



Innovations in Sustainable Enterprise

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Featured Faculty Research

"Crisis Management through Strategic Communication: Using Effective Internet Messaging"

By Al Segars and Lisa Jones

Reputation is a vital organizational asset in an increasingly cynical environment where high-profile accounts of corporate scandals erode consumer trust. However, maintaining reputation and credibility are problematic when customers, corporate "watchdogs," and other stakeholders can use technologies such as the Internet for broad-based mass communication of grievances, concerns, and allegations. In some instances, the rapid broadcasting (through multiple media channels) of negative information can compound the negative effects of adverse corporate events. This is particularly true when these communications are unguided interpretations of events and associated managerial response.

Messages from senior management provide an important cue to employees and investors for the formation of cognitive impressions regarding the "personality" of the enterprise in terms of performance. The actions of employee and investor stakeholders—which are a direct result of beliefs and attitudes derived from shared communication from management—have a significant impact on organizational value through variations in stock price.

For management, the planning and impact of strategic messaging take on increased importance as primary messaging moves away from print materials (such as annual reports) and towards digital media. Digital media offer managers a quick and potentially effective means to address an organizational crisis. For example, in the recent recall of Firestone tires, both Ford Motor Company and Firestone used the Internet to provide information about the event and senior managers' perspectives about how the crisis would be addressed and how it would impact the company. In essence, this type of "rapid response" is extremely critical in capturing and rationalizing corporate crises to the firms' stakeholders.

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"Crisis Management through Strategic Communication"
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Effective Crisis Communication Messages

Crisis management efforts are effective when the organization is able to maintain or regain the momentum of core business activities. In addition, with successful crisis management strategies, stakeholder losses are minimized and lessons are transferred to future incidents. In general terms, crisis management is successful when key stakeholders believe that corporate leaders understand the crisis and are capable of formulating an effective response. Critical to establishing this credibility is immediate and effective response through digital media.

Criteria for Effective Strategic Messaging

In a UNC Kenan-Flagler study, over 200 investment analysts evaluated web-based communications messages from senior management that dealt with corporate crises. (The crises ranged from product recalls and environmental spills to hostile takeovers, copyright infringement, and adverse litigation.) The study revealed that the effectiveness of Internet-based management communications during times of crisis can be measured along four specific dimensions: credibility, efficacy, commitment, and responsibility.

- **Credibility**

Strategic communication has enormous importance in building credibility, imparting confidence, and convincing investors that the company is pursuing sound and effective strategies in the midst of crisis. To establish this credibility, readers must perceive the firm's strategic direction as being focused and realistic. Further, readers must form a favorable image of senior management through their accurate analysis or rationale of past events and future opportunities. The image of senior management as a sincere and accurate interpreter of events and strategies provides an indicator to observers that the company is operationally sound and stable.

- **Efficacy**

In the context of both favorable and unfavorable organizational performance, stakeholders of the organization frequently raise questions about management's ability to exert control over the activities and outcomes of the organization. Management must create

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Key Elements of Effective Web-Based Strategic Messaging

Credibility

The image of senior management as a sincere and accurate interpreter of corporate events

Efficacy

The image of senior management as a controlling force in organizational and environmental events

Commitment

The image of senior management as a good steward to current and potential customers

Responsibility

The image of senior management as a "good citizen" in business relationships

CSE & Sustainability Events

Aug. 31

CSE Opening Social for UNC
Kenan-Flagler MBA Students
Kenan Center,
Chapel Hill, NC

Sept. 15

CEP Environmental Seminar:
"Creating Markets for Ecosystem
Services: Notes from the Field"
Duke University Professor
Jim Salzman
Chapel Hill, NC
[more info](#)

Sept. 21

CSE Distinguished Speaker:
"Implementing Natural Capitalism"
Hunter Lovins
President, Natural Capitalism, Inc.
Kenan-Flagler Business School,
Chapel Hill, NC
[more info](#)

Oct. 28

(date tentative)
Net Impact "Careers in
Sustainable Enterprise" Forum
Kenan-Flagler Business School,
Chapel Hill, NC

Nov. 10-13

Net Impact National Conference:
"Bridging the Gap:
Leading Social Innovation
Across Sectors"
Palo Alto, CA
[more info](#)

CSE Events Calendar

**UNC Sustainability Coalition
Events Calendar**

"Crisis Management through Strategic Communication"

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the appearance of efficacy, even in a world where control is often elusive. Efficacy may be manifested through the causal association of managerial action to outcomes, perceived competency of management to understand factors impacting the organization, and managerial responsiveness to changing competitive conditions.

- **Commitment**

Companies adopting and implementing customer commitment as a way of conducting business have a strategic advantage in differentiating themselves from their competitors. Such organizations have a significant message to communicate to potential customers as a way of generating new business and to existing customers as a means of reinforcing already established relationships. Commitment may be manifested through an acknowledged appreciation of customers, a statement addressing the firm's commitment to meeting customer needs, the search for new products and markets, and the building of long-term relationships with customers.

- **Responsibility**

Along with credible reporting and strategic marketing, strategic communication must also shape a positive image of management's integrity in its dealings with regulatory, social, and employee constituencies. This attribute of corporate responsibility informs readers that the organization is a "good citizen" in terms of its relationships with business partners and employees. In addition, this attribute conveys management's concern for social or environmental issues that are beyond the typical realm of business activity. Like Commitment, the communication of corporate responsibility sends a powerful signal to employees and investors about the value-structure and set of ethics within which the organization will operate.

In developing strategic messages during times of crisis, managers can use these four criteria as a framework for developing, refining, and evaluating the company's communications messages. These broad dimensions may also provide a useful set of themes for strategic planning that helps build common dialog and coordination among members of senior management.

Importantly, the UNC Kenan-Flagler research study suggests that incorporation of all of these themes is necessary in order for the message to achieve strategic credibility with the intended receivers. Therefore, in the wake of a crisis, senior management should review the actions, strategies, and policies that address these broad dimensions as the basis for rationalizing, addressing, and moving beyond the current circumstance. Of course, the best strategy for dealing effectively with crisis is to anticipate, rather than react to, complex events. This research provides a useful roadmap for developing proactive strategy for responding quickly to adverse events.

Postlude

Interestingly, this research has already proven useful in corporate, political and governmental arenas. Dr. Segars has used this study and its implications for developing strategies in national political campaigns, communications from the Department of Defense, as well as communications from major corporations.

CSE Program News

New Instructor

Lisa Jones joins UNC Kenan-Flagler as an Adjunct Professor for 2005-06. Lisa will teach the MBA elective course "Innovation and Entrepreneurship for Developing Economies" in the spring.



**HELPING THE FOOD
INDUSTRY FIGHT OBESITY:**
RESEARCH INSIGHTS AND NEEDS

"Helping the Food Industry Fight Obesity: Research Insights and Needs"

The CSE was one of the sponsors of this workshop, held at UNC Kenan-Flagler on May 4-6 as the inaugural event of the Kenan Obesity Reduction Partnership (KORP). Co-chaired by UNC professors Paul Bloom and Barry Popkin, the workshop brought together a diverse group of participants from academia and the food industry to discuss the challenges of, current research about, and potential solutions to the global obesity epidemic. Presenters included UNC faculty from Kenan-Flagler and the School of Public Health, other academics, as well as executives from PepsiCo, Kraft, Nestle, and others... [more](#)

Distinguished Speaker

The CSE is pleased to welcome Hunter Lovins to campus as a distinguished guest and speaker on Sept. 21. Lovins is the president and founder of Natural Capitalism, Inc. and co-author of the world-renowned book *Natural Capitalism*. She will speak about the practical implementation of sustainable business management practices. Carolina Environmental Program (CEP) will co-sponsor the event.



CSE Director **Al Segars** was recognized by the North Carolina Association of CPAs and Society of Human Resource Management and with an award for innovation in research and teaching for economic development in NC.



Distinguished professor and sustainable enterprise concentration leader **Jim Johnson** was recently awarded the **2005 Roy W. Holsten Exceptional Service Award**—one of Kenan-Flagler Business School's highest honors—for unselfish dedication and leadership at UNC and outside communities.

John Buffington (UNC MBA '02) and UNC Kenan-Flagler adjunct assistant professor **Ted London** won 1st place in the second annual **oikos Sustainability Case Writing Competition** for "Building a Sustainable Venture: the Mountain Institute's Earth Brick Machine." [Link to winning case](#)

Congratulations to the UNC Kenan-Flagler team of **Yolanda Brown** (MBA '05), **Miranda McFadden** (MBA '05), **Stefanie Smith** (MBA '05), **Hernan Rodriguez** (MBA '06), and **Jamar Owens** (MBA '06), for winning second place at a case competition sponsored by The Executive Leadership Council and Goldman, Sachs & Co. The 2005 competition examined black economic empowerment and The Coca-Cola Company in South Africa.

UNC Kenan-Flagler was represented among the nine finalists in the **2005 Global Social Venture Competition**. **Alexander Ksovreli** (MBA '05) represented UNC on the SolarAMP LLC business plan team. SolarAMP is a nanotechnology company in the solar energy industry pursuing off-grid solutions for developing countries.

WUNC-FM featured UNC Kenan-Flagler professors in two broadcasts in April. **Jim Johnson** and other experts discussed what changing demographics mean for the state's future in "North Carolina Voices: Understanding Poverty—Who Is Poor?" on April 12. **Paul Bloom** and other experts discussed hunger, food stamps, and obesity in "Poverty and Food," on The State of Things, April 15.

Professor **Nicholas Didow** was the keynote speaker for Creighton University's seminar on "Current Issues in Business and Society," sponsored by the Center for Business Ethics and Society. Didow spoke on "The Globalization of Justice: What Can Corporations and Consumers Do?"

CSE Director **Al Segars** spoke about business education for sustainability at the Renewable Energy for Economic Development (REED) Alliance conference on April 27. Dr. Segars also presented at "Strategic Marketing Challenges—Adoption of Innovation," a seminar hosted by S&R Communications and Scienta Healthcare Education on June 9.

A student research team from the UNC Dept. of Environmental Sciences and Engineering at the School of Public Health was one of seven national winners of the first-ever **U.S. EPA's People, Prosperity, and the Planet (P3) Award**. Honored for the creativity and usefulness of their design, the UNC team's project is a comparative analysis of three sustainable point-of-use drinking water technologies for developing nations.

UNC Kenan-Flagler marketing professor **Paul Bloom** spoke about "The Benefits of Corporate Social Marketing" as part of the Special Lecture Series at UNC-Wilmington in March.

The **2005 Robert and Helen Siler Distinguished Lecture** at UNC featured **Robert F. Kennedy, Jr.** in a lecture on environmental defense. Kennedy also met with students and faculty during his visit to UNC (*photo at right*). Kennedy is a senior attorney for the Natural Resources Defense Council (NRDC) and author of *Crimes Against Nature*.

Sustainability in NC: Events

July 12-13

Design Strategies for Low Energy, Sustainable, Secure Buildings
NCSU, Raleigh, NC
[more info](#)

July 24 - 30

International Conference on Energy, Environment & Disasters (INCEED 2005)
Charlotte, NC
[more info](#)

Aug. 10

Workshop: "Lean Management Principles"
ForwardMotion Associates & Sustainable North Carolina
Raleigh, NC
[more info](#)

Aug. 22

Nominations due for 2005 NC Green Building Tour projects
[more info](#)

Aug. 26-28

5th Annual Southern Energy & Environment Expo
Asheville, NC
[more info](#)

Sept. 6-9

33rd Annual Basic Economic Development Course, UNC
Chapel Hill, NC
[more info](#)

Sept. 12

Green Building Workshop: "Applying LEED-NC in Practice"
Greensboro, NC
[more info](#)

Sept. 15

Applications due for 2005 NC Sustainability Awards
[more info](#)

Sept. 21

NC Energy Independence Days & NC Summit of Colleges for Sustainability
[more info](#)





In May, **General Electric (GE)** announced an initiative to aggressively develop new technologies that help customers meet pressing environmental challenges. Under the **ecomagination** initiative, GE will double its clean technology R&D investment and reduce greenhouse gas emissions... [more](#)

Related: GE Infrastructure, Water & Process Technologies presented the first **ecomagination Leadership Awards** on May 10. Winners, selected from thousands of GE's customers for outstanding dedication to environment, health and safety concerns, included **Dupont, Dow Elastomers LLC, U.S. Steel** and others... [more](#)

DaimlerChrysler, ConocoPhillips, Oracle, and other major corporations participated in the Corporate Council on Africa's fifth biennial **U.S-Africa Business Summit** in June. Nearly 2,000 business and government leaders attended to discuss business opportunities in Africa... [more](#)

BASF, Archer Daniels Midland, Merck, and **Novozymes** were among six companies recognized in June by the U.S. EPA for chemistry research projects that show promise for improving the environment... [more](#)

The **2005 Social Enterprise Alliance awards** recognized entrepreneurial social ventures like **Coffee With A Conscience** and **Project Open Hand**. Criteria including creativity, market demand, social impact, and income potential of the projects.... [more](#)

Carpet manufacturer **Shaw Industries Inc.** plans to open a waste-to-energy plant that will save an est. \$2.5 million annually in fuel costs ... [more](#)

In the June 6 issue of the UK's Guardian newspaper, Kurt Hoffman of the **Shell Foundation** advocates the creation of wealth-building businesses as the means to eliminate poverty... [more](#)

Jonathan Lash, president of **World Resources Institute**, was named one of the world's **Top 100 Most Influential People in Finance**, in the annual ranking of *Treasury & Risk Management* magazine... [more](#)

In June, **AccountAbility** and **csrnetwork** released a new ranking, **The Accountability Rating®**, which evaluates how well the world's 100 largest companies account for impacts on society and the environment... [more](#)

Apple Computer announced a new, free iPod recycling program... [more](#)

BHP Billiton was named 2005 Company of the Year by the UK organization Business in the Community... [more](#)

Wells Fargo announced a commitment to provide \$1+ billion in lending, investments, and other financial commitments over the next five years to environmentally-beneficial business opportunities... [more](#)

Starbucks was awarded the 21st annual Gold Medal for International Corporate Achievement in Sustainable Development by the World Environment Center ... [more](#)

Environmental Technologies LLC and partners demonstrated a new technology for treating wastewater at hog farms; **Smithfield Foods**, one of the nation's largest pork producers, will use the new technology... [more](#)

New biopesticide **Green Muscle®** promises to be an environmentally friendly defense against desert locusts. The UN Food & Agriculture Org. is working with partners to commercialize the technology... [more](#)

Ben & Jerry's and **WWF** have launched the **Ben & Jerry's Climate Change College** to train "Climate Change Ambassadors"... [more](#)

Reading & Resources

[The Innovation High Ground: How Leading Companies are Using Sustainability-Driven Innovation](#)

Study conducted by Arthur D. Little and the World Business Council for Sustainable Development (WBCSD) with participation from leading companies such as Sony, Motorola, DuPont, HP (2005).

[Who Cares Wins: Connecting Financial Markets to a Changing World](#)

Guidelines & recommendations from financial institutions on the integration of environmental, social, and governance issues into analysis, asset management, and securities brokerage services (Jan. 2005).

[One Planet, Many People: Atlas of Our Changing Environment](#)

New atlas produced by the UN Environment Program that compares and contrasts satellite images of the past few decades with contemporary ones (June 2005).

[Energy Security & Climate Change: Investing in the Clean Car Revolution](#)

New report prepared in a collaborative effort between Merrill Lynch's Global Automotive Research team and the Capital Markets Research project at the World Resources Institute (2005).

[Green Globes](#)

Web-based sustainable design tool for new commercial construction.

[Investing in the Future: Advancing Energy](#)

Investor newsletter from SAM Group discussing different energy sources and their prospects for the next 20 to 30 years (2005).