Module 8. ASSESSING ENVIRONMENTAL ACTORS AND POWER RELATIONSHIPS

Module 8. Outline

A. Who is in the constellation of actors around a particular signal or issue?

B. Mapping the interrelationship between and among the firm and the major environmental actors.

C. Identifying the predisposition, power, and inclination to act of these actors

D. The Sources and Uses of Power

E. Using Power: How Much is Enough?

F. Efficiency in the Use of Power

Module 8. Text

Who is in the constellation of actors around a particular signal or issue?

A principal underlying the concept of CSR is that the firm's definition of its responsibility regarding a particular issue will be defined by the values and interests of the firm, subject to the power of external actors to force the firm to move its definition of the firm's responsibility on the issue in a certain direction. Thus the environmental information system plays an intermediate role in this process.

Once information from an environmental monitoring system is inside the organization, the individual manager's "brain" or the "brain" of the business organization, that information is then processed with an eye toward: (1) identifying the constellation of actors around a particular signal or issue, (2) mapping the interrelationship between and among the firm and the major environmental actors, (3) identifying the predisposition, power, and inclination to act of these actors, and (4) constructing scenarios as to how the interaction of the principal actors around one or more issues in the environment could come to present a threat or opportunity to the firm.

When a particular signal in the environment is determined to have significance for the firm, it is ordinarily possible to identify the constellation of actors who are involved with the attendant issue or product. In the jargon of the Washington D.C. political culture, the commonly heard question is, "Who's playing?" meaning which "stakeholders" and governmental bodies have a stake in the outcome on a particular issue or policy decision. This module addresses the subject of analyzing the power of environmental actors.

Mapping the interrelationship between and among the firm and the major environmental actors.

Having identified the constellation of significant actors around a particular issue, it is possible to map the relationship among them. Understanding power relationships among environmental actors is critical to understanding how issues will play themselves out in the business environment, and thus to effective strategy formulation and implementation in the social and political arena.

Analyzing Power Relations

Power is a relationship between actors--individuals or organizations. We measure **power** as **the "ability of one actor to get another actor to do what the second actor would not otherwise do."** Power is also relative. We ordinarily want to know not just the power of one actor over another, but the comparative power of two actors over a third actor. We also want to know the range over which this power operates--does it cover all issues, or just a single category of issues, or even a single issue? For example, it is not helpful, or meaningful, to declare that Volkswagen is a powerful company; we need to know over whom, relative to what other actors, and with respect to what issue, action or decision. Volkswagen may be able to influence decision-making within the German governmental regulatory commission responsible for auto safety regarding air-bag requirements, but may have little power over the Czech agency regarding standards for information in advertising. Similarly, a particular NGO may be very influential over a parliament on <u>formulation</u> of consumer legislation, but weak relative to business interests when it comes to the <u>implementation</u> of that legislation in a government agency.

Identifying the predisposition, power, and inclination to act of these actors

Once we have established the power relationships among the constellation of actors around an issue, the next step is to determine the predisposition of the actors who are thought to be most significant, what one politician once described as "who is with us, and who is against us." The choice to use power is ordinarily associated with an effort to influence those key decision makers who can be influenced. If an important decision maker is already on your side, it makes little sense to try to pressure that actor to support your position beyond informing the decision maker of the issue and concerns it raises for your firm. One wants to support, but not pressure, one's friends. An overextension of power at best involves wasting resources. At worst, it could be counterproductive, generating a backlash reaction from the decision maker.

At the other extreme, there is usually little justification for exerting one's power resources on decision makers or other actors who for ideological or pragmatic reasons are strongly opposed to you or your position. The probability that even a major effort on your part will generate a favorable response from them is too small to justify such an effort. However, you may sometimes have no choice in the matter, e.g., when you are dealing with a powerful regulatory agency who hold life or death approval over a project or phase of operations.

In choosing whether or not to exercise power over decision makers, it is important not to act precipitously. Time spent examining the roots of opposition to your position can lead to a more effective approach. Opposition can be founded on inadequate data or false assumptions about your operations.

In the end, one concludes that if the choice is available to you, the major argument for using one's power resources is in the direction of those decision makers whose predisposition is neither adamantly for not against your position. One well-known lobbyist likens this to the battlefield triage system, where aid is given only to those for whom it is critical to their survival, no aid is given to those who will die regardless and to those who will live regardless. In political terms, he refers to the three categories as the "saints," "sinners," and "save-ables." Power is exerted only on those "save-ables" (sometimes called the "swing voters") whose positions can be changed, just as battlefield first aid is given only to those whose survival is contingent upon it.

The Sources of Power

Having established the predisposition of the relevant actors on an issue, we must then distinguish between the potential power of one actor over another, and the efficiency with which that power will be executed. There are multiple sources for the potential power one actor has over another actor. They include:

1. Social Status
2. Expertise
3.Information
4. Formal organization or legal authority
5. Capacity for Coercion
6. Contracted power
7. Wealth

Social Status

Social status can contribute to one's power in a number of ways. For example, the relationship between two actors may be one in which there are established social connections. These social connections may be as close as family relations, but could also be common membership in a club, ethnic or religious group, or a common past, such as a

shared home town, state, country or alma mater. any of these factors can contribute to the power of one actor over another.

Expertise

"Knowledge is power" is an aphorism of twentieth century origin, and one that becomes increasingly more appropriate in a knowledge-based society. Those who have particular expertise relative to a decision--scientists, engineers, economists, or any other scientific professionals--carry with them the acknowledged power of their profession. This power is not only knowledge-based, but is also a function of the ethical standards of the profession, which call for non-partisan and unbiased judgments on the part of the expert or "New Class" elites, as they are sometimes called.

Information

Closely associated with the power derived from professional technical expertise is power associated with information. Some of the most powerful individuals in history have been behind the scenes, controlling the flow of information to decision makers. Those who hold positions can manipulate the flow of information to their own advantage. Numerous cases in this course involve corporate control of information.

Formal Organizational or Legal Authority

One of the most powerful sources of authority is one's position in a formal hierarchy. That hierarchy may be within a particular organization--from the president or executive director on down to the lowest level of the organization, or may be part of the political system, in which authority is vested in the various branches of government, with the State or national government generally ranking higher than provincial and local governments. But a great deal of power within the governmental system, as in the private sector, is delegated to

lower levels. Thus power in a given situation often may lie well below the top of the organizational hierarchy.

Capacity for Coercion

By virtue of their authority, some actors have the power to force actors into decisions an actions which they would not want to take, using various threats, such as shutdowns or economic penalties. Often, they can do so even if the exercise of power is not legally authorized. For example, a governmental official who demands under-the-table payments for the issuance of a license or shipping permit has considerable power.

Some sources of power inherently are not legitimate, but rather derive from the raw physical power which one actor might have over another. For example, terrorists hold considerable power over airports, in that they compel them to undertake expensive safety measures to minimize the risk of a terrorist act. In some foreign countries or even domestically, this same threat hangs over particularly vulnerable facilities, such as nuclear power plants, refineries and chemical plants.

Contracted Power

When we sign contracts, we gain power to compel action by another party at the same time as we negotiate away some of our freedom of action. Our contractual commitments carry with them the power of legal authorities who can compel our adherence to the terms of a contract. This legal authority and the sanctions it carries is a source of considerable power.

Wealth

In a capitalist society, wealth often means power. But it is not the wealth per se, but what that wealth can purchase from the foregoing list of power sources. In fact, in our

society, all of these sources of power can be acquired in considerable measure if one is willing to pay for them, from social status to expertise to coercion. Even formal authority can be purchased, by buying control of a company, or by expending personal funds in running for political office, as many wealthy Americans have done.

The Use of Power: How Much is Enough?

Whatever the source of an actor's power, it is uncommon for that actor to employ in a single situation the full potential power which it has over another actor. The choice to use less than one's full power is based on three considerations:

1. Power is not necessarily renewable--one may have only a single favor owed, or it may take a long time and scarce resources to recreate the power relationship, e.g., to build a consensus for a vote on a particular piece of legislation.

2. An actor may not wish to expose the full amount of power one has, preferring to keep it in reserve for a time when it might be more needed or effective.

3. An actor may not wish to expose <u>little</u> power one has, preferring to have opponents believe it has more power than it actually does..

4. An Actor may fear a backlash against excess use of power. Such a backlash might energize opposition forces that otherwise would not have appeared to fight the issue.

5. An actor may want to get its allies to use their power in a situation and keep what power it has in reserve.

Efficiency in the Use of Power

Actors do not always use their power efficiently. An ability to use power efficiently is a function of two factors. First<u>, how experienced is the actor in using the power at its disposal</u>? Many business firms who have never had to use their power in a political arena

often are very inefficient in their first attempts to do so. They don't know how to approach the staff of a Senator or Representative, talk to the media or handle emotional charges being made by critics of corporate policies or actions.

The second factor in determining efficiency in the exercise of power is **familiarity with the target**--the decision maker whose position the first actor is trying to influence. For example, the formation of a new government agency often presents problems to a business firm trying to influence its policies and actions. A large corporation with a long history would be experienced in dealing with the Congress and executive agencies in government, knowing the personnel in each and its mode of operation. A totally new agency ordinarily means new personnel, an organizational culture, method of operation and agenda that is not yet firmly established, and a mandate that is not clearly defined. As such, a business firm's attempt to influence the agency can often be highly inefficient in the early stages of the agency's life.

Having established the constellation of power relations around a particular issue, the firm must then decide how and where it will exercise its power. Goals must sometimes be achieved by working indirectly on a decision maker. Suppose **Actor A** wants to influence **Actor E**. Although **A** would ordinarily prefer to exercise power directly rather than through another organization, sometimes it is too weak in its relationship with **E** to do so. **A** must find another route by which to influence **E,** e.g., through **Actors C** and/or **D.** **A** would choose to exercise power through D, since there are weak links in trying to influence E indirectly through C and D.

The previous example compares to a typical situation of a firm **(A)** trying to influence how a governmental agency **(E)** will interpret a recently passed act of a legislative

body. Firm **A** may have little or no direct power over agency **E**. It does have substantial influence with Legislator **B**, a member of the legislative committee where the act originated, because the firm is a large employer in the legislator's home district. But **B** is only newly elected, and thus a weak junior member of the committee. It is well known that another Representative (**C**) is very powerful over Agency **E**, because **C** is head of the committee, but **A** has no particular power over **C**. However, **A** does have considerable influence with **D** by virtue of having been a long-time supporter of **D**, and **D** is Secretary to the Executive Department which contains Agency **E**. As a result, **A** is able to exercise power over **E** through **B**, thereby achieving an outcome denied to **A** by the other power relations.

For a good example of a complete power diagram with relationships weighted, see "Exhibit 8.1, Uber Case power diagram." Note the following:

a. **There are only actors in the diagram boxes, and in each it shows the predisposition of the actor in the case.**

b. **The relationships shown among actors are in one direction and each is labeled with potential/actual power. If the interaction between two actors was in both directions, it would require two arrows, each separately labeled. We do NOT have two-headed arrow relationships, as noted above.**

<u>**Entry-level Employee Perspective**</u>

As an entry-level employee, you are certain to hear people make statements like "(An Actor) has a lot of power!" How would you politely but firmly explain to that

person, especially if he or she is your immediate supervisor or a senior manager, that one needs to be specific in discussing power, explaining that:

1. power is the "ability of one actor to get another actor to do what the second actor would not otherwise do;"

2. the net impact of the exercise of power is limited by the choice to use or not use the power an actor has; and the efficiency in its use; and

3. an effective strategy for your company requires an assessment in power terms of the likely actions of the constellation of actors around a particular issue.