

Optimizing Involvement in the Development of Sustainability Related Public Policy

Balancing Integrity and Innovation



Public Policy is increasingly influencing the corporate sustainability agenda, as is the need for companies to engage in its development. This is by no means a simple task. In this Viewpoint we identify key steps in the policy development process and highlight how companies can optimize their involvement.

As companies embed sustainability into their corporate strategies, engagement with the development of public policy becomes a necessity. Opportunities for value creation become more prevalent and the need for a robust response to mitigate risk becomes more acute. Events such as the 2009 climate change talks in Copenhagen and the World Water Forum are good examples of where corporate engagement with public policy development is becoming essential – and an opportunity to inform public policy. Involvement in the development of public policy is by no means a simple task but can give rise to competitive advantage if a structured and strategic approach is taken.

At Arthur D. Little we see involvement in the development of public policy as a balancing act: Pushing too hard may result in the perception that the company is attempting to capture the policy development process. This will accrue reputational risk. On the other hand, insufficient involvement may mean companies miss out on potential market opportunities, and indeed fail to meet external expectations.

As companies become more sophisticated in their understanding of the materiality of sustainability issues to their businesses they will need to consider how best to become involved in the development of public policy. This involvement, if done well, can create new opportunities, while protecting company integrity.

Such involvement starts with a structured understanding of the policy development process, recognition of the levers available and an appropriate appreciation of the wider context in which the policy development sits.

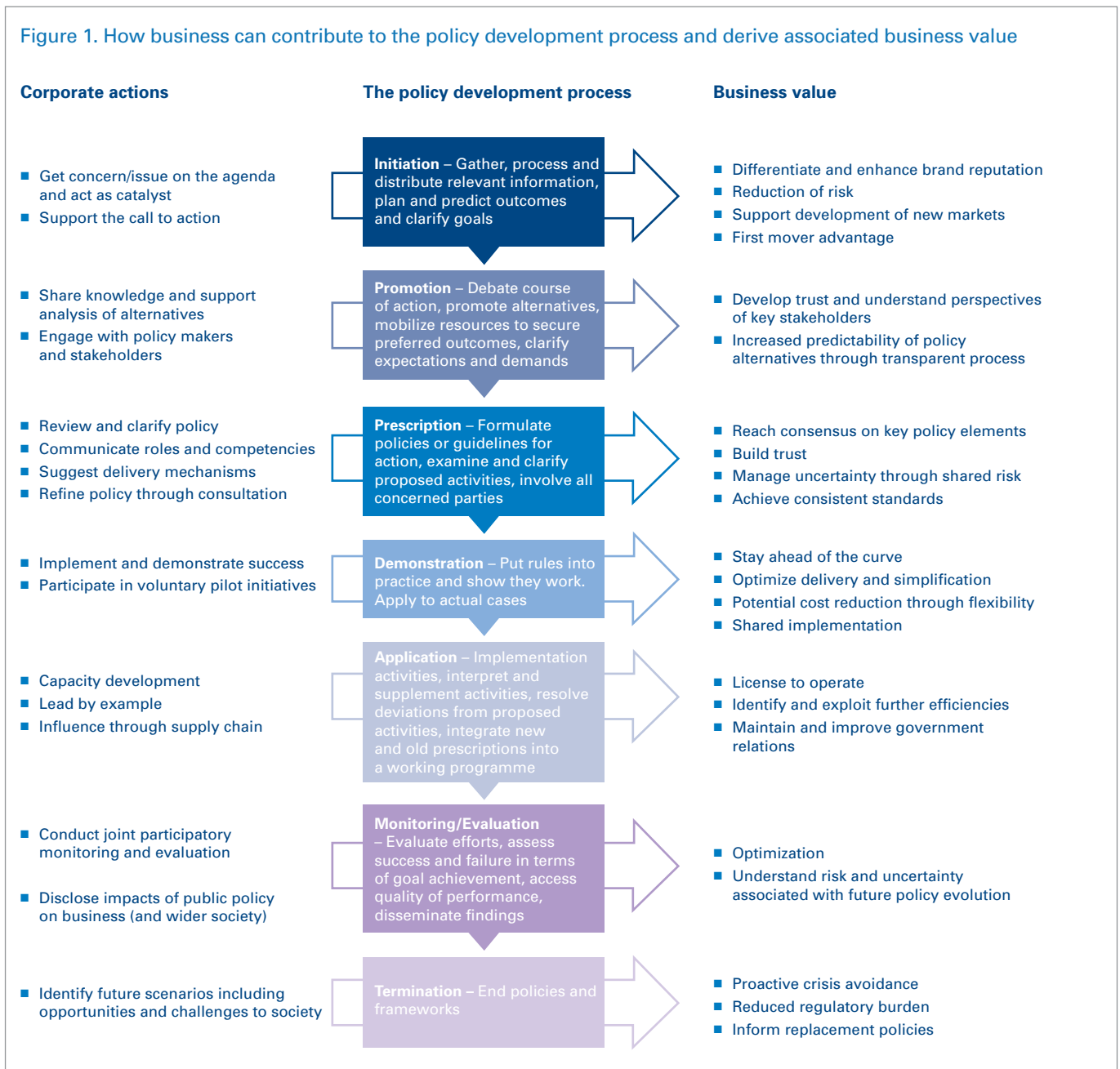
Understanding the Policy Development Process

Policy development typically involves a number of activities including: initiation, promotion, prescription, demonstration, application, monitoring, evaluation and termination (as described in Figure 1 overleaf).

How can (and should) businesses participate in each of these decision-making activities? A number of actions are available to a company depending on the development step. An effective strategy builds on a robust understanding of how these actions can create or destroy value. Figure 1 illustrates the actions that companies can contribute to the variety of policy development steps and associated business value.

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Figure 1. How business can contribute to the policy development process and derive associated business value



Putting Policy Development in Context

An understanding of the value generated from engagement in public policy development can be achieved by analyzing the past, being aware of current activities and thinking about the future. Specifically a business needs to:

- Understand the historic context behind a specific policy development. Critically, this should involve understanding how the company, its peers and other players have shaped the debate in the past
- Consider how policy is being shaped today. This involves understanding who is involved in the debate, their expectations and perspectives, what resources they have at their disposal and what strategies and tactics they might use.

Players can affect policy in different directions based on their interests (which can also reflect a broader common interest). Even between companies, the regulated are likely to be directing the process on a different path to the solution providers. A key part for this is understanding the businesses' own expectations and competencies

- Understand how the policy development is likely to progress in the future and the changing role and influence of key players such as government, companies and other interest groups

These three areas of analysis are critical for a company to understand in order to contribute and assess the most beneficial way of engagement.

Key Success Factors

Companies typically engage in public policy development to reduce corporate risk and generate business opportunities. The key challenge therefore is maintaining integrity while deploying an innovative approach which maximizes business value. Figure 2 below shows the key success factors underpinning optimized engagement.

Figure 2. Key Success Factors protect integrity and maximize innovation

	Integrity	Innovation
Early involvement	Build trust, prevent misunderstanding and avoid being seen as self serving	Contribute early to develop options within your company and prepare for appropriate organizational response
Long term involvement	Understand the true extent of the commitment and avoid partial engagement	Sustainability related policy takes a long time and comprehensive involvement allows you to maximise innovation potential
Transparency	Be open regarding engagement and intent and avoid extreme leverage	Transparency encourages openness within other stakeholders and proactive identification of opportunities and barriers
Inclusiveness	Avoid self interested advocacy and be known for a balanced position	Build new partnerships allowing development of new ways of working
Focus	Stay true to your stakeholders. Fulfill your obligation not to waste public sector time. Highlight your own competencies	Ensure interactions remain relevant to the business and true to core competencies. Focus engagement on the stakeholders who have influence and get things done
Resource allocation	Ensure cost-effective use of corporate resources	Provide business support to the policy process rather than becoming intertwined in it
Past experience	Learn from past experience to ensure the engagement is optimized (i.e. don't make the same mistakes)	Use other experiences to maximize effectiveness of innovation generation

Case Study 1

Clothing retailer Levi Strauss & Co. (LS&Co.) works closely with governments through public policy engagement to support the “application”, “monitoring” and “evaluation” stages of the development process. When human rights violations arose in an African supplier, LS&Co. withdrew production pending improvements in the country’s implementation and enforcement of labor law. LS&Co. provided expertise, advice and knowledge to the local government, focusing on reforms that would address discriminatory labor practices. LS&Co. simultaneously met with the U.S. Government to inform them of the discriminatory practices and encourage them to pressurize the local government for resolution. As a result of the efforts the local government created a cabinet-level committee, to examine labor conditions and ultimately strengthened its local labor laws. LS&Co. was able to deliver value to the business through improved supply chain continuity and reduced risk at the same time affecting positive change in labor and human rights in the local community.

Source: Levi Strauss & Co

Case Study 2

Kimberly-Clark, the global health and hygiene company, has shown how best practice management can contribute to the “demonstration” and “promotion” (see figure 1) stage of the public policy development process. In Israel, against a backdrop of water shortages and increasing regulation, Holga-Kimberly (a strategic partnership between Kimberly-Clark and American Israeli Paper Mills) has demonstrated that drastic improvement in water efficiency is possible. Their water consumption in Israel has decreased by 20% from 2007 to 2008, thanks to investment in waste water treatment, raising employee awareness and Kimberly-Clark’s global drive to reduce water use through their “Vision 2010” objectives programme – demonstrating new sustainable water management capabilities in the country. Kimberly-Clark are able to share this experience to demonstrate what is possible. In particular they are able to stimulate a debate on more sustainable natural resource policy options across the Middle East and Africa. Not only does this stimulate the sharing of best practice, it also positions the company as a preferred partner in the future.

Source: Kimberley-Clark

Next Steps

How can you add value to your business through policy related innovation at the same time as protecting integrity? Next steps include:

1. **Prioritize policy areas** – which policy development processes should you engage with? Which topics are most relevant to your business? At what scale should you engage? (e.g. local, regional, national, international)
2. **Map stakeholder landscape** – do you know which areas are of common interest to you and your stakeholders, and which are only of interest to your company?
3. **Map decision process and identify options** – what actions can your business undertake to facilitate the development process? Who should you partner with? When and where in the decision process should you act?
4. **Implement and Review** – how should you implement policy engagement? Do you know what resources are likely to be required and how these are best deployed? How are you best organized? (e.g. interface of subject experts and external affairs) How can you monitor and review the effectiveness of your engagement?

Arthur D. Little have experience supporting companies across all of these steps. If you would like to discuss optimizing your engagement with the development of sustainability related public policy in relation to your own business strategy, why not contact your local Arthur D. Little office.

Contacts

David Lyon
Principal, UK
lyon.david@adlittle.com



Martijn Eikelenboom
Managing Director, Netherlands
eikelenboom.martijn@adlittle.com



Davide Vassallo
Director, Italy
vassallo.davide@adlittle.com



Kurt Baes
Principal, China
baes.kurt@adlittle.com



Robin Hunter
Principal, Americas
hunter.robin@adlittle.com



The authors of this Viewpoint are Richard Skidmore, David Lyon, Chris Smith and Melissa Barrett.

Arthur D. Little

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