Executive Strategy: Engagement at the point of sale

by Kevin Sweeney - 3.30.07


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I've participated in stakeholder engagement processes at many companies, and I enjoy seeing the transformation of individuals and organizations. It's fulfilling when a company finds value in the opinions of those without a vested interest. More often than not, the transformations are a net gain for the company; growth and learning are contagious.

Outside stakeholders are often asked to help the company address a specific problem. This is reasonable, and it is often a necessary catalyst for the company to engage. But even in these cases, the best first step may not be to focus on the problem. The better step may be to focus on how the company makes its money.

Before nongovernmental organization (NGO) partners can help find solutions, they should understand how the company sells its products and services.

The more advisors understand about customer motivations, the more likely they are to be helpful partners. The more they know about what really matters to the company, the more likely they are to offer relevant advice.

Many new employees at Ford Motor Co. (NYSE: F) receive sales training; they watch cars being sold, and talk with recent customers. Even if the employee's job does not involve sales, company leaders know this is a good investment. They want employees who understand customer interests and needs. They want employees who understand how Ford makes its money.

Early in this decade, Ford could have helped itself by offering this same training to a small group of NGO activists. The company had chosen brilliant partners from the environmental community, and the parties engaged honestly and in good faith. (As a consultant to the company back then, I saw this work up close.)

Still, there was a disconnect. Company officials were frustrated by what they believed were unrealistic NGO expectations. The NGO activists didn't believe staff who said fuel economy ranked near the bottom of a list of more than two dozen product attributes — less important than the placement of the car's radio controls. Time on the showroom floor would have given the outside advisors a more visceral understanding of the tension involved in buying or selling a car; it could have helped them give advice that was much more specific to Ford.

While working at Patagonia, I represented the company on the Apparel Industry Partnership, which was pulled together by the Clinton Administration to help rid the apparel industry of sweatshops. The negotiations, which took 18 months, were tense.

The companies, human rights groups and trade unions all had difficulty moving from their original positions. The goal was to create an assurance mechanism so customers could know a particular product was not made under sweatshop conditions; the NGOs, more specifically, envisioned a seal of approval. We ultimately succeeded in creating the Fair Labor Association, but our disagreements became public, and made the initial launch less successful than it could have been.

With hindsight, I can see what was missing, and what may have made the process much smoother. In trying to establish a voluntary market mechanism, we never actually went to the market. We didn't walk the aisles of a Target (NYSE: TGT) or Wal-Mart (NYSE: WMT) to observe the way people sift through, and ultimately purchase, clothing. Had we done so, we might have had a common understanding of these decisions, and a common understanding of how difficult it is to tell a complex story in a crowded retail setting. The companies knew this would be a problem, but we never thought to say, "Hey, let's go shopping."

A trip to the mall wouldn't have been retail therapy, but it would have been close: retail education. Our partners at the table were smart, dedicated and had many of the same goals we did. Those of us representing companies failed to share what we knew about customer decision processes, a failure that deprived the other participants of a key to relevance and full partnership.

There are ways to avoid this error. Once a company has identified an NGO it wants to work with, there are steps that can help ensure that the work is highly relevant.

- Insist on confidentiality. Transparency is essential to stakeholder engagement. So is confidentiality. If a company intends to give NGO partners access to important information, it should insist on signed confidentiality agreements. Smart groups will understand the value of these agreements and will honor them.
- Show them the point of sale. Let the NGO partners listen in when customer service reps take orders over the phone. Send them out on the road with a sales rep making line presentations to wholesale accounts. Walk the retail or showroom floor with them to help them learn from staff and customers. Let them see how the company makes its sales.
- Share consumer research. Have honest discussions about how the company attracts and retains its customers. The more your NGO partners know about these relationships, the more focused their advice will be. Why do this work in a vacuum?
- Model behavior. Show genuine curiosity about the partners' organization. Take time to understand how it raises funds, or how it attracts and retains members. In the same way the NGO activists send a positive signal by asking you how business is, you build trust by showing concern for their group.

Knowing more about what matters most to a company or an organization can make all the other issues a bit easier to resolve.

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