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## DIMENSIONS OF STRATEGIC ISSUES MANAGEMENT: FIRST RESULTS OF AN EMPIRICAL STUDY ON INTRAORGANIZATIONAL COMMUNICATION & COORDINATION PROCESSES

### 1. Introduction – The Change in Media Landscape and its Consequences for Organizations

In an environment of increased focus on corporate actions by the media and an aware public on the one hand and hard-fought attention from corporate stakeholders such as customers and investors on the other hand, multinational companies are especially concerned with the early detection and successful handling of occurring issues. *Issues* are topics or events of public interest that affect the company's image, reputation or corporate brand – either as a risk or an opportunity for its business activities (Röttger 2001). Whereas the professional management of issues has a tradition in the USA from the end of the 1970s, the development of issues management in Europe began only a few years ago (Heath 1997). Incidents such as the Napster case, Lipobay, or innovations like genetically modified food are increasingly drawing media and public attention towards multinational corporations based in Europe. Identifying the issues that directly or indirectly influence their business, stating a clear position on the relevant issue and acting accordingly down through every business unit and division is a particular challenge for large corporations. Having a clearly defined position and speaking with one voice is important for a coherent corporate image, since the “relationships between corporations and their stakeholders vary from issue to issue and from time to time” (Post / Preston / Sachs 2002, pp. 23-24). Moreover, deciding on the “right” strategic action is vital for the sustainable success of corpora-

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tions, especially in times of disillusionment with the Internet economy and the hangover from former stock exchange euphoria.

*Issues Management* includes the identification, monitoring, and analysis of topics and claims in key public opinions that can mature into public policy and regulatory or legislative constraint of the private sector (Heath 1997). By doing so, no other corporate function more completely stresses the inseparability of ethical corporate behaviour, public judgment, responsible production and delivery of goods and services, alongside both internal and external attempts to inform and persuade targeted constituencies to gain their support. To meet these challenges, communication departments have to be better connected with strategic planning to form an integrated management and public relations function in order to prevent disorientation and to strengthen a coherent brand image of the company in the minds of its stakeholders (e.g. Bruhn 1995; Caywood 1997).

## 2. Research Focus – The Missing Link to Internal Organizational Processes

Organizations currently have widely developed and elaborate systems to scan and monitor issues. Yet the internal processing of issues and their integration in strategic as well as communicative decisions remains undefined – both in research and practice (Röttger 2001: 13; Lütgens 2002).

This study focuses on how a highly flexible and efficient issues management process can be effectively implemented into the communications and collaborative processes of multinational organizations to be utilized in strategic planning and decision making.

The main research questions addressed in the study are:

- (1) *How can issues that are of particular relevance to the stakeholder and of strategic impact to the organization be identified in order to detect potential opportunities as well as to eliminate potential risks?*
- (2) *Which organizational structures and processes ensure the coordination of relevant information in issues management as well as accelerating and efficiently organizing decision-making processes?*

Three levels of analysis can be distinguished: at *individual*, *team* and *organizational* level. For the study, an average of 3-5 semi-structured interviews were carried out with issues management representatives of twelve multinational companies. From these, the study focuses on the team level: the processes of finding, interpreting and selecting issues, developing decisions, and the emerging structures and routines resulting

from the processes of interaction. The companies were selected by the degree of issues management implementation, reputation, and global reach of business. They had to meet at least 50 per cent of ten selection criteria, which were derived from a pre-study with issues management experts both from academia and work practice. To identify best practices independent of business type, a cross-section of industries was made (Automotives, Banking & Finance, Chemical & Pharmaceutical, Consumer Goods, Electronics, Media and Petroleum).

### 3. Method

The basis for developing the frame of reference for this study is found in the concept of enactment by Weick (1979, 1988), which provides a means of reducing the likelihood of escalation into a crisis. He points out that communication is a means by which people join to achieve goals that require interaction. Through forming, maintaining and dissolving relationships, people are engaged in the process of organizing and enacting structure. Enactment theory reasons that communication among organizational members and between organizations and their external stakeholders is vital. It assumes that words create terministic frames that lead to coordinated efforts because people enact shared views of reality. Moreover, it reasons that individuals and groups seek and interpret information to reduce organizational uncertainty (Heath 1994: 30).

Through these sense-making processes, meanings and actions arise that are interpreted by the participants engaged in such processes. These form the company's identity, resulting from (a) enactments – overt, observable actions and the visible product of those actions – and (b) the meaning (perceptions and interpretations) that these enactments have for participants.

For the processes of interpretation, Daft / Weick (2001) differentiate between three phases that can be transferred to the issues management process: *Scanning*, *Interpretation* and *Learning* (see diagram 1).

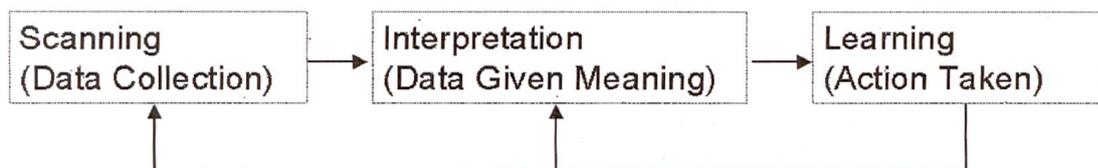


Diagram 1: Organizational Scanning, Interpretation, and Learning (Daft & Weick 2001: 244)

The first phase is defined as the process of scanning and monitoring the environment to identify issues that are relevant to the corporation. At this stage, formal systems for data collection, such as supporting information systems, are frequently used. Additionally, managers gather data about the environment through a variety of secondary sources (e.g. surveys and trend reports) as well as through personal contacts. Most research on issues management deals with this phase of scanning and monitoring, which has been regarded as central to the concept from the outset (e.g. Ansoff 1980). However, this is only the starting point for issues management.

The second phase deals with the organizational interpretation of the data collected in phase one. This process is characterized by translating events into meaning and developing a shared understanding as well as conceptual schemes among members of upper management (Daft & Weick 2001). Within this process of sense making, issues are classified in relation to their urgency and relevancy to corporate action. Specifically developed selection criteria or decision-making tools might be applied to cope with this task. The selection criteria used at this stage have a significant influence on decision making (Dutton & Fahey & Narayanan 1983). The actual process of issues management arises from the relation between the scanning and interpretation phase. The more information top managers include in the decision-making process, the more positive the interpretation of relevant issues and the stronger the perception of control over the situation (Thomas & McDaniel 1990).

The third phase describes the process of organizational learning. Here, knowledge about the relationship between action and outcome between the organization and its environment is developed. Learning is a process of putting cognitive theories into action. It is fundamental for the functioning of issues management processes. Documentation of results, as well as feedback loops on the processes of scanning and interpreting future issues are relevant in this phase. The relation between interpretation and action describes the actual process view in issues management: The evaluation of strategic issues as being controllable is positively correlated with the frequency of changes in business planning (Thomas / Clark / Gioia 1993).

In respect of the internal processes of issues management, the study examined the quantity of information included in the scanning process to identify issues as well as the influence exerted on decision making by having a positive perception of the controllability of issues.

#### 4. First Findings – A Classification of Implementing Issues Management

First results from the data analysis suggest that approaches to issues management can be depicted along two dimensions. The first dimension refers to the dependency of coordination and integration processes on information technology (“technology-based”) or on social networking between networkers/practitioners responsible for issues management (“social-network-based”). The second dimension relates to whether the process to scan, monitor and interpret issues relies on a team or task force (“team-centred”) or mainly on the efforts of one or a few individuals (“individual-centred”) (see diagram 2).

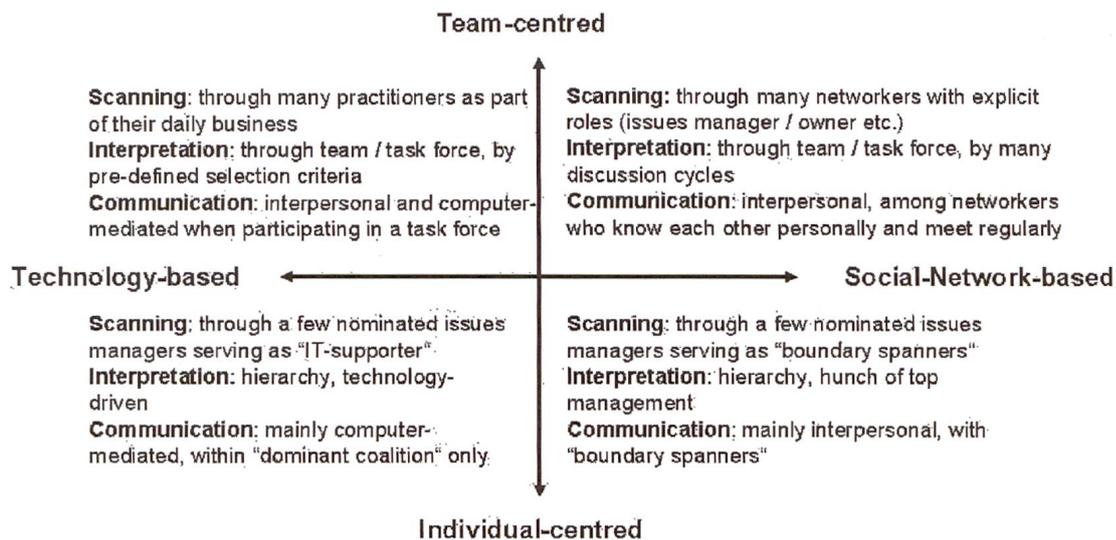


Diagram 2: Dimensions of Implementing Issues Management

Having implemented an IT-tool to support the issues management process, two main types can be categorized:

- a) *Technology-based – team-centred:* This type is characterized by the intense use of an (often Intranet-based) IT-tool. A large circle of practitioners uses this tool to scan and monitor issues within their specialized field of expertise distinct from performing their daily business routines. For this task they are provided with pre-defined criteria. The process of interpretation of whether an issue is relevant for the organization is realized by a designated issues-related team or task force. The IT-tool often also serves as a communication platform to support communication representatives.

*b) Technology-based – individual-centred:* The IT-system is used by a small group of individuals, mainly from top management. Only a few other issues managers have active access to the database and serve primarily as “IT-supporters” to provide input of data. With regard to the interpretation of issues, individuals are often technology driven and try to objectify their decisions with the help of the IT-tool. However, they still mostly rely on their intuition.

Type A generates a large amount of data, which subsequently needs to be reduced during the interpretation phase. Here, pre-defined selection criteria and processes often serve to handle the great variety of information inputted. Type B does not produce such a large variety of information through scanning and monitoring. In respect of interpretation, management assumes that defined criteria or processes are not necessary. They primarily trust their own intuition and make decisions on their own or within their “dominant coalition” (Cyert & March 1963). The issues manager’s role is more or less limited to IT-support because of a lack of integration into decision-making processes.

Among companies who do not rely on technology to manage issues and who purport a social-network philosophy, two main classifications can be made:

*c) Social-network-based – team-centred:* Data collection, scanning and interpretation is mainly conducted by a circle of networkers with explicit issue-related roles, such as issues manager or issues owner. They are organized in teams with members from different hierarchy levels and actively participate in decision-making processes.

*d) Social-network based – individual-centred:* A small group of individuals, mainly from top management, are linked to each other and form the “dominant coalition”. Amongst others, they are supported by a few issues managers serving as “boundary spanners”, i.e. individuals who frequently interact with the organization’s environment and who gather, select and relay information from the environment to decision makers in the dominant coalition (White & Dozier 1992). They provide relevant information, but usually do not participate actively in the decision-making processes.

Type C ensures a high variety of information input, but the interpretation and decision making is often time-consuming due to the large number of meetings and discussions in order to reduce uncertainty of information. Type D produces a low variety of information input. For interpretation and selection, the individual relies on his or her hunch and

intuition, which greatly accelerates and shortens the process of decision making.

## 5. Conclusion

The study proposes that the integrative function of issues management in multinational corporations promises best results if it features a combination of technology- and social-network-based organization and relies on a team-centred working style. This approach allows for the integration over departments, divisions and country borders due to a focused flow of information and personal relationships based on exchange and interactive sense making. From the insights arising from first findings in both theory and practice, two main concluding propositions can be drawn:

### *Proposition 1.*

The more the issues management process is supported by a combination of a company-wide information system and a social network, the more efficient the integration of communication over business units, divisions and country borders.

### *Proposition 2.*

The greater the variety of information in the data collection phase and the more balanced and defined the criteria for issue identification in the interpretation phase, the faster the detection of company-relevant issues and the greater the scope for action.

Proposition 1 is greatly aided by the establishment of an information system to support the communication, documentation and archiving of issues. Additionally, a task force comprising representatives from the various business functions should be formed and a central function, for example a corporate issues manager, should be assigned. To ensure the commitment of the task force and high quality results, its members need to be personally dependent on its success and should be experts in that field. Furthermore, a well-defined process needs to support collaboration and communication processes. Standard operating procedures should be defined to allow the timely integration of important issues into the strategic decision-making processes. Strategic decision making is characterized by the solving of complex problems with a highly uncertain outcome. This

uncertainty can be reduced by ensuring a higher level of transparency of corporate action and the communication thereof. At the same time, these procedures have to be flexible enough to be able to adapt to feedback-cycles from the learning processes through former issues management processes.

As suggested in proposition 2, the search for issues that might have a negative as well as a positive impact on the corporation can be best ensured by a high variety of information input. To reduce uncertainty due to the large amount of information, defined selection criteria are of great importance. In many cases, explicit criteria for selecting issues have not been defined, but managers rely to a great extent on their intuition, personal expertise and knowledge of the industry. Selection is often based on urgency, pressure and power of stakeholders. Only a few of the companies researched have explicitly formulated and documented criteria for selecting an issue. This paper proffers that the selection of issues with a balanced focus of negative as well as positive impacts on corporate reputation and brand image, utilizing a well-defined system of criteria, promises best results.

Organizations that manage to successfully and proactively communicate stakeholder-relevant and brand-relevant information, and that do not merely respond to enforced environmental changes but develop with their altering surroundings and expectations, are most likely to remain successful today and in the future.

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