

BEST PRACTICE NUMBER 9

BUILD ALLIANCES WITH OTHER STAKEHOLDERS¹²⁰

Stakeholder analysis is fundamental to any strategic planning process. Stakeholders may hold the keys to success, or they may present insurmountable barriers if they are ignored. Building alliances with stakeholders is often an important ingredient of successful LMG collaboration. In fact, even in its narrowest, most bipartite sense, including and satisfying the interests of stakeholders is the essence of labor relations.

In labor relations, a few of the obvious stakeholders are the union professionals, union members, management representatives, and

**“The motivation behind the partnership must be the creation of a larger economic pie to benefit (all) parties.”-
Matsushita
Refrigeration,
Singapore**

government officials. Though it may not be as obvious, other stakeholders such as the financial community, customers, trade associations, competitors or local community organizations can be involved as allies with management and labor to improve the business. At the APEC symposium, several examples emerged that illustrate the

promise and pitfalls of using stakeholders as allies. This section will highlight the learnings from those examples.

At the APEC Symposium, organizations from The **Philippines, New Zealand, the United States and Korea** contributed [case studies](#) that illustrate the promise and a few of the potential pitfalls of building alliances beyond the scope of more traditional labor-management cooperation.

¹²⁰ By David Glines, with the assistance of David Thaler.

Philippines: Alliance of Community, Police and Academics

“Plantations, like the Philippines’ [Lapanday Agricultural and Development Corporation \(LADC\)](#) are communities, not just discrete, indifferent business entities. The LADC experience suggests that all stakeholders – owners, management, labor force and their families, the community, and the local government together with the police, should act as one community because their survival depends on the survival of the plantation. The “peace and order” problem at the LADC plantation-communities and the challenges posed by globalization rallied labor and management of LADC to work together in new ways that required sacrifices from both ends.”¹²¹ Survival was defined on very basic levels -- supervisors were threatened with bodily harm for disciplining workers, a manager was killed, and factors in the global business environment threatened to exterminate the firm. An alliance with the union was initially viewed as dangerous because of fears that workers were protected and supported by the communist party and urban guerrillas.¹²²

Lapanday’s *Labor Management Cooperation Committee* (LMCC) built important alliances. The LMCC reached out to the government, academia and to the community. Government technical assistance to the LMCC resulted in projects in the areas of healthcare, nutrition, sanitation, parenthood, cooperatives, housing, transportation, sports, values formation and income generation. A prestigious graduate school, the *Asian Institute of Management*, was invited to teach problem solving and labor-management cooperation models to union and management leaders. Plantation owners provided workers and their families with “playground, church, school, and sports facilities and support related activities because

¹²¹ [Lapanday](#), at p. 6.

¹²² [Id.](#), at pp. 2-3.

the lives of the workers and their families revolve around the plantations.”¹²³ Since then, negotiations for collective bargaining agreements were expedited by the LMCC and the company continues to account for 33% of the Philippines’ total banana exports to Japan.¹²⁴

Alliances in New Zealand

Collective bargaining in New Zealand recently changed from a highly centralized, national-level structure to one in which individual enterprises must bargain with employees and unions. The new framework created by the Employment Relations Act of 2000 goes beyond the good faith obligation that applies to employers and unions to include good faith obligations for all parties involved in employment relationships such as:

- Employers and other employers,
- Unions and other unions,
- Unions and members, and
- Employers and employees.

Within this changing legal framework, several initiatives were launched, including free mediation services, best practice guidance, a monitoring and evaluation program, and consultative committees to represent a range of community interests. These consultative committees, or advisory groups, are alliances that involve people from the Maori and Pacific peoples, youth groups, academia, employers and unions. According to the APEC case study, “This ensures that Government policies capture the needs and

¹²³ Id., at p. 4.

¹²⁴ Id., at pp. 2, 7.

issues faced by the participants in the labour market and by the wider community.”¹²⁵

Business interests in New Zealand commented, “while consultative committees have considered a wide range of issues, there are dangers in involving representatives of various community groups in such discussions. Though such people may be very well-intended, it is often the case that they have little real appreciation of the imperatives under which enterprises operate and the effects that undue legislative intervention can have on employment creation.”¹²⁶ In other words, participants may need some preparation so that they can contribute effectively. Part of that preparation may take place when the allies share all of their different viewpoints to develop a common understanding of the issues they face. Part of that preparation may need to include basic business concepts, economics and group process skills.

The United States’ [Atlantic Baking Group](#): An Extraordinarily Innovative and Complex Partnership Between Labor, Management, and the Public Sector

“One entity couldn’t have done it by themselves,” said Robert Ditillo, a Commissioner of the US Federal Mediation and Conciliation Service (FMCS).¹²⁷ Government and non-profit agencies played active, important roles in the re-birth of the [Atlantic Baking Group](#), a start-up business producing snack crackers for the highly competitive private label market in the United States and Canada. Alliances with these community stakeholders added a whole new set of powerful competencies to a

¹²⁵ [New Zealand](#) Case Study, at p. 6.

¹²⁶ *Id.*, at p. 8.

¹²⁷ David Glines’ Interview of Commissioner Ditillo, July 2001. (Hereinafter the Glines Interviews will have the format “Glines [last name] interview, July 2001.”)

traditional labor-management committee and opened the door to both public and private funding.

Jim Crawford, of the *Steel Valley Authority* (SVA), plays a unique role on the [Atlantic Baking Group](#)'s labor-management committee. Crawford is

"The SVA is a unique public authority created by union, community and religious leaders. SVA works directly with the United Steelworkers of America (USWA) and others to build support for regional investment funds through the Heartland Labor Capital Project, a broad-based, U. S.-Canada working group that supports worker-friendly investment vehicles and local development funds." *Working For America Institute, High Road Report, July 2000.*

not affiliated with either management or labor, but plays the role of facilitator, guiding the group process and lending his expertise when it is needed.

"We couldn't have done it without the Steel Valley Authority. Jim acted as a quarterback throughout the

process and also helped us with grant applications," said Bill Cagney, business manager for one of the unions, the Operating Engineers (IUOE), at the bakery.¹²⁸ Crawford helped with the FMCS grant application that funded start-up costs for the labor-management committee. After the APEC symposium, the Bakery's LMC was successful in obtaining a Department of Labor training grant for almost a million dollars, again with Crawford's assistance in the grant-writing process.¹²⁹

But Crawford and the SVA are not the lone community allies on the LMC. The Bloomfield-Garfield Corporation (BGC) is another active player from the community, lending its expertise in community development and providing links to local political leaders and to sources of public financing. "It remains a team effort here," said Crawford. "Everyone has to maintain a certain level of autonomy, pursuing team goals with the team, but still

¹²⁸ Glines Cagney Interview, July 2001.

pursuing your own (individual) goals,” he added.¹³⁰ “Those differences become a strength. The art of it is to allow each entity to stay focused on their own agendas, while at the same time keeping the big picture in mind.”¹³¹ When Nabisco

began to close the bakery, it became a very public and dramatic process. Good jobs were highly valued in a region that had lost more than 100,000 jobs in the steel

“The Steel Valley Authority has a history of intervening and finding buyers willing to keep plants running, talking management into reinvesting in the plant or helping employees create an ESOP (employee stock ownership plan) to keep the company in business. The SVA has helped to protect close to 8,000 jobs in Western Pennsylvania since it started 15 years ago.” *Pittsburgh Business Times, August 11, 2000.*

industry. At one point, nine different city councils and the mayor of Pittsburgh were contemplating the use of “eminent domain,” a legal Tool that allows the government to take over private property in the US. Elected officials were debating the best ways to keep jobs at the bakery.¹³²

For most start-up companies, the prospects of political complexities overlaying the normal problems of running a business would be daunting. In this case, because the [Atlantic Baking Group](#) had established strong alliances with the community, this potential vulnerability was turned into a strength. “The group is maintaining continuity and integration with the government/public service sector by creating ongoing roles for the SVA and BGC in the daily life of the group. This helps insure the group’s discussions do not become isolated from the broader community and that trusted yet objective third parties are available to consider and help resolve internal disputes. The SVA and BGC serve the group, however, only through the continuing mutual request of management and labor that

¹²⁹

Id.

¹³⁰

Glines Crawford Interview, July 2001.

¹³¹

Id.

they do so.”¹³³ With help from these powerful allies, the Bakery was able to convince another local non-profit to contribute \$10,000,000 toward the “bricks-and-mortar” costs of the start-up. Private investors saw the tangible support from the community and agreed that the company was a good investment, adding more funding to the venture. The public sector got a relatively secure investment collateralized by the real estate, and private sector funding could be focused on running the business- the strategies needed to be successful in our highly competitive global economy.¹³⁴

According to another union representative on the committee, Tom Christ of the Bakery, Confectionery, Tobacco Workers and Grain Millers Union, trust was the key to success. “I’m happy we all sat down and got the bakery rolling again. We still fight over things like the cost of medical benefits, but we’ve learned to work together, to trust. It can be hard to decide when to fight and when to cooperate, but the outcomes have been good for the communities and good for the workers.”¹³⁵ The reservoir of trust may gain importance as the bakery struggles to turn a profit, continuing the delicate balance between benefits for the community, union members, and the highly competitive demands of the industry. Bill Cagney noted, “It’s working much better now than at the time of the conference. Labor-Management Committee effectiveness training (provided by the Federal Mediation and Conciliation Service) is on our schedule. It’s the best thing I have done in other similar situations and I am really looking forward to it. I have seen people get disenchanted and quit. It may not work the first

¹³²

Id.

¹³³

[Atlantic Baking](#), at p. 6.

¹³⁴

Glines Crawford Interview, July 2001.

¹³⁵

Glines Christ Interview, July 2001.

time or the second time, but you have to keep working at it . . . And that takes trust.”¹³⁶

In a world where plant closings destroy communities, neither management nor labor may have access to all the information, or enough resources to avert catastrophe. In the [Atlantic Baking Group](#) example, government and non-profit agencies stepped in as allies, bringing new insights, additional skills and valuable resources to give new life to an old bakery.

Family Alliances in Korea

Through newsletters and meetings, the [Hankuk Electric Glass Company](#) reached out to the workers’ families. As we have seen, its new president, Suh Doochil, implemented an “open book” management policy that extended to families. Two times a year, there were special newsletters and meetings for workers’ families.¹³⁷ Better understanding of the firm’s financial problems made family members more likely to support their loved ones who chose to sacrifice weekends for a year, working seven days a week. As more and more information was shared, employee attitudes changed and they were better able to improve operations and productivity.¹³⁸

List of Possible Allies

Beginning with some of the stakeholders identified at the APEC Symposium, here is a list of potential allies who may be able to accelerate or support successful labor-management relations:

¹³⁶ Glines Cagney Interview, July 2001.

¹³⁷ [Hankuk Electric Glass](#), at p. 3.

- Union and management officials,
- Supervisors,
- Local community organizations, e.g., churches, non-profits,
- Employees and their family members,
- Investors and financial institutions,
- National government organizations, e.g., mediation services, departments of labor,
- Local government and quasi-government agencies and their officials, e.g., city councils, police, regional development corporations,
- Educational institutions,
- Trade associations and industry councils,
- Creditors,
- Customers,
- Suppliers,
- Stockholders,
- Competitors,
- Courts of law,
- The business community,
- Political groups,
- Media.

Whether and how to build alliances with these stakeholders is a strategic decision that comes from an exploration and analysis of how they might be helpful. A general rule for deciding whether and how to involve them: *if the stakeholder can affect your business or will affect your ability to implement strategy, find a way to include their perspective.* The examples from the APEC Symposium make it clear that early investments in alliances can pay big dividends over the long term.