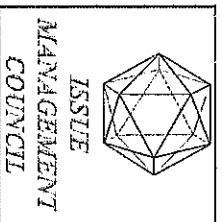


CPPI Corporate Public Issues And Their Management

The Executive Systems Approach to Public Policy Formation.

IMC Members Examine “New Strategy Hybrid”

Risk, issue, crisis. Many companies have separate business processes to mitigate these possible threats to achieving corporate goals. It would seem effective, therefore, to integrate activities that span planning, operations and communication. To share insights on how to accomplish this integration, members of the **Issue Management Council (IMC)** met on 24-25 February at the global headquarters of Synrgenta in Basel, Switzerland.



Speakers and forum participants agreed that the intelligence and action required to anticipate or avert risk, issue and crisis are remarkably similar. Each process requires forward thinking, environmental scanning and impact assessment. Each draws upon a potentially common pool of internal core competencies and subject matter experts for deeper expertise. They share common tools and action steps. As well, success or failure in managing issues, risks and crises is directly material to financial performance.

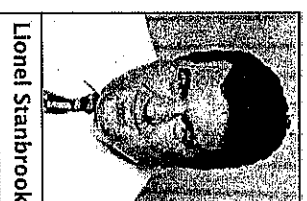
The key difference lies in timing and control. Crisis management is a damage control function that occurs “after the fact.” Risk management uses internal financial mechanisms to off-set the negative monetary effects of unforeseen events, without prescribing a plan to prevent their occurrence. Issue management feeds decision-makers with intelligence to take action on the wide landscape of cause-related factors that can avert risk and crisis. What’s more, the “gap” represented in an

issue indicates unmet demand, therefore market opportunity. The executives who activate this new “strategy hybrid” will move beyond defensive posturing into dynamic leadership.

“Reputation on the Line”

“Maintaining a separation between risk, crisis, media relations and external communications is outdated,” began the forum host, **Lionel Stanbrook**, global head of issue management & crisis communications at **Synrgenta International AG**. “The hybrid concept is valuable because there is a continuous line between identification of risk, through to crisis and emergency at the other end. At the beginning of this line are risk-related activities such as procedures in the event of a fire, for example, or compliance matters. These instances involve 100% preparation.

“Then, there is an intermediate area which I consider to be the heart of issue management,” continued Stanbrook. “In this area, something happens and how you address it can determine whether it is a positive or a negative. This middle area involves timely intervention and analysis geared to a specific issue. For example, in advance of our Annual General Meeting, we prepare answers to likely stakeholder questions. At the end of the line is emergency response that requires extraordinary measures such as crisis management. Except in a procedural sense, there is 0% preparation for an unforeseen event.” Stanbrook’s illustration of the line

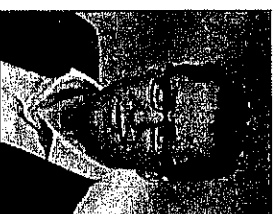


Lionel Stanbrook

management on the other. This is based on the fact that the definition of risk as used by the Strategic Planning Process is inherently different from the one used in issue/crisis management.” In essence, Van de Wijs noted, “It is important to ask whether you are dealing with the right risks.”

Van de Wijs pointed out that the Strategic Plan encompasses assessments of:

- Company vision
- Market conditions
- Competition
- Product portfolio and pipeline – “dogs” vs. products with good margins
- Technology
- Production capabilities and capacities
- Risks a company faces



Peter Paul
van de Wijs

“Strategic planning is a company driven internal process and the risks it deals with include events or perceptions that can impact a company’s ability to do business, such as: financial, logistics, work force, natural disasters, reputation and ISSUES.” Van de Wijs continued. “It is important to note that the strategic planning process assesses these risks. It might attempt to define the desired outcome of a risk management strategy. It could even assess the likelihood of success of such strategy. However, it does not deal with the actual management of all these risks. The management is left to those groups in the organization best suited to deal with them, whether it’s the finance department, the security team or the issues management group.” According to Van de Wijs for the purpose of strategic planning, the classic definition of risk applies: Risk = Magnitude * Probability.

Like other speakers, Van de Wijs noted that all issues can be risks to the company but not all risks are issues. He shared Dow’s

“Are You Dealing with the Right Risks?”

“Issue management and risk management processes are remarkably similar and those processes should be intertwined as other speakers have suggested,” noted Peter Paul van de Wijs, global government affairs and public policy expertise leader, The Dow Chemical Company. “There is, however, a fundamental difference between issue and crisis management on the one hand and risk

definition of an issue: "Any development—usually in the broader society and at least partly outside the direct control of Dow—which, if it continues, could have a significant positive or negative impact on the financial position, operation, reputation or future interests of Dow and therefore requires a structured evaluation of how Dow should best respond."

Issue related risks include "events, trends or developments that are or are perceived by an external stakeholder to be a threat to him or her," continued Van de Wijs. Prof. Peter Sandman's definition of risk applies to the area between issues and risks, namely Risk = Hazard + Outrage. "Outrage involves factors such as control, trust, dread, voluntariness and responsiveness," Van de Wijs said. "These elements can't easily be measured and require social scientists instead of technicians to better assess them. As issue managers, we need this expanded understanding of risk."

In response to his initial question, "Are the Strategic Planning Process and the Strategic Issue Management Process dealing with the same risks?" Van de Wijs answered, "No, there are two essential differences:

1. "Strategic Planning addresses risks to the Company while Issue Management deals with (perceived) risks to a stakeholder." During discussion, Van de Wijs alluded

to the risk/issue/crisis continuum when he observed, "An issue becomes a risk to a company when a stakeholder decides to act on his outrage."

2. The actual definition of Risk differs, said van de Wijs. "In Issue Management, the emotional Outrage factor is included."

To illustrate the different approaches on risk and issues, Van de Wijs described Dow experience in addressing community concerns about safety in a plant town. Risk managers viewed the issue as "plant safety." Issue managers understood that in this specific case, the community's most important concern was actually road safety. For Dow, the fundamental risk related to this issue was "license to operate."

Accommodations were made and the issue was resolved—and thus the risk managed—when these different perspectives were understood. Other examples of how companies can look differently at strategic issues versus risks appear in the chart below.

Contact:

Peter Paul van de Wijs
Global Issues Management Expertise Leader
Dow Europe GmbH
Bachtobelstrasse 3
CH-8810 Horgen, Switzerland
Tel: 41.44.728.2108
pvandewijs@dow.com

Stakeholder Issues and Company Risks

