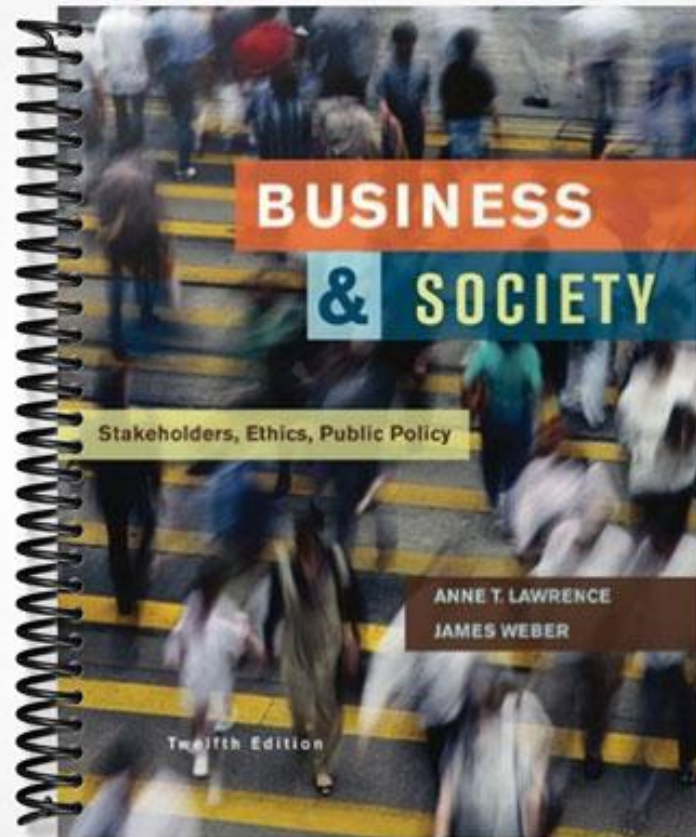


SOLUTIONS MANUAL



BUSINESS

&

SOCIETY

Stakeholders, Ethics, Public Policy

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CHAPTER 2

PUBLIC AFFAIRS MANAGEMENT

INTRODUCTION

Every business organization faces many public issues – matters of common concern to the firm and its stakeholders. The emergence of new public issues presents both a risk and opportunity for companies. Companies may develop and operate various departments to engage with and learn from stakeholders. Senior executives often proactively manage public issues through these departments or a centralized public affairs office. Public affairs managers have many functions, including environmental scanning and issue management. Because of the importance of public issues, many firms have moved to integrate public affairs activities tightly with strategic management at the highest level of the firm.

PREVIEW CASE

Teaching Tip: Preview Cases

The chapter opens with three examples of recent public issues that confronted companies. The instructor may ask students to bring in examples from the news of a public issue, that is, an issue that is of mutual concern to an organization and one or more of the organization's stakeholders. The class may then discuss if there is evidence of a *gap* in this instances between what the firm wants to do or is doing and what stakeholders expect.

CHAPTER OUTLINE

I. PUBLIC ISSUES

II. THE CORPORATION'S BOUNDARY-SPANNING DEPARTMENTS

III. PUBLIC AFFAIRS MANAGEMENT

Teaching Tip: Public Affairs Functions

Most students are unaware of the existence or role of a public affairs officer or department in a corporation. The student's naiveté could provide an excellent opportunity for a guest speaker -- a public affairs officer from a local company or an in-depth case study of a local company or a large firm with an excellent website with information on public affairs.

IV. INTERNATIONAL PUBLIC AFFAIRS MANAGEMENT

V. ISSUE MANAGEMENT

A. Competitive Intelligence

B. The Issue Management Process

Teaching Tip: Issue Management Process

Is there a current issue on campus that could be used for students to analyze how this issue is progressing or has progressed through the issue management process?

*** Issue Identification**

*** Issue Analysis**

*** Option Generation, Evaluation, and Selection**

*** Program Implementation**

*** Assessment of Results and Continuous Improvement**

GETTING STARTED

KEY LEARNING OBJECTIVES

1. Evaluating public issues and their significance to the modern corporation.

A public issue is an issue that is of mutual concern to an organization and one or more of the organization's stakeholders. Emerging public issues present a risk; but they also present an opportunity, because companies that correctly anticipate and respond to them can often obtain a competitive advantage.

2. Analyzing the ways business utilizes its boundary-spanning departments to interact with their various stakeholders.

The organization of the corporation's boundary-spanning functions is complex. Most companies have many departments specifically charged with interacting with stakeholders. One of the most important of these is the department of public affairs.

3. Knowing the duties of a company's public affairs manager or department both for domestic and international issues.

An organization's public affairs function or manager is charged with the active management of the organization's external relations. This function encompasses many diverse activities, ranging from government relations to issue management to grassroots communication, and often is international in scope.

4. Applying available tools or techniques to scan an organization's multiple environments.

The eight strategic radar screens (the customer, competitor, economic, technological, social, political, legal, and geophysical environments) enable public affairs managers to assess and acquire information regarding their business environments. Managers must learn to look outward to understand key developments and anticipate their impact on the business.

5. Investigating how is competitive intelligence gathered and used.

Competitive intelligence is the systematic and continuous process of gathering, analyzing, and managing information about an organization's competitors; this information is often important, but care must be taken to gather it ethically.

6. Describing the steps in the issue management process and determining how to make the process most effective.

The issue management process includes identification and analysis of issues, development of policy options, program design, and evaluation of the results of such activities.

KEY TERMS AND CONCEPTS USED IN THE CHAPTER

boundary-spanning department, 26

competitive intelligence, 35

environmental analysis, 33

environmental intelligence, 33

issue identification, 36

issue management, 32

issue management process, 36

performance—expectations gap, 25

public affairs management, 28

public issue, 25

INTERNET RESOURCES

www.globalpublicaffairs.ca	Global Public Affairs Institute
www.issuemanagement.org	Issue Management Council
www.pac.org	Public Affairs Council
www.scip.org	Society of Competitive Intelligence Professionals
www.wfs.org	World Future Society

DISCUSSION CASE

Wal-Mart and its Public Opponents

Teaching Tip: Discussion Case Video*

The Wal-Mart example in the discussion case illustrates the challenges of managing successfully in the challenging public affairs environment. It may also be used to illustrate how different stakeholders may perceive a corporation differently, depending on their vantage point. Instructors that wish to explore this theme more fully may wish to use material from the several films about the company. “Wal-Mart: The High Cost of Low Prices” (www.walmartmovie.com) takes a highly critical stance. “Why Wal-Mart Works and Why That Makes Some People Crazy” (www.hannoverhouse.com) was made by the company to respond to its critics. “The Age of Wal-Mart: Inside America’s Most Powerful Company” (<http://cnbc.burrelles.com>), made for CNBC, tried to take a balanced view.

* The video segments are from the Public Broadcasting Services’s “News Hour with Jim Lehrer” and are available on the Instructor’s Resource Manual DVD that accompanies the textbook, available upon request from the publisher.

Discussion Questions

1. Do you think a gap existed between the expectations of the public and Wal-Mart's performance? If so, in what respects did the two differ? In your answer, please refer to the concept of a performance-expectations gap.

While there appeared to be a close connection between Wal-Mart and the Mayor of Inglewood, the performance-expectation gap was noticeably large for many of Wal-Mart's stakeholders. Organized labor felt that Wal-Mart should do more for its employees, particularly in allowing employees to consider unionization. Community and church groups felt that there was a gap between environmental, traffic and safety issues as expected from Wal-Mart versus as demonstrated by Wal-Mart at other locations. Wal-Mart anticipated that there was alignment with the local community, relying upon increased opportunities for employment and additional revenue infused into the community, but misunderstood the performance-expectation gap that arose as the community voted down the proposed Wal-Mart expansion.

2. If Wal-Mart's public affairs managers had scanned the external environment prior to planning its expansion, using the 8 strategic radar screens presented in Figure 2.3, what segments would have been of greatest concern to them? Which environments were critical in this case?

Most of the eight strategic radar screens are relevant in this case and students may have different reasons to argue for their particular favorites. Clearly the economic, social and political environments are important in this case, but arguments could also be made for consideration by Wal-Mart's public affairs managers of the customer, competitor and geophysical environments, among others possibly.

3. Referring to the issue management process, shown in Figure 2.4, did Wal-Mart move through all stages of the process in its response to community opposition? If not, which stages are illustrated by this case?

Wal-Mart clearly recognized the "issue identification" phase of the issue management process when they acknowledged the need to engage with local political leaders for concessions and accommodations for their building expansion into Inglewood, California.

The "issue analysis" phase is evident when the negotiations between Wal-Mart and city officials began, and then when these discussions broke down, Wal-Mart recognized the situation and through analysis understood that they needed to take this case to the people of Inglewood.

Following along in the issue management process model, Wal-Mart began to “generate, evaluate, and select from among possible options.” The option they selected was to initiate a ballot measure for the local citizenry to vote on to allow Wal-Mart to build its supercenter within the city.

One might believe that Wal-Mart did not move into the “program implementation” phase of the model since they were unable to gain approval to build their store in Inglewood. However, if the focus of the case is about the effort to gain support from the local officials and then the community, the implementation phase may be understood as the political maneuvering and public relations efforts to gain the required votes for the initiative measure.

The case closes with Wal-Mart in the “assessment of results and continuous improvement” phase of the model. Wal-Mart’s vice president of corporate affairs noted the company’s disappointment with the vote in Inglewood but saw the larger picture and were committed to move on to other communities with their expansion plans. One might believe that Wal-Mart learned valuable lessons from the battle in Inglewood that would help them in their next effort to build a supercenter in a community where their presence is opposed.

4. Referring to Exhibit 2.A, which public affairs activities did Wal-Mart’s managers use to attempt to defuse the opposition to its expansion plans? Do you think Wal-Mart’s strategy was appropriate, or not?

An analysis of this case might discover the following corporate public affairs activities in action: issue management, local government relations, grassroots, community relations, public interest group relations, regulatory affairs, media relations, advertising and consumer affairs.

The appropriateness of Wal-Mart’s strategy is good fodder for debate among the students. Some might argue that it is their right to build wherever they can and seek a good return on their investment of their stockholders, while others may argue for a greater sense of commitment to other stakeholders, such as employees and the community.

5. If you were a public affairs manager at Wal-Mart, what actions would you have recommended, and why?

This is another highly opinionated question, since the range of alternative strategies stretch from accepting the unionization of employees, a commitment to higher tax payments to the community and significant efforts to protect the local environment to a more economic approach of promising jobs and limited tax revenues to the community.

The Wal-Mart message may need to be better communicated to the public, which may have resulted in a more favorable vote on the initiative. Or, a public affairs strategy to better ally adversarial stakeholders, such as the unions, community leaders and local business owners may need to be developed to lessen the performance-expectation gap.