



Stakeholder Centricity Is Your True North

By Colleen Murray

Every day, there are new social and political issues that business leaders debate wading into. But with companies losing customers and talent, passivity is no longer an option. This article outlines how companies can learn and act on what truly matters to their stakeholders.

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Workers are increasingly “facing off with their employers,” as the *The Wall Street Journal* recently noted, losing trust in their companies’ purpose and feeling generally mistreated at work. But what if the employees’ collective sense of purpose conflicts with customers, investors or regulators?

Companies need leaders that can create a shared sense of purpose for all critical stakeholders. They’ve got to create the belief that by working for/investing in/buying from the company, each key stakeholder is advancing their shared perception of a greater good.

After all, high-profile customer boycotts and employee rebellions are painful and problematic. Switching costs are lower than ever for both consumers and talent, and losing either group puts a company at risk.

Disney’s employee revolt over the Florida “Don’t Say Gay” bill last year created a chain of events that led to the resignation of then-CEO Bob Chapek. Like most executives, Chapek was reared on the notion that companies should steer clear of politics. As Chapek learned the hard way, that luxury is no longer on the table.

Of course, the Bud Light debacle indicates that the same thing is true for customers and their beliefs. With new issues arriving by the day, it can all feel like a no-win

proposition. Yet there's a way to be proactive and gain a measure of control while staying true to yourself. It begins with stakeholder centricity.

Stakeholder centricity as a clarifying and uniting force

Rather than avoiding the issues stakeholders care about, company leaders should put the values of their stakeholders at the center of what they do. That means a deep dive to define who the critical groups are to develop a nuanced understanding of what each group values.

There's no set formula for who your critical stakeholders are, either – so it's vital to go beyond the obvious. There are often 4-5 key stakeholders or principles a company wants to serve, and you'll want to understand the needs of each. Some companies use surveys and focus groups, but the best way is to simply walk the halls and work the phones, talking to individuals about what's most important to them.

Uber's CEO worked as a driver to learn more about his company's customers. At our firm, we take executives into their customers' living rooms to ask about their families and neighborhoods. By getting to know your stakeholders on a more intimate level, you begin to understand them in ways you can't through mere surveys.

More critically, leaders can begin to understand the overlaps and the conflicts between stakeholder groups. Then – and only then – does a leader start to have enough information to shape what their organization is going to care about, or not.

The benefits of paying attention to one key stakeholder group — employees — are clear. A study by the London School of Economics found that firms on Fortune's "100 Best Companies to Work For" list generated annual stock returns 2.3-3.8 percent higher than their peers over a 25-year period. That strongly suggests that the interests of multiple stakeholder groups can be well-served simultaneously.

There is a natural urge to dismiss some significant and difficult issues like climate change or the murder of George Floyd as values controversies that have nothing to do with business. But that's a mistake. If a company is losing customers and talent, it has everything to do with its business. The key is in knowing what really matters most to all your key stakeholders.

This era of social foment requires leaders to think on a larger scale. By proactively determining what stakeholders need and putting it at the center of strategic planning, organizations will be stronger performers now and far more resilient should controversy come their way.

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