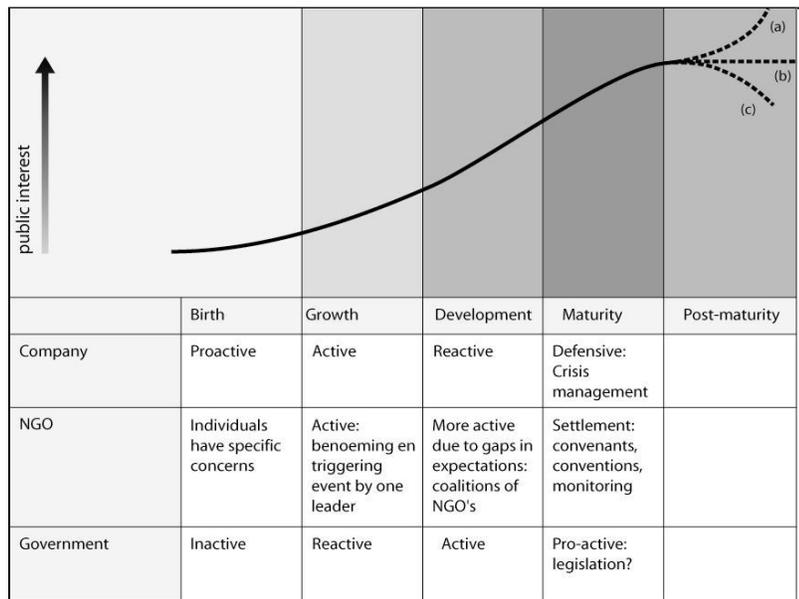


Sustainability Challenge # 17

Stakeholders and the Issue Life Cycle (ILC)

1. Introduction: work in progress¹

In Chapter 9 of the ‘international business-society management’ (IB-SM) book (Van Tulder with Van der Zwart, 2006: 162) you can find the following figure (Figure 9.2) of an issue life cycle.



After three years of lecturing, testing and projects with NGOs, executives and students, it has become clear that this picture is somewhat confusing. As a general description of the issue life cycle it remains valid and helpful. Describing the development of an issue as going through four phases - (1) birth, (2) growth, (3) development and (4) maturity – works very well. The text in chapter nine of the IB-SM book is primarily related to describing these phases in general. A number of issue dossiers could consequently be written that all use this sequence as an appropriate – but not always easy to use - tool to identify the “geneology of issues” and the approximate phase

¹ This short research note was written by Rob van Tulder as an addition and correction to the Issue Life Cycle picture (Figure 9.2, p.162) in chapter 9 of the book ‘international business-society management’ . Last updated: September 2008

an issue is in. For example:

- The issue of **Genetic Modification** is in different phases in different parts of the world (dossier #8)
- The **poverty** issue is in its ‘development phase’ (cf. dossier # 11)
- The issue of **bio-energy** is in the ‘growth’ phase (dossier #15)

As a starting point to understanding the relative position of the three most important groups of stakeholders (company, NGO, government), the figure turns out to be seriously flawed in particular for understanding the position of companies. Companies cannot be considered to be ‘proactive’ in the birth phase of an issue – on the contrary. Later stages will certainly not go through an ‘active’, ‘reactive’ and ‘defensive’ sequence. For the stages of NGO involvement and governments, the sequence is more or less correct in general. This is understandable, because the birth of issues is often triggered by NGO ‘action’ due to ‘inactive’ governments (and companies). Note, however, that the specific sequence and interaction between the stakeholders is always contingent upon circumstances, topic, the bargaining dynamics in particular countries and other factors. A correct assessment of each ILC, therefore, always requires intelligent and thorough analysis of the researcher.

So, the bottleneck in the figure lies in particular in the correct characterization of the typical stages of company action. The mistake made in the original figure was to mix-up two dimensions that are often used inappropriately in scientific reasoning (Cf. Van Tulder, 2007: A7):

- Prescription and description,
- Levels of analysis: micro, meso, macro

As a prescriptive framework for company action, a pro-active stance towards an issue in the birth stage would be best, since it would prevent the issue from materializing in the first place. Chapter 20 of the IB-SM book gives evidence of that. NGOs would not be triggered to have concerns and take action. But as a descriptive general framework, the company would best be characterized as ‘inactive’.

As regards levels of analysis: mainstream issue life-cycle analyses always depart from the corporate level of analysis, and from there deduct the prominence of issues over time for the company. See for instance the ‘issue priority matrix’ of Steiner and Steiner, 2000 (p.161 in IB-SM). The intention of the approach introduced in chapter 9, was to lift this approach to the level of the complete issue (macro-level) while at the same time addressing the typical stance of stakeholders at the meso or even micro level of analysis.

The challenge for a renewed and more appropriate stakeholder model of the ILC, consequently, entails a solidly descriptive model, which makes it possible to understand and classify the action of corporations in interaction with other societal stakeholders at various levels of analysis through which consequently an appropriate assessment can be made of the stage the issue is at the moment – and the typical problems that emanate from this stage for each actor.

2. Upgrading the descriptive potential of the ILC

How would a better characterization of the various stakeholder attitudes along the consecutive phases of the ILC look like? Table 1 portrays the new picture for one type of Issue-life cycle: the

scenario in which an issue reaches an ‘equilibrium’ (scenario b in figure 9.2). It is not likely that real societal issues – as portrayed in chapter 10, like obesity, global warming, kleptocracy, corruption, poverty – will completely disappear (scenario c), although issue fatigue might temporarily discourage attention. When an actor – in particular an NGO – is not satisfied with this ‘post-maturity’ phase, they can try to rejuvenate the issue and set in motion the next ILC. This is not always very easy, as can be witnessed in the ILCs of ‘child labor’ and ‘hunger’ which suffer from a considerable amount of ‘issue fatigue’ with the general audience and therefore make it difficult for critical NGOs to find triggering events and put the issue on the agenda again.

In the first two stages the initiative typically lies with NGOs as (legitimate) representatives of societal discontent. In other issues (for instance global warming or schooling) the initiative can also be with governments (as watchdogs or law-makers), but this is not the typical sequence we find in practice.

Table 1 Typical stakeholder position along an Issue Life Cycle stages

| | [1] Birth | [2] Growth | [3] Development | [4] Maturity |
|------------|--|---|---|---|
| Company | In-active CEO is either denying the issue to be relevant (the responsibility) for the company or has not thought about it. | Re-active and defensive: from denial to anger; ‘they don’t understand us’ | Active (with some exemplary, often smaller companies): development of alternative brands/labels/codes; supported by science; fear of further regulation | Pro-active: more realistic approach to topic, broad support and looking to prevent the issue from appearing; broad support for labels and broad codes |
| NGO | Watchdog: agenda setting; monitoring | Watchdog: keeping it on the agenda | Cooperative: support and develop alternatives; plea for more stringent regulation | Partnering: further development of alternatives in cooperation with firms and governments |
| Government | In-active: no laws or self-regulation | Reactive: laws and treaties initiated, but often not ratified; sometimes also denial of the ‘problem’ as prime responsibility | Active: laws and treaties ratified, but not always (well) implemented | Pro-active: government uses laws and treaties as a framework to trigger self-regulation; requires only marginal checks |

Intensified action and initiative

The nature of the issue also defines the dynamism of the interaction (see chapter 10, ib-sm):

- In case the issue can be identified as the **‘primary responsibility’** of either state, companies or civil society (ib-sm; p. 173), only the action of that particular actor can really bring the issue into a (post) maturity stage; the initiative for a more active stance towards this issue, often comes from any of the other actors. So the issue of ‘top salaries’ in industry has been initiated by civil society and state representatives; the issue of ‘lack of environmental regulation’ is in many countries not only initiated by the green movement, but also by industry (for instance in the Netherlands); the issue of ‘accountability’ of NGOs is addressed by governments and firms.
- In case the issue is an **‘interface issue’** (ib-sm; p.178), the action of the two most involved actors has to bring the issue to a mature stage; the other (third) actor can only help in triggering the issue and developing alternatives. The initiative of action is likely to emanate in one of the directly affected actors, since the solution of the issue often represents a ‘trade-off’ between the interest of one of the partners, either in terms of responsibilities and financial involvement. The issue of tobacco for instance appears at the market/civil society interface, but can be regulated by the government.
- In case the issue can be identified as a **‘growth regime issue’** (ib-sm; p.188) action of all three actors is required; in practice, this also entails that the initiative of a change can come from any of the actors, which then quickly leads to a big debate on the trade-offs involved. However, these issues are rarely settled; only intermediary equilibria are reached in the discussion.

3. Dynamism and barriers to change: from negative to positive mechanism

In the ILC the critical stage for all actors concerned is from [2] growth to [3] development. The *negative reputation mechanism* is strongest in stages [1] and [2]. Correction and disciplining work best in putting the issue on the agenda for instance by accusing firms and government for ‘not doing’ enough – whether this is true or not. It also works best for a particular category of firms. See the IB-SM book for examples and discussion (see in particular chapter 19 for an account of where the reputation mechanism works and where not). In case firms and/or governments deny the existence of the issue or do not act responsibly, the adoption of a continued ‘watchdog’ or ‘direct action’ –oriented role of the NGOs proves particularly effective in moving the issue up the ladder of public interest. In case firms and governments take action, this probably will primarily re-active and defensive. In case this settles the issue, however, the life cycle will immediately go down. For instance this happened with the issue of child labor. As soon as particular firms reacted to allegations of child labor in their supply chains, for instance by formulating codes of conduct and the removal of suppliers, the NGO action became less effective. However, this did not solve the issue of child labor in general because most child labor does not happen in supply chains and/or with large public corporations. A continued critical orientation of NGOs towards big corporations in this stage has probably no effect (or even contradictory effects). When the Dutch India Working Group (LIW) and the Clean Clothes Campaign (CCC) for instance tried to accuse an Indian company of using child labor in its factories, the activists of the organization were barred from entering the country. The defensive action of the company – in collaboration with the Indian government – proved effective in smothering the NGO action, which made the issue of child labor

in India disappear for the moment.²

The negative reputation mechanism works not or much weaker in moving an issue to stage [3] development, and further to [4] maturity. In these stages primarily a *positive reputation mechanism* works. In these stages the repertoire and roles of NGOs have to change also in order to really get solutions for the issue. This is relevant also because governments have probably formulated laws – often with still relatively weak implementation. NGOs therefore can redirect their attention to collaboration with governments and/or monitor them on a correct implementation. At the same there are often alternatives developed by more active companies, which moves the issue for corporation into the ‘development’ phase. For instance codes of conduct, trademarks and certification schemes are formulated and implemented. Focal firms – that were the object of NGO action - are slowly embracing the particular issue as benchmark for their action (often in combination with codes and trademarks). But the business sector also changes through the example of new entrants – smaller active(ist) firms that are based on ‘ideals’ rather than on ‘market power’ and search for serving the critical consumer.

At the same time, scientists (business academics for instance) develop new ‘business models’ that incorporate the possibilities to become more sustainable. For instance: CO2 emission trading schemes, fair trade shops, micro-credits, cow-friendly milk... This is the realm of what can be called ‘sustainable corporate stories’. So there develops a whole new repertoire of **business models** for dealing with the issue and the question becomes how existing firms embrace these strategic and intellectual opportunities (or remain defensive).

Fear for more stringent laws and regulation (a typical stage [3] measure of governments) provides a solid incentive for firms to really try to implement change. The role of NGOs vis-a-vis corporations and governments then also changes towards more cooperation and alliance (partnership) - orientation. Leading firms need this support to move beyond stage [2]. For instance Akzo Nobel developed a new environmentally friendly paint, but could only profitably bring this product to the market after the European norms for (save) paint had really been raised³. This was the result of cooperative action between governments, NGOs and leading firms – each using their own repertoire. The change from ‘watchdog’ to ‘partner’, however, also implies major changes within the NGOs, because their constituency supported them initially because of the action-orientation. The basis of legitimacy changes likewise. If NGOs are not able to change they lose part of their legitimacy and/or other NGOs get the upper-hand in these stages of the ILC.

A mature stage of the ILC can be achieved if all partners engage in a more or less pro-active stance, which implies partnerships and co-development to bring the solution of the issue to a higher level. The latter involves firms to reach a stage of ‘sustainable business’ in which not only a few exemplary products, or some parts of the company can be considered sustainable, but their whole business, supply chains and societal position. The same applies for the other societal actors.

² See also cases on the website on Nike, C&A and Adidas: www.ib-sm.org; and visit the website of LIW: <http://www.indianet.nl/>

³ For more on this case, see: www.publiekezaak.nl

Bibliography

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