Baxter Strategies Incorporated ™
Transforming Information into Success

Corporate Governance In The Face Of Stakeholder Pressure

26 Fairbanks Boulevard, Woodbury, NY 11797 (516) 367-1783
13742 Callington Dr, Wellington, FL33414 (561) 793-3010

A New Corporate World

In the face of the current focus on public companies, their revenue reporting, accounting methods, and governance, the number of stakeholders with real impact on the ultimate success of the organization has increased. The questions of: “Just who should control the corporation?”, “By what methods?”, and “To what end?” have taken on new life. Moreover, the threat of extremely large lawsuits, have made the operation of corporate governance a very risky task indeed.

Corporate governance can perhaps be best understood in terms of management’s need to sustain a viable and profitable company that is able to return increased wealth and value (both financial and social) to it's owners and be fully accountable to the corporations other stakeholders.

In this environment, profit can no longer be viewed as the only measure of success. The measures of longer-term value, while more intangible than PE ratios or Revenue reports, are growing in importance. A recent report by Ernst & Young, "Measures That Matter" indicates that non-financial criteria account for 35% of the investor's decision. Further, they report that the important sell-side analyst group uses non-financial data when evaluating a company and making buy/sell decisions and that the quality of their projections are improved by this inclusion.

Key qualitative measures therefore need to be incorporated into the assessment of corporate performance, yet these same measures might be seem at odds with the *short-term* bottom line. Among them: quality of management, independence, quality of the Board of Directors, accuracy of accounting & financial reporting, customer satisfaction & retention, as well as innovation activities and the effectiveness of R&D.

Managing the Stakeholders

Within today's high pressure, high-risk environment, even the perception of failing to meet "Best Practice" standards in any of the above criteria can cause severely reduced ratings of corporate performance, no matter how good the numbers appear. In this troubled environment, it is critical for management and the board to be seen as actively concerned with all their stakeholders, not just only measures directly affecting the bottom line or their personal gain.

One of the most critical steps management must undertake, to insure success in Stakeholder Management, is to identify all of the stakeholders groups related to their organization. While the actual Stakeholder groups will vary from company to company, these groups can be seen to exist in two distinct categories: those directly linked to the corporation and those with an indirect association. Each of these, containing stakeholder groups with high and moderate influence on the corporation:

Direct Stakeholders	
• High Influence	Owners and Management
• Moderate Influence	Customers, Employees, Lenders, Strategic Partners, Suppliers
Indirect Stakeholders	
• High Influence	Government Agencies, Public Authorities, Financial Analysts
• Moderate Influence	Associations and Organizations, Local Communities, Press and Media, Special Interest Groups

Going forward, effective Strategic Planning should include the development of a key stakeholder management plan. This plan should identify all stakeholder groups, assess their relative influence on the company's future, and measure the current level of interest and satisfaction of each stakeholder group with the corporation. The plan must address the current supporters of the organization, the opponents of corporate policies, and identify needed image change, as well as the programs to achieve this change.

Management must clearly define the activities that will drive change and assure stakeholder acceptance. Among the activities to be considered are:

- Developing corporate communications that are focused on each stakeholder group, and by sharing the corporate vision and goals, improving positive stakeholder attitudes about the company.
- Adopt processes and policies that are sensitive to the needs of each stakeholder group.
- Involve the stakeholders in the process thereby creating a heightened sense of "ownership" and acceptance.
- Work to minimize any risks to stakeholder groups that might arise from company activities.

Stakeholder Management Research

Most of the activities and decisions to be undertaken in this process are dependent on timely and accurate information about the Stakeholders, their needs and desires. Key to the successful development of information to support Stakeholder Management is the development of a well thought out data tracking program to identify this needed information, and metrics to measure the programs' effectiveness.

There are many types of quantitative, qualitative, and secondary research that can be undertaken. These include customer satisfaction & retention surveys, employee studies, research with financial analysts, etc. However, what is more essential than selecting a particular type of research is committing the organization to a regular program of well-focused stakeholder research. The impact of stakeholder groups can have a life threatening impact on the corporation and ignoring them or flying by the "seat-of-your-pants" is definitely out of the question.

About Baxter Strategies

Baxter Strategies Incorporated is a full service supplier of custom business intelligence and market research recognized for the quality of its analyses and the effectiveness of its recommendations. We are committed to providing affordable, high quality, timely information that will give our clients a competitive edge in the marketplace.

We employ secondary research, focus groups, in-person interviews, mall intercepts, telephone and mail interviews, combined with advanced analytical and statistical techniques to provide our clients with information they can act on, and recommendations that will help them achieve success.

We develop marketing solutions and conduct high quality research that is focused on providing the strategic analysis that will permit your company to deal with the forces it is confronting.

We welcome the opportunity to discuss how Baxter Strategies can work with you and meet the needs of your organization.

To get additional information, or to discuss our research capabilities, please give us a call:

In New York at (516) 367-1783
In Florida at (954) 796-3440, or
Email us at info@baxterstrategies.com

Corporate Governance in the face of Stakeholder pressure

Published By:

Baxter Strategies Incorporated

26 Fairbanks Boulevard
Woodbury, NY 11797
(516) 367-1783

6750 NW 101 Terrace
Parkland FL 33076
(954) 796-3440