DOING BUSINESS IN THE 21ST CENTURY
– Improving Stakeholder Engagement
Increases Productivity, Profit and Sustainability –

This article details the value of "Strategic Relational Engagement (SRE)" in the 21st century. By developing productive rapport with internal and external stakeholders a company increases its bottom-line success and its strategic impact, while often simultaneously heightening its status as a good corporate citizen. – Nadine B. Hack, Executive-in-Residence, IMD

From the moment humankind began exchanging goods and services as barter for pebbles or anything else considered to be of mutual value, doing business – and being successful at it – has been a major driver of human life. The artist Andy Warhol once said, "Making money is art and working is art and good business is the best art." But what *is* good business and what does it take for a leader to create a positive business exchange? For centuries, this question has revealed deep areas of contention and spawned continued debate.

Whether you are already in the corporate C-suite or working your way there, you know that business in the 21st century has evolved into a whole new ballgame. Playing your top game increasingly requires knowing how to engage stakeholders effectively by building and managing relationships. Successful businesses have moved from a *transactional* foundation (where enterprises serve their own benefit, even at the expense of others) to a *relational* foundation (which acknowledges that interdependence among a diversity of parties is essential for sustainable success). Businesses now run the risk of obsolescence if they don't.

In this piece, I explore the increasing importance of SRE among a wide range of stakeholders. Dramatically new technological communication capacities, evolving national and international business models, political upheaval, economic instability, environmental impact, and the emergence of the BRIC-and-beyond nations, now *demand* improved engagement between business leaders and their myriad stakeholders.

Stakeholders with Benefits

A broad spectrum of stakeholders has a direct impact on your core business, whether you like it or not. In today's increasingly interconnected world, organizations that foster a deep level of connection with their stakeholders are more successful in shaping that impact to their greatest advantage. That's why I call this "Strategic Relational Engagement" (SRE) – because adding the component of fostering meaningful relationships into your business can transform stakeholder fear and/or animosity into understanding, productivity and strategic impact.

While SRE as a business strategy is new, it is not without precedent. Several decades of a growing body of business literature *supports the values of team-building, consensus building and other relational activities to achieve successful strategic leadership and organizational change management*. From another perspective, Dr. Martin Luther King, Jr. wrote 45 years ago about achieving the "beloved community." It is a term that may seem "touchy-feely" to some, but his core belief was that increasing cooperation among allies and even winning the friendship of opponents would make it possible to live and work together productively.

King's idea, which successfully launched an unprecedented measure of social change, was consistent with a classic tradition of philosophical thought. *Both emphasize the importance of finding shared benefit through respect and concern born of cooperative relationships.* By bridging the gap even among those with opposing views, consensus can be reached so each party gains something while the wider society also benefits. For companies, this has become the coveted triple bottom line.

Therefore, from a philosophical *and* practical perspective, embracing SRE is a necessary component of business in the 21st century.

SRE is in Your Best Interest

Business leaders' assumptions (often prejudices) about the capacities or even the validity of stakeholders – whether inside or outside the company – weaken the leaders' ability to make wise decisions. When they rise above such bias and engage more of their stakeholders effectively, they strengthen their decision-making talent *and* their leadership status. This may seem counterintuitive to those who believe status comes from fiercely protecting control and territorial power. But you'll see from the cases I've reviewed here that the opposite is true. In fact, the more inclusive the style of leadership, the greater success the company achieves.

Not many leaders accomplish this understanding, but those who do benefit tremendously. This relational connection to stakeholders results in much stronger engagement on everyone's part and, thus, greater productivity, profitability and sustainability for the company as a whole. Michael Spence, Nobel Laureate in Economic Sciences, emphasizes *inclusiveness* as a key component to sustainable growth. SRE is a critical tool for achieving inclusiveness.

By learning and embracing vital mechanisms of relationship-building, businesses can sustain Strategic Relational Engagement (SRE), and more assuredly solidify long-term success. Through understanding valuable lessons from your real-life stories and others shared here, you can develop or improve the SRE approach that is best and apply it to your corporate culture.

Take Advantage of SRE

To help you envision the stages of SRE, I have reviewed and mapped out three core themes:

    I.   Create Value through SRE

    II. Overcome Obstacles to SRE

    III. Sustain SRE for the long-term

For each theme, I've used a real-life case in which I participated as a facilitative consultant. I believe you will recognize the lessons the stakeholders in these cases learned (or didn't), because you may have faced comparable situations in your own companies. My hope is that – whether you've been through experiences like these or not – you will see how the key insights extracted from each case are applicable to your own business challenges and opportunities.

I. CREATE VALUE THROUGH SRE

Business leaders want to increase their company's success. Creative leaders with foresight understand *the strategy of engaging their stakeholders is a key driver to success.* But with a lack of experience in this area, they sometimes fail to implement the full range of policies, practices and behaviors available to achieve and sustain this goal.

To **create value** through Strategic Relational Engagement (SRE)**,** leaders must know**:**

1. What *capabilities* they already have, and which they need to acquire
2. What *conditions* must be created or eliminated
3. Which *processes* will move them forward

Making an honest, straightforward, assessment of your company's SRE capabilities, conditions and processes allows you to properly evaluate strengths, weaknesses and untapped resources. As great ideas and insightful observations can come from the most unexpected sources, to begin creating SRE inside your company, invite managers and their teams to do the same at each level of your operation. When internal stakeholders – regardless of rank or duties – feel respected and appreciated, your company will be the beneficiary of their collective engagement.

The following case study is about *external* stakeholders with opposing views. They experienced the value of SRE because, as they came to appreciate how each other's capabilities, conditions and processes augmented their own, they rose above their differences to work together and everyone benefitted. While this case is about SRE among stakeholders from multiple sectors, the core principles also apply to *internal* stakeholders who are engaging with each other (or not).

Case I: Seeing the Forest *and* the Trees

Until the mid-1970s in California, US, the logging industry – one of the most important enterprises in the state – was in flux. Major companies, state government, community organizers, and environmental activists were vehemently unwilling to work together to solve industry-related problems. In fact, each constituency vilified the others**:** the antithesis of SRE.

But addressing their disparate concerns was essential to the industry's prosperity, as well as for environmental and community quality of life. As a cross-sector team, they developed a series of legislative initiatives they called "Investing for Tomorrow's Prosperity" – long before the term *sustainability* was in the common lexicon. It's a tribute to their work that this legislation is still in place today. As a group, they started with reforestation and moved on to other state-wide renewable resources. Their efforts became a blueprint for international Global Green Plans.

How did the transformation from enemies to closely communicating partners come about? SRE was critical at every stage. Where did they begin? A small group first started talking in an Oakland conference room. Isabel Wade, from the State Department of Forestry and representing the Secretary of Resources, Huey Johnson, outlined a tree planting plan to Executive Director Paul Cobb and others from the civic organization Oakland Citizens Council for Urban Renewal (OCCUR), which championed much of Oakland's initiatives for community development, including combating a considerable amount of blight.

As Wade described the environmental benefits of trees absorbing carbon dioxide, most of the OCCUR people – whose daily imperative was getting food, clothing and shelter to needy families – began rolling their eyes. But when Wade said she regarded community engagement as her key ingredient for success, the OCCUR team sat up and listened.

Birth of a Notion

Wade explained how the city had previously instituted many master plans for tree planting. Each of them failed, because literally moments after city agencies planted the trees, local kids

with switch blades cut them down. There had been no prior consultation with communities – a lack of SRE – and the trees were not what the communities had asked for. She suggested that if OCCUR went neighborhood by neighborhood, block by block, and got residents to "adopt" the new trees, they would then be valued by the community and would survive. In response, two of the OCCUR staff eyed each other in recognition that this tree planting plan would give their organization a great opportunity to visit people's homes to champion other community efforts. And, if it was trees that provided such entrée, so what?

Cobb's colleagues agreed and OCCUR willingly shared their *organizing capabilities* to fortify the *planning capabilities* of the state and city. Even though their motivations differed, this began an initially-wary coalition in which *each side recognized that the capabilities of the other would strengthen the ability to achieve their respective goals*.

Business Gets Into the Game

The governmental and OCCUR coalition then had to engage the primary logging company, Weyerhaeuser, which had the *financial and operational capabilities* needed to make a significant impact. At the time, Weyerhaeuser still was practicing strip logging, which was profitable for them. But they were experiencing costly disruptions to their business because of increasing opposition from environmental activists who opposed cutting down *any* trees and were chaining themselves to trees in protest – creating unfavorable publicity for Weyerhaeuser.

Ultimately, these other two major stakeholders – Weyerhaeuser and the environmentalists – willingly joined the state and the community organizers in a remarkable cross-sector SRE effort that benefitted each and the wider society. But how? Because Wade knew she had to bring these arch-enemies together to show them that they had more in common than they thought.

She first met with environmental leaders whom she believed would grasp the value of the larger mission – improving quality of life for communities – and join the effort rather than resist it. She chose Hunter and Amory Lovins, co-founders of The Tree People, which had substantial *policy and mobilizing capabilities.* Although dedicated to the activist politics of their cause, through true SRE vision they realized that while it felt cathartic to protest against loggers, they actually needed positive relational engagement with them or Weyerhaeuser might not alter its practices and nothing would change. Like Wade and Cobb, the Lovins were early catalysts.

The consortium of three stakeholder groups, each motivated by healthy self-interest, helped Weyerhaeuser view their logging practices differently. As it happened, the company already was assessing how to do just that, guided by then-CEO Alston Correll, another catalyst.

A workable solution emerged with the decision of Weyerhaeuser to plant two trees for every one they cut down. This both benefitted the environment and ensured the company's future sustainability and profitability. After all, while the company owned a lot of land, their properties were finite. By adapting enhanced practices, they helped safeguard the environment (becoming a good corporate citizen) – and simultaneously moved towards having year-on-year double digit growth. They've stuck to their commitment to-date and expanded upon it.

"In 2011, FORTUNE magazine named Weyerhaeuser the most admired forest products company in the world. In addition, out of all 350 companies named, we tied for tenth place in social responsibility. As we navigate short-term challenges, we will not lose sight of our long-term vision to use the renewable natural resources we manage to deliver superior sustainable solutions to the world." – Dan Fulton, Weyerhaeuser President and CEO as of January 2012

Healthy Self-Interest Trumps Blind Self-Interest

The lynchpin for success was that *each stakeholder had to understand how they would benefit before they could willingly engage*. But how would they navigate the distance from opponents to collaborators? Imagine having to drink "a thousand cups of tea" to cement new relationships,

as CA Secretary of Resources, Huey Johnson, liked to describe the relational process of uniting disparate stakeholders.

To facilitate the process, the leaders convened meetings of sub-groups from each constituency, thereby exposing more and more people to the value and practicality of achieving productive relationship-building through SRE. While this might seem extremely time-consuming, the ROI was enormous and well worth the effort for all the stakeholders.

To deepen relationships further, Wade and Cobb brought Weyerhaeuser executives to the first neighborhood tree planting party. Everyone wore *Oakland: Can You Dig It?* tee-shirts, a simple "uniform" way that helped people in each stakeholder group feel the humanity of the others. As a result, larger numbers of advocates from all sectors attended subsequent gatherings.

When members of each of the united stakeholder groups ultimately walked into the halls of the state legislature together, they had an easier job of recruiting lawmakers from both sides of the aisle to champion the state-wide reforestation legislation. These politicians, who formerly had been wary of any efforts by the new administration to interfere in any way with business in California (Democrat Jerry Brown had recently replaced Republican Ronald Reagan as governor), were impressed by the SRE endeavor that had unified constituencies previously unwilling to sit in the same room.

"When I initially tried to get legislative support, it was extremely hard to find a senator or assemblyman to sponsor it. Once we had this engaged multi-sector coalition, the tides turned. And as we built deeper relationships, we were able to get even stronger legislation passed. It is among my proudest work." – Isabel Wade, Founder, California Forestry Program

The Value of Productive Relationships

During the often-laborious SRE process, there were moments when each of the stakeholders was ready to walk away from the engagement. But as they began to experience success through communication and empathy born of mutually-beneficial relationships, each became more committed to communicating and aligning their respective goals. As they achieved this level of trust, they started to meet with counterparts from other countries who were simultaneously attempting to launch similar initiatives, including Kenya's Wangari Maathai, who was then creating the Global Greenbelt Movement, for which she won the 2004 Nobel Peace Prize. Such international contact increased the group's scope and breadth of SRE.

Taking their process to the next level, the California consortium deepened their local-level engagement through numerous private negotiations, allowing stakeholders from different constituencies to solidify details so each of them got what they needed out of the collaboration. Urban tree planting pilots in Oakland and Los Angeles turned into statewide reforestation plans. Logging became more profitable and largely shed its perceived position as the enemy of the environment. The executive branch of state government began to work in better harmony with legislators. Local environmentalists connected with their global counter-parts. Community organizers began to work in partnership with more local and state businesses (e.g. ARCO, The Clorox Company, etc.). This was an SRE triumph for all.

This level of Strategic Relational Engagement (SRE) involved people from extremely different backgrounds. Their relationship-building was further strengthened by meeting each other's families, an SRE familiarity that enabled all of them to intimately understand their individual and shared goals and how they could be productively aligned.

Beyond all the many logic-based benefits, the human connection of relationships was essential to make the entire plan understandable and acceptable to all.

"I will never forget that experience as I met people with whom I have remained closely connected for almost four decades now. What strikes me is the extraordinary camaraderie that

we achieved among such disparate players. I learned an important lesson: never discount someone's viable contribution to an endeavor regardless of from where they hail. – Paul Cobb, OCCUR executive director, and, publisher, Oakland Post

KEY POINTS to remember about how to CREATE VALUE through SRE

Capabilities Needed

As this case demonstrates, initially there was significant mistrust among business, civil society and government. But pioneering leaders in each sector had essential *capabilities* that allowed them to create value through humanizing and illuminating SRE. Among them were:

- an ability to listen, learn and empathize;
- a willingness to find common ground, however challenging that might be;
- a determination to reach a shared goal, while achieving individual goals.

Conditions Created

These leaders had strong skill sets that enabled them to form relationships, engage with each other, and *create the necessary conditions* to bring others along with them. These included:
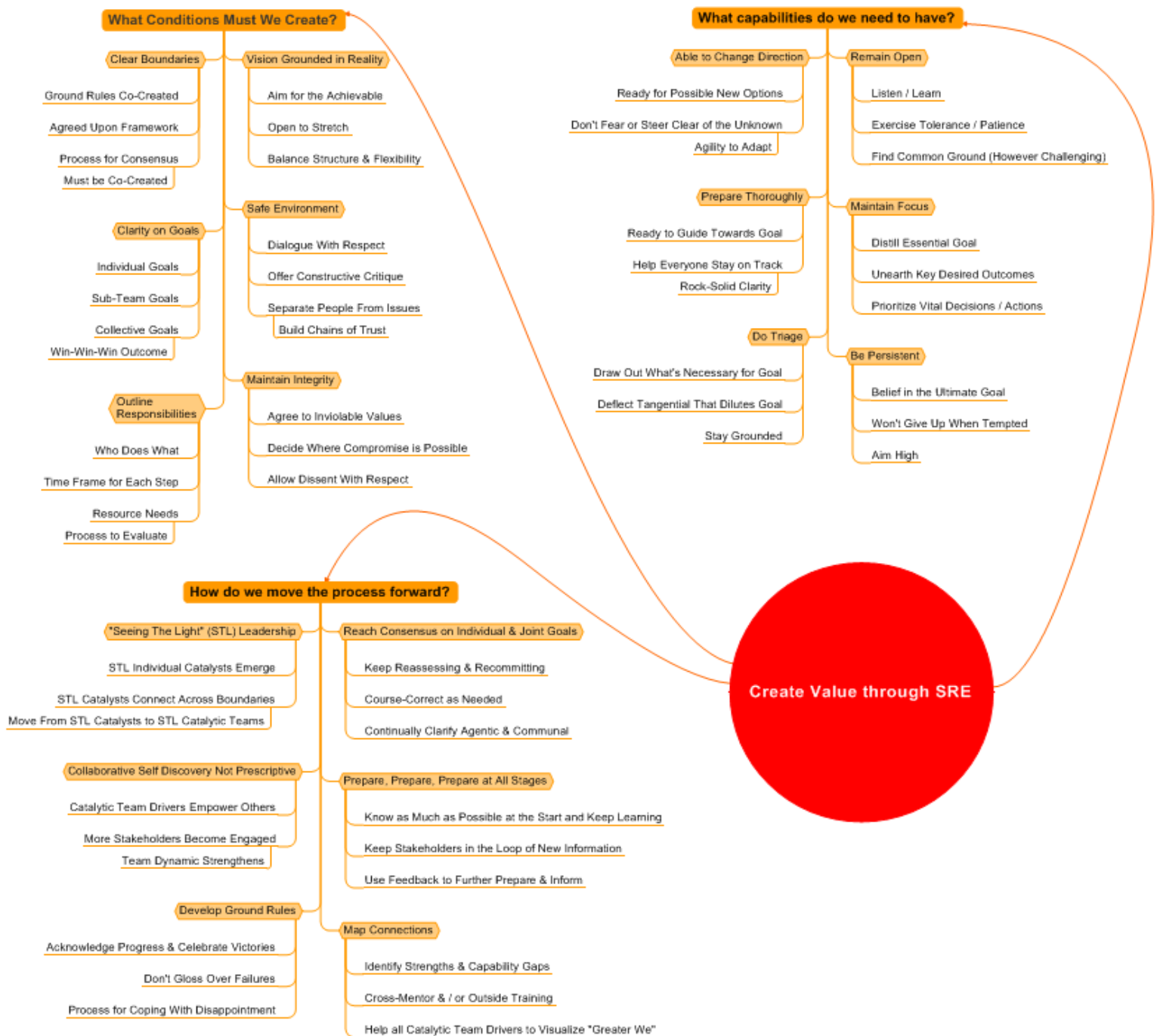
- agreeing on a shared framework for communication with clear boundaries;
- establishing a safe environment in which people with divergent views could engage in spirited dialogue with mutual respect;
- deciding who would be responsible to do what, while holding each other accountable.

Processes to Move Forward

Agreement and clarity on the processes that moved them forward, included:

- the capacity to identify other catalytic leaders among constituencies who would sign on as active advocates;
- a constant re-clarification of shared goals, and explicit distinctions between corporate, agency, and community responsibilities – which were agreed to by consensus;
- celebrating small victories, as well as coping with many disappointments.

Capabilities, conditions and processes required to create value through SRE

What Conditions Must We Create?

Clear Boundaries
Ground Rules Co-Created

Agreed Upon Framework

Process for Consensus

Must be Co-Created

Clarity on Goals
Individual Goals

Sub-Team Goals

Collective Goals

Win-Win-Win Outcome

Outline Responsibilities
Who Does What

Time Frame for Each Step

Resource Needs

Process to Evaluate

Vision Grounded in Reality
Aim for the Achievable

Open to Stretch

Balance Structure & Flexibility

Safe Environment
Dialogue With Respect

Offer Constructive Critique

Separate People From Issues

Build Chains of Trust

Maintain Integrity
Agree to Inviolable Values

Decide Where Compromise is Possible

Allow Dissent With Respect

What capabilities do we need to have?

Able to Change Direction
Ready for Possible New Options

Don't Fear or Steer Clear of the Unknown

Agility to Adapt

Prepare Thoroughly
Ready to Guide Towards Goal

Help Everyone Stay on Track

Rock-Solid Clarity

Do Triage
Draw Out What's Necessary for Goal

Deflect Tangential That Dilutes Goal

Stay Grounded

Remain Open
Listen / Learn

Exercise Tolerance / Patience

Find Common Ground (However Challenging)

Maintain Focus
Distill Essential Goal

Unearth Key Desired Outcomes

Prioritize Vital Decisions / Actions

Be Persistent
Belief in the Ultimate Goal

Won't Give Up When Tempted

Aim High

How do we move the process forward?

"Seeing The Light" (STL) Leadership
STL Individual Catalysts Emerge

STL Catalysts Connect Across Boundaries

Move From STL Catalysts to STL Catalytic Teams

Collaborative Self Discovery Not Prescriptive
Catalytic Team Drivers Empower Others

More Stakeholders Become Engaged

Team Dynamic Strengthens

Develop Ground Rules
Acknowledge Progress & Celebrate Victories

Don't Gloss Over Failures

Process for Coping With Disappointment

Reach Consensus on Individual & Joint Goals
Keep Reassessing & Recommitting

Course-Correct as Needed

Continually Clarify Agentic & Communal

Prepare, Prepare, Prepare at All Stages
Know as Much as Possible at the Start and Keep Learning

Keep Stakeholders in the Loop of New Information

Use Feedback to Further Prepare & Inform

Map Connections
Identify Strengths & Capability Gaps

Cross-Mentor & / or Outside Training

Help all Catalytic Team Drivers to Visualize "Greater We"

Create Value through SRE

II. OVERCOME OBSTACLES TO SRE

Whether you are in a local business or global corporation, obstacles to engaged relationships among your stakeholders are always a reality. The differences are a matter of scale and the number of parties involved. But the critical importance of Strategic Relational Engagement (SRE) to business change, growth and even survival, remains the same. Honest self-reflection on shortcomings shows leadership strength. *Contrary to the view that candid reflection reveals weakness or vulnerability, it takes courage to be open to evaluating your own and other's views*.

Obstacles to SRE may result from downsizing, reorganization, the addition or elimination of specific products/services, a re-branding initiative, a major change in top-level leadership, time-specific financial limitations, etc. Obstacles may already exist within or between business lines even without extraordinary circumstances, often based on cultural or personality differences.

Whatever the circumstances, comprehensive strategies to overcome these obstacles must be devised and implemented. Forthright communication, enthusiastic engagement, and a feeling of all stakeholders that they are understood and valued, are lifelines that strengthen a business. Conversely, a lack in these areas can seriously undermine or even destroy businesses.

To overcome obstacles to SRE, leaders and their teams must be able to do the following**:**

1. recognize and articulate the **obstacles** that exist in the company;
2. clearly identify specific **drivers** to overcome those obstacles;
3. understand how to **mobilize** those drivers.

Case II: What Impedes SRE?

Having just described a case involving a consortium of *external* stakeholders, I turn to a case involving a group of *internal* stakeholders. Creating effective SRE within a business is not necessarily easier than with outside partners. In fact, it sometimes can be more difficult if silo isolation is entrenched in that organization's corporate culture, or, if a particular event results in low morale and retreat into self-protection mode. This took place in the following case**:**

In late 2008, after the economic crash, Xhong Inc., a global China-based corporation, made drastic cuts in personnel and budgets across all business lines in all countries. This was a critical make-or-break moment for Xhong Inc. One Executive Board decision had reduced the corporation from thousands of employees in scores of countries to a significantly smaller operation in only a handful of countries. Also, financial capital was extremely limited. Senior management had to rely on a reduced staff and using other resources (e.g., IT infrastructure, etc.) to leverage remaining assets.

But managers who had cooperated in the past became extremely territorial. They had lost trust in the company. The remaining managers and team members felt insecure, guilty and resentful. No one trusted that they would be retained and thus barely participated in efforts to reorganize the company for the future. Extant SRE was shot.

As a result, fissures in management and functionality that had been hidden in the larger, complex entity suddenly surfaced in the smaller, streamlined one. Everyone was preoccupied with protecting their own turf; almost no one was thinking about the company's overall health and each person within each business line went into complete "self-interest silo mode."

CEO Ying Lin and COO Michael Chang knew that to keep the company alive, they had to get Xhong's senior managers and their respective teams re-engaged. The Board wanted to see the new strategic action plan immediately, but Lin and Chang knew rebuilding confidence was critical to get the company's key players to execute *any* strategy.

Even without a crisis precipitating far-reaching change, executives often have to make extremely difficult decisions about eliminating business lines and/or letting go individuals who may not be holding their own or simply can no longer be afforded. Thus, the lessons one can learn from how the leaders of Xhong managed this change by using SRE are applicable in many situations.

Empowering the People…

The Board gave their new CEO Lin the task of deciding where to make cuts. She was a brilliant and sharply analytic leader who could decisively identify the company's critical priorities. She was accustomed to providing tactical guidance so that people fulfilled key assignments and targets. But she lacked the most fundamental human relations skills.

Fortunately, she had sufficient self-awareness to realize that the also-recently-hired COO, Michael Chang, would be invaluable to her in making the wisest decisions possible, and, given his personality, would be the right person to execute the plan. Chang was warm, engaging and had a robust sense of humor. In his short tenure as COO, he had already established a better rapport with managers than had Lin, even though she was at the helm.

After several attempts by Lin failed to rally the remaining team when the company's future was in doubt, she decided Chang's first SRE task should be to honestly and openly acknowledge to his colleagues the depth and breadth of obstacles Xhong Inc. faced. He began by having one-on-one meetings with managers to convey his understanding of their fears and aspirations by "laying the fish on the table," candidly explaining the dire financial straits the company faced – even though the Board advised against his doing so.

Even more importantly, Chang solicited honest feedback. He listened to managers' assessments of the key issues that troubled them (chiefly mistrust), and he paid attention to their ideas for dealing with those challenges. The sense of relief was palpable. Chang had taken their input to heart and turned their mistrust into openness to change. The managers once again felt valued and began to re-engage with each other, as well as support the company's strategy to turn adversity into success. Good SRE was having a positive impact.

 "We needed a turn-around strategy and we expected Lin to deliver, so we initially resisted Chang's desire to openly describe the enormous problems we faced to our senior managers. But he had it absolutely right, as we all learned." – Zhi Peng Zhang, Board Member

…vs. Putting the People "In Their Place"

Contrast Xhong's approach with the comparable case of a Brazilian oil and gas company. A senior executive, Alberto Santos, a Chang-like person, was charged with developing a five-year strategic plan for critical changes necessary for the company to remain competitive.

However, Santos reported to a CEO who was threatened by initiatives that originated from anyone but himself**:** he also micro-managed everything and everyone. Not surprisingly, Santos could not straightforwardly collaborate with the CEO or even suggest ideas to him.

Santos devised a way to dress the Emperor who wore no clothes. He successfully created support among his peers and developed a joint plan to convey their shared ideas to the CEO in a way that made him feel the ideas were his own. They worked this way for several months, constantly re-assessing if they were getting the CEO to "buy into" and "own" the strategic plan.

An insecure, dominating CEO – or anyone, hierarchal or lateral, who resists collaboration – can often be more damaging to initiating successful, internal SRE than financial difficulties or staff cutbacks. Such people, regardless of how creative you are in efforts to engage them, believe their power comes from tightly controlling information flow and their network of contacts. The SRE challenge in such situations is first to try, as Santos did, to reinforce that person's sense of

power as you plant the seeds of new ideas in his or her thoughts. But functioning long-term in this kind of corporate culture can create broad-range frustration and low morale. It takes a very psychologically astute person to overcome this kind of obstacle, and, it forces genuine SRE to function covertly, which is an oxymoron and frequently unsustainable.

In short, obstacles to SRE are myriad and it is up to you to decide if and where to fight your battles – and whether you're willing to fight them or find a situation that's a better fit for you.

"The Game Is Afoot!" said Sherlock Holmes

Returning to Xhong's corporate flexibility and Chang's open, innovative style of engagement**:** once he had re-created a willing team with renewed confidence and faith in the corporation's future, he had to identify the most talented *"see-the-light-early catalysts"* (listed as STLs on the Obstacles map, page 12) who had the ability to engage their colleagues in joint coordination of actions to be taken and, thus, be the *drivers* of success during the company's transition.

His easy going nature allowed Chang to deal with the professional and personal concerns of these catalysts, which in turn allowed them to openly share their fears and hopes. The team experienced Chang as being genuinely interested in their ideas, so they shared even more.

This creative SRE rebuilt trust among a core group who, as drivers, convinced others to re-engage. Chang stayed in regular communication with the drivers and solicited honest, uncensored feedback about what they were hearing from their peers and among the ranks. He and Lin then modified policies and practices to reflect their input.

This level of SRE, fostered by Chang and his catalytic drivers, created an increasingly stronger engagement by a broader group of internal stakeholders. The corporation began to function effectively, now as a streamlined company repositioned to rebuild core competencies.

When I came to Xhong, I knew their financials were bad, but Lin and I quickly discovered they were far worse than anyone knew. Our previous CEO and CFO had presented inaccurate information to the Board. When we realized how deeply we had to cut, we made the decision that pro-active engagement was critical for our survival. – Michael Chang, COO, Xhong, Inc.

On the Road Again

Even with Chang's stabilizing success, Xhong remained in uncertain waters. Chang had to mobilize those drivers with the strongest SRE skills to influence their formal and informal networks. Through the strength of their relationships, they created a franchise of trust that increased engagement by others – a considerable effort. The drivers effectively revived an environment that recognized and rewarded collaborative behavior. They discussed with other managers how they and their employees could align personal goals with the business' goal to keep the company alive. The catalysts played a critical role and, thus, had to be recognized

Chang introduced a process of recurring public acknowledgment of particularly successful SRE behavior. Not unlike traditional employee-of-the-month recognition of achievement, Chang distributed a monthly email that extolled the efforts of those who were helping employees at every level feel secure and, therefore, willing to work together for the company's common good.

In addition to the e-communication, those who were praised were invited to personally meet with Lin. These were both celebrations of achievement and opportunities to directly share their insights with the CEO. Word spread quickly that this was not window dressing, but a sincere effort to assess input from any source. Thus, more people were motivated to become a driver in reviving the company, expanding SRE among a greater number of stakeholders.

"I was totally devastated when Xhong down-sized. I felt terrible for my peers who ran our operations in other countries and had their entire regions decimated. I felt worse about being

the one to fire all but a few employees in Dublin, many of whom had been friends. Michael Chang restored my faith in the company." – Maura O'Connor, Country Director, Ireland

The Sad Truth

By forging bonds among initially unwilling, mistrustful, parties through intensive SRE, internal stakeholders felt secure again. Most of Xhong's workforce stepped outside their respective silos (and old comfort zones) to cooperate with each other, creating a turn-around to profitability. However, after an initial burst of cooperation through 2009, Chang stopped reinforcing SRE and it broke down. Since 2011, Xhong has been struggling again.

With a "burning platform" caused by lack of engagement, a company has more motivation to build up SRE. But once stability is achieved, it's easy to fall back into "business as usual" behavior with everyone focused on their own deliverables. This occurred at Xhong. Chang stopped his regular communications with managers and the recognition rituals came to a halt early in 2010. The hard-earned trust that had developed began to dissipate.

Sustainable success is achieved only when policies and procedures that encourage stakeholder engagement are re-enforced repeatedly – in good times and bad. Think about the culture Google has created to keep its employees fully engaged. Is this a luxury? I believe this type of SRE culture is an imperative for doing business in the 21st century.

KEY POINTS to remember about how to OVERCOME OBSTACLES to SRE

Define the Obstacles

Whether your obstacle to SRE is low morale, territorial silo mentality, a supervisor not interested in input or any other reason, you have to define and face it. You must:

- be open and transparent about obstacles, clearly named for shared understanding;
- push yourself and others in your company to want to deal with obstacles;
- realize that interconnectedness and a bigger picture view will lead to better solutions.

Identify Drivers who can overcome Obstacles

Once you've openly acknowledged your SRE obstacles, you must find internal stakeholders who can function as drivers – be they people, processes, or a combination of both. You must:
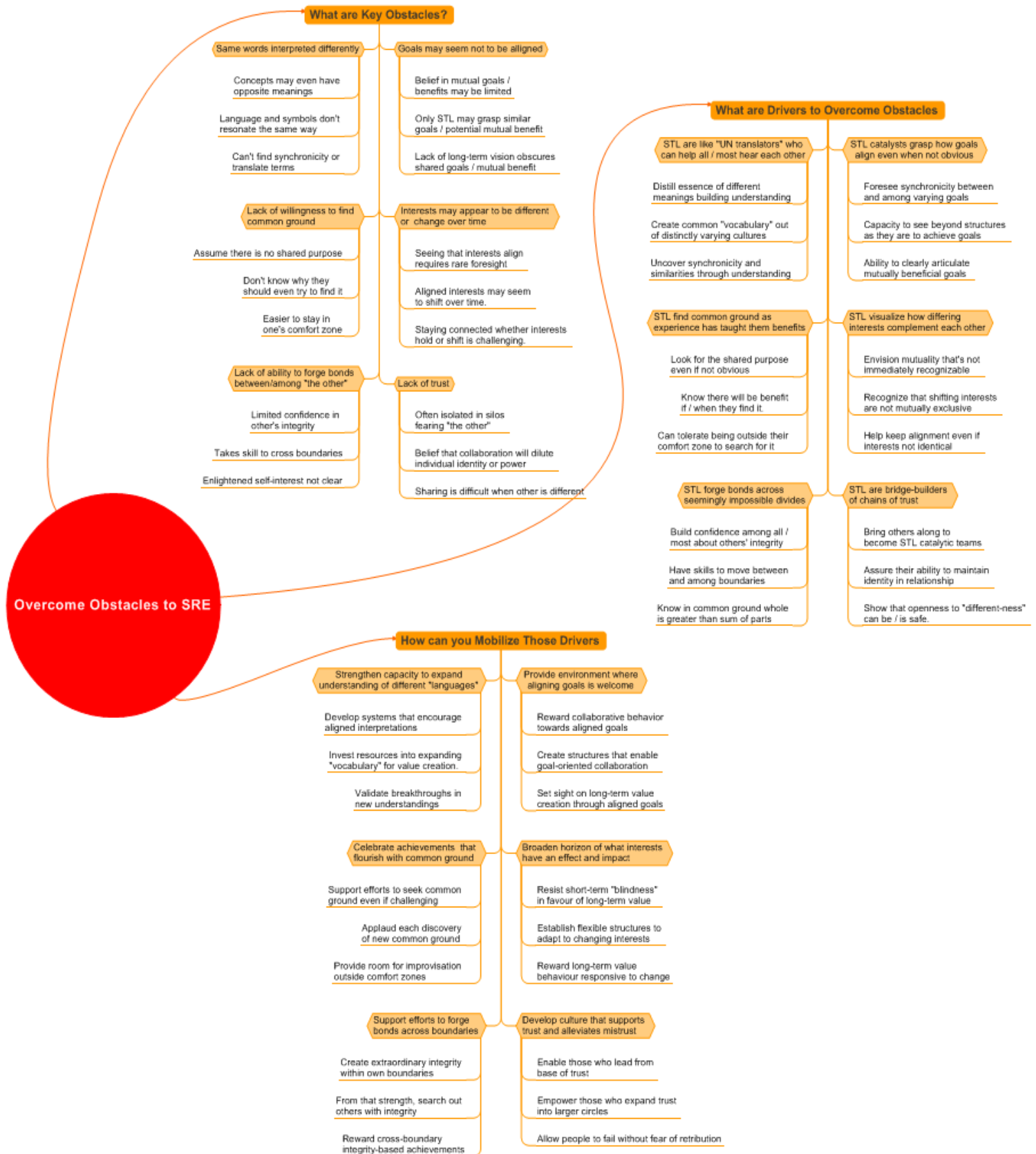
- identify catalysts who prevail against a general unwillingness to find common ground;
- build chains of trust that encourage more stakeholders to engage;
- develop procedures that recognize and reward drivers.

Mobilize the Drivers

When the drivers for SRE emerge, they must be used consistently, by:

- receiving strong incentives to champion SRE initiatives, despite the challenges;
- providing an environment in which efforts to align goals are welcomed and applauded;
- fostering a culture of trust where people feel safe to participate actively and honestly.

Obstacles to SRE, drivers to overcome them and mobilizing those drivers

Overcome Obstacles to SRE

What are Key Obstacles?

Same words interpreted differently
- Concepts may even have opposite meanings
- Language and symbols don't resonate the same way
- Can't find synchronicity or translate terms

Goals may seem not to be aligned
- Belief in mutual goals / benefits may be limited
- Only STL may grasp similar goals / potential mutual benefit
- Lack of long-term vision obscures shared goals / mutual benefit

Lack of willingness to find common ground
- Assume there is no shared purpose
- Don't know why they should even try to find it
- Easier to stay in one's comfort zone

Interests may appear to be different or change over time
- Seeing that interests align requires rare foresight
- Aligned interests may seem to shift over time.
- Staying connected whether interests hold or shift is challenging.

Lack of ability to forge bonds between/among "the other"
- Limited confidence in other's integrity
- Takes skill to cross boundaries
- Enlightened self-interest not clear

Lack of trust
- Often isolated in silos fearing "the other"
- Belief that collaboration will dilute individual identity or power
- Sharing is difficult when other is different

What are Drivers to Overcome Obstacles

STL are like "UN translators" who can help all / most hear each other
- Distill essence of different meanings building understanding
- Create common "vocabulary" out of distinctly varying cultures
- Uncover synchronicity and similarities through understanding

STL catalysts grasp how goals align even when not obvious
- Foresee synchronicity between and among varying goals
- Capacity to see beyond structures as they are to achieve goals
- Ability to clearly articulate mutually beneficial goals

STL find common ground as experience has taught them benefits
- Look for the shared purpose even if not obvious
- Know there will be benefit if / when they find it.
- Can tolerate being outside their comfort zone to search for it

STL visualize how differing interests complement each other
- Envision mutuality that's not immediately recognizable
- Recognize that shifting interests are not mutually exclusive
- Help keep alignment even if interests not identical

STL forge bonds across seemingly impossible divides
- Build confidence among all / most about others' integrity
- Have skills to move between and among boundaries
- Know in common ground whole is greater than sum of parts

STL are bridge-builders of chains of trust
- Bring others along to become STL catalytic teams
- Assure their ability to maintain identity in relationship
- Show that openness to "different-ness" can be / is safe.

How can you Mobilize Those Drivers

Strengthen capacity to expand understanding of different "languages"
- Develop systems that encourage aligned interpretations
- Invest resources into expanding "vocabulary" for value creation.
- Validate breakthroughs in new understandings

Provide environment where aligning goals is welcome
- Reward collaborative behavior towards aligned goals
- Create structures that enable goal-oriented collaboration
- Set sight on long-term value creation through aligned goals

Celebrate achievements that flourish with common ground
- Support efforts to seek common ground even if challenging
- Applaud each discovery of new common ground
- Provide room for improvisation outside comfort zones

Broaden horizon of what interests have an effect and impact
- Resist short-term "blindness" in favour of long-term value
- Establish flexible structures to adapt to changing interests
- Reward long-term value behaviour responsive to change

Support efforts to forge bonds across boundaries
- Create extraordinary integrity within own boundaries
- From that strength, search out others with integrity
- Reward cross-boundary integrity-based achievements

Develop culture that supports trust and alleviates mistrust
- Enable those who lead from base of trust
- Empower those who expand trust into larger circles
- Allow people to fail without fear of retribution

III.   SUSTAIN SRE FOR THE LONG-TERM

Strategic Relational Engagement (SRE) supports and enhances leaders and their businesses. Some leaders are naturally skilled at helping people be connected, engaged and valued. But for most, it takes a concerted effort to sustain engaged relationships with internal and external stakeholders. The proven ROI of time is so substantial, everyone benefits from the effort.

Yet, as people get mired in the endless minutiae of individual tasks and deliverables, they can begin to feel it's not worth the time and energy to reach out to others, forgetting that those interactions actually enhance their own productivity. In business, as in all aspects of life, it's easy to take relationships for granted. To counter this trend, leaders must realize that sustaining SRE requires an ongoing attentiveness that reaps financial and human rewards.

Another impediment to sustaining SRE is that one or more bad previous experiences in relationships among stakeholders can make present or future connections seem unworthy of the effort. That's when an even more onerous hurdle to sustaining strategic engagement can arise. A relationship that has been ruptured may require an intensive initiative to recreate the bond. The truth is, we must *find the will to sustain all of our productive relationships*. But who has the time and energy for that?

The parable of the fisherman answers that question: A small boy watches an old man fishing. Each time the fisherman drops his massive net in the ocean, he pulls it up brimming with fish. But because there is a huge hole at the bottom of the net, all the fish fall out. He keeps repeating the process. Finally, the young boy asks him why he doesn't take the time to fix his net. He answers, "I can't, because I'm too busy fishing."

How many times have businesses overlooked a systemic problem, because they are completely focused on activities that have become standard operating procedures, whether or not they are productive? Since SRE with stakeholders is vital to business success, companies must have *systems to nourish relationships* – even when there appears to be myriad reasons not to be bothered, to instead just "get the job done." Our egos – as individuals, as well as those of a corporate culture – can often make independence *feel* better than productive cooperation. But that attitude is the self-defeating hole in the net.

To keep SRE going for the long-run, companies must learn how to do the following:

1. *sustain* it by determining
2. how it might *breakdown* and
3. what can be done to *mend* any breaches if that happens.

Let's examine how this played out in a case with a conglomerate that had lost its sense of purpose in maintaining a strong connection among the stakeholders at its many companies.

Case III: Cooperation is the Initial Glue

Fujisimo Industries, an international conglomerate, acquired several related companies in the 1990s with the *specific aim of leveraging synergy,* yet lost sight of that initial intention, because of the hole in Fujisimo's net. By 2001, each unit within each business in each country was operating within the singular vision of its own silo and the whole was no longer greater than the sum of its parts; to the contrary, it was less. An SRE intervention was critically needed.

Even in the company's global C-suite – the only ones with a comprehensive picture of all the businesses – not all the executives fully understood the problems or comprehended their solution. But COO Shingo Shabu immediately realized that the lost interconnection between the businesses was causing a decline in revenues for the parent company, as well as within each individual business.

Shabu knew that recreating the synergistic connections among the businesses was vital to fulfill the initial motive for their acquisitions**:** increased profitability. And he also understood that he had to launch a creative initiative that would give all the stakeholders a compelling rationale for mending the broken relationships.

The Meeting – and Changing – of Minds

To do this, in 2001 Shabu organized an off-site retreat for the heads of all global operational units to analyze the original aim of synergy that had led to the acquisitions. Professional external coaches led individual reflection sessions and cross-function team-building exercises to help everyone remember how and why they had mutually benefitted from supporting each other in the past.

At this intensive gathering, unit heads individually and collectively confronted the negative results of the separation. In preparation for the retreat, Shabu and the coaches created wall-size charts showing the financials of Fujisimo and its various companies. They knew that showing how profits had risen during the years of effective SRE, and fallen after collaboration ended, would get the attention of all stakeholders. It worked.

The unit leaders, stimulated by these bottom-line facts, grasped the idea that SRE with their counterparts in the other businesses was to their advantage. Building on that cognitive awareness, the coaches led them through relationship-building activities to add an emotional commitment to that goal. The strong bonds that had temporarily lapsed and been forgotten were successfully re-established.

We've all been to off-site events replete with epiphany moments, only to return to the office where nothing changes. The real challenge began when executives who experienced insights at the retreat brought their revived understanding to their respective teams. Each was given autonomy to decide what mechanism would be best for transmitting insights they had gained.

Some led open, spirited discussions about the problems and what to do about them. Many took their teams through similar exercises from the global gathering at their own off-site retreats. In some cultures, certain exercises would have been off-putting, so they weren't used. But all used the financial charts as the basis for candid discussion, because no one, anywhere, regardless of culture, could refute the facts of profitability that they so starkly revealed.

The goal was to stimulate buy-in to a renewed commitment to cross-business communication and relationships: they succeeded. The result was that within six months, each business and the parent company saw a rise in revenue and profitability.

"*I believed that reinvigorating strong, deep relationships among the leaders of our businesses was the critical factor in making a go of it in the 21st century. It appears that I was right.*" – *Shingo Shabu, Global COO, Fujisimo Industries*

Coping with C-Suite and Board Resistance

Even though Shabu had his finger on the pulse of Fujisimo's problems and understood that recreating and sustaining SRE that had broken down was the answer, not all members of the C-suite or the Board agreed. Some thought it was counterintuitive to finance the proposed retreat when the corporation was at a point of reduced revenues. But Shabu made a determined case to both outright opponents and fence-seated skeptics that *the so-called soft mechanism of SRE was actually the much-needed hard backbone for the parent company and its subsidiaries.* Even before he produced the detailed financial charts, the Board and C-Suite approved the plan. Another company might have required the graphic shock of the financials first.

While I was among the majority who originally derided Shabu's strategy, my colleagues and I came to agree that it saved our company. I have brought this understanding to the other boards on which I serve. – Daichi Tatsuya, Executive Board, Fujisimo Industries

Virgin is another well-known example of a conglomerate that has done extremely well by creating SRE among its many subsidiaries. Compare this with other businesses globally that didn't sustain their success. Over 40% of the companies cited as exemplary in "Good to Great," "In Search of Excellence" and other respected books, actually went out of business, fell off the Fortune listings, or were acquired by another company. While there are multiple, distinct reasons for each failure, I posit that one key element shared by all of them is that *unlike* Branson at Virgin or Shabu at Fujisimo, they failed to understand how solid SRE among their companies would benefit each of their subsidiaries, as well as their corporate parent.

Keeping the Lines of Communication Open and Active

After Fujisimo's initial SRE was re-established, executives were encouraged to keep an eye peeled for breakdowns and facilitate their repair by engaging in healthy discussions with their teams, within agreed-upon boundaries of mutual respect. As SRE is an active, dynamic process that requires upkeep, it is subject to erosion, misdirection, or being ignored. It can breakdown in response to changes like the removal or introduction of new team leaders or members, products or services, IT procedures, production technology and other reasons.

To avoid such breakdowns within Fujisimo, SRE openness allowed them to use constructive critique from many sources. This is indicative of a growing phenomenon in business globally. The arrival of cloud computing has led to the concept of "cloud thinking," which espouses that "more brains are better than one." Less secure leaders may be threatened by this non-ego-driven model, but if so, they will not keep up with 21st century business needs. While executives ultimately must make key decisions, if they're open to diverse input from multiple perspectives in considering their options, they increase the likelihood of better-informed decisions.

This action at Fujisimo opened opportunities that the C-suite had missed when their individual agendas blinded them to a larger purpose. They came to see how much they gained from each other when they dropped territorial protectiveness, because weakness in one silo, compensated by strength in another, created mutually beneficial outcomes. When any breakdowns occurred, more people were committed to addressing them quickly, honestly, and for the good of all.

Unfortunately, this open process of SRE isn't always possible – such as with Alberto Santos, the senior executive who had to cope with an intractable CEO at the Brazilian company. Many executives have to operate in less open cultures. What can they do? I contend that even in the most controlled environment, there is usually a cohort of people who find ways to align for mutual benefit. These catalysts can initiate small collaborative efforts that bear fruit.

In the best cases, their efforts convince others to try the same. In the worst cases, SRE only further threatens the controlling leadership, which may never see the light about the strategic value of cooperation. In fact, they may view it as a diminishing of their control. In such a toxic environment – one that doesn't encourage honest feedback or value collaboration – everyone is stuck in a zero-sum game, unless one chooses to move to a more open workplace.

Incorporating Systemic SRE

Introducing (or re-introducing) SRE in an environment that has let it lapse or is unaccustomed to it and which may even regard collaboration as a threat to individual agendas is no easy feat. At Fujisimo, Shabu was the catalyst for bringing the stakeholders back into cooperation. He first targeted his colleagues in the C-Suite. He had to create authority from top down through the hierarchy to support his efforts to reinvigorate synergy among the conglomerate's subsidiaries.

The process needed teeth to maintain ongoing reinforcement. As part of the performance review tied to their compensation package, *everyone was benchmark measured by how systematically they communicated and shared across businesses*. This was a departure from rewarding people solely based on financial results – which, by the way, had already improved because of SRE. Six months after the retreat fortified the processes of relational engagement throughout Fujisimo, the corporation conducted 360° assessments with all teams in each business to evaluate relational progress and identify areas that required improvement.

As the same metrics were used by each business, they saw which relational activities were most successful and why. Fujisimo has continued this rigorous process and, by continually using their SRE tools, each company increased profits quarter-on-quarter. Based on their full feedback, the majority of employees also are committed to stay at their respective companies.

"I had little interest in sharing with Fujisimo HQ and even less interest in conferring with its other affiliate companies. So I was shocked to find after they set up a process where I had to confer that my own business grew faster with stronger EBIAT." – Dieter Schneider, CEO, Kellner Enterprises, Ltd., a Fujisimo subsidiary

KEY POINTS to remember about how to SUSTAIN SRE for the long-term

Sustaining Engagement

To maintain engaged relationships, the following must occur**:**
- continuously strengthen relationships with systematic processes and the human touch;
- keep bolstering awareness of how individual goals align with mutual goals;
- explore new areas of common interest, even when doing so is challenging.

Address Breakdowns As They Occur

Once these relationships exist, they will inevitably break down. Company leaders must**:**
- openly, honestly and respectfully acknowledge when communication has broken down;
- remind people of the value these relationships bring to them and to the whole;
- monitor distractions that pull people away from staying connected and acting promptly.
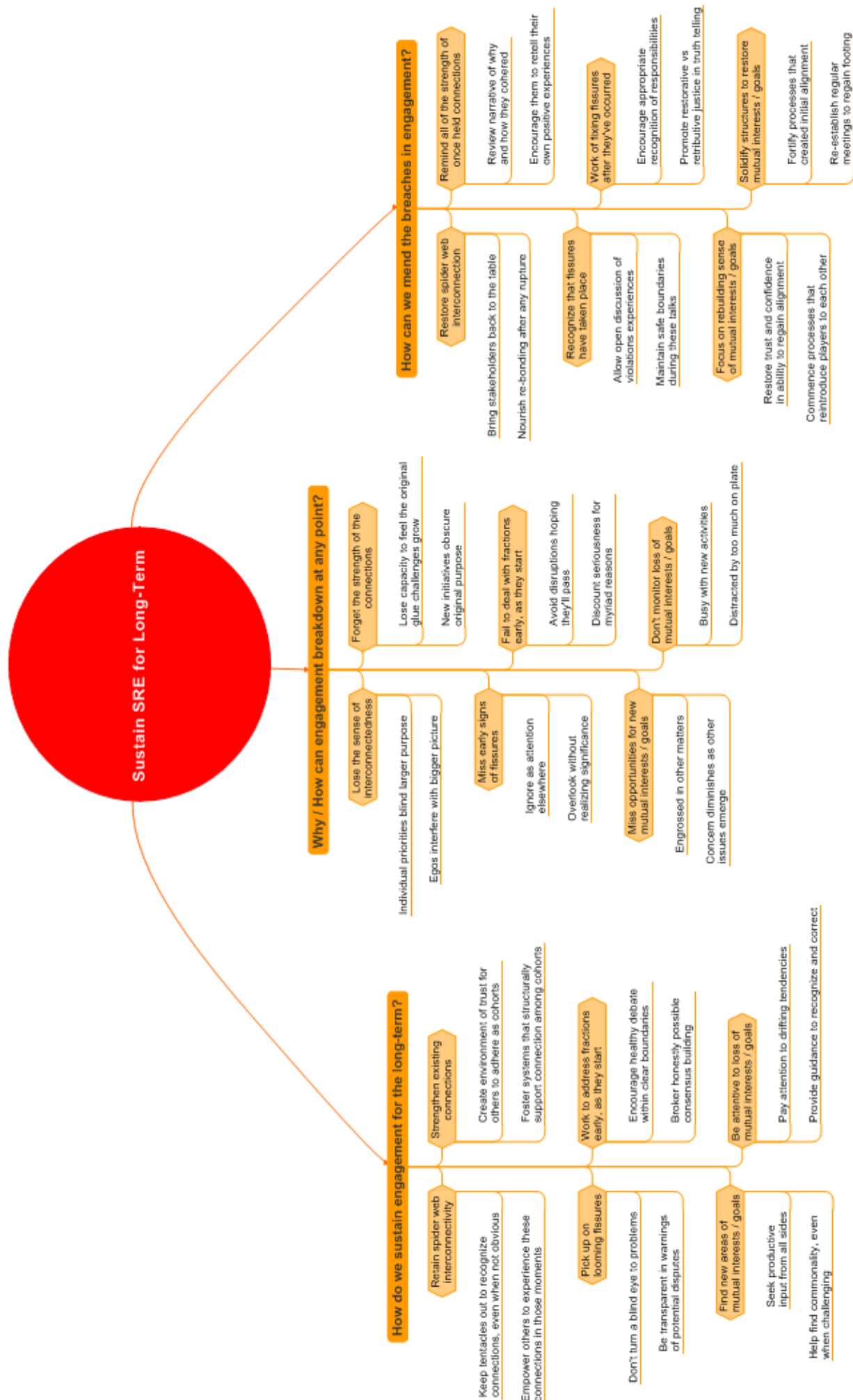
Mend the Breaches Proactively

Weakened relationships must be repaired delicately. To recreate trust, companies must**:**
- bring stakeholders back to the table to restore connections, no matter how difficult;
- encourage necessary recognition of everybody's responsibility and accountability;
- not sweep breakdowns under the rug, hoping the problems will just go away.

Sustain SRE for long-term by addressing breakdowns and mending breaches

Sustain SRE for Long-Term

How can we mend the breaches in engagement?

Remind all of the strength of once held connections
- Review narrative of why and how they cohered
- Encourage them to retell their own positive experiences

Restore spider web interconnection
- Bring stakeholders back to the table
- Nourish re-bonding after any rupture

Work of fixing fissures after they've occurred
- Encourage appropriate recognition of responsibilities
- Promote restorative vs retributive justice in truth telling

Recognize that fissures have taken place
- Allow open discussion of violations experiences
- Maintain safe boundaries during these talks

Solidify structures to restore mutual interests / goals
- Fortify processes that created initial alignment
- Re-establish regular meetings to regain footing

Focus on rebuilding sense of mutual interests / goals
- Restore trust and confidence in ability to regain alignment
- Commence processes that reintroduce players to each other

Why / How can engagement breakdown at any point?

Forget the strength of the connections
- Lose capacity to feel the original glue challenges grow
- New initiatives obscure original purpose

Lose the sense of interconnectedness
- Individual priorities blind larger purpose
- Egos interfere with bigger picture

Fail to deal with fractions early, as they start
- Avoid disruptions hoping they'll pass
- Discount seriousness for myriad reasons

Miss early signs of fissures
- Ignore as attention elsewhere
- Overlook without realizing significance

Don't monitor loss of mutual interests / goals
- Busy with new activities
- Distracted by too much on plate

Miss opportunities for new mutual interests / goals
- Engrossed in other matters
- Concern diminishes as other issues emerge

How do we sustain engagement for the long-term?

Retain spider web interconnectivity
- Keep tentacles out to recognize connections, even when not obvious
- Empower others to experience these connections in those moments

Strengthen existing connections
- Create environment of trust for others to adhere as cohorts
- Foster systems that structurally support connection among cohorts

Pick up on looming fissures
- Don't turn a blind eye to problems
- Be transparent in warnings of potential disputes

Work to address fractions early, as they start
- Encourage healthy debate within clear boundaries
- Broker honestly possible consensus building

Find new areas of mutual interests / goals
- Seek productive input from all sides
- Help find commonality, even when challenging

Be attentive to loss of mutual interests / goals
- Pay attention to drifting tendencies
- Provide guidance to recognize and correct

CONCLUSION: USING SRE IN YOUR COMPANY

Strategic Relational Engagement (SRE)

The central message from these cases is that all stages of SRE require building up relational intelligence, implementing practical mechanisms for that. New business imperatives have emerged in the 21st century. Interestingly, the most important is the very one that has defined human evolution over the ages: the ability to communicate and form intricate relationships.

Stage I. Create Value through SRE

The Weyerhaeuser case describes how wildly divergent stakeholders came together to cooperate. To incorporate its lessons – whether with internal or external stakeholders – you must determine the capabilities, conditions, and processes that are necessary for you to create value through SRE. Remember**:** *create a safe, trusting, collaborative environment in which your stakeholders feel engaged, valued and motivated to contribute to your business goals*.

Stage II. Overcome Obstacles to SRE

The Xhong, Inc. case outlines how they effectively dealt with obstacles that hindered SRE among their subsidiaries and with the parent company. To translate observations from that, you must assess your unique obstacles to SRE, the drivers you have to overcome those obstacles and how you can effectively mobilize those drivers. Remember**:** *be open and transparent; find those willing and able to help stakeholders find common ground for the benefit of all*.

Stage III. Sustain SRE for the long-term

The Fujisimo Industries case conveys how stakeholders from related companies learned to make SRE last. To use insights from what they accomplished, you must determine what it is that will sustain SRE; when, where and how breakdowns might occur or have already occurred; and what you need to do to mend the resulting breaches. Remember**:** *strengthen relationships continuously; take quick action to restore connectivity among stakeholders whenever it fractures.*

SRE: Essential to Doing Business in the 21st Century

How often have you criticized a business (or bureaucracy) by saying "the left hand doesn't know what the right hand is doing"? Solidly-incorporated SRE assures that all hands function as they should: a connected team. 21st century business demands that you develop and nourish relationships with your stakeholders. Strategic Relational Engagement enhances productivity, profitability and sustainability in an increasingly interconnected business environment.

Note: all the cases described are real but some identifying names have been changed at the request of the companies and/or individuals who prefer anonymity.

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