Strategic Issue Management in Major European-Based Companies

M. J. H. Oomens and F. A. J. van den Bosch

THE ENVIRONMENT IN WHICH MULTINATIONAL companies operate is becoming increasingly turbulent and complex. Public opinion and individual norms and values have changed, and society's expectations and the demands it makes to companies are now higher than before. Large organisations are being asked to behave in a socially responsible way and to pay considerably more attention to the interests of various internal and external stakeholders. These self-appointed stakeholders can raise strategic issues which have a serious impact on a company's performance and reputation. If these issues are not properly managed, they can escalate and cause negative publicity and financial damage. A well-known example of such an issue is the commotion caused for Shell over the dumping of the Brent Spar oil platform in the North Sea.[1]

From a managerial point of view, a key question is: "How should companies prepare themselves to deal effectively with strategic issues?" As a response to the increased social pressures and the public criticism of their behaviour and actions, many corporations have started organising for 'Issue Management', i.e., developing a systematic process by which the company can identify, evaluate, and respond to strategic issues affecting the company.

The academic literature on Issue Management mainly stems from American contexts and focuses on topics such as the development and necessity of Issue Management, Issue Identification and Interpretation, Issue Life Cycles, Issue Response Development, and Issue Management Process models. Little attention, however, has been paid to how Issue Management should be organised and who should be responsible for strategic issues in large international firms. Some scholars have recognised this. Greening,[2] for example, states that "very little research has been done on *how*

The purpose of this study is to contribute to the development of an integrated managerial framework for identifying, managing and organising responses to strategic issues in multinational enterprises. To this end, we distinguish three key elements of strategic issues, three different forms of organisational involvement, and two ways of allocating managerial responsibilities. The framework is illustrated with the results of empirical research within four European-based multinational enterprises. © 1999 Elsevier Science Ltd. All rights reserved

the process of managing responses to issues is *structured* within firms."

Given the need for a *managerial perspective* in Issue Management, a perspective lacking in both the literature and practice, as well as the importance of dealing with Issue Management in a *European* context, a research study on this subject was carried out in 1997. The research question was: "What key factors in organisational and managerial processes play an essential role in Issue Management within European-based multinational companies?" The research method consisted of reviewing the literature and producing case studies of four European-based multinational companies. The companies operated in different industries and were of different sizes, ranging from 30,000 to more than 200,000 employees. To keep the case studies confidential, we have labelled the companies W, X, Y, and Z.

The four case studies were based on information from public documents (annual reports, speeches, art-

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icles, press releases), internal documents (memos, policy briefs, organisation charts, brochures) and, most importantly, a series of semi-structured interviews. At each company, five to ten interviews were held at different organisational levels (mostly corporate and operating levels), with people having various functions in the organisation, both staff directors and line managers. The interviews lasted one and a half hours on average. After writing the four case studies, a comparative analysis was made. By comparing the empirical research with conclusions from the existing literature we produced an integrated framework describing different approaches to the management of strategic issues and the organisational forms which are used.

In this article, we build on the results of this research study, a review of the literature, and insights gained from the case studies to develop an integrated managerial framework and to explain how it may be used in practice. The framework relates different ways of managing and organising for issues to three key elements of strategic issues. Also, it explains the importance of the management's attitudes to the "stakeholders" in particular, whether they are reactive or proactive since this influences the possibility of strategic choice in responding to issues.

Perspectives On Strategic Issues

The analyst can adopt three perspectives when examining strategic issues: i.e. a Strategy perspective, a Business and Society perspective, and a Public Policy perspective. These perspectives are reflected in the academic literature. Igor Ansoff,[3] one of the first scholars in the strategy field who analysed the importance of strategic issues, defined a strategic issue as: "... a forthcoming development, either inside or outside of the organisation, which is likely to have an important impact on the ability of the enterprise to meet its objective." The strategy literature pays particular attention to the *impact* which strategic issues may have on a company. The Business and Society literature on strategic issues focuses on the potential *gap* between the company's actual performance and the performance which is perceived or expected by the company's stakeholders. This is reflected in the description given by one of the prominent scholars in the field: James Post[4] defines a strategic issue as "... a gap ... between what the organisation's relevant publics expect its performance to be and the organisation's actual performance." The Public Policy perspective traditionally stresses the *controversial* aspect of strategic issues: how to reconcile the conflicting claims of the external stakeholders as the legitimate representatives of society.

Wartick & Mahon[5] tried to integrate these three different perspectives in the literature on strategic

Table 1. Strategic issues: three key elements	
Element	**Perspective**
Gap in expectations	Business & society
Controversy (i.e. conflict of interests)	Public policy
Impact on the firm	Strategic management

Source: Adapted from Wartick & Mahon (1994).

issues. They suggested that a corporate strategic issue has three key elements: Gap, Controversy, and Impact (see Table 1). Extending the approach of Wartick & Mahon, we propose to consider these three attributes in sequence. A strategic issue is based on *Gaps* which arise between the perceptions of management and other stakeholders regarding corporate performance. These Gaps may give rise to *Controversies* which may have a significant present or future *Impact* on the organisation. Looking at these elements in a sequential way suggests that companies can be involved in managing strategic issues from the very beginning (the Gap stage), from the Controversy stage or at the Impact stage.

In our research, we tried to determine the question whether the strategic issue definitions used by the four multinationals implicitly or explicitly reflected these three key elements and to what extent. We gathered descriptions of strategic issues used in the four companies from various internal documents, from visits to different departments (e.g., public relations, external affairs, strategy) and from interviews with personnel responsible for managing strategic issues. In company X a strategic issue was described as follows: "We consider topics that can exert an important influence on our Group as strategic issues." This description focuses on the *Impact*. In company Z management explained that: "conflicts with external stakeholders are the source of strategic issues." This description explicitly refers to the *Controversy* element and implies also a *Gap* in expectations.

Our analysis of the descriptions used by both of these companies revealed that they usually refer to the Impact. However, there was a striking difference between the two companies in the frequency with which the Gap was mentioned. Practically all the descriptions of strategic issues from company Z mentioned the Gap. In contrast, company X's descriptions of strategic issues mentioned in particular the Impact. This may indicate that company Z has more possibilities for proactive strategies than company X.

Organising For Strategic Issues

As interest in Issue Management has grown, a considerable number of articles (mostly by American

authors) have appeared in the 1980s and 90s concerning the history, development, and necessity of Issue Management, Issue Identification and Interpretation,[6] Issue Life Cycles,[7] Issue Response Development,[8] and models describing the Issue Management process in several steps.[9–11]

However, research into the question of how to organise for Strategic Issue Management and what basic organisational forms can be distinguished is scarce, and the few earlier contributions that do exist[12] lack an integrated managerial framework. Given the primarily external focus of both the Business and Society, and the Public Policy perspective, it is clear that the corresponding literature and research findings do not offer many clues. As Table 1 suggests, the literature presented from the Strategy Perspective should, however, give more clues to this question. In this respect, one of the most substantial contributions based on both theoretical and empirical work is Lenz & Engledow's[13] analysis of the organisational structure of environmental analysis units in leading U.S. corporations. Although this analysis does not primarily deal with Strategic Issue Management, their findings imply that companies can be organised to cope with strategic issues in a 'strategic planning-integrated' way or in a more 'function-oriented' way. In the latter case, the focus of environmental analysis is functional area-specific. Elaborating on their analysis and using a Strategy Perspective, we suggest that there are three ways of organising for strategic issues: Corporate Level, Functional Level, and Process-Oriented; see Fig. 1.

The three forms in Fig. 1 differ regarding a number of characteristics. For example, the analysis in the first form is at the corporate level, while in the process-oriented organisation, the business level and the local operating companies play a key role. The location and the focus of the analysis influence the decision-making on strategic issues. If the analysis is made at the corporate level and the focus is on corporate issues, decision-making tends to be centralised. If the location and the focus of the analysis are at the business and operating company levels, this produces a more decentralised decision-making process. So, the three organisational approaches imply a low, medium, and high organisation-wide involvement.

These three analytical forms were useful in researching the question of "How are European-based multinationals organised for Strategic Issue Management?" Of the four companies investigated, Company Z uses the Process-Oriented approach and Company X primarily uses a Corporate-level approach. Of the other two companies, one resembles the Functional-level form and the other uses a mixture of the Corporate-level and Process-Oriented approaches. However, all four companies were involved in reorganising their organisational structure in directions that would facilitate the Process-Oriented approach to Strategic Issue Management. We will focus upon the two extremes regarding the extent of organisation-wide involvement: companies X and Z.

Allocating Managerial Responsibilities

Scholars have devoted a great deal of time and effort to drawing up models presenting the Issue Management process as a sequence of steps to be executed.[14–16] In general, the following steps can be found in these models: Scanning or Monitoring the Environment, Issue Identification, Prioritisation, Analysis, Strategic Decisions & Action Programs, Implementation, and Evaluation. Although these models make clear the core tasks to be executed in the management of issues, they do not answer the key questions of *who* is responsible for Issue Management. Several questions can be raised including: How should management coordinate and communicate efficiently, especially in a large international organisation? Who is responsible for identifying these strategic issues in good time and managing the actions of the company effectively?

Issue Allocation
We believe that another step should be considered in the Issue Management process: i.e. *Issue Allocation*. As soon as important strategic issues have been identified, they should be 'allocated' to a particular person, in staff or in line management, who will be responsible for monitoring and managing it. During our case study research, we discovered a new concept, until now not mentioned in the literature, but being practised by all four multinational companies in the field study: '*Issue Ownership*'. However, the companies used this concept for different people with different functions. Two companies (one of them company Z) allocated strategic issues after their identification directly to line managers, since they had the power to decide what should happen and could act right away if necessary. Of course, these line managers could delegate certain tasks to others, and rely on staff members to coordinate the information flows and give expert advice and support. We considered the line managers as the 'real' issue owners, as they had the associated 'duties and rights' to decide and to act which owners normally have.

The other two companies (one of them being company X) had a different way of allocating managerial responsibilities. After the issues were identified, they were assigned to corporate staff directors, who were responsible for disseminating information about the issue. They were also responsible for monitoring the issue, keeping up to date on its status, filing documents, staying well informed on further devel-

Characteristics:	Corporate Level	Functional Level	Process–Oriented
Location of analysis	Corporate staff	Functional departments	Business Unit & Operating Companies
Focus of analysis	Corporate issues	Functional area issues	Corporate, Business & Local issues
Decision–making	Centralised	Largely Centralised	Decentralised
Extent of organisation–wide involvement	Low	Medium	High

FIGURE 1. Organising for strategic issue management. (Source: Partly based on Lenz & Engledow (1986).)

opments, and writing corporate statements and position papers. When the company began to *experience* a significant impact, line management in that part of the company became involved, and they were responsible for managing the actual issue and for taking action. At this point, the line management often contacted staff members for advice and support.

To distinguish their role from that of the 'Issue Owner', we suggest that the corporate staff directors might be called '*Issue Guardians*'. These staff members 'guard' or monitor the issue and collect information about it until line management takes over. Therefore, we can distinguish two possible situations: (1) Issue allocation to line managers, referred to as Issue Owners; (2) Issue allocation to managers in staff departments, which we might call Issue Guardians.

There is a general consensus in the literature that senior line managers should be made responsible for important strategic issues and that staff members should play a supporting, advising and coordinating role.[17–20] So, writers recommend the appointment of Issue Owners, not recognising the second option of

Issue Guardians that exists in practice. There is also consensus that Issue Management should be part of the strategic decision-making processes, i.e. formal planning and appraisal sessions, and that top management commitment to Issue Management is crucial.[2,3,13,21,22]

These findings are largely corroborated in practice, in spite of the variations found in the multinational companies included in the field study. In all four companies line managers are *eventually* made responsible for the management of strategic issues, whether they use the Issue Owner or Issue Guardian approach. However, there are major differences in the *degree* of managerial involvement. The differences occur in the timing of line management involvement: early in time, in the *Gap-stage*, or later when the issue begins to have a serious *Impact* on the company. In Fig. 2, these situations are described, indicating the tasks of staff members (support or sole responsibility).

Figure 2 shows two extreme levels of managerial involvement: (1) High, where line managers are involved from the beginning, while staff members (at

Level of Managerial Involvement

Issue Owner

High

① ——————————————————— line
    - staff

Issue Guardian

Low

② ——————————————— line
    - - - - - - - staff

Time

1. Gap   2. Controversy   3. Impact

Stages of Development

——————— = line management responsibility

- - - - - - = staff support
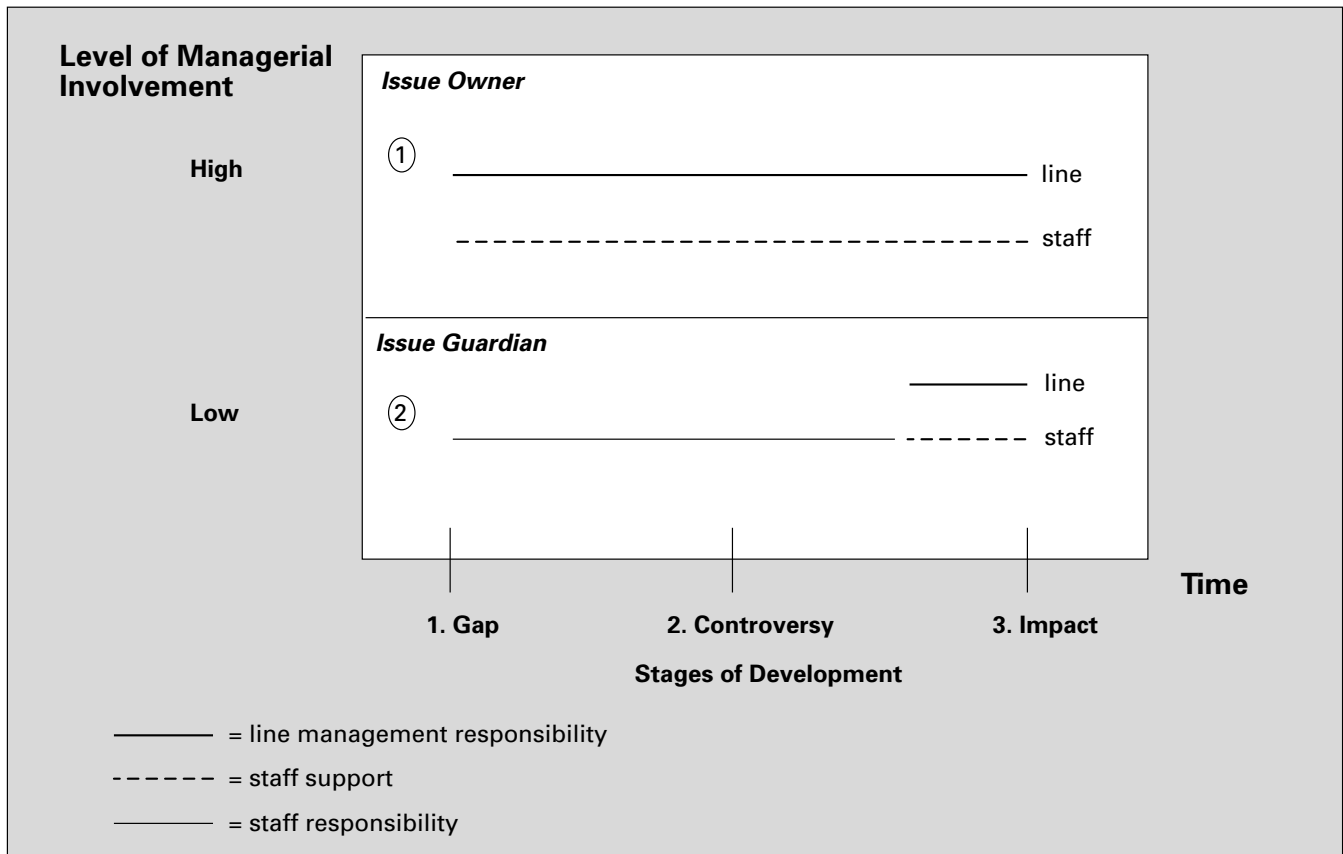
——————— = staff responsibility

FIGURE 2. Allocating responsibilities for strategic issues.

any level) support and coordinate the process, and (2) Low, where mostly (corporate) staff members are involved, reporting to top management.

Most authors in the literature advocate a high level of managerial involvement, staff support and the use of line managers as Issue Owners. However, the second option, with staff members as Issue Guardians with ad hoc and informal contact between staff and line management (later in time) could also be effective, depending on the organisational form that is chosen. The low managerial involvement option could fit in with an equally low level of organisational involvement, in the sense that only the (centralised) corporate level is active in the area of Issue Management. Corporate staff members can think ahead, monitoring developments, identifying potential issues and keeping information up-to-date. In this way, staff members can prepare themselves in advance and have corporate statements ready to use when *managerial reaction* is needed in the Impact stage of a strategic issue in a business division or an operational company. These companies can afford to wait to react until an issue is in the late Controversy or Impact-stages, either because the corporate level has the

authority to decide what to do in specific cases, or because line managers can immediately contact the corporate level when there is a problem, and they will have instant access to advice and up-to-date information.

However, to be successful this second option requires timely, fast and effective communication and coordination between the corporate level and other parts of the company. Also, the corporate staff must have sufficient authority to react or be able to provide advice and support rapidly, otherwise the issue may escalate, as it is already in an advanced stage. Decentralised organisations may therefore have problems managing issues along these lines.

Towards An Integrated Managerial Framework

An integrated managerial framework for Strategic Issue Management has to cover at least three important aspects: (1) the key elements of strategic issues and their sequential nature, necessitating a dynamic

Organisational Involvement

High:
Process–Orientated approach

Low:
Corporate–level approach

Company Z:
involved from
Gap–stage

involved from
Controversy–stage

Company X:
managerial reaction
on Impact–stage

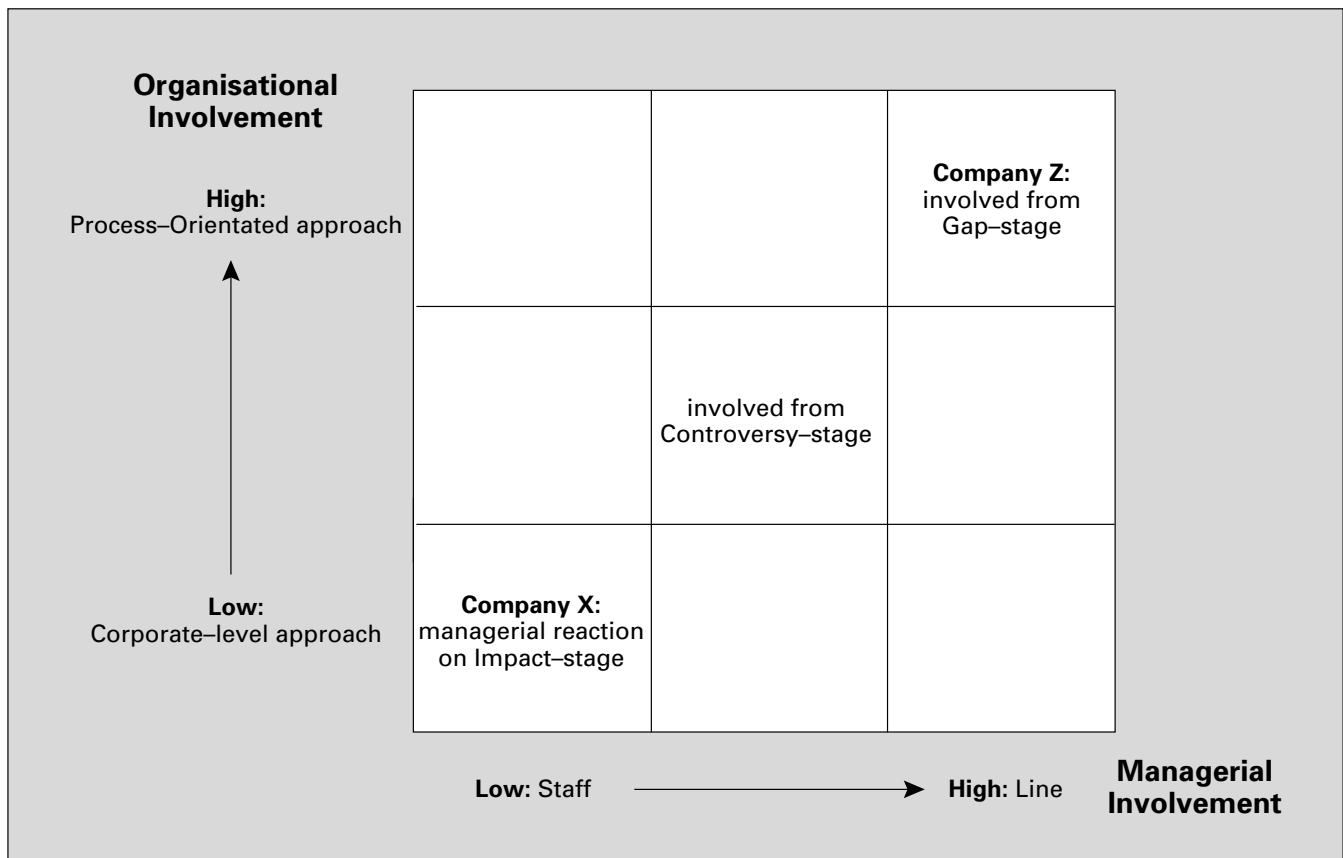**Low:** Staff ⟶ **High:** Line

Managerial Involvement

FIGURE 3. An integrated managerial framework.

framework, (2) the organisational aspects, and (3) the managerial aspects, in particular the allocation of managerial responsibilities. The previous three sections suggest the framework shown in Fig. 3. This framework measures the extent of managerial involvement along the horizontal axis and the extent of organisation-wide involvement along the vertical axis. The three stages of strategic issues can be positioned along the diagonal: the Impact-stage is in the lower left-hand box and the Gap-stage in the upper right-hand box.

To illustrate the framework, we put two of our case study companies into the framework: companies X and Z. Company X uses a Corporate-level approach with a low level of managerial involvement and mainly reacts to strategic issues when the issues have reached the Impact-stage. In contrast, company Z uses a Process-Oriented approach with a high level of managerial involvement enabling the company to choose to become involved from the Gap-stage. This is not the case with company X: this company is confronted with strategic issues at the Impact-stage and has no choice but to implement reactive strategies. Company Z, however, can make strategic choices

regarding the stage at which the company becomes involved in managing strategic issues. In the next section, we will illustrate the framework by discussing different strategies for dealing with strategic issues.

Proactive vs Reactive Attitudes

The position of a company in the matrix of the framework corresponds with a specific way of identifying, managing, and organising for strategic issues, and it also indicates the use of proactive or reactive strategies in its response to issues. Company X, for example, has a predominantly reactive attitude towards external stakeholders. The level of organisational and managerial involvement in strategic issues is low. Only corporate staff members are working on Issue Management. Although these staff members can anticipate and identify issues at an early stage, most issues still will only be acted on when the issue has an actual impact on a business unit or an operational company. The line managers will then become Issue Owners for the issue in the Impact-stage and they will

have to act fast to implement a (reactive) strategy. The Issue Guardian in the staff department will help by passing on information and other material.

Strategic Choice

While company X waits to *react* until an issue is in the late Controversy or Impact-stage before a strategy is implemented, company Z has a *strategic choice* between a proactive or reactive strategy because of its early managerial involvement in issues. In company Z (senior) line managers at corporate, business and operating unit levels are involved in Issue Management. Even more: they are assigned as *Issue Owners* of important strategic issues. So they have the *responsibility* for dealing with them in the best possible way. Because the line managers are involved from the Gap-stage of an issue, they can make a choice between being proactive now (e.g., anticipating and acting before something has happened, taking the initiative by changing policies, releasing information, or cooperating with stakeholders) or doing nothing and waiting, and implementing a reactive strategy if something happens, defending and adjusting if necessary. Considering all the complex and interacting factors, the line management can decide what to do, depending on the nature of the issue, its estimated impact and probability of occurrence, whether the issue touches on core activities or entails competitive advantages, top management's preferences and attitudes, the company's culture and dominant logic, etc. In company X on the other hand, where line managers become involved with strategic issues

only as they occur, they do not have this choice (see Fig. 4).

Obviously, companies X and Z are at the extreme ends of the spectrum and combinations or intermediate forms are possible. Sometimes staff members at corporate levels do act proactively on important strategic issues, formulating policy guidelines that, after approval by the Board of Directors, must be implemented by the line managers in their business units as company policy.

Company Z is supposedly more proactive towards its environment. The line managers are involved in Issue Management at all stages, and they have to be sensitive to signals, developments, and trends in the company's environment. They must pay more attention to the outside world and adopt a more open attitude towards various stakeholders in society, listening to their ideas, expectations and demands, and taking this information into account in their decision-making, so the company's ability to respond will be enhanced. Their actions may help their company to reduce or even avoid negative publicity and financial damage.

Management teams with these proactive attitudes might be quick to recognise that issues may represent *opportunities* and they may adopt proactive strategies, working interactively with stakeholder groups. In 'interactive strategies', stakeholders are sometimes involved in the decision-making process, looking for mutually acceptable solutions and compromises between the interests of different groups. Harrison & St. John[23] use the term 'stakeholder partnering'. Issue
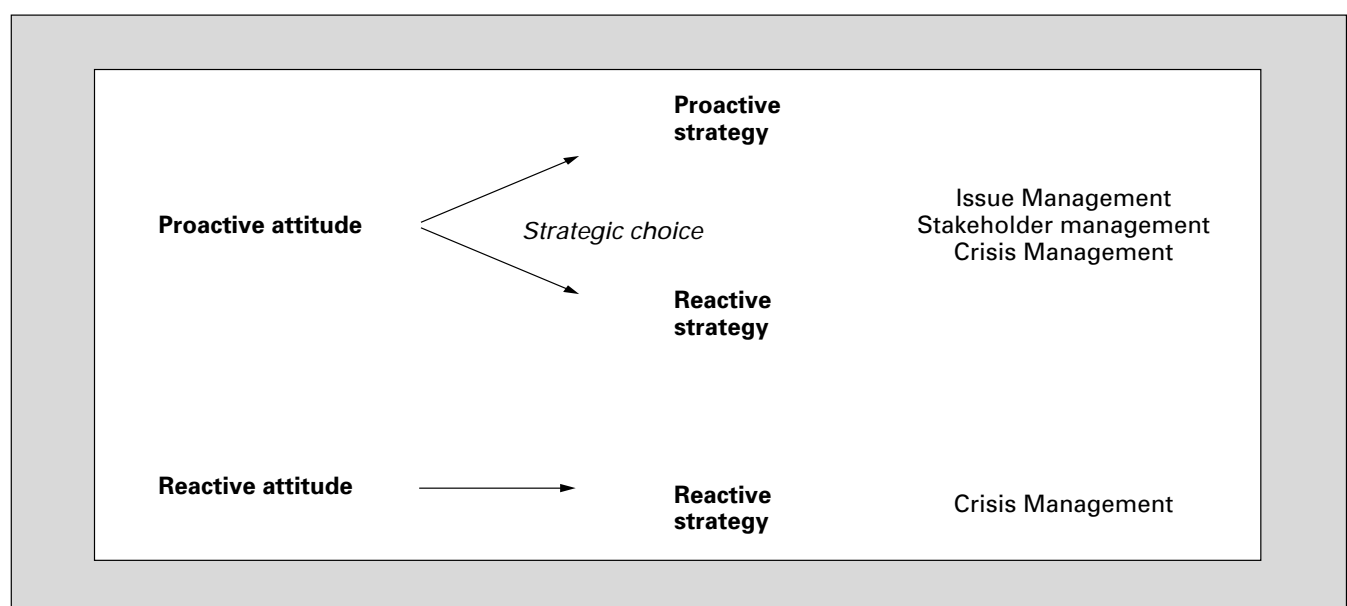

FIGURE 4. Management attitudes and strategic options.

Management and Stakeholder Management are related concepts, because for every issue, a stakeholder analysis is required to determine who the most important stakeholders are for a particular issue, and to estimate their influence.

Obviously, the implementation of effective Issue Management cannot guarantee that a company will never experience a crisis situation. So it is important for companies to develop crisis awareness and Crisis Management capabilities, too. However, sound Issue Management should reduce the number of occasions when Crisis Management is needed.

Conclusion

Managers of companies which face important strategic issues need to manage and organise an appropriate response. This article used two ways to expand the knowledge about how to accomplish that. First, based on case study research in large European-based multinational firms, we proposed a conceptual managerial framework which advocates different forms of organisational involvement and different ways of allocating managerial responsibilities. Second, illustrating the framework with case study evidence, we explained how different ways of organising and managing strategic issues can limit or facilitate management's strategic choices and produce a proactive or reactive strategy. As multinational companies need to become more responsive to strategic issues, we suggest companies should move from a reactive to a proactive mode in which the companies' line managers are involved at an early stage, creating a strategic choice for action.

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