

Find out why companies with strong stakeholder relationships are more profitable and sustainable than companies whose focus is exclusively on the bottom line.

New Growth: Fostering Collaborative Business Relationships

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In 1993, some 9,000 people blockaded the road into the town of Clayoquot on the west coast of Vancouver Island, British Columbia, Canada. They were protesting forest company MacMillan Bloedel's (MB) intention to log old-growth forests. Loggers, native bands, and environmental groups from across North America and Europe joined forces to launch this bitter, high profile, and ultimately successful worldwide campaign. The blockades captured the attention of the international media, as well as some of MB's largest customers.

Was Pacific Bell alarmed about their customers finding out their phone books were made from 1,000-year-old trees? You bet—MB was faced with an international boycott. Share prices fell and employee morale hit rock bottom.

This, too, could happen to you. Environmental groups joining forces around the globe to launch a boycott of your products. Plummeting share prices and company morale. Thousands of protesters spotlighted nightly on national television and in full-page

New York Times ads, eroding your hard-won corporate reputation and threatening your profitability.

Six years later, in June 1999, something astounding happened. MacMillan Bloedel signed a memorandum of understanding with the leaders of these same organizations to jointly market MB's forest products.

MacMillan Bloedel won the war in the woods by building relationships with internal and external stakeholders. A transformation in the company's relationships (and also its profits) began in 1997 when MB's new CEO, Tom Stephens, set three goals for the company: to be the safest, most profitable, and most respected forest company in North America.

Instrumental to the turnaround started by Stephens was a new set of corporate values developed with input from all employees, which included a commitment to integrity, involvement, and open communication. These values served as a solid foundation for an intense and often painful transformation that saw MB move from an insular, hierarchical

organization with old-style forest-management practices to a much more collaborative, values-driven, progressive, and—perhaps not coincidentally—financially successful company.

How to build collaborative stakeholder relationships

Much of the emphasis in the quality movement has been on internal relationships in work and business processes. Equally important is the creation of trusting and cooperative relationships with external stakeholders, including customers, suppliers, and communities.

According to a recent survey of 200 chief executives conducted by the National Quality Institute and American Express, relationships lie at the heart of corporate profit making and sustainability in today's global, knowledge economy.

To help one remember the importance of the following six steps for building a stakeholder relationship, the acronym FOSTER conveys the nourishment and care needed for relationships to develop.

F: Foundation of values. A company's values provide a solid foundation for improving existing relationships and creating new, positive, long-term relationships. Corporate values start at the top with the company's leaders who have—and demonstrate—a clear and compelling vision for the organization, along with a strong set of values. They care about people and are able to clearly communicate a vision that is driven by ethical principles. They create a corporate culture that fosters reciprocity, ethical behavior, and mutual respect.

The guiding value in collaborative relationships

Mutual benefit and reciprocity are the governing values of the most successful companies in North America today. The powerful relationships they have established with their stakeholders are governed by this concept of mutuality.

The building of collaborative relationships requires a very different mind-set and skill set, as compared to a command-and-control management style. Managers in relationship-focused companies are rewarded for identifying opportunities for creating mutual benefit with stakeholders rather than helping the company gain at the expense of others.

The CEO of a successful mid-sized forestry company regularly tests new equipment and ideas from suppliers. This doesn't cost him much and when the idea works, his mill is the first to have the new technology. Employees stay with the company a long time—they are paid more than the industry average, and perks such as the company condo in Palm Springs are available to everyone, not just senior management. Although this CEO has been accused of being a "Pollyanna," his company's network of long-term relationships has paid off big time for his company.

O: Organizational alignment.

Creating internal structures and systems that support collaboration helps to ensure effective relationship building. Essential systems include:

- Rewards and recognition for collaborative initiatives;
- Information systems to promote and support group dialogue;
- Training and mentoring to ensure staff have the necessary attitudes and skills;
- 360-degree communication to foster cross-functional, multilevel internal partnerships; and
- Participative decision-making, so that employees can respond quickly to the opportunities and needs of stakeholder partners.

S: Stakeholder strategy.

A stakeholder strategy is the mechanism by which companies define their stakeholder goals, expectations, and commitments. It is based on the company's core

values, overall business plan, information about the external environment, and dialogue with stakeholders.

T: Trust building. Establishing powerful collaborative relationships is not easy or quick. Time is needed for people to get to know one another, build trust, deal with organizational issues, negotiate agreements, and manage the logistics of working together.

Partners must clarify their expectations ("What's in it for me?"); they must develop structures, roles, and responsibilities that work for everyone; and they must establish milestones to evaluate progress. People must also be willing to learn from each other and have the skills to communicate effectively.

Communication ground rules should be set early in the process to create a safe environment within which individuals feel free to express their views. Power issues

FOSTER in Practice at Weyerhaeuser

Weyerhaeuser is an international forest products company headquartered in Washington state, whose principal businesses are the growing and harvesting of trees and the manufacture, distribution, and sale of forest products.

Foundation of values: Collaborative relationships are embedded in the company's vision, "to be the best forest products company in the world," where "best" means that all of Weyerhaeuser's stakeholders—customers, shareholders, suppliers, employees, and communities—agree that they are the best. Weyerhaeuser has a public commitment to employees, customers, and shareholders to support the communities where it operates, to hold itself to the highest ethical conduct and environmental responsibility, and to listen to and communicate openly with Weyerhaeuser people and the public.

Organizational alignment: Managers and employees of Weyerhaeuser are empowered and trained to deliver on the company's vision and values. For example, in August 1997, then-manager of wood procurement, Roger Loberg, at the company's remote Grande Prairie, Alberta kraft pulp mill, confidently initiated a process of principle-centered negotiations with one of its suppliers, Gold Star Transport, with the stated outcome of achieving win-win outcomes.

Stakeholder strategy: Strong supply-chain relationships are an important strategy for Weyerhaeuser to deliver on its commitment to the communities where it does business. At the Grande Prairie kraft pulp mill, bulk chip hauling is contracted out to Gold Star as the primary single source carrier, but the supply chain does not stop here. Gold Star sub-contracts chip hauling to local independent truck lease-operators, who in turn may employ drivers. During the strategic alliance negotiations with Gold Star, Weyerhaeuser factored in the

immediate costs of Gold Star living up to Weyerhaeuser's corporate values and strategies—those of empowering people, taking environmental and community responsibility, and making total quality and safety a way of life. Gold Star's own corporate values are very similar, and explicitly include a commitment to win-win relationships with their stakeholders.

Trust-building: Both Weyerhaeuser and Gold Star took time to discover and understand each other's interests, as well as those of third-party players. During the process, information such as cost, quality, and operational metrics was exchanged, with each side acknowledging its feeling of vulnerability in doing so. The heart of this innovative customer-supplier strategic agreement is a jointly developed "Strategic Alliance Vision" describing the key outcomes, such as "Safety is a way of life," the plan to ensure each strategic vision element is achieved, and target performance levels.

Evaluating relationships: Weyerhaeuser and Gold Star have established regular evaluation meetings to assess progress on the Strategic Alliance Vision. Objective performance measurements and indicators (agreed to by both parties) are the basis for monitoring performance against targets.

Renewal: In asking, "How can we establish greater levels of trust with our partners?," Gold Star has agreed to work with Weyerhaeuser's public affairs department to find out about public perceptions of its operations, perhaps through a social audit.

must be sorted out, and the partners must develop effective strategies for resolving conflict.

E: Evaluating relationships. A regular relationship check-up can often prevent major problems down the line. It can also help to open lines of communication and help each of the partners gain a better understanding of the other. Using a stakeholder audit, companies can monitor their performance on key relationship goals and building employee and stakeholder support.

R: Relationship building. To nourish relationships, take time to reflect and listen. Ask yourself: Are we still committed to this relationship? How can we resolve tensions or barriers? What will it take to establish greater levels of trust with our partners?

Relationship building involves on-going effort and a commitment to continuously learn from and respond to the interests and needs of partners. There is no end of the road in relationship building.

Postscript: MacMillan Bloedel was purchased by Weyerhaeuser in late 1999.



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