reputations are should be asking, "How can I avoid it happening to my company?"

They can take a cue from companies like Coca-Cola and Wal-Mart. The former's water initiative and the latter's programs for reducing emissions and tagging products are carefully designed strategies that respond to specific outside pressures for change. Any company seeking to formulate similarly targeted strategies on its own behalf must know that its first step must be to inform itself about the external groups that influence its reputation. Company leadership has to understand not only which groups they are, but their core beliefs and long-term agendas—as well as the connections between those beliefs and the company.

There is little in traditional business practice to help a company observe and react appropriately to outside social interests. Doing so requires a new discipline.

Ford ([F](#)) is among the companies that have objectified this process through stakeholder mapping, a technique for creating a physical display that shows the groups that are involved in public dialogue about the company. Whether shown on a computer screen or a wall board, a stakeholder map gives management a single, objective view of the company's influencers and the issues that most concern them.

An Instrument of Culture Change

Typically, a map includes such groups as investors, NGOs, communities, regulators, and news reporters who have relevant interests. A good map displays not only the issues that concern each group, but it shows the groups in clusters of shared interests.

An international NGO, a reporter, and a town's board of supervisors may all have questions about the way a company monitors its environmental impact. An equity analyst, a human-rights organization, and a fund focused on social responsibility may all share an interest in a company's relations with a foreign government. The map can reveal surprising associations among groups with similar concerns, and it may suggest new and effective ways of resolving dissonance.

However, the map may be the least important element in the process. What is most powerful about stakeholder map-building is the culture change it brings to the management team. They must commit to becoming the source of the map's content, and the only way they can fulfill that commitment is by engaging actively with the company's

stakeholders. Such engagement sensitizes them to external attitudes about the company. The insights they gain make the map possible. And the map's aggregated content informs management on the development of strategies and communication that can represent the company back to its audience in new and effective ways.

This is a virtuous loop by which reputation threats translate into inspired management. It makes clear to everyone involved that effective transformation of the company's reputation must start with culture change within its own ranks.

How do you avoid the bad things that happen to those other companies? You make sure yours knows how to listen and has the capacity to act on what it hears.

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