



## **Understanding the Cultural Dynamics Impacting Market Viability The Next Step in Corporate Engagement**

### Summary

We help companies build and/or maintain their Social License to Operate. This includes not only crafting culturally and regionally sensitive / specific strategies for addressing the needs and concerns of the public and regulators but also realizing these strategies in a comprehensible and consistent manner both in and across Europe and the US. Depending on the needs of a company, this approach to engagement can be used to address a range of issues facing industry today: from immediate concerns in need of targeted “crisis management” to long range policy priorities requiring scalable issue management across regions. Further, it is fully adaptable throughout this range and most effective when applied as a direction of change management for a corporate culture and embedded throughout the life of a product or service, from innovation to litigation.

### Changing Consumer Demands and Regulatory Landscape

Consumer expectations of corporations are evolving. It is no longer sufficient for corporations to merely place products / services into the market, assuming that they serve some economic benefit or meet a market ‘gap’. Consumers are increasingly demanding that corporations demonstrate an understanding of the impact that new and existing products / services have on their lives, their communities, and culture as they know it. They are demanding greater transparency into and involvement in the development cycle: an explanation of the needs that products / services seek to address; an acknowledgement of voiced concerns and, when necessary, product / service modification reflecting those concerns; and establishment of the value new innovations bring to society. These expectations will only continue to shift and escalate as technologies become increasingly “disruptive” - even if beneficial - to their lives.

From a regulatory standpoint, the speed of development and embedment of a broad range of technologies is wreaking havoc on the ‘slow and steady’ regulatory procedures that have underpinned our regulatory models since the Industrial Age. This dynamic, combined with shifting consumer expectations, creates a perfect storm for regulatory roadblocks as policy makers grapple to understand both the historical and potential future impact of these technologies and, simultaneously, determine the appropriate regulatory framework to address them.

In the European Union, this perfect storm will be most acutely realised. The precautionary principle, which can be summarised as ‘do no harm,’ generally underpins

EU law and policy making. Originally adopted as a decision-making procedure for measures relating to the environment and human health, it currently informs matters as diverse as tax, data and competition policy. Consideration of a company's Social License to Operate (or lack thereof) is the next evolution of its application.

This presents profound challenges to companies - both established and new entrants alike - seeking both to obtain and maintain regulatory licenses to operate for new or existing products / services that do not immediately appear to meet consumer expectations or needs.

### A New Model for Engagement

If companies want to ensure the long term market viability and limited regulatory interference of their products / services, they must understand the relationship between, and proactively address, both the concerns of consumers and questions of policy makers. Given the complexity and interrelated nature of these dynamics, it is imperative for companies to employ a new model for engaging both the Public and Government.

Understanding and utilising aspects of a corporation's or industry's Social License to Operate presents such a model and is the natural next step in corporate engagement. These aspects not only provide companies with a method for mapping the market to determine product / service viability, but can also serve as early indicators of consumer or regulatory issues. The aspects of a Social License to operate include:

- Social Legitimacy, serving as the basis for market acceptance, determined by how well the Public perceives Business to understand the legal, social, and cultural norms of the community.
- Credibility, which contributes to market approval, established by consistent and forthright discourse with the Public and Government by Business.
- Trust, facilitating widespread market adoption across regions, developed through collaboration of Business with the Public and Government to realize a common good or meet a common need.

Although complementary to, Social License to Operate engagement extends beyond existing Corporate Social Responsibility efforts. It requires replacing currently siloed development, marketing, litigation strategies for product / services with new attitudes and actions towards Government and the Public, focused on early stage engagement. It requires communicating with stakeholders - from local communities to third party groups - as "problem solving resources" that enable the understanding of regional values and issues of import, rather than obstacles to be overcome. Further, it requires flexibility and

creativity in approach, adapting messaging and solutions to reflect cultural / regional concerns while also maintaining cross-regional priorities.

### Applying the Model and Services

Based in Brussels, Paris and Washington, DC, we not only understand the policies underpinning some of the most difficult issues facing companies today but the cultural dynamics shaping the Social License to Operate of Business. Further, we understand how these dynamics are impacting both immediate and long term trends in policy making. Seeking to provide a more robust manner of engagement than traditional government / public affairs, we use aspects of a company's Social License to Operate as engagement tools to provide:

- Strategic advice and planning;
- Comprehensive mapping and direct intelligence gathering in local markets;
- Identification of pressure points and opportunities for engagement both of and beyond product / services that:
  - Help align Business objectives with Public needs and expectations at local and regional levels and / or
  - Address address stated or anticipated Government concerns;
- Direct engagement in markets and in-market support to effectuate Social License to Operate strategies on the ground, supported by multi- channel communication efforts;
- Management across markets to coordinate and leverage assets, amplify activity and contain issues;
- Tools to establish a continuous feedback loop with Public and Government; and
- Support for corporate leadership and internal change management.

We operate a ‘hub and spoke’ network to support direct engagement and “in-market” resources currently in the following European markets:

- Brussels/EU
- Germany
- Italy
- Netherlands
- France
- Spain
- Poland
- UK

### Why Engage the Social License to Operate

By working with the contours of a Social License to Operate, a process is established that facilitates early and ongoing insights into product / service performance. These

insights not only provide a company with greater market understanding throughout the life of a product / service but also with a means to identify opportunities for proactive steps to avert future concerns. This reduces potential success barriers and aligns Business with practices that generate long term market acceptance and profitability while also reducing regulatory challenges and profit risk in the short, medium and long term.

For this reason, we expect that the Social License to Operate model to become an essential element of corporate strategy and engagement over the next 18 months to 3 years. It is “fit for purpose” in the Fourth Industrial Revolution and it complements current trends in investment and business management.

It is an extension of “impact investing,” which has channelled over \$502 billion to societally impactful products / services - and increasingly emerging technologies - since the term was coined in 2007. The Social License to Operate engagement model provides companies with a tool to develop new products / services in a sustainable, profitable and socially appropriate manner that aligns corporate purpose and growth with societal need and / or acceptance.

It supports the principles and concepts of the Economics of Mutuality, a management system currently taught by some of the world’s leading business schools that incorporates the considerations of all stakeholders (rather than just shareholders) to mobilize / generate human, social, and natural capital along with financial capital. It effectively brings together the next generation considerations required for marketing/branding, compliance engagement requirements and changing consumer dynamics.

Finally, its dynamics parallel those that drove the need to embed compliance officers in the early 2000s; namely, the need to provide institutionalized accountability mechanisms to address potential or expressed concerns with products / services by either Government or the Public. The integrated and comprehensive engagement model provides a blueprint for the creation of new feedback loops between Business, Government and the Public, opening up the potential for new pathways and solutions to many of the global challenges society is grappling with today.

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