The Sustainable Routes to Formulating Nonmarket Strategies

By

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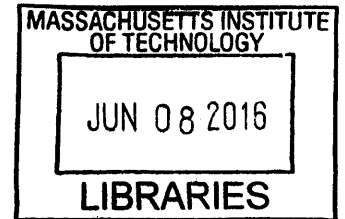B.Sc. Management, German University in Cairo 2008

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ABSTRACT

"This phosphate was produced sustainably"
This thesis researches the relationship between the nonmarket environment and nonmarket strategies and further explores the routes companies have taken in embedding sustainability and formulating non-market strategies in their main business to better sustain the long livelihood of corporations. Examples will be drawn from multiple companies' case studies, as well as an in-depth case study of OCP, Office Chérifien des Phosphates, a company in the extractive industry. Additional insight is provided from interviews conducted with corporate executives and experts in the fields of strategy and sustainability. The findings reveal an urgent need for integrating nonmarket strategies in a firm's main strategy and revealed similarities in how they were formed. The thesis concludes with a framework for companies to build nonmarket strategies that will help them move towards a more sustainable future.

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Introduction

"Building sustainable cities and a sustainable future will need open dialogue among all branches of national, regional and local government. And it will need the engagement of all stakeholders – including the private sector and civil society, and especially the poor and marginalized." **– Ban Ki-moon, current Secretary-General of the United Nations.**

The above quotation highlights one of the key messages of this study where a sustainable future will require the engagement of various sectors and dimensions together; inclusive of everyone and the ways in which companies have pursued this goal and how they relate. The study is focused on the formulation of nonmarket strategies, strategies that evolve from the recognition that businesses have political and social elements in addition to their economical ones. As companies generate and distribute value, a diverse group of agents seek to influence them, whether formally through laws and regulation or informally through social pressure, activism and other ways of influencing public opinion.[1]

This thesis will attempt to answer the following three main questions:

1- How did corporations arrive at the decision to formulate nonmarket strategies and what led other companies to follow suit?

2- Where are corporations at right now in terms of nonmarket and sustainability initiatives?

3- How can corporations improve their nonmarket strategies so as to help make the world more sustainable?

Companies are becoming increasingly aware of the dire need to participate in the dynamics of a sustainable system. In the current global economy, creating and maintaining a sustainable competitive advantage is no longer a matter of pursuing business as usual in the market; it now requires engaging with societal, political and environmental areas that constitute the ecosystem

of this economy — a process that involves setting a company's non-market strategy. This need to involve society, politics and the environment has arisen largely due to a changing environment where communication methods are changing. Consumers are becoming more aware and informed as a result, and companies are obligated to be more transparent.

"Either we all hang together or we'll hang separately" – Benjamin Franklin's line describes quite well the current situation and the way forward (Senge et al., 2008). The issues of sustainability that affect everyone (entities, governments, corporations, NGOs, etc.) cannot be addressed singularly and as a result partnerships – in all forms and across all sectors – will be fundamental to dealing with them. To a large extent and for most companies, sustainability is no longer a choice about whether to engage or not, but an imperative for survival.

Initially companies began by working on CSR initiatives and handling crises through PR communications. Companies have been referring to PR and communication agencies to manage their reputation, brand image, and political and social relations and handle crises after their occurrence. After several scandals regarding child labor cases, health and safety and cheap labor conditions, companies like Nike began revising their operations and planning ahead – considering political social and environmental issues – and setting strategies to build relationships and engage political, environmental and social counterparts to not only avoid a crisis but also develop good relations with all stakeholders. This is how most nonmarket strategies evolve. According to the Financial Times Lexicon, Non-Market strategies are ways to pursue strategic goals through political and social leverage.[2]

This study provides a history and guide to the various ways companies have successfully formulated and implemented their nonmarket strategies and suggests possible ways to move

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[1] http://sloanreview.mit.edu/article/what-every-ceo-needs-to-know-about-nonmarket-strategy/
[2] http://lexicon.ft.com/Term?term=non_market-strategy

forward where companies channel their efforts into embedding such strategies that would serve as a basis for their communication strategy as well as a strong differentiating tool. The study considers multiple points starting with issue identification, stakeholder mapping and engagement, company outreach, and crisis management and media collaboration.

In light of the thesis subject and purpose, it is important to understand corporate initiatives in the areas of nonmarket and sustainability. **Corporate Social Responsibility** is the starting point of most companies' attempts to cope and better prepare for unexpected events. Referred to as CSR, this practice may seem straightforward, but according to Daniel Franklin,[3] "too few companies are doing it well." There is strong evidence however, that many institutions, companies, and leaders are taking sustainability seriously: starting in 2006, over half of all MBA programs require that students take at least one course on CSR; 80% of corporate recruiters demand that graduates maintain a certain degree of knowledge and awareness of the topic; some eight hundred mutual funds globally claim to be devoted to it; at the World Economic Forum in Davos, Switzerland, the world's leading CEOs solemnly declare their commitment to CSR; and the United Nations Global Compact that was launched at Davos with enumerated CSR goals included over three thousand companies (Reich, 2007). The Economist provided the case of Marks and Spencer's[4] CSR efforts as an ideal example of a company embarking on successful CSR efforts. This case will be elaborated in the Case Studies chapter.

There are multiple reasons behind companies' interest in CSR. For one, companies have to work harder on their reputation, and by extension the environment where they do business. Second, in the early 2000s, scandals like Enron and WorldCom lead to a mistrust of big companies and a spiral of strict regulations. The financial crisis of 2007-2008 contributed to this.

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[3] Executive editor of *The Economist,* interviewed for the special report on Corporate Social Responsibility: "Just Good Business." January 17, 2008. http://www.economist.com/node/10491077

Further, the growth of Non-Governmental organizations (NGOs) had led to increased monitoring and reporting of companies for malfeasance. In addition, there are a myriad of ratings and rankings have increased the pressure on companies to perform beyond their financial arena. The spike of interest in CSR is also related to a decrease of trust in democracy; as reformers admit how it is easier to lobby corporate executives and push companies to change rather than lobby politicians and try to change public policy (Reich, 2007). Jonathan Lash, president of World Resources Institute noted, "Government is failing to provide leadership on environmental concerns, and industry has grown more willing to address them" (Reich, 2007, p. 169).

The most influential take on CSR has been the business case for corporate social responsibility, a central message in most CSR books appealing to corporate executives and business students. The claims made here suggest that since CSR pays then it will drive companies to act more responsibly in pursuit of profit (Vogel, 2005).

Alongside the business case for CSR, another important change has been communication, and in particular, the ever-changing and evolving communicative opportunities presented by social media, where everything may be caught on camera, shared in an instant – for example, a child sewing a garment with a corporate logo, the collapse of a factory in Pakistan – and used to hold companies undeniably accountable.

These emerging trends in communications, awareness, and environmental alertness have increased the interest in the topic of sustainability. Taking a closer look at sustainability initiatives, communication, and their interrelations, the IFC, ICMM and Brunswick put together a report where they identify five trends for how communications support sustainability:[5]

1- Communication fosters an environment that promotes effective stakeholder dialogue.

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[4] *The Economist,* special report on Corporate Social Responsibility: "Just Good Business." January 17, 2008.
[5] "Changing the game: communications & sustainability in the mining industry". IFC, ICMM and Brunswick Group.

2- Communication builds trust and a safe environment through transparency.

3- Communication enhances sustainability initiatives through the integration of communications and stakeholder inputs.

4- Communication values corporate culture and the role of internal members.

5- Communication measures the impact of proactive action versus reactive response.

Communications and relationship fostering (engagement) are essential to building a sustainable practice and a strategic presence in the nonmarket environment. As communication evolves into faster, more efficient and accessible forms, and companies integrate sustainability into their business, the link between both becomes more significant.

Following the topics of CSR and communication, **sustainable development** is today's buzzword and every company's challenge ahead. It is important to understand this multi-dimensional concept of sustainability.

According to Ashford & Hall (2011), the term emerged from dissatisfaction with the current state of the world and a need for strategies that will guide firms, institutions, societies, and governments towards a more optimal course (similar to the way CSR emerged). Ashford & Hall (2011) argue that the same drivers behind the deteriorating state of current affairs are the same drivers that will launch the world towards a better state, and this all falls under the umbrella of technology and globalized trade. Looking at sustainable development, its multiple dimensions are illustrated in the sustainability triangle (see Figure 1 below), which is depicted as the environment, work and the economy with technological change and globalization as the main drivers of change.
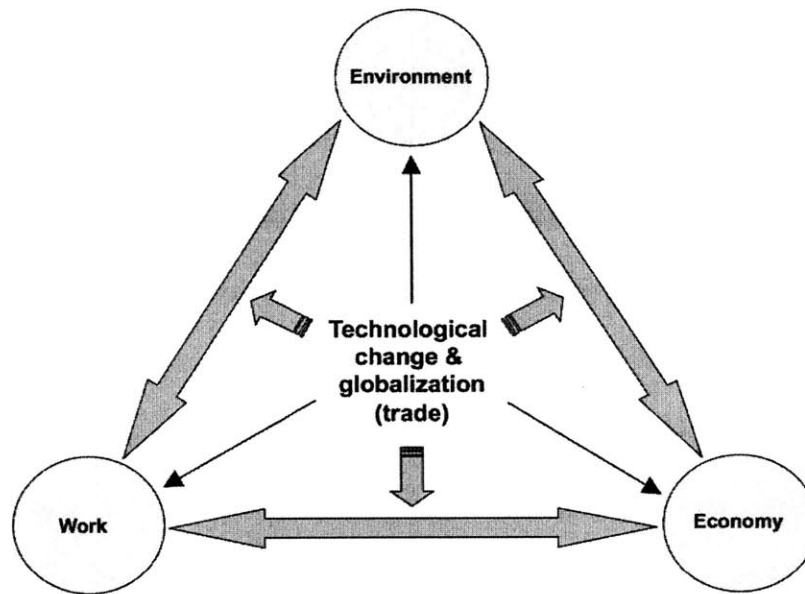
Figure 1: The Sustainability Triangle

The concept of sustainable development starts with the *environment* and recently, the

environment has become more important in economic policy and puts firms, institutions and

countries under scrutiny the effects of climate change, pollution and toxicity, etc. can no longer

be ignored. Next comes the pillar of *work*, which addresses the income security, and well-being

of individuals, as well as their purchasing power, health and safety, opportunities and

satisfaction. The third main pillar concerns the *economy* – representative of the overall well

being of markets and nations. These three pillars are interconnected and technological advances

and globalization influence their relations. In summary, sustainable development is a process that

seeks to meet the demands of industrialization and at the same time avoid adverse effects,

provide an adequate and fair distribution of goods and services, environmental health and safety,

occupational health and safety, fair and meaningful opportunities, fair and adequate purchasing

power, and nurture a nation's self-dependency, capacity and social inclusion (Ashford & Hall, 2011).

Another take on economic growth and a need for sustainable development is John Mackey's (founder and CEO of Whole Foods) concept of "conscious capitalism," a holistic, interdependent paradigm based on the pursuit of a greater purpose surpassing profit-making, which acknowledges the relationships among major stakeholders and the natural environment and harmonizes interests among them as they work together to create greater value for all so as to maximize the size of the shared pie. Mackey believes Whole Food's core business values (as represented in Table 1) to be a good representation of this paradigm.

Motivated investors	• Sales growth • Profits growth
Community & Environmental responsiveness	• Corporate citizenship • Giving back
Team member happiness	• Increased job satisfaction • Motivated team members • Innovation and customer service
Partnerships with vendors/suppliers	
Satisfied & delighted customers	• High-quality products • Good value

Table 1: The Whole Foods Core Values Reflecting Conscious Capitalism[6]

Organizations can no longer choose if they want to engage with stakeholders or not; the only decision they need to take is when and how to engage.

Meaningful stakeholder engagement occurs when organizations choose to establish relations with stakeholders as a means to mitigate the impact of political, financial, reputational or economical risks, such as those generated as a result of global economic crisis or environmental impact.

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[6] Adapted from Whole Foods Stakeholder Model, http://www.wholefoodsmarket.com/tags/conscious-capitalism, accessed April 2016.

As will be considered in the Case Studies chapter, a successful relationship building case in the nonmarket space between a corporation and a not-for-profit organization is the unconventional partnership between Coca-Cola, one of the largest consumer goods companies in the world and WWF, the global conservation organization (Senge et al., 2008).

A key question in this area is *how do companies set their nonmarket strategies?* To compete successfully, a company has to embrace an integrated strategy that includes both market and nonmarket components (Baron 1995b; Hemphill, 2004). Nike sets a good example for integrated strategies. As Darcy Winslow, former head of Nike Foundation, noted: "Every nonmarket move Nike makes, is related to their business strategy and makes sense. Nike is very involved in issues that touch its core business: like its investments in adolescent girls and young women (representing 80% of its factory workers). And then in 2013, Nike pledged $50 million to "Let's move," an anti-obesity program by Michelle Obama."

Wal-Mart is a useful case study to consider when researching and evaluating the value behind nonmarket strategies. During the years 2003-2004, Wal-Mart, the world's largest retailer, was designated as "the most admired company in America" by Fortune. This did not protect Wal-Mart from critics (organized labor, feminists, human rights activists, environmentalists, local businesses, etc.) who opposed its business and transactional activities, and contributed to a growing negative perception of Wal-Mart. In the face of this criticism, Wal-Mart put in place a comprehensive nonmarket strategy and implemented proactive social, political, and legal strategies to manage the evolving environment that influenced to a great extent its future growth and financial health. The case study will be discussed in further detail in the Case Studies chapter.

There are many examples of companies trying to align their businesses with new realities. At the end of 2007, Google announced the funding of an internal research group charged to develop cheaper renewable energy sources, a move that surprised many industry and financial analysts who did not understand the motives behind the plan nor the long-term benefits behind Google's forward-looking corporate priorities. Beyond that, many companies such as GE, BP, DuPont and others have been rethinking their strategies and looking at social and environmental nonmarket areas (Senge et al., 2008).

Linking both nonmarket strategies and sustainable development initiatives, it is important to look at the business rationale for sustainability – a new context for business. To shift priorities and embed sustainability in an organization, one needs a reconsideration of Industrial Age priorities and a move towards a more realistic understanding of the state of the contemporary world (see Figure 2 below).
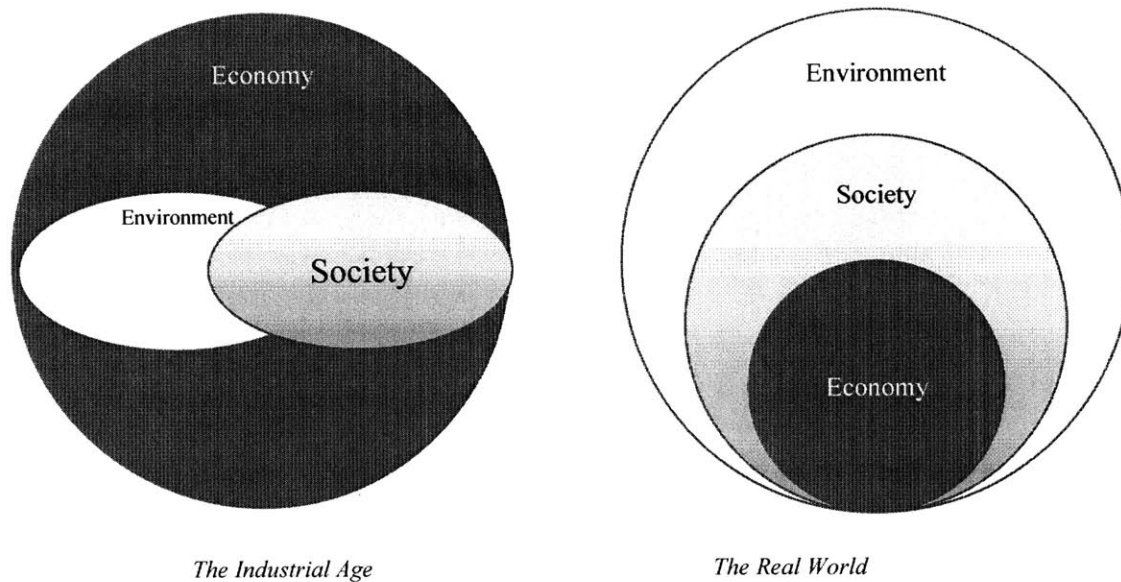

The Industrial Age *The Real World*

Figure 2: A View of the Priorities of the Industrial Age and the Real World

In the view of the Real World, the biggest circle is the environment, encompassing the other circles of human society, the economy, industries, and individual businesses. The good news is that many corporations understand the shift in priorities and perspectives that is required, and are beginning to put it into practice (Senge et al., 2008).

The cases discussed in this thesis (in the Case Studies chapter) will highlight companies that were successful in the areas of CSR, nonmarket strategies and sustainability efforts. Alongside the evolution of corporations, academics have studied the areas of nonmarket and sustainable development. The following chapter will provide a review of the relevant academic works in this area.

Literature Review

Researchers have defined the nonmarket environment as the corporate arena composed of social, political and legal counterparts, which combined, form the interactions between a firm and its external stakeholders, while maintaining a level of consistency in their respective markets (Baron 2002; Mahon, Heugens and Lamertz 2003).

According to a number of researchers, the long-term health and sustainability of a corporation's competitive advantage is highly dependent on its aptitude in managing nonmarket dynamics, to the same extent as its dependency on performance within the economic marketplace (Baron 1995a, 1995b; Kanter 1999; Mahon, Heugens and Lamertz 2003).

Managing the nonmarket environment and its significance has become widely recognized, but when it comes to suggested methodologies for companies to follow, managerial direction takes two courses. The first body of literature offers ways for managers to manage emerging issues that may have the potential to hurt the organization (see Ansoff 1980; Arcelus and Schaeffer 1982; Bartha 1983; Chase 1984; Dutton and Duncan 1987; Johnson: 1983). The

second body of literature guides managers on ways to engage with stakeholders who relate to the organization's activities (see Donaldson and Preston 1995; Freeman 1984; Frooman 1999; Jones 1995; Mitchel et al. 1997). While the links between both courses of action have been illustrated (Bigelow et al. 1991,1993; Mahon, Heugens and Lamertz 2003), very little literature advises managers on how to perform both courses of action simultaneously: that is, how to handle emerging issues while also engaging stakeholders.

Looking at these two alternative approaches to nonmarket strategies, the former is referred to as "strategic issues management" and the latter to "stakeholder management." Strategic issues management has been defined as "the ability to comprehend, organize, manage, and direct all strategic and policy planning functions, and all public affairs and public relations skills, towards the achievement of one objective: 'meaningful participation in creation of public policy that affects personal and institutional destiny'" (Chase 1982; Mahon, Heugens and Lamertz 2003, p.48). This type of corporate function is issue-focused with the objective to control unexpected surprises by preparing managers and equipping them with an early detector that picks up signals on issues at a very early stage. Stakeholder management is an approach that seeks to balance the interests of external entities that are involved one way or another with the company. This approach seeks to secure the company's achievement of its set goals and reach/maintain a stable settlement with external entities that concern the company's financials and wealth distribution (Mahon, Heugens and Lamertz 2003).

The ideal strategy formulation would be for companies to formulate integrated and aligned strategies. In pursuit of finding and maintaining a competitive advantage, firms compete in both market and nonmarket environments using strategies that target players in both arenas. These sets of strategies must be integrated and take into account the interactions between them.

Baron's (1999) paper on integrated market and nonmarket strategies provides a quantitative explanation of how an integrated strategy that incorporates nonmarket strategy factors affects a company's market strategy. In his paper Baron (1999) identifies the important direct and indirect incentives for a company to take nonmarket action. The key to integration is the identification of the effects resulting from one strategy's outcomes on the incentives for the other strategy. Baron (1999) further illustrates how a firm's nonmarket strategy contributes to cost reduction and goes beyond it to affect the strategic position of the firm in its competitive arena, requiring a revision of market strategy. Another conclusion by Baron (1999) is that nonmarket action is directed by nonmarket strategy, which in turn is a method to map the external factors of a strategic situation - similarly to the function of a market strategy - and identify actionable nonmarket tactics such as building coalitions, lobbying, and information provision. Business strategies are formulated from integrated market and nonmarket strategies that capture holistically the incentives of both combined, providing a competitive advantage in the face of competition.

Baron (2001) also wrote a paper on private politics, corporate social responsibility and integrated strategy, and provides a theory of private politics where activists attempt to change the firm's practices and redistribute benefits to those whom they support. Baron also addresses the issue of Corporate Social Responsibility by distinguishing between corporate redistribution defined by profit maximization, altruism and activism threats.

Following Baron's work on defining the nonmarket environment and its stakeholders with proposed ways to address them, researchers David Bach and David Bruce Allen developed a framework for creating Non-Market Strategies known as the $(IA)^3$ framework addressing the 3 "A" elements: *Actors, Arena* and *Assets* and the 3 "I" elements: *Issue, Interests,* and *Information* (See Figure 3 below).

What is the **Issue?**

Who are the **Actors?**

What are the actors' **Interests?**

What **Information** moves the issue in this arena?

In what **Arena** do the actors meet?

What **Assets** do the actors need to prevail in this arena?

The (ia)^3-framework is built around the analysis of issues, actors, interests, arenas, information and assets. All must be incorporated into a nonmarket strategy.
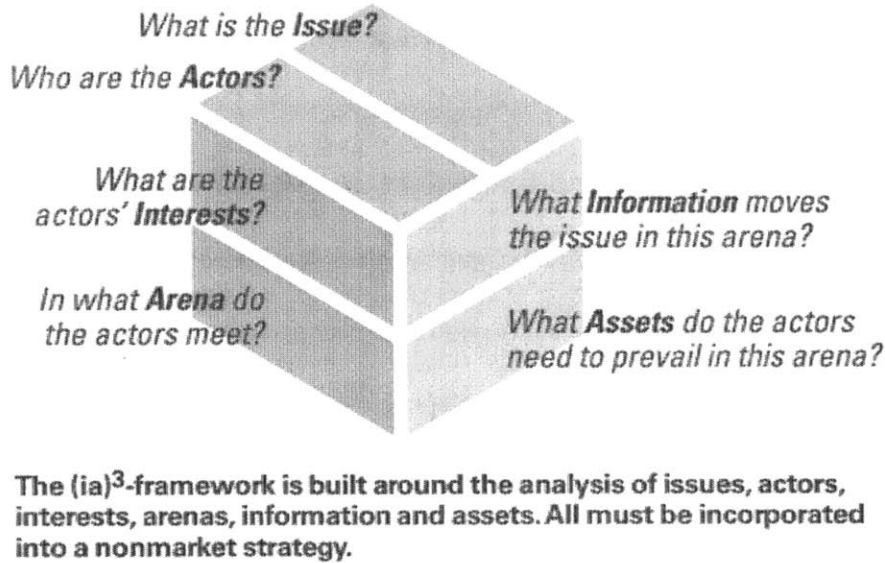
Figure 3: The (IA)^3 framework

When it comes to designing competitive non-market strategies, executives need to map the specifics of their company's non-market arena. Bach and Bruce Allen built on Baron's earlier work – engaging executives from a wide range of industries – and designed the (IA)^3 framework, as a tool that captures the overall encompassing picture of a non-market ecosystem.[7]

Stakeholder Analysis is the basis of most Corporate Social Responsibility frameworks. Due to the very large number of stakeholders that corporations have, non-market strategies focus primarily on issues (similar to the approach taken on the OCP project). Identifying issues starts with the company's existing market strategy: how it competes and creates value.

Actionable strategic non-market strategies require a dissection of social and political issues through prioritization of what really matters to a company, and an (IA)^3 analysis

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[7] Bach, D. and Bruce Allen, D. "What every CEO needs to know about nonmarket strategy," *MIT Sloan Management Review*, Spring 2010. http://sloanreview.mit.edu/article/what-every-ceo-needs-to-know-about-nonmarket-strategy/

conducted on each important issue. Each $(IA)^3$ is a launching point for a specific non-market strategy to manage the specific issue, and put together, they form the company's non-market environment.

For the proactive management of a non-market environment, Bach and Bruce Allen set up six questions for executives' consideration:

1) What is the issue?

   Non-market environments are made up of issues and companies need to take decisions around issues that affect their value creation, whether avoiding a negative impact or leveraging on an issue to create a positive impact.

2) Who are the actors?

   Parties interested in the company's issues and who hold potential grounds for conflict.

3) What are their interests?

   This identifies motivations of actors and what they are looking for, similarities and differences among them and ways to open up engagement.

4) In which arena do these actors meet?

   Non-market issues come up in various settings: courtrooms, parliamentary committee hearings, industry forums, new media, the public domain or blogosphere, and the rules vary from one setting to the other.

5) What information will move the issue in this arena?

   Information is the currency of the non-market ecosystem. The type of information needed varies across various arenas.

6) What assets do the actors need to prevail in this arena?

These assets include a company's reputation and brand image, key members' standpoints, and network of contacts.

An important consideration following the establishment of nonmarket strategies is how to manage the conversation – in particular disputes – with nonmarket stakeholders (also known as secondary or societal stakeholders) (Lawrence, 2010). Most disputes arising from the nonmarket environment are unexpected and very troubling for executives and managers involved, especially if interactions fall out of certain boundaries of legal mandates and standard operating procedures. Such disputes must be strategically and constructively addressed for the survival and success of a firm.

Just as the market environment has its stakeholders, so does the nonmarket space, the difference being that while nonmarket stakeholders are not directly involved in direct economic exchange with the company they are affected by and affect its actions. These nonmarket stakeholders consist of the public, local communities, social and environmental activists, NGOs, religious institutions, etc. (Lawrence, 2010). Here, the Lawrence (2010) argues that management strategies come in four types, the "4Ws": *wage a fight, withdraw, wait* or *work it out*. And the company's choice of strategy depends on three factors: the firm's level of dependence on stakeholders for resources, the firm's power in a particular setting, and the urgency of the matter at hand.

There are various ways in which companies communicate with their stakeholders, which brings up the evolution of communication and communication mediums and as a result, a look into the connection between nonmarket strategies and social media. In one of the many studies on that subject, Mahon, Heugens and Lamertz (2003) used social network analysis to generate theoretical assumptions about nonmarket dynamics: the relationships between stakeholder

behavior and issue development. In their paper, they discovered that social network analysis holds the potential to enhance and integrate theoretical perspectives on nonmarket strategies and provide answers to questions on how and when to address the nonmarket environment, which, based on my interviews and research, are the insights companies hope to extract out of their social media interactions. This is further elaborated through the works of social media analytics agencies such as: Brandwatch, Google Analytics, HootSuite and Radian6, who develop software and metrics bridging the gap between business metrics and social media conversations, helping companies extract valuable insights from stakeholder engagements online.

Building on this literature review of nonmarket strategies, the following chapter considers case studies that examine successful ways that companies have addressed their nonmarket environment.

Research Methods and Setting

The lessons of this thesis were derived from academic papers, academic and practical case studies, interviews with faculty and industry experts and an action-learning lab project conducted at OCP, which was further developed into an in-depth case study.

OCP Case Study – Method and Process

The project at OCP was studied with a methodology that consisted of online research, faculty interviews, a visit to the company's headquarters and sites in Morocco, observations and further interviews on site. The analysis was performed by drawing on academic frameworks and then reported in a report and final presentation to the executive team.

First, we started by conducting online research on the phosphate industry, the extractive field, and various concepts covering nonmarket strategies, communication, sustainability and CSR. To better understand the project requirements, we consulted with faculty as well as Moroccan nationals. Second, we set up our communication flow with the client host and began our project briefing and interviewing through phone interviews with company executives. Third, the main part of the project was conducted and completed on site. We flew to OCP's headquarters in Casablanca to begin fieldwork. There, we conducted daily interviews with executives (Appendix A), observed the functions of departments and worked closely with the designated PA/PR department that hosted the project. In addition, to better understand the operations of the company and the phosphate industry, we visited the company's mines and work sites as well as the OCP foundation.

In parallel, we used the tools of system dynamics modeling, a matrix of Influence-Interest for our mapping exercise and conducted research on international media and stakeholders using social networks and digital platforms.

To conclude the project, we provided two case studies for the company to benchmark against and extract insights. We also further refined our mapping exercise to include specific contact points of key international stakeholders. The project was summarized in a final report and a presentation that was shared with OCP's Public Affairs/Public Relations (PA/PR) department.

Academic Case Studies Methodology

The second main source of information gathering was secondary data from academic case studies that were either taught at the MIT Sloan School of Management or retrieved online. The cases illustrated and included in this thesis include companies that were either pioneers in nonmarket strategies such as Wal-Mart, or had had experiences that touched on one of the points that concern the nonmarket environment and related subjects in sustainability and CSR. We also drew on academic case studies that were used in classrooms and coursework to provide practical illustrations and lessons from real world organizations.

Additional interviews and expertise knowledge

For more information regarding the nonmarket sphere, additional interviews were conducted with sustainability professionals and knowledgeable experts regarding non-market strategies and sustainability initiatives.

An in-depth interview was conducted with Darcy Winslow, a pioneer in the world of sustainability. Darcy Winslow is Managing Partner of the Academy for Systemic Change. She worked at Nike, Inc. for over 20 years holding numerous senior management positions within the business and the Nike Foundation, including creating the Sustainable Business Strategies division in 1999, serving as Senior Advisor to the Nike Foundation and as General Manager for Nike's Global Women's Footwear, Apparel and Equipment business. In 2008, she founded DSW Collective, LLC, focusing on the alignment of organizational values and principles with the development and implementation of practical yet aggressive systemic sustainable design strategies.

Additional brief interviews were conducted with faculty from the sustainability initiative at MIT Sloan School of Management. The interview protocol used for these interviews is shown in Appendix B.

Case Studies

Eisenhardt (1989) defines a case study as "a research strategy that focuses on understanding the dynamics of a particular situation in single settings." The in-depth case performed for this thesis was that of OCP.

OCP – Office Chérifien des Phosphates

As discussed in earlier chapters, the context of nonmarket strategies currently includes two key streams of activities: strategic issues management and stakeholder management. In the following case study, the research work involved exercises of issue identification and stakeholder mapping, relating both concepts to social media, and providing recommendations for the company moving forward.

OCP is the world's leading global producer of phosphate and its derivatives, as well as a leader in the fertilizer industry. OCP is a collaborator with the Leadership Lab course on Leading Sustainable Systems (L-Lab) course at MIT Sloan, and it was looking for new ways to map its international stakeholders.

In my capacity as an L-Lab member, I sought to investigate how the company was formulating non-market strategies to engage its stakeholders, the various ways in which it engaged with these stakeholders and how – moving forward – could it set strategies to turn a reactive situation into a more proactive one, not only supporting its existing efforts but also extending them to another level.

Our L-Lab team was comprised of 3 members: Ana Carolina Freire (a Sloan Fellow student), Tibor Soltesz (an MSMS student) and me (an MSMS student). During our L-Lab course at MIT Sloan, we applied for and received the opportunity to work on OCP's project under the supervision of the Public Affairs/Public Relations (PA/PR) department, a newly founded department within OCP. We were asked as a team to assist this department in coming up with an innovative way to map their international stakeholders, developing a methodology and criteria for the mapping exercise, identifying key contact points and individuals and benchmarking our findings against other successful case studies.

As part of our L-Lab work, we submitted the following deliverables:

1- Formulating a methodology for International issue identification and stakeholder mapping.

2- Illustrating the company's main activities through the dynamics of cause and effects loops.

3- Developing a detailed map of international stakeholders.

4- Illustrating the importance of Social Media via cause and effect loops

5- Providing examples of case studies to benchmark against.

Starting with issue identification, we conducted online research and interviews with internal stakeholders and executives at OCP. We were able to provide a global ecosystem assessment and identify the main issues targeting the company. This was the initial step that guided us in developing an initial assessment of the company's current image, relationships and communications in the international sphere, mainly through media tools and interviews.

The main issues we discovered during our research were the following:

1- The Western Sahara (Geo-political) – an issue affecting Morocco and as a result OCP, due to its presence in a conflicting region with an ongoing conflict over land ownership between the Kingdom of Morocco and the Polisario front from Algeria. As Morocco's largest employer and one of the largest Moroccan corporations, OCP has a small plant in the Western Sahara, the Boucraa production plant, which is often attacked in international media from those who object to the presence of a Moroccan mining company on what they consider foreign land. The issue involved several key stakeholders such as the United Nations, the USA government, the European Union and the Algerian government.

2- Food security and phosphate reserves (Socio-economic) – Food Security – as defined by the 1996 World Food Summit – is "when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life." As the world population grows and arable land decreases, the need for food and concern over resource availability becomes more urgent. The issue of food security comes coupled with that of phosphate reserves as phosphate is the main constituent of fertilizers used in the agriculture industry to cultivate food, and in turn is a pressing topic in the issue of food security.

3- Health and environment concerns (Health and Safety/Environmental) – for OCP, a

mining company operating in a world with evolving concerns over a sustainable

ecosystem and environment, at a time where health and well-being are also major

concerns, this issue of health and environment was identified as the third key issue.

Under the topic of health and environment, one topic involved the composition of

Moroccan phosphate – Cadmium and Uranium – which have been highlighted as

hazardous in the international media. Another trending topic in the extractive industry is

that of worker safety and health measures. And the topic most affecting companies is that

of environmental pollution and in particular water as an important resource.

Following the process of issue identification, we illustrated the company's activities using a

system dynamics map.

To begin our mapping exercise, we assessed OCP's strategic relationships and key

stakeholders. This exercise revealed a world of complex networks and conversations. We briefly

explained the phosphate industry and detailed players' dynamics via a comprehensive system

dynamics model. Effective decision making in this increasingly complex environment requires

an understanding of the relationships among seemingly unrelated/separate issues. Without this

understanding, actions taken and policies implemented often tend to generate unintended side

effects, turning today's solutions into tomorrow's problems. To understand this complex structure

we drew on the tools of system dynamics. Professor John Sterman, Director of MIT's System

Dynamics Group, defines the discipline as "a perspective and set of conceptual tools that enable

us to understand the structure and dynamics of complex systems." To identify stakeholders and

understand the complexity of OCP's issues, the system dynamics model must be comprehensive

enough to include all relevant aspects of the global phosphate ecosystem. Taking note of the

magnitude of participants in this system, the model must provide a high level perspective that

illustrates/highlights the most important dynamics without getting lost in the details. We started

mapping a basic economic model for the phosphate industry (see Figure 4 below).
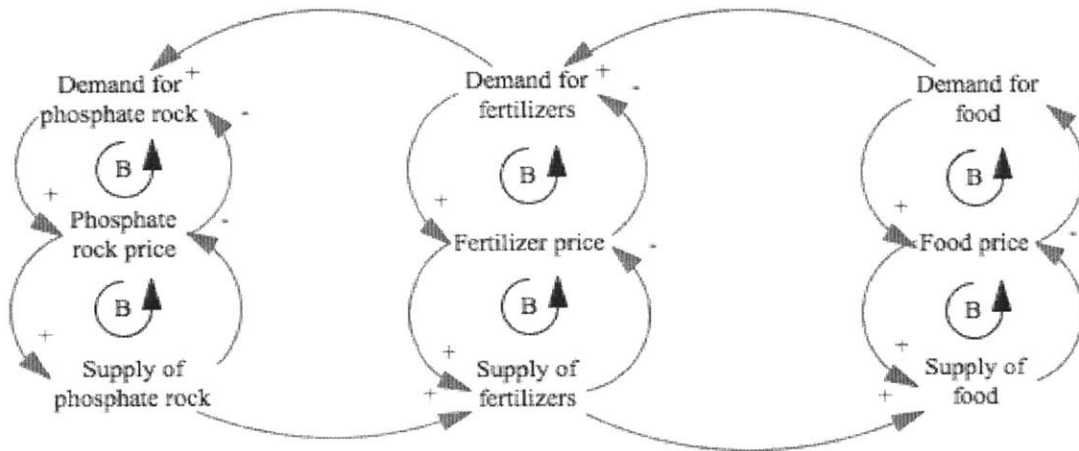
Figure 4: Basic Economic Model

We then further expanded on areas of importance, including: the food market model, the

phosphate market model/mining industry, the role of governments and media and expanded the

basic model to include those roles (see Figure 5).

Figure 5: Expanded Economic Model

Finally, we developed an OCP ecosystem model that illustrated the complex dynamics of

the global phosphate ecosystem (See Figure 6).

Figure 6: Global Phosphate Ecosystem

After demonstrating the complex dynamics of the global phosphate ecosystem, the next

step was to identify the stakeholders who are playing key roles in different parts of this system.

In parallel, we mapped a series of networks among the different stakeholder groups categorized by interest. Different stakeholders hold different int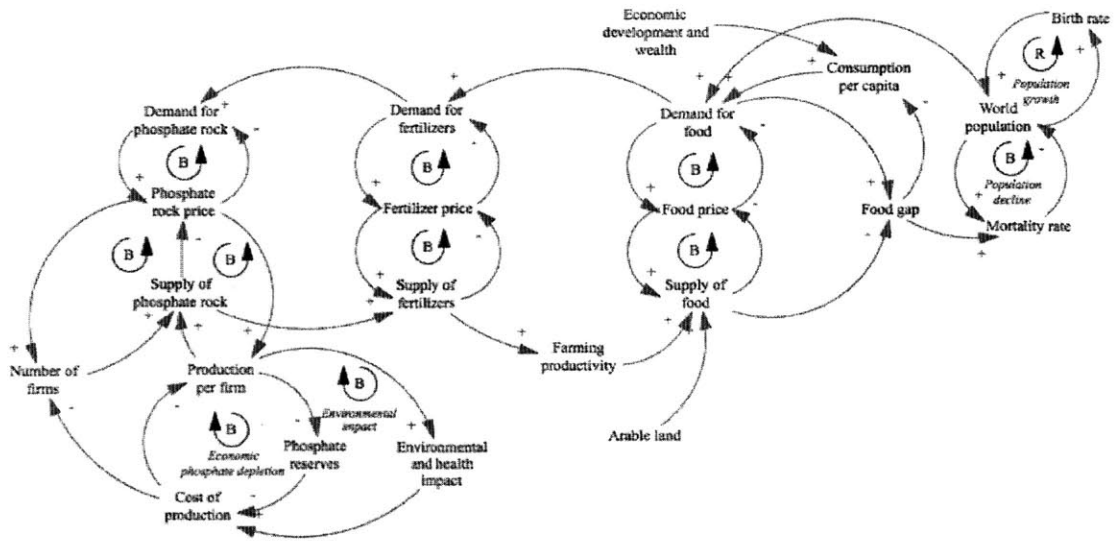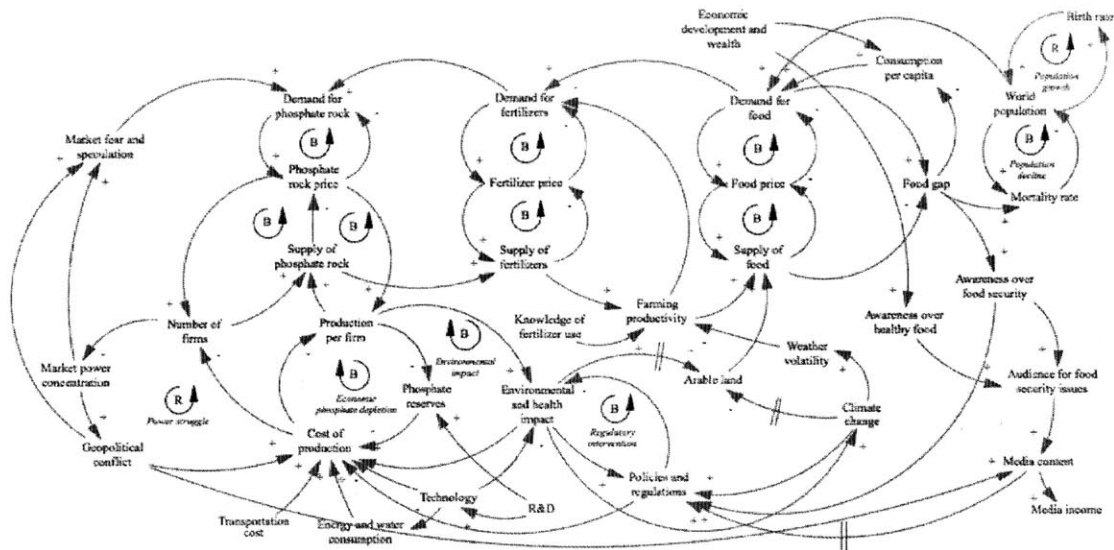erests. In some ways they communicate to exchange objectives such as a business relationship between OCP and its direct clients, and in other ways their interests align with environmental and social entities collaborating together with a unified interest in food security, which falls under the sustainability interest network.

As shown in the interest network (see Figure 7), the network is divided in 4 main clusters: business (economics of the phosphate industry), sustainability (interests in environmental, social, health and other sustainability concerns), media (interest in information generation and knowledge sharing and publications) and geo-political (covering nation-interests, non-governmental entities and the general public involved and interested in politics).
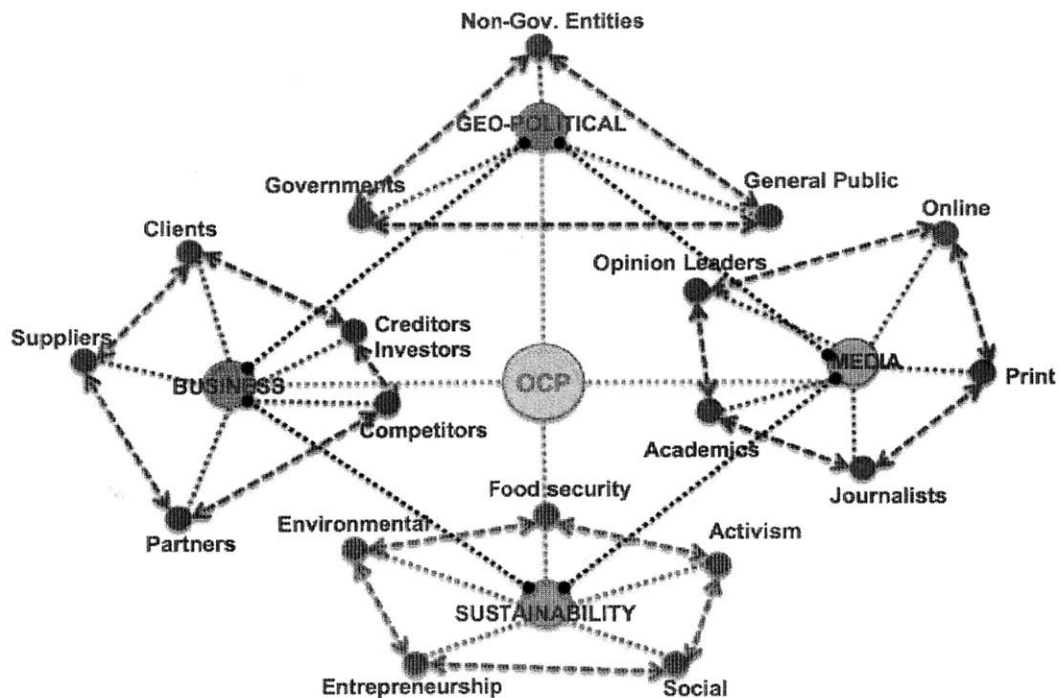
Figure 7: Stakeholder Network

Finally to complete this process, we merged both the system dynamics model and the interest network mapping to highlight where stakeholders stand on the value chain of OCP's phosphate business as shown in Figure 8.
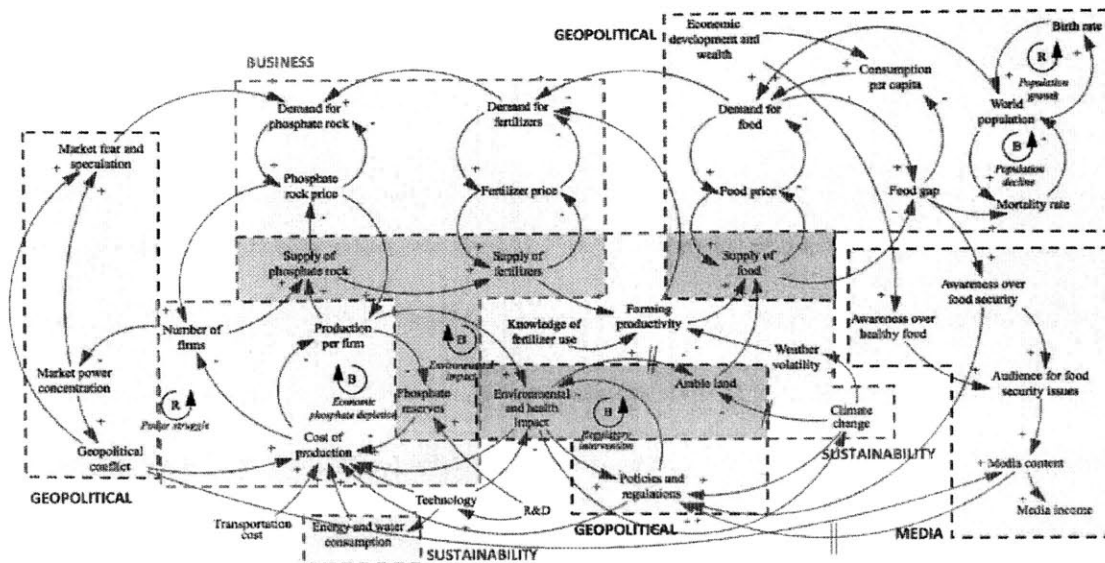
Figure 8: Integrated Model and Stakeholder Presence

Next, we conducted extensive research on stakeholders and key external entities involved in OCP's network – directly and indirectly – to select key communication points for the company's stakeholder management moving forward. We started our stakeholder mapping exercise using the Influence-Interest Matrix framework illustrated in Figure 9. This framework for stakeholder mapping is adapted from Mendelow (1981) and Johnson & Scholes (1993) who presented a model of environmental scanning in a stakeholder context that includes the dynamism of the environment and the power of the stakeholder relative to the organization. They indicated that power and dynamism are relevant factors: low to high and static to dynamic. This method is also used to develop strategies for managing different stakeholders and involves two-dimensions:

- Power of stakeholder to influence: how much power, influence and decision making control does a stakeholder hold over the organization that affects it from a political, economic and/or reputational standpoint.

- Level of interest: how much interest does a stakeholder have in relation to the organization, its business activities and prospects.
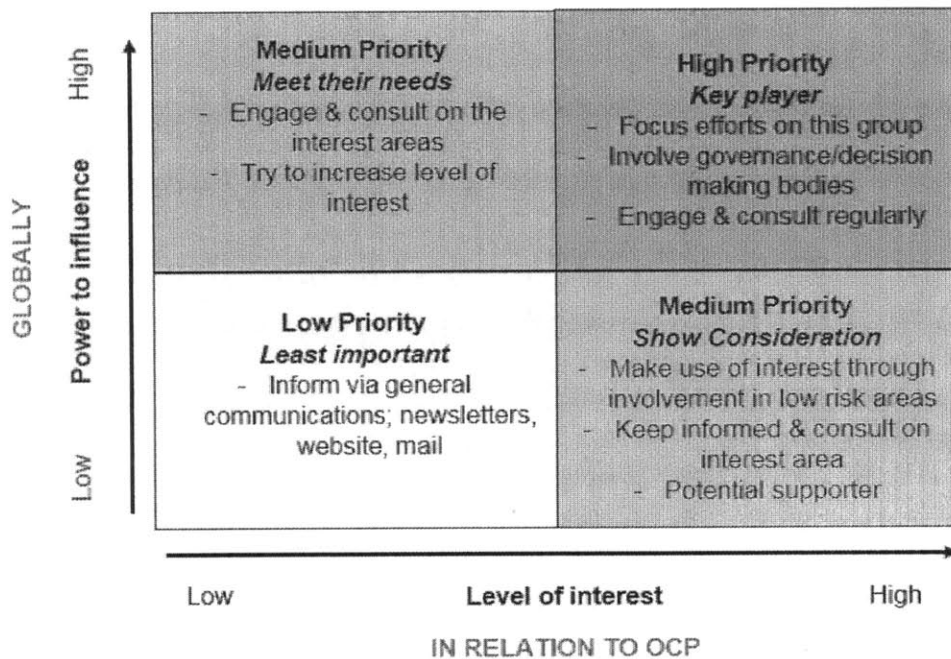
Figure 9: Influence - Interest Matrix

The organization starts its assessment of stakeholder groups and/or individual by rating each (as high, medium or low) within the two dimensions of: stakeholder power to influence and level of interest. The organization then uses these ratings to plot each stakeholder on a 2x2 matrix for analysis. The analysis helps identify organization advocates— supporters (positive attitude score) with high influence and non-supporters (as well as those with low influence). Following that, the organization starts planning the deployment of advocates to influence

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groups/individuals that may be neutral or negative. Influential and interested advocates represent important allies to drive the success of the organization. This type of analysis is ongoing and helps organizations determine the right approach to effective stakeholder communication, risk mitigation and engagement throughout the life of the organization.

Through attitude recognition, the organization can identify whether the stakeholders are key players that display consideration, are satisfied, and represent a particular level of importance in the firm's context. This categorization will allow for stakeholder segmentation for communication and risk planning. Stakeholder ratings help organizations establish effective communication plans that recognize the different needs of each group and/or individual stakeholders.

To facilitate our stakeholder analysis, we divided OCP's key global stakeholders into four main categories: business, geopolitical, sustainability and media. In addition, we decided to explore various ways of stakeholder engagement and the media through which the company can do so. This inevitably led us to the subject of Digital Platforms and Social Media. Simon Mainwaring, an award-winning branding consultant, advertising creative director, and social media specialist and blogger, has noted that: "Social Technology gives leaders a vital new platform with which to connect their companies to the myriad stakeholders who have an interest in their well-being."[8]

Given the company's request to further understand the link and importance of social media relative to the work we had conducted (also given the importance of social media as a tool), we explored how social media can foster stakeholder engagement. We developed another system dynamics model to illustrate the dynamics of social media, the evolution of

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[8] http://www.forbes.com/sites/simonmainwaring/2011/08/04/how-social-technology-is-remaking-business-branding-and-customers/#3be7c2f66165

communication and its relationship to OCP's nonmarket environment as influenced by geo-political and socio-economical trends.

Looking at how online users and future generations find new interest in environmental and social activism, one must look at online activism and the importance of setting a strategy in light of it. Online or internet activism is defined as the use of e-communication tools, particularly social media platforms such as Facebook, Twitter and YouTube for various activist causes (environmental, political, social) to facilitate rapid communication and the delivery of information to large audiences. These digital platforms are used for cause-related organizing, lobbying, etc.[9] As trends continue to emerge online, the use of digital media will become ever more important.

The systems dynamics model we developed (see Figure 10 below) demonstrates the several relationships we explored in the following steps (left to right):
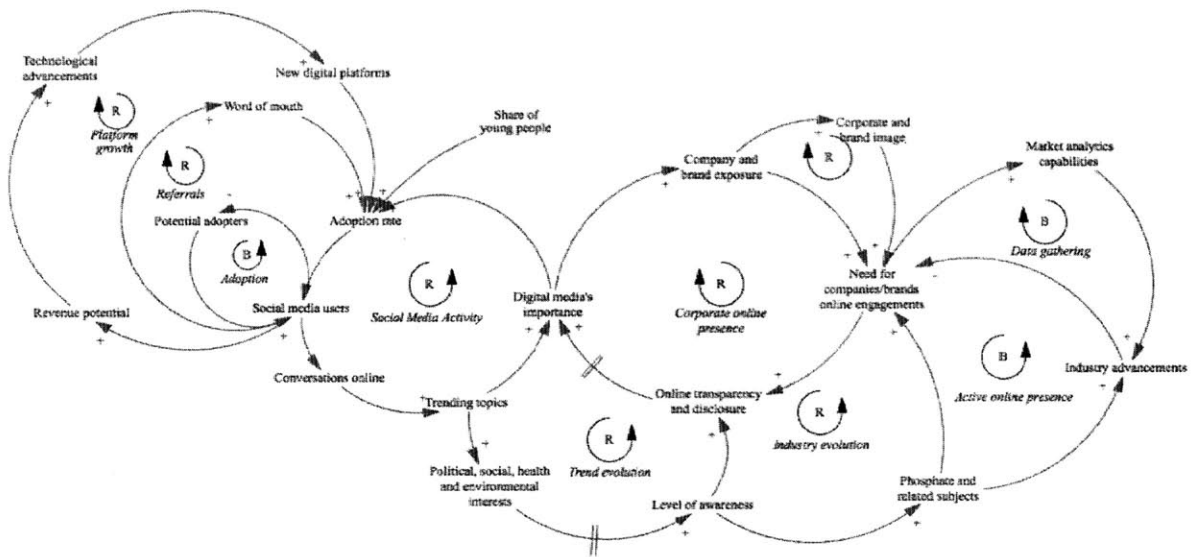

Figure 10: Social Media Impact Model

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[9] https://en.wikipedia.org/wiki/Internet_activism

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1. Potential adopters become social media users (Balancing loop of Adoption) – Share of young people in population increases the adoption rate which feeds the growth of social media users

2. Effect of word of mouth spirals into a higher adoption rate and increases social media users which leads to an increase in word of mouth (Reinforcing loop of Referrals)

3. The revenue potential generated from Social Media users along with technological advancements lead to the development of new platforms which reinforce the growth of new digital media platforms (Reinforcing loop of Platform Growth)

4. Social Media users generate conversations which lead to trending topics, in turn increasing the importance of social media as a communication tool (Reinforcing loop of Social Media activity)

5. Trending online topics lead to emerging interests in political, social and environmental causes, which increase people's level of awareness and leads them to demand transparency and more information (Reinforcing loop of trend evolution).

6. Increased level of awareness leads to inquiries about phosphate and related topics, which increases the need for the company to engage online (Reinforcing loop of industry evolution).

7. An increase in the online engagement of companies and brands leads to the development of market analytics, which leads to industry advancements that in turn decreases the need for the company to be present online (Balancing loop of data gathering).

8. Discussions about phosphate and related subjects, lead to a need for the industry to improve its operations and in turn leads to industry advancements which decreases the need for online communication (Balancing loop of Active Online presence).

9. The increase in the company's exposure online raises the need for the company to engage with its online stakeholders, increases brand exposure and highlights the corporate and brand image, all of which require the company to engage more online. (Reinforcing loop of corporate image).

Following our work on stakeholder mapping and social media modeling, we summarized a few key recommendations for OCP and examined a number of case studies to consider ways for the company to move forward.

Additional Case Studies

Embraer – National Champion to Global Player.

Embraer is a Brazilian aerospace conglomerate that produces aircraft and provides aeronautical services. In this industry, it competes with Bombardier for third place after Boeing and Airbus. Over the years, Embraer has transformed itself from "agony to glory" (Exame, 1999). The story begins with domestic and international circumstances and a story of privatization that obliged Brazil to change its approach to development. Embraer had to adapt and survive to a new scenario of rapid technological change, shorter product cycles and shrinking public finance. New management leveraged the capacity to use alliances and bring new resources into the firm from external sources. Management also leveraged its stakeholder network to introduce new forms of organization design, production, financing and marketing.

The capacity to use alliances to bring new resources into the firm from external sources is undoubtedly a constant in the story of Embraer. As the company competes with bigger companies based in countries with richer human capital and institutional infrastructure, Embraer

had to base its development on the identification of a reduced number of core capabilities and their exploitation overtime.

In the 1970s, Embraer leveraged on the willingness of foreign assemblers to license technology to a minor industry participant in order to enter Brazil and other Southern markets. Two decades later, its partners became second-tier aero-parts suppliers – some from OECD countries– eager to count on Embraer's credibility to enter the global market.

While in the past Brazilians were proud of a domestic company manufacturing aircraft, today, they are even more proud that Embraer is able to generate profits and become one of Brazil's success stories. Embraer managed to win the hearts of its citizens.

Furthermore Embraer built strong relations with the Brazilian government and was then able to influence the structure of the world market for regional jets, through the support it received from the Brazilian government and many other stakeholders in its nonmarket space.

To conclude the lessons of this case, Embraer was able to influence the structure of the world market for regional jets, notably through a change in corporate structure, a change in culture, export subsidies but more generally through the support it received from the Brazilian government.

Wal-Mart: Nonmarket Strategy and Corporate Sustainability Leadership

Wal-Mart is a very large retail corporation headquartered in Arkansas USA that operates a chain of hypermarkets; discount department stores and grocery stores around the world. I will discuss the case of Wal-Mart in terms of its nonmarket strategy and its corporate sustainability leadership.

Wal-Mart and its Nonmarket Strategy

Going back to 1962, Wal-Mart was founded on three basic principles: (1) Offer merchandise at low prices everyday to provide value and service to customers; (2) corporate dedication to a partnership between the company's associates, ownership, management and vendors; and (3) a commitment by Wal-Mart to the United States and the communities in which its stores and distribution centers are located.

Many awards later, the company's success drew increased scrutiny. In 2002, Wal-Mart introduced comprehensive surveys that targeted information from its various stakeholders. Results of these surveys disclosed a mistrust of Wal-Mart's labor practices and concern over the company's overall impact on the community (Hemphill, 2004; Schneider, 2004). According to Bloomberg, Wal-Mart is widely blamed for the sorry state of retail wages in America.[10]

While Wal-Mart was performing exceptionally well in the competitive market environment of retailing, it held a weak position in its nonmarket arena with legal and public relations issues concerning: employees, local communities and suppliers. The survey results were Wal-Mart's starting point, where the company realized that stakeholders saw it to be "not involved enough" and an employer of "dead-end jobs" (Hemphill, 2004; Hays, 2003).

Responding to the survey results, Wal-Mart's executives initiated a comprehensive, proactive nonmarket strategy to revive the company's image and reputation. In particular, they pursued a 3-pronged strategy:

(1) **Social strategy**: accentuate the positive. Corporate communications and marketing departments developed a philanthropy of "Good Works" targeting local communities, and developed external communications programs to highlight career opportunities. In addition to the $676 million spent on campaigns to improve corporate reputation (Wal-Mart Annual Report

2003), the Wal-Mart foundation and company operations started working together to highlight

corporate local giving and the company's involvement in the community. A series of "Good

Jobs" adverts were launched, consisting of testimonials from employees describing their role and

how they benefit from the company. Wal-Mart also set up a diversity office to recruit and

promote from all segments of society and created work environments that enhance their chances

of success based on merit. Alongside these efforts, management incentives were to be tied to

diversity goals (Wal-Mart Annual Report, 2004).

(2) **Political strategy**: working within the system. Wal-Mart sought to involve local

governments by giving them more ownership in the design and allocation of Wal-Mart retail

stores. The company's real estate group also donated a previous Wal-Mart store building to the

town of Bunkie, Louisiana for the municipality's own use. In addition to these efforts, Wal-Mart

executives and spokespeople are engaging more openly with the media; even store employees

have started to talk to news media. Wal-Mart is also using the ballot box to overturn existing

restrictions on super stores. Wal-Mart took a further step by expanding its Washington DC

presence and hiring lobbyists and powerful firms to monitor legislation concerning consumer

protection, ergonomics, port security, and prescription drug reform. Wal-Mart also stays

involved in Congress regarding matters concerning the company. As congressman John

Boozman (R-Arkansas) put it "They realize that the federal government is so intrusive and

affects so much that they feel like its vital that their views are known when policies form"

(Hemphill, 2004; Vekshin, 2004).

(3) **Legal strategy**: [summary phrase] – Wal-Mart had the reputation of being an

aggressive litigator for civil liability cases regardless of the settling price (Hemphill, 2004;

Willing, 2001). Even though the company has been sued more often than any other company in

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[10] http://www.bloomberg.com/news/articles/2003-10-05/is-wal-mart-too-powerful

the US (around 8,000 lawsuits at any given time mostly from employees injured on the job), its strategy has resulted in many plaintiffs and lawyers re-thinking their decision to fight the retailer. Even so, Wal-Mart decided to adjust its litigation policy, appearing to be reasonable, appealing fewer cases and publicizing certain resolved disputes – a legal strategy intended to foster healthier relationships in the legal environment and generate good public relations through legal tactics.

To summarize, the Wal-Mart case in nonmarket strategies brings to the fore the dilemma between employee rights and those of the consumer (Moss Kanter, HBS). As Boston Globe columnist Charles Stein noted "Wal-Mart has become a symbol of the anxiety Americans feel about Capitalism"[11] (Stein, 2003). Today, Wal-Mart is responding to its external threats with an evolving nonmarket strategy covering social, political and legal areas, suggesting some potential for success in the long term. An additional area of focus in the future would be the environment.

Wal-Mart – Corporate Sustainability Leadership

Wal-Mart went through a series of changes involving the company's vision, culture and practices as it moved more significantly into the area of sustainability. Although Wal-Mart introduced green product labeling beginning in the late 1990s, those steps backfired when consumers perceived Wal-Mart's commitment to be superficial and cursory (Plambeck & Denend, 2008). Wal-Mart made its biggest sustainability impact by requiring thousands of its global suppliers to sign stringent environmental standards that were developed as part of a broad cooperation with environmental NGOs (particularly the Environmental Defense Fund). At that time, Tyler Elm, Wal-Mart's vice president and senior director of corporate strategy and business sustainability, said "We recognized early on that we had to look at the entire value chain. If we had focused on just our own operations, we would have limited ourselves to 10 percent of our

effect on the environment and eliminated 90 percent of the opportunity that's out there" (Plambeck, 2007, p. 18). Since then, Wal-Mart has embarked on a profound transformation of its operations as well as those of its suppliers, initiating a series of global environmental initiatives that have had broad and deep direct and secondary effects on its internal organization, customers, suppliers, and other stakeholders.

According to Wal-Mart's (2012) Global Responsibility Report, company achievements have included: reducing waste by 80%, expanding locally grown produce sold, expanding the Women's Economic Empowerment Initiative, using 1.1 billion kilowatt-hours of renewable energy (more than 38 U.S. states combined), developing an integrated sustainability index, expanding its global direct farm program, and increasing diversity and inclusion for women and minorities (Wal-Mart, 2012).

Wal-Mart ranks suppliers - both large and small - on their sustainability efforts and has become an active participant in global efforts to support sustainably sourced forestry products, marine fish and aquatic species, and palm oil. The company has also embarked on an effort to green the production and packaging of children's toys.

Wal-Mart's leadership around sustainability and its relations to its nonmarket environment, demonstrates elements of the two distinct pathways through which leaders and their corporations demonstrate and set responsible behaviors and actions: psychological and knowledge-based pathways of responsible leadership (see Figure 11). The psychological pathway is a leadership approach that is more inclusive of the needs of various stakeholders and resonates psychologically at the individual level. The knowledge-based pathway considers responsible leaders to be well positioned to navigate the context in which their organizations

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[11] http://archive.boston.com/business/globe/articles/2003/11/30/wal_mart_finds_success_image_breed_contempt/

operate and to encourage the flow of knowledge and information across organizational

boundaries, among internal and external stakeholders.
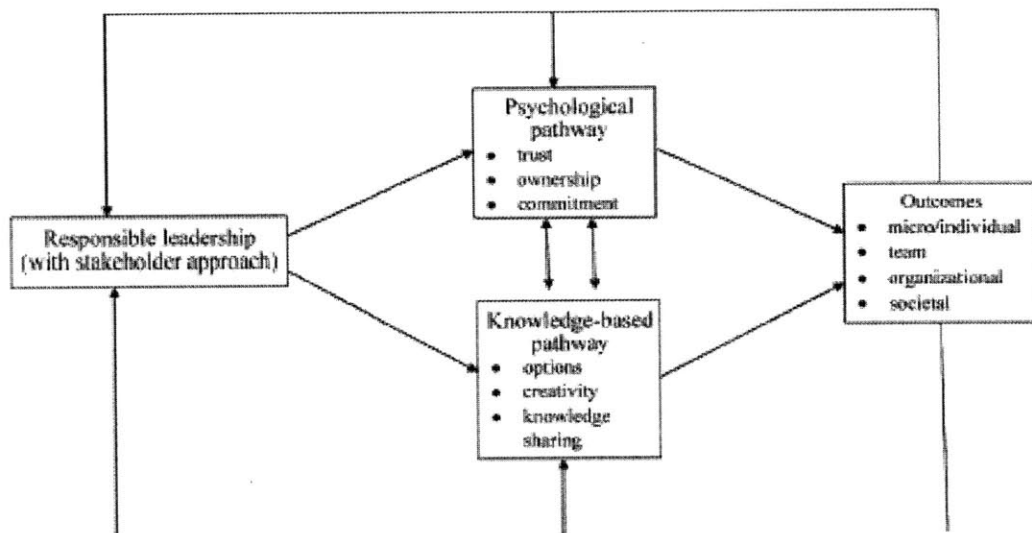
Figure 11: Psychological and Knowledge-based Pathways

The family founding of the company and its religious motivations for conservation

suggest strong psychological pathways through which the firm influenced its internal and

external stakeholders at multiple levels. The initial process of transformation occurred at the

most senior level of the organization, within the founding family and top executives.

Subsequently, the move toward responsible leadership cascaded down and across the

organization to include the retail stores and suppliers. While the psychological pathway remains

strong and salient, Wal-Mart and its leaders — the Walton family and Lee Scott — have

leveraged the knowledge-based pathway to engage external stakeholders (such as the

Environmental Defense Fund) and transfer and disseminate the knowledge and insights of those

stakeholders. They have motivated their actions — to both internal and external constituencies

(e.g., employees, customers, and suppliers) — by appealing to the powerful logic of moving to a more sustainable future.

Marks and Spencer

Marks and Spencer (M&S) is a large multinational retail company with headquarters in London. In 2008, M&S set itself the ambitious goal of becoming the most sustainable major global retailer by 2015 and placed itself in a leadership position and an example others could learn from. It started with the launch of Plan A, the company's plan to launch its initiatives, which is based on the six core behaviors identified by the 2010 Accenture/UNGC Survey of CEOs as key to integrating corporate responsibility and sustainability in a company. The six core behaviors are:

1) These issues should be fully embedded into the company's strategy and operations.

2) Boards must discuss and act upon these issues.

3) These issues should be fully embedded into subsidiaries' strategy and operations.

4) These issues should be embedded through the company's global supply chain.

5) Development goals necessitate companies to engage in industry collaborations and multi-stakeholder partnerships.

6) Companies should involve financial analysts into the discussion of these issues.

M&S set up a giant electronic ticker displaying "progress against Plan A," their set of 100 worthy targets to complete in the next 5 years: from providing education to 15,000 children in Uganda, saving 55,000 tons of CO2/year, recycling 48M clothes hangers, tripling sales of organic produce, to converting over 20M clothes to Fairtrade cotton. Every M&S store has a Plan A champion. M&S - avoiding the general dislike of CSR labeling - launched their Plan A, relating it with the way they do business. This ticker was a symbol of CSR growth.

The success of Plan A is also attributed to the implementation approach of M&S, which entailed the following elements. First, ensuring leadership and executive commitment to the plan (with executive bonuses related to the delivery of their Plan A Key Performance Indicators). Second, appointing "The How We Do Business Committee" that was responsible for overseeing and reviewing strategic and investment decisions by the board. Third, integrating environmental and social commitments into strategic and operational business units. Fourth, engaging the value chain and leveraging information sharing across the key stakeholders. In particular, M&S set up an online Knowledge Exchange for the company's suppliers to learn from each other. Fifth, engaging the employees – their most important pillar for success – in implementation of Plan A across both their personal and career paths, making sure the plan positively influences them at home and at work. From providing them with tools to integrate Plan A into processes and systems to challenging teams into thinking of innovative ways to solve their sustainability challenges. M&S also made it so that an element of directors' bonuses is based on their leadership and achievement of goals related to Plan A. Sixth, issuing detailed annual progress reports to keep track of performance. Seventh, reporting regularly to external sustainability stakeholders. Eighth, moving from company-charity relationships to mutually beneficial partnerships.

Since the launch of Plan A, M&S has made numerous successful moves towards embedding social and environmental practice and awareness into its strategic vision and daily activities and milestones. CSR is the starting point of a company's route to an inclusive sustainable future, and when done right will generate more rewards for the entire community.

Coca-Cola and WWF

Coca-Cola and WWF took the transformation of company-charity relationships into mutually beneficial partnerships to a whole new level when they started working together since 2007 to help conserve the world's freshwater resources. Over the years, Coca-Cola has moved its focus from operational performance in water management to a strategic focus on the overall conditions of water availability for the larger community. This commitment evolved out of an insightful journey that Coke undertook, spurred in part by this unique partnership formed with WWF. This relationship represented an evolution in the way Non-Governmental organizations and large global corporations work together (collaborating as opposed to attacking one another). The partnership came into being as a result of organizational changes on both sides, as well as the emergence of specific crises such as the drought in Kerela, India, and the growing global water crisis. Coming together to work on these issues, Coke and WWF sought to create a comprehensive water management approach that would benefit the future. For Coca-Cola, this is a strategic issue that no only affects its organization and business directly, but also puts it in a favorable position in its nonmarket environment. The Coke-WWF partnership took time and effort for both organizations to find common ground, and by the end of 2005, it had transitioned from a philanthropic relationship to a more collaborative partnership with collaborative work being done in the field that is directly affecting the viability of major watersheds around the world. This global partnership has as a goal to ensure healthy, resilient freshwater basins. The Coca-Cola and WWF case illustrates how partnerships achieve greater scale and impact and that the power of partnerships in generating shared benefits goes beyond both partners and benefits the entire ecosystem.

Maersk Line

Another useful case study for studying how companies form nonmarket strategies is that of Maersk Line, the world's largest container-shipping company. This case illustrates how companies seek nonmarket strategies and sustainability routes when they are in search of a competitive advantage in saturated markets for commodities and while doing so, they often find themselves in need of involving and collaborating with multiple stakeholders. Maersk put down sustainability as their core strategy for differentiation covering four areas: 1) Environmental concern and climate change; 2) Health and safety; 3) Social responsibility; 4) Responsible business practices.

The case evolved out of Maersk's efforts to meet its environmental goals that consisted of the following three commitments. First, becoming the global leader in low-carbon emissions in the shipping industry. Second, leading the shipping industry towards zero sulphur oxide emissions. Third, reducing the company's impact on the marine ecosystem.

With no rules in place, Maersk alongside 17 other operators opted voluntarily to use low-sulfur oil (containing 0.5 percent sulfur or less) to help lower the alarming pollution rate of Hong Kong. Simultaneously, Maersk also decided to embed sustainability in its operations, seeking competitive advantage and leadership in the shipping industry. While they had a good start and motivation, things did not turn out as planned and they realized the importance of involving multiple stakeholders. The main issues were a price-driven industry and a lack of collaboration from both the competition and governments. Shipping lines that were using polluting fuel high in sulfur and cheap in cost were benefiting from cheaper costs with no consequences, while government incentives didn't cover costs and payments were often delayed. In 2013, Maersk

threatened to stop using cleaner fuel (which cost an additional $2 million a year[12]) in the Hong

Kong port from 2014 if the government did not enforce higher quality oil for competing carriers.

The government introduced partial rebates on port fees to ships of carriers that adopted the

lower-sulfur fuel policy. In March 2015, the government announced that it would propose

legislation that demands ships to switch to 0.5% sulfur fuel.

This case demonstrates that nonmarket strategies need both stakeholder management

(multiple stakeholder involvement) and strategic issue management.

The case studies discussed in this thesis provide specific practical lessons. The following chapter

details the findings and insights for the entire thesis.

Findings from Case Studies and Interviews

The insights derived from years of research by academics indicate that there remains a lot

of work to do in order to derive practical and applicable methods and frameworks for companies

to address their nonmarket environment.

Companies typically begin to formulate integrated strategies and including nonmarket

strategies in their priorities when a crisis of some sort arises that demands the company start to

engage within its nonmarket environment.

Starting with the findings from the OCP case study, there are several:

1- Companies set up foundations to run their nonmarket efforts. The OCP foundation does

most of the work on sustainability initiatives and stakeholder engagement. The

company's nonmarket responses are mostly reactive and passive, choosing to wait or

respond indirectly. All departments are aware of the main issues in the nonmarket space

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[12] http://www.bloomberg.com/news/articles/2013-01-06/maersk-wants-hong-kong-to-ban-dirty-fuel-to-fight-smog

of OCP and the phosphate industry, but not much is done. During our project with OCP, we learned about the OCP foundation, the hub of all the organizations' environmental, social and international sustainability initiatives. The foundation has a strong mission driven by values of sharing and openness, and aims to improve the living conditions of Moroccans and internationals. The major themes or strategic goals of the foundation were: social development, agriculture development, preservation of national and cultural heritage, training and research, reflection and strategy. OCP foundation is present in Africa, South America and Asia, all strategic geographical locations where the company is doing/intends to do business. The establishment of the foundation and its main activities are the closest form of building nonmarket strategies, and the company is working towards setting the basis for nonmarket strategies targeting the company's geo-political stakeholders, an important and fundamental aspect.

2- Communication efficiency needs acceleration. Social Media is not yet used professionally within the corporation or in the context of sustainability awareness and the building of relationships with the company's nonmarket space).

3- Issue identification is the key starting point to begin any stakeholder exercise. By identifying OCP's main issues, we were able to start mapping direct and indirect international stakeholders in relation to the issues that involved the company's identity, operations, interests and level of importance.

4- Companies develop tactful and promising projects and strategies, yet these need founding strategies that link them and a strong implementation plan to ensure follow-through. OCP has several sustainability initiatives launched by different departments for purposes

covering social and environmental arenas. Founding strategies that align those initiatives would help the company build upon its past and current efforts and achievements.

5- Communication is imperative between different bodies in an organization and external stakeholders. Communication efforts at OCP are conducted differently between departments and external stakeholders. OCP's main method of communication is indirect and through external agents. The company has not yet established an open forum to communicate with internal and external stakeholders. Social Media is a suggested medium to enable a better flow of information.

The insights obtained from academic case studies were as follows:

1- While nonmarket strategies need both strategic issue management and stakeholder engagement, issue identification is the first step towards mapping stakeholders and aligning the management of both.

2- Companies seek nonmarket strategies and sustainability routes when they are in search of a competitive advantage in a mostly saturated market (for commodities) and while doing so, they find themselves needing to involve multiple stakeholders, as illustrated in the previous chapter through the case of Maersk Line.

3- It is not enough for a company to tackle a particular aspect of its nonmarket environment or a specific area in the sustainability domain and ignore another. It is an effort involving multiple stakeholders. Again, Maersk Line is a good case used to illustrate this point.

4- Companies are obliged to embark on CSR initiatives. With the heightened public awareness of societal and environmental matters, companies no longer have the choice to opt out, as doing so would risk impacting their reputation and potentially the bottom line.

5- Successful partnerships can be formed between rivals, and these can foster solutions that meet the demands of both sides while also creating new opportunities and advantages. Such an unconventional partnership was demonstrated in the case of Coke and WWF.

The knowledge derived from interviewing heads of department at OCP and discussing academic case studies in the classroom were very fruitful. From establishing an understanding of the relationship between communications and sustainability initiatives and the role of social media, to strategy formulation and the role of various departments within a corporation and the integration of those departments, their roles and motives, I leveraged the insights of both internal and external stakeholders to develop this thesis on nonmarket strategies.

Most companies are aware of the need for social and environmental sustainability, seeking to define a purpose alongside profits. Setting up nonmarket strategies is vital for a company's survival today and those strategies involve both strategic issues management and stakeholder management, simultaneously and with equal importance. Multiple-stakeholder involvement is necessary for the success of a company's nonmarket efforts, its relationships with its ecosystem and the initiatives it launches. A continuous mapping of both stakeholders and issues is an ongoing process in constant evolution with the corporation and its communities. As communication constitutes an important pillar in engagement and social media, it is a key form of communication and engagement today. It is thus imperative for a firm to be present within the social media space. Nonmarket players are also present on social media and use it as a powerful tool to reach out to large groups within the company's market and nonmarket environments, all the more increasing the importance of social media engagement. There are similar motives behind why companies embark on nonmarket strategies and sustainability goals.

The answer to many questions about what companies ought to be doing is grounded in the principle of "shared value." Shared value is defined as "policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates" (Porter and Kramer, 2011, p. 64). Within this concept of shared value, both economic and social progress, are addressed simultaneously using value principles. According to Porter and Kramer (2011), there are three ways to create shared value: reconceiving products and markets; redefining value chain productivity; and building supportive industry clusters on the company's premises.

As part of this thesis, numerous cases were discussed that highlighted how companies addressed societal and/or environmental issues and reaped both economic and societal gains. That said, governments are also need to foster shared value and implement regulations that support and encourage companies to pursue shared value and eliminate trade-offs between economic and social goals (as evident in the case of Maersk that highlighted the role of government).

Porter and Kramer (2011) note that there is a clear distinction between Creating Shared Value "CSV" and Corporate Social Responsibility "CSR" as illustrated in Table 2 below.

CSR	CSV
> Value: doing good	> Value: economic and societal benefits relative to cost
> Citizenship, philanthropy, sustainability	> Joint company and community value creation
> Discretionary or in response to external pressure	> Integral to competing
> Separate from profit maximization	> Integral to profit maximization
> Agenda is determined by external reporting and personal preferences	> Agenda is company specific and internally generated
> Impact limited by corporate footprint and CSR budget	> Realigns the entire company budget
e.g., Fair trade purchasing	e.g., Transforming procurement to increase quality and yield

Table 2: How Creating Shared Value differs from Corporate Social Responsibility (Porter and Kramer, 2011)

With respect to the concept of shared value creation, one conclusion would be the companies should transition from CSR to CSV in order to better manage growth alongside social, economic and environmental integrity and preservation.

Darcy Winslow, Managing Partner of the Academy for Systemic Change with over 20 years of experience at Nike where she created the Sustainable Business Strategies division, answers perfectly the question of where companies are headed and what the change process looks like. "There has been a movement since 1991 about a 100% closed loop system, a circular economy. So the question most companies need to answer is how do you incorporate a closed loop business model?" Heineken Mexico, member of the World Economic Forum, is a good example of an early stage closed loop business model that is re-thinking the lifecycle of glass bottles in its supply chain.

With the one-way linear consumption model reaching its maximum, a circular economy is the ideal answer that offers strategic and operational benefits on micro and macro-economic levels, creating innovation and career opportunities alongside economic growth.[13] Darcy Winslow also proposed an organization design framework — the Star Model for Change by Jay Galbraith[14] — that helps organizations evolve and change. It designs policies that fall into five categories: strategy (direction), structure (decision-making location), process (information flow), rewards (motivation influencers) and people (HR and Culture). These five categories need to be aligned for change to happen and that requires time and dedicated effort. Darcy pointed to the most difficult pillar of all: culture, and reminds us that "culture eats strategy for lunch." Looking at developed countries — and countries in the EU in particular — that have shaped their culture

around a more sustainable world, it may be the starting point for corporates and individuals to

embark on.

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[13] Towards the Circular Economy: Accelerating the scale-up across global supply chains. Report of World Economic Forum, by the Ellen MacArthur Foundation and McKinsey & Company. January 2014.
[14] http://www.jaygalbraith.com/images/pdfs/StarModel.pdf

Conclusion

Referring back to the questions posed at the beginning of this thesis, I concluded that;

1- Corporations come to the decision of formulating nonmarket strategies when a crisis or need arises that requires the company to invest in corporate responsibility and manage and engage with issues that are affecting its business. Other companies tend to follow suit mainly in pursuit of CSR for profits or simply in recognition of a market need.

2- Corporations have come a long way in terms of nonmarket and sustainability initiatives, including company-charity relationships, mutually-beneficial partnerships, and explorations of closed economy business models. Almost every corporation starts with corporate responsibility initiatives, which then evolve into a larger vision for a more sustainable future.

3- Corporations can craft their nonmarket strategies in ways that would benefit not only the company but also make the world more sustainable. In the long term, this also guarantees longer livelihood for the corporation and better support from the ecosystem in which it operates.

There is considerable scope for more research with regards to the real benefits behind corporate sustainability and the motivation for corporations and individuals to embark on more sustainable routes. While many industries such as fishing, clothing retailers and mining have received a lot of attention on how they can improve their practices, other industries such as the airline industry and technology manufacturing can also benefit themselves and the planet by establishing better practices for the future.

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Appendices

A. List of Interviewees

Mr. Talal Zouaoui	Head of PA/PR Department
Mr. Hamza Regraga	PA/PR Manager
Mr. Driss Mansour	Program Manager at Global coordination Center
Mrs. Nour Benomar	PA/PR Director
Mr. Driss Lahlou Kitane	Vice President Marketing
Mr. Faiçal Benameur	Head of New Product Development
Mr. Marouane Ameziane	Vice President of Strategy
Mrs. Hassina Moukhariq	Head of International Agriculture Development – OCP Foundation
Mr. Faiçal Lamirini	Strategic Marketing & Business
Mr. Guennouni	HR Director
Mr. Otmane Benani Smires	Executive Vice President – General Counsel
Mr. Iliass El Fali	Executive Vice President – Industrial Operations
Mrs. Bouchra Ameur	Head of Social Responsibility
Mr. Abderrahmane Igourzal	Responsible Support
Prof. John Sterman	Director of MIT System Dynamics Group
Darcy Winslow	Managing Partner of the Academy for Systemic Change
Jason Jay	Senior Lecturer and Director, Sustainability Initiative at MIT.

B. Interview Protocol

1- Background of interviewee.

2- Are companies aware of their nonmarket environments and the need for nonmarket strategies?

3- What is your understanding of nonmarket strategies?

4- How do nonmarket strategies relate to sustainability initiatives?

5- In your experience, what companies have gone down the route of developing actionable nonmarket strategies?

6- What led them to it? How did they reach the decision to pursue it?

The above questions were tailored and framed according to each interview.