DO IT THE HARD WAY

It takes time to build trusting relationships with stakeholders when moving into new markets. It may not be the quick and easy route, but time and effort invested in real engagement can pay off

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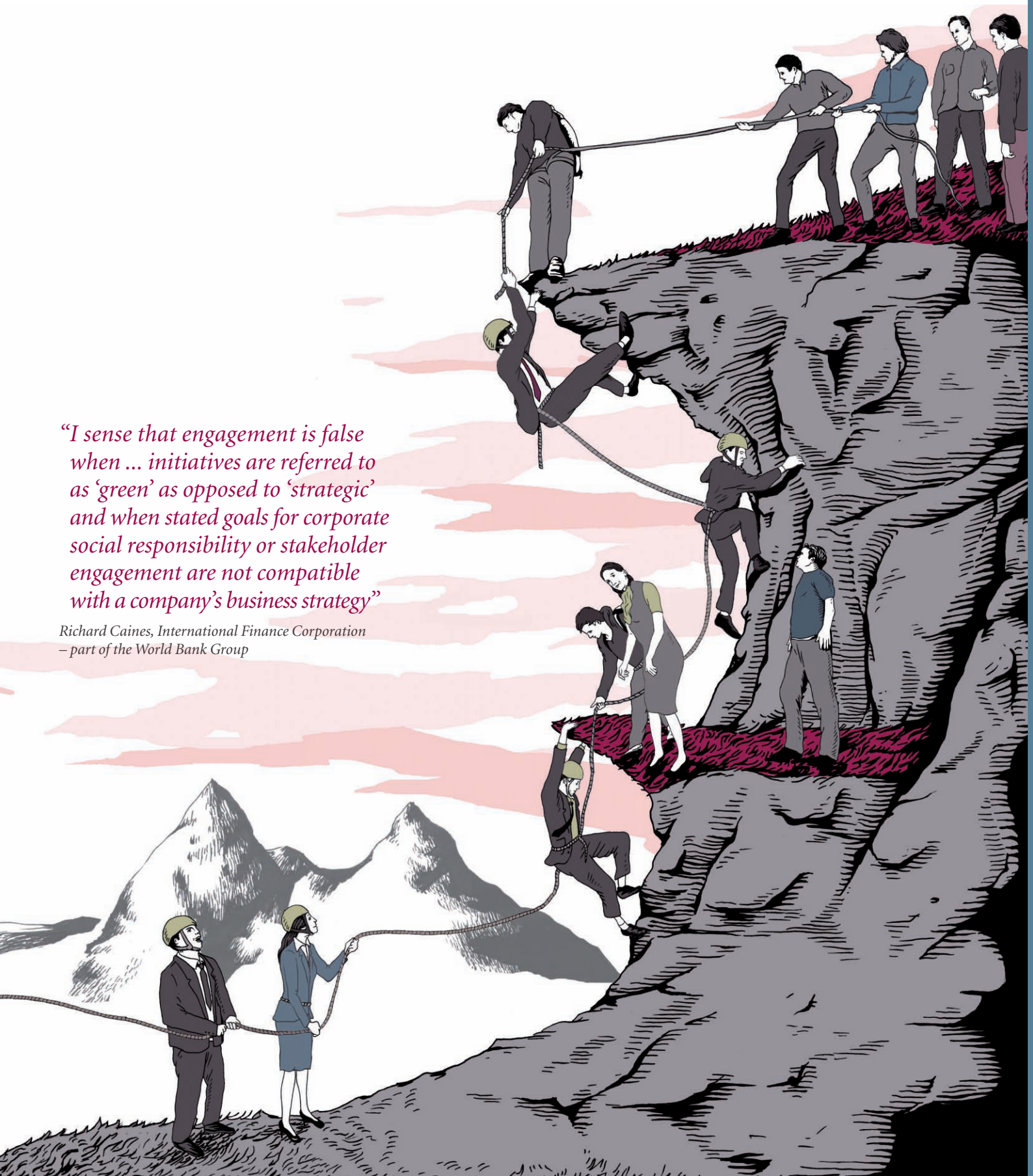
There is an old Chinese proverb that says you should "dig your well before you're thirsty." That is sound advice for multinational companies when it comes to building relationships in new markets, especially in developing economies. Forming real and lasting bonds with local stakeholders might be laborious, but it is a better way – often the only way – to gain a solid foothold in a market.

International growth defines most multinationals, but it is getting tougher and more complicated to gain access to emerging markets. It used to be enough just to regionalize operations and tailor products for local customers. Today, more is required as companies face closer government scrutiny, more regulatory intervention and unfamiliar social and political forces. This is compounded by growing NGO influence and the fragmentation of news media, making stakeholder expectations harder to discern.

"Some stakeholders are extremely skeptical, so there is a real need for companies to understand that they must truly engage and build relationships," says Elisa Peter, head of the Non-Governmental Liaison Service at the United Nations in New York. "There is still much mistrust of anything private, especially in the realm of public goods," that is to say goods that deliver a general benefit to society – a company financing road-building in a poor country, for example.

It is clear that some kind of relationship can help navigate obstacles, but building truly productive alliances calls for a deeper commitment. Stakeholders are getting better at spotting businesses that try to simply buy their way into relationships, or that just pay lip service. Holding polite meetings or donating to local causes is only surface-level engagement.

Richard Caines, an adviser at the International Finance Corporation – part of the World Bank Group focused on building the private sector in developing countries – is alert to tell-tale signs of inauthentic engagement: "I sense that engagement is false when I can see no real thinking behind a company's attempts to engage, when different members of management give inconsistent perspectives on an issue, when initiatives are referred to as 'green' as opposed to 'strategic' and when stated goals for corporate social responsibility or stakeholder engagement are not compatible with a company's business strategy."



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WHAT MAKES ENGAGEMENT PRODUCTIVE?

Just as tone-deaf efforts can be costly, attentive ones can pay dividends. Candid and open engagement can be a highly effective step towards dismantling barriers, opening markets, managing issues and forging a strong reputation.

It begins by understanding which stakeholders most affect your business and which groups influence those stakeholders. Then, it is critical to recognize key stakeholders' core priorities, issues and motivations – and their expectations of foreign companies. A breakthrough can occur when companies develop ways to align their own ambitions and priority issues with those of the local market.

This creates "shared value," according to a recent *Harvard Business Review* article by Michael Porter and Mark Kramer, both of Harvard University. Shared value, they believe, ultimately can give businesses a competitive advantage.

But establishing genuine engagement – and shared value – requires investing in relationships early. It carries an expectation of frank dialogue, the possibility of disagreements and roadblocks. Eventually, it should provoke real changes in behavior. Companies that make this investment will be viewed as genuine; those that do not could be deemed to be inauthentic and mistrusted.

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RULES OF ENGAGEMENT

No two companies will face the same set of issues but all should follow some core rules of engagement:

From the top. As in all aspects of the business, effective engagement begins with a mandate from the top. Key managers, from the CEO on down, should be accountable for implementation of engagement efforts, with incentives set and monitored at all levels. That increases the chances that best practice will be woven into the business.

A good example of such a program is the focus by energy infrastructure operator National Grid on achieving ambitious greenhouse gas (GHG) reduction goals. The company is working towards a 45 per cent reduction by 2020 and 80 per cent reduction by 2050, and CEO and executive compensation are tied to progress towards these targets. Companies such as Intel, Xcel Energy and Shell all tie sustainability performance to pay.

All engagement is local. Trust is at the heart of engagement, so understanding and addressing issues that are important to local leaders can help foster that trust.

This is not the same as engaging on every issue that matters to stakeholders. Rather, common areas of interest can be prioritized based on an understanding of local needs.

For example, in Africa, GE's *Developing Health Globally* program draws on GE products, expertise and employee engagement to address critical gaps in rural healthcare facilities. With an increasing emphasis on maternal and infant survival, the program has put additional focus on understanding and fulfilling needs related to emergency obstetric care and maternity/neonatal intensive care in hospitals and clinics.

Gathering intelligence. Gather and analyze intelligence from non-traditional sources as part of an "early warning system." Social media is one such source, but there are many monitoring tools a company can use to spot new issues on the horizon.

Be open to input from unfamiliar sources. The UN's Elisa Peter says, "As a general rule on stakeholder engagement, companies should make the effort to talk to people they rarely consult with. Similarly, in choosing the right partners it can be easiest to engage with the biggest organizations – that's necessary, but not sufficient, because those organizations are not necessarily representative of community interests."

Sleeping giants, ticking time bombs. Understand the motivations and influence of various stakeholders – from the sleeping giants who can support you to the ticking time bombs that can hurt you. The hierarchy changes over time and it is important to plan for that.

Listen closely. Companies wishing to be heard must be willing to listen. This also means having the internal channels in place so the information doesn't stall or become distorted in the organization before it reaches management.

Also, avoid the hard sell. Many companies simply want to push their product messages out in local media. It is often more effective to be subtle, to begin by engaging in dialogue direct with stakeholders.

Be willing to act. It is not enough to just talk; companies must be willing to act, even if it means changing plans or altering strategy. If one is willing to compromise, lasting solutions are more achievable.

Start now. Engagement is most effective when not forced or rushed. Companies must invest in advance of the expected need, sometimes far in advance. It may be too late to search for allies once problems have arisen.

ENGAGEMENT IN ACTION

Most multinationals have sophisticated communications operations, but engagement in new markets requires another layer.

Douglas Michelman, Global Head of Corporate Relations at Visa, says, "In every market, we want to demonstrate that we are a trusted partner to our important constituents, and that nearly always requires a meaningful relationship.

"Real engagement must be localized. In every market – large or small – businesses are expected to be part of the fabric of that society. They are expected to help meet local needs or address local societal issues. Local constituencies – like governments and NGOs – are more likely to do business with you if they see you are doing things that fix problems at the national level or benefit local people and institutions."

For example, in Pakistan, ethnic and religious warfare has forced millions of citizens to flee their homes and seek refuge in other parts of the country. Pakistan's government faced significant challenges as they sought to provide relief to millions of refugees. The state set up centers for internally displaced persons and tasked NADRA, the country's national identity agency, to devise a way to ensure that financial assistance reached the people who needed it.

NADRA's representative, Ali Arshad Hakeem, says: "The major challenge was to put in place a system where the displaced people would feel that they were a part of our society – and to do it very quickly."

The government turned to Visa, which worked with the local United Bank and NADRA to create a system that issued Visa prepaid cards at sites that were convenient for displaced persons. Each was pre-loaded with $300 and could be refilled. The cards allowed people to purchase much-needed food and helped the government to quickly tackle a severe national problem.

THE ENGAGEMENT EQUATION

In the end, the engagement equation is simple: engagement builds trust and trust builds business. But engaging the right way requires more than just adjusting how a company speaks. Engagement is most effective when it is based on long-term commitment, and being open to change. Today, companies are expected to be active, constructive partners in the development of the markets they enter. If done well, engagement can help build the relationships necessary to do that – and boost growth prospects along the way. And sometimes, you have to do the hard work now to reap rewards down the road.

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