A NEW DIRECTION FOR CSR:

ENGAGING NETWORKS FOR WHOLE SYSTEM CHANGE[1]

by Ann Svendsen & Myriam Laberge

Introduction

Over the past several years, a number of multi-national companies including Ikea, Home Depot, and Nike have taken on the role of social change agents – convening or joining networks of stakeholders to address complex socio-economic and environmental issues.

In attempting to deal with corporate responsibility issues, these companies have gradually shifted their change efforts from their own company's operations (i.e. enhancing eco-efficiency), to upstream and downstream stakeholders (i.e. supply chain compliance with environmental and social policies) to a more recent focus on working with networks of government, civic society and businesses to change entire economic or social systems.

Nike's Vice President of Corporate Responsibility, Hannah Jones, recently wrote "In the early 1990's we had a 'go it alone' attitude…When we came under scrutiny for the labor practices in our contract factories, we were both unprepared and defensive. We didn't have strong relationships with individuals and organizations to whom we could readily turn to for advice. During the following seven years we began to incorporate CR (corporate responsibility) in our business practices, starting with our environmental program… "Our goal [now] is to create strong multi-stakeholder alliances that in turn will help us deliver flagship programs that have both a positive impact on Nike and on some of the big issues in the world we live in today."[2]

While some may see Nike as simply establishing 'partnerships', the company describes a deliberate shift away from bilateral engagement towards establishing and working within networks. We suggest that Nike and other leading companies are developing new relationships and new ways of engaging with networks of stakeholders that are both different and are much more likely to lead to whole system change. In conceptual terms, they are moving out of the centre of the hub and spoke set of bilateral relationships to become active members or convenors of stakeholder networks.

In this article, we describe the activities involved in convening stakeholder networks. We define a stakeholder network as a web of groups, organizations and/or individuals who

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[2] www.nikeresponsibility.com, November 25, 2004

come together to address a complex, cross-boundary problem, issue or opportunity[3]. As we see it, the role of convenor is to help a multi-stakeholder network tap its latent energy, resources and intelligence to generate novel solutions and whole system innovations that no one member could achieve on their own.

The role of network convenor is new for most companies and it involves different ways of thinking, being and engaging beyond the more traditional approaches to managing bilateral stakeholder relationships. We describe this process as "co-creative engagement" involving three phases of activity: 1) *outreach (e.g. extending membership in the network),* 2) *collective learning*, and 3) *joint action/innovation.* Trust building occurs throughout the three phases.

Our model of co-creative engagement is based on interviews with network members and convenors, as well as theory and research in complex adaptive systems, social capital, and societal learning and change. The model is grounded in a dynamic systems view of corporate-stakeholder relationships.

Why Are Stakeholder Networks Becoming More Important?

Why are some companies moving towards deeper, network-based forms of engagement? Some companies are gravitating towards more collaborative and engaged relationships because they realize that to effectively address corporate responsibilityissues, the input and support of those outside the company is needed. Others recognize that engaging stakeholder networks is appropriate and necessary given the changing context. In this next section we examine some of the factors that are behind the growing trend towards network-based engagement.

Relationships a Key to Innovation and Business Success

Networks of relationships are vitally important to financial success in today's reality. We live in a 'networked world' where individuals are connected to others who share common interests and activities via informal links or "weak ties" (Granovetter, 1985). Social networks and the relationships they embody allow people to share ideas and knowledge. In a knowledge-based economy, collaboration and information sharing across and within networks is critical for innovation and profitability. For example, by building a network of external relationships, employees can access needed resources and new ideas, thereby stimulating creativity and enhancing the firm's ability to bring new solutions to market.

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[3] Our use of the term stakeholder network is similar to the concept of a stakeholder learning network used by Calton and Payne (2003). They define a learning network as an "interactive field of organizational discourse occupied by all stakeholders who share a complex, interdependent and on-going problem domain and who want/need to talk about it. Within this domain, the corporation is not so much a system within itself as a participant in a larger system that includes other stakeholder citizens." P. 7

Management theorist Manual Castells (2000) suggests that technology and globalization are making networks of relationships a decisive business asset. In much the same way that the Ford Motor Company's assembly line was the icon of the industrial age, Castells argues that the globally networked business model is at the vanguard of the information age. Kevin Kelly (2000) reinforces this view with his observation that "the network economy is founded on technology, but it can only be built on relationships. It starts with chips and ends with trust." (p. 7)

Greater Potential for Conflict

Beyond missing out on the potential for innovation, failing to build positive trust-based stakeholder relationships can also be costly in a networked world, and this new reality is now recognized by many companies in a range of industries from mining to pharmaceuticals. Many of them have experienced how stakeholder opposition can cause companies to lose millions of dollars when projects are delayed or stopped.

Another challenge is the likelihood of potential conflict over access to resources or labour. Population growth and economic globalization are contributing to rising levels of social inequality, poverty and the depletion of our natural resources. The "commons", including clean air, water and forests are threatened and citizens are demanding that their use by companies be constrained.

Companies that depend on access to natural resources and cheap labour (often in developing countries) are facing increased levels of opposition from local as well as globally interconnected stakeholders. To build or expand new facilities, they must be much more connected and trusted.

Increasing Demand for Meaningful Participation

The values and expectations of consumers and the public have changed. The World Values Survey (Inglehart, Basanez, & Menendez Moreno, 1998), a random sample public opinion survey covering over 40 countries conducted in 1990 shows that in Western countries there has been a shift from an emphasis on material well-being and physical security towards more emphasis on the quality of life - things like freedom, self expression, and self-actualization (Nevitte & Kanji, 1997). This values shift has led to a rise in consumer activism, a decline in deference to institutionalized authority, and a broad-based demand for participation by citizens, employees, and stakeholder organizations (Nevitte, 1996).

Given the rising demand for participation by an increasingly sophisticated set of stakeholders, it is becoming more difficult for any organization to make and impose unilateral decisions or to proceed with projects without engaging stakeholders in a meaningful way. This rising tide of citizen and stakeholder activism has curtailed the capacity of companies to act independently, even when they have the legal right to do so.

Stakeholders More Powerful

In a highly interconnected world, citizens and stakeholder organizations with few resources can become known, share information, influence others and create effective networks in a very short time. Business no longer operates in a vacuum – every action is potentially open to scrutiny by technology-savvy stakeholders who are often linked with others locally and globally. Advances in computer and web-based technology over the past two decades now support non-local, asynchronous communication across the divides of time, place, language, culture, and organization.

Stakeholders use such networks to put significant pressure on companies and government agencies. The term "smart mobs" was coined recently to describe groups that influence public and corporate policy by mobilizing internet-based electronic networks (Rheingold, 2002).

Complexity of Issues Requiring Input of Multiple Stakeholders

The issues facing today's company are more complex and interconnected, many of which cannot be addressed by the company acting alone. As complexity of problems increases, a corresponding need exists for more evolved forms of engagement that can generate holistic solutions. This is especially true when companies are attempting to deal with CSR issues.

Literature Review

A number of academics and business leaders have called for more effective engagement between companies and their stakeholders recognizing the inherent interconnectedness of companies within a dynamic environment (Post, Preston, & Sachs; 2002). Andriof and Waddock (2002: 20) argue that if companies are to cope effectively with the stakeholder issues and relationships that now confront them, they need better understanding of the dynamics and expectations fundamental to living, acting and working in a network of collaborative relationships." Stormer (2003: 285) suggests, "viewing business from an organization-centric perspective does not allow us to deal with the complexity we already know about…nor does it allow us to negotiate problems that are inter-system, universal problems."

Various academics have suggested that participating in stakeholder (learning) networks can allow companies to attune their values with those of their stakeholders, to clarify their social responsibilities, to develop new knowledge and innovative solutions to complex problems, to enhance mutual understanding and to build the trust and commitment necessary for collaborative action (Calton & Payne, 2003; Gray, 1989; Svendsen, 1998; Swanson, 1999).

While these and other academics have argued that companies should participate in stakeholder networks, very little theory or research exists on how such stakeholder networks evolve and function. It is in this relatively unexplored territory that we propose a model of co-creative stakeholder engagement.

Complex Adaptive Systems & Stakeholder Engagement

The literature on general systems theory and complex adaptive systems provides a useful framework from which to understand how stakeholder networks are established and maintained. We have drawn from this literature in the development of the model.

The traditional organization-centric model of corporate-stakeholder relationships reflects the mechanistic worldview that has dominated our thinking since the industrial revolution - one based on the belief that everything can be measured, reduced to its component parts, and ultimately managed to achieve specific goals. From this perspective, our organizations are seen to be like machines, with standardized processes, predictable outcomes, and controllable relationships with internal and external stakeholders. In a mechanistic world, organizations behave like closed systems - independent of their environment, and able to succeed by managing the "parts" without much attention to the larger whole in which they operate.

This mechanistic view has influenced the traditional approach to stakeholder relationships, with the dominant assumption being that it is in fact possible to predict, manage and control relationships. The term stakeholder 'management' reflects this perspective. From a mechanistic view, a closed system such as a corporation need not be concerned with long-term consequences of what is 'outside'. This leads to mostly short term, transactional exchanges with stakeholders.

Network- or Systems-Based Model

Our model of co-creative stakeholder engagement is based on a different logic, that of a system or network. A system is a whole with properties greater than the sum of its parts. In complex adaptive systems, properties of the whole emerge from the relationship and interaction of the 'parts'. These properties cannot be predicted from an examination of the parts, bit by bit. For example, the property of "mechanized motion" cannot be predicted from the properties of the separate components of an unassembled car; or the property of "singing" from the separate biological components of a bird. The properties and capacity of the whole, in both of these examples, is greater than the sum of the parts. As Fritjof Capra (2002; 298) states in his book *The Web of Life*, "understanding ecological interdependence means understanding relationships. It requires the shifts of perception that are characteristic of systems thinking – from parts to the whole, from objects to relationships, from contents to patterns".

The basic pattern of organization of all living systems is the network. Networks are a fundamental building block of living systems including both ecosystems and social systems. Each network is 'nested' within a complex web of relationships. Within a network, actions

taken by one part of the system can cycle around affecting other relationships, until they eventually return to the original source, with magnified feedback. Feedback loops are the mechanism in networks that enable both self-regulation and self-organization.

Diversity in Networks

Diversity creates a multiplicity of choices and creative responses to disturbances that perturb the equilibrium of a system. In that sense, diversity increases the system's overall resilience and capacity. The benefit of diversity depends on strong links, or feedback loops, between different parts of the system. Where such links are weak or non-existent, information cannot travel through the entire network to activate the potential of the whole network to respond in an optimal way to solve a problem, address an opportunity, or adapt to a changing reality. Capra (Capra, 2002: 303) writes, "A healthy living system relies on the optimization of a diversity of relationships in its network structure. The more complex the network is, the more complex will be its pattern of interconnections, and the more resilient or 'healthy' the system as a whole will be."

In human networks, when members of a system are isolated from one another and the flow of information is restricted, distrust and defensive responses diminish the capacity of the system to respond effectively to emergent issues. This characteristic of networks reinforces the importance of links between stakeholders, of trust-based relationships, and of mutual understanding.

Diversity (as in the diversity of views and perspectives of stakeholders) also creates a multiplicity of choices and differences in response, which in turn can lead to conflict. From a systems perspective, however, constructive conflict, that is the tension between differences, is necessary to allow the system to evolve, since creativity and innovation is required to bridge such differences.
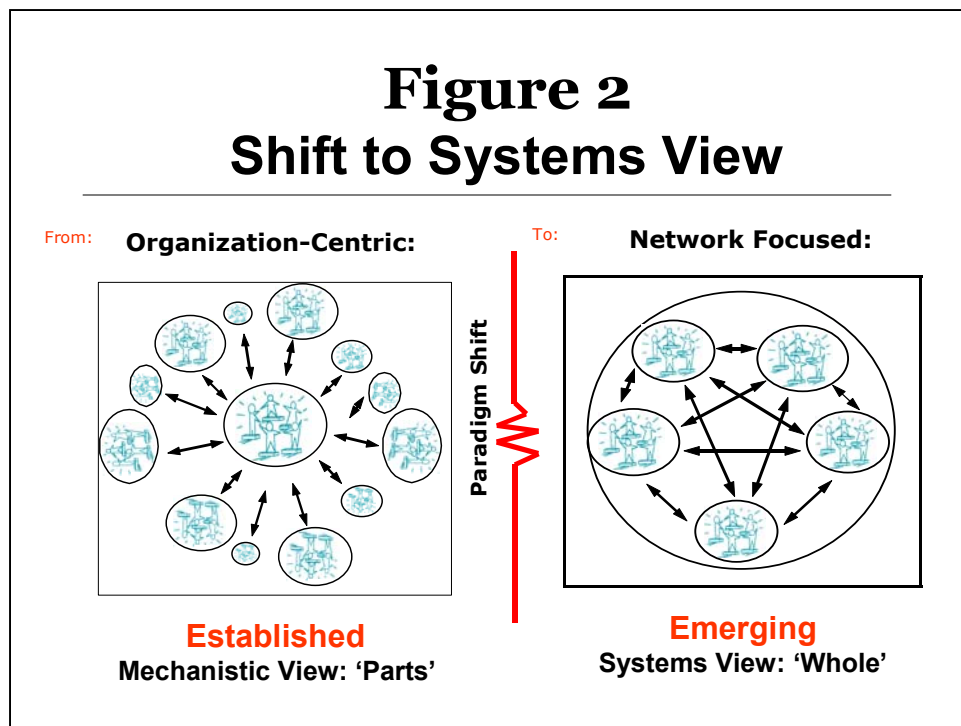
Self-Organizing Capacity of Networks

Evolution happens in a network through the forging of new synergistic relationships that build on the strengths and uniqueness of the members (or "parts") of the system. Through autopoeisis (self making - the capacity "to bring forth or create"), new competencies and capacities emerge from the interactions and relationships among system members, representing the unique potential of the system (Maturana & Varela, 1980). These new properties may lead, through self-organization, into novel organizational forms, structures, alliances and solutions. As previously stated, according to the systems view, these new properties are properties of the whole, which none of the parts have. However, for social systems to attain higher levels of organization, there must be mutuality of purpose and intent among all the different members of the larger community or system where it operates. We suggest that in social systems, it is the process of engagement among multiple stakeholders that allows them to innovate and develop new capacities.

Applying Systems Thinking to Stakeholder Relationships

Stakeholder Networks Defined

We have coined the term 'stakeholder network' to refer to a web of groups, organizations and/or individuals who come together to address a shared problem, issue or opportunity. In a stakeholder network, the focus shifts from the interests of one organization to the interests of the *whole* system. Rather than one organization convening 'their' stakeholders, a network of stakeholders is engaged to address a shared problem or opportunity (see figure 2).

In the co-creative engagement model presented below, members of the stakeholder network have a stake in the *issue* by virtue of being part of the system affected by it. In a stakeholder network, participation is voluntary. A network is open to all as long as they have a stake in the issue domain and agree to follow the rules and norms established by the network. Network members develop goals collectively and leadership is distributed (e.g. no one organization is "in charge"). By definition, network engagement involves a co-creative process.

Figure 2
Shift to Systems View

From: **Organization-Centric:**   To: **Network Focused:**

Paradigm Shift

Established
Mechanistic View: 'Parts'

Emerging
Systems View: 'Whole'

Sometimes such networks evolve out of multi-stakeholder groups that have been set up by a company or government agency to deal with a specific organizational concern. Many networks begin by focusing on a specific issue, and over time move on to deal with broader systemic problems and opportunities, often related to sustainability.

Co-Creative Power

Stakeholder networks, like other complex adaptive systems, can tap collective intelligence to self-organize and adapt to a changing environment. In living systems, 'autopoeisis" enables networks to develop and evolve, continuously renewing themselves and self-regulating in such a way that the integrity of their core identity or structure is maintained. We call this similar capacity in stakeholder networks to regulate, grow and evolve - co-creative power. In response to emergent issues or opportunities (system 'shocks'), stakeholder networks can develop novel solutions that allow both the members and the system as a whole to succeed.

Co-creative power is the capacity of a stakeholder network to address complex systems issues sustainably. Co-creative engagement, we believe, is an emerging form of systems governance that enables a collective such as a stakeholder network to act coherently to achieve a common goal. Co-creative power taps latent collective energy, resources, and intelligence, to generate novel solutions and forms of innovation that no one member of the network could achieve on their own. As in other living systems, so-called "emergent properties" can arise from the interactions and relationships between the members (parts) of the system, including:

- New capacities (e.g. collective intelligence),

- New complimentary relationships that build on the strengths and uniqueness of the members of the network,

- Novel organizational forms, structures and solutions.

These new properties are properties of the whole. They are not available to any individual member acting alone.

Social Capital and Stakeholder Engagement

We use the concept of social capital to further refine our understanding of stakeholder networks. Social capital has generally been defined as the "glue" that facilitates collective action. Social capital is defined as "the stock of active connections among people: the trust, mutual understanding, and shared values and behaviours that bind the members of human networks and communities and make cooperative action possible" (Cohen & Pruzak, 2000: 3-4).

This definition supports the view within the management literature that social capital has the following three key dimensions (Nahapiet & Ghoshal, 1998):

1. Structural - structure of the social network
2. Relational - levels of mutual trust and reciprocity
3. Cognitive - levels of mutual understanding and shared goals.

Why is social capital important in stakeholder networks? Research suggests that social capital enables members of a stakeholder network to learn and work together (Svendsen, Boutilier, & Wheeler, 2003). This is because social capital increases the willingness of members of a network to: 1) share information, 2) follow group norms and rules (e.g. respect confidentiality, treat others with respect in meetings), 3) put the good of the network ahead of their short term self interest, 4) cooperate on joint projects, and 5) support others in reaching their goals (Adler & Kwon, 2002).

Willingness to Share Information

In a network characterized by high levels of social capital, members understand what kind of information is relevant to others in the network and trust each other with the exchange of more sensitive information. Based on this understanding, they can establish explicit or implicit agreements to become information resources for one another and even grant access to each other's networks of contacts. The information might concern threats or opportunities in the external environment or self-disclosures that open the door for deeper, more mutually rewarding collaboration.

Adherence to Norms

Norm adherence involves obeying the formal or informal rules of the group. These may range from rules specified in a formal contract to unspoken rules such as a tacit agreement to make each other aware of sensitive information before releasing it to outsiders. Solidarity and norm adherence reduce the need for formal controls and thereby can reduce transaction costs.

Acting on Behalf of the Network

Where there is a high level of social capital, members of a network put the good of the group ahead of their short-term self-interest. For example, group members will defend each other's reputations and promote the status of the group vis à vis outsiders. They will also be willing to cooperate on joint projects, if it is in the interest of the network as a whole.

Willingness to Support Others

Reciprocity builds social capital. When person A does a favour for B (or acts on his or her behalf) B becomes indebted to A. A can then ask a favour of B later. Social capital is a form of "credit" available to members of the network. When there is a high level of social capital in a network people will be willing to take action to support others.
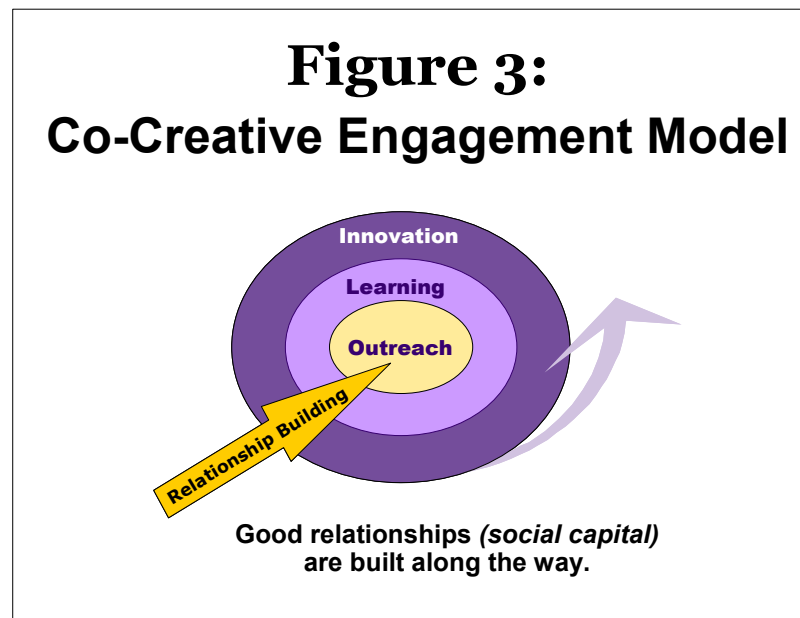

Co-Creative Model of Stakeholder Engagement

Based on the theory of complex adaptive systems and social capital, plus case study research on a number of stakeholder networks, we have developed a three-stage model

of how stakeholder networks form and what it takes to get to successful whole system innovation. Outreach is the starting point in our model, the journey is about collective learning, and the prize of engagement is innovation. The capacity of a stakeholder network to innovate is dependent on a certain amount of social capital existing in the network. Social capital is an emergent property of stakeholder networks that is generated by a cycle of outreach (e.g. extending membership in the network), collective learning, and innovating together for the good of the whole.

Social capital is embedded in networks. Good stakeholder relationships are built up from an ongoing process of interaction and engagement among members of the network. Based on the theory of complex adaptive systems and social capital, plus the literature reviewed in the preceding section, we make the following assumptions:

- Companies and others outside their boundaries are members of dynamic social networks.
- These networks have some of the properties of complex adaptive systems.
- For a network to function effectively and enable collaboration and innovation, its members must develop a certain level of social capital and collective learning.
- While there is considerable theory and research on the static components of social capital (e.g. measures of network structure), little is known of the processes that govern its use, generation and sustainability (White, 2002).
- There is a need for a more robust model of stakeholder engagement that is based on systems thinking and focuses on processes designed to build social capital in networks of stakeholders.

Figure 3:
Co-Creative Engagement Model

Innovation

Learning

Outreach

Relationship Building

**Good relationships *(social capital)*
are built along the way.**

 The three phases in our model of co-creative engagement are illustrated in Figure 3, and briefly described below.

These phases are not discrete. Networks often cycle through repeated processes of outreach, learning and innovation/action. As networks move through these cycles, relationships are built and/or strengthened, social capital increases and members have a greater willingness to take risks and act for the benefit of the whole network. Eventually, power relationships shift, and the network, rather than any individual convener, takes ownership of the overall issue or opportunity that brought the members together in the first place.

1. Outreach

"The structure of networks is the key to understanding the complex world around us. Small changes in the typology, affecting only a few nodes or links, can open up hidden doors, allowing new possibilities to emerge." (Barabási, 2002: 12)

The purpose of this first phase of co-creative engagement is for a company or small group of stakeholders to build or strengthen a network such that the stakeholders agree to come together to address a shared problem, issue or opportunity.

The first phase typically involves four tasks:
1. Situation analysis,
2. Consultation,
3. Re-framing the issue or question,
4. Developing an engagement plan.

In analyzing the situation, a manager might clarify the organization's goals for engaging, create a map of internal and external stakeholders, and assess risks and benefits (i.e. a business case) for moving forward. At this stage, a company should keep in mind that if the issue is straightforward, if the company has the authority and power to implement, and/or if a decision has already been made, a co-creative form of engagement is likely unnecessary or inappropriate. Only when the company needs input and ideas from stakeholders to resolve complex, high stakes, cross boundary issues is co-creative engagement necessary.

Once the business case has been established, the manager should meet with potential members of the network to clarify their perspectives, expectations and framing of the issue. It is important to determine whether key stakeholders agree that the issue is important enough for them to participate in the network. The issue, as initially understood by the manager, will likely need to be reframed to incorporate the interests and concerns of other stakeholders.

Identifying and involving diverse participants can be a lengthy and difficult process especially if stakeholders have been involved in a protracted conflict. For social capital to be built in a stakeholder network, its members must develop ways of working together that foster trust and increase mutual understanding. Many successful networks develop a set of written principles. Principles can include: respect; inclusion of all voices, valuing of diversity; and a commitment to openness, transparency and maximum information sharing.

Once there is general agreement on the framing of the issue or question and on the principles or ground rules for working together, it should be possible to determine the scope and purpose of the engagement as well as to decide who should convene the first meeting.

The engagement plan (which can be developed jointly with members of the network) should provide answers to the following questions:

- What issue/question are we focusing on?
- What kind of engagement is needed (e.g. virtual or in person meetings)? How often? When? Where?
- What resources will we need (facilitator, space, travel, website)?
- What background information do we need to gather?
- What are our roles and responsibilities and success metrics?
- How will we communicate (frequency, method, timing)?
- What principles and values will guide our work?

2. Collective Learning

Inquiry is the focus of the second phase rather than agreement seeking or problem solving. Learning can focus on increasing mutual understanding about relational issues (e.g. values, perspectives and intentions) as well as substantive issues (e.g. root causes of the problem, linkages and patterns). The inquiry will generally need to be supported by quantitative and qualitative data.

The collective learning phase allows members of the network to:
1. Define the products and outcomes being sought.
2. Clarify responsibilities with respect to others (what is the larger system, how are we connected to it?).
3. Develop new knowledge about the issue and larger system.
4. Construct shared meanings that allow people to understand each other and work together effectively.
5. Build trust and commitment.

When a group learns how to learn together it develops the capacity to tap its collective intelligence. As the inquiry deepens, groups can discover underlying assumptions and get at root causes of systemic problems. Collective learning serves as an essential foundation for innovation.

Building a common base of information among all members of the stakeholder network enables all stakeholders to develop a shared understanding of the issue, problem or opportunity. Most low-trust environments are characterized by minimal sharing of information, thus creating many interpretations and perceptions around the same issue by different stakeholders. Sharing information builds trust.

In conflicted situations, learning involves analysis of the present situation and probable futures. This analysis can promote ownership of the contradictory, confusing, chaotic, fast-shifting, often negative present reality. This process is not without its anxiety, pain or confusion, yet is it important for members of a multi-stakeholder network to grapple with the issue together. Such collective ownership of the issue fosters a shift from the illusion of "we know what is going on; they are the ones who are confused", to "no one stakeholder knows fully" (Weisbord & Janoff, 1995).

Another key outcome in the Collective Learning phase is for members to "see" the system anew through new insights into cause and effect; through recognition of previously invisible or unknown relationships and patterns; and through inquiry into assumptions and deeply held beliefs. During this phase, members reflect and think together, willingly suspending their assumptions in a spirit of inquiry and curiosity.

Achieving a deep level of reflective dialogue takes time and practice. Reflective dialogue is a process of deepening inquiry into underlying causes, rules, and assumptions, in order to be able to frame old problems in new ways. Generative dialogue can produce unprecedented possibilities, new insights and thus can spur innovation.

The work in this phase involves answering these types of questions:

- What are the stories and history of the people in this system?
- What do we know about the issue, problem or opportunity that brings us together?
- What external factors, events or potential developments concern the well being of this network now or in the future?
- What is working and not working in the current situation?
- What root causes, patterns or assumptions underlie this system?
- What do we expect will happen if things stay the same? What other scenarios are possible?
- Where is the common ground among us? What are the differences in perspectives, interests and needs?

Among the many processes that may be effectively used during the learning phase are storytelling and honouring past history. When people share their stories, they share their history and traditions through their authentic voice. They speak genuinely of the things that are important to them, of how they perceive past actions, of their present fears and concerns. Stories create links that connect people to one another as human beings, and to the larger whole of which they are a part.

A graphic mapping of past events can help the system validate its elders, acknowledge past grievances, and discover previously unknown cause-effect relationships. By looking back to its history, the network can identify those things it wishes to conserve into the future.

3. Innovation/Joint Action

When high stakes exists, when stakeholders have recognized their interdependence, and when the system that connects the issue is commonly understood in depth, a shift occurs. People start to take responsibility for the whole. Innovative solutions arise out of this struggle to bridge competing perspectives and needs within a system.

Together, members of a stakeholder network will need to develop a common vision of their preferred future, articulate shared goals and identify the most compelling opportunities. Because they have been involved in creating a new direction, they will be willing to take action. Groups that are able to innovate collectively to solve small problems sometimes go forward to tackle more encompassing systemic problems.

Innovation is not always the end goal for a stakeholder network, but in messy, conflicted situations, innovation is needed to evolve the system as a whole to a more effective and sustainable level of functioning. A stakeholder network that has invested in connecting the parts of the system together during the Outreach phase, has built a common database of knowledge and understanding during Collective Learning, and has also built trust among members is capable of innovating for the good of the individual members and the whole.

An important assumption in the innovation/joint action phase is that evolution of the system must seek to optimize the future for all the members of the system in order for the system as a whole to be sustained. Generally, we expect stakeholders to put self-interest ahead of the common good, but *enlightened* self-interest arises from the recognition of interdependence for sustainable outcomes, and creates the motivation to bridge competing perspectives and needs within the system, which makes innovation possible.

Attention during the innovation phase, focuses on solutions and actions, summarized by these types of questions:

- What do we yearn for?
- What is our preferred vision of the future?
- What is the common purpose that unites us?
- How can we co-create the future all desire?
- What might we do? What will we do?
- How do we organize for action?

Benefits of Co-Creative Network Engagement

While engaging stakeholder networks in a co-creative process may take more time and require greater resources and levels of commitment when compared with organization-centric forms of engagement, it holds the promise of enabling diverse groups to solve highly complex cross boundary issues, and to generate new opportunities for social and

technical innovation. Specifically, some of the benefits of this approach include the following:

1) <u>Improves decisions by systematically bringing together those with knowledge of the issue.</u>

   Organizations may be able to develop better long-term solutions that work for the common good by addressing complex problems in a more integrated and comprehensive way. These solutions will be less likely to cause further problems.

2) <u>Builds ownership and commitment so solutions can be implemented.</u>

   Networks can be mobilized to ensure that solutions are sustainable because they are supported by all parts of the system. A process of co-creative engagement will build social capital that is necessary for on-going collaboration amongst members of the network.

3) <u>Allows System-Wide Innovation.</u>

   The process of co-creative engagement can lead to coherent, system-wide action by stakeholders to enhance the well-being and sustainability of a community or ecosystem. This system-wide change would not have been achievable by any one organization alone.

4) <u>Reduces Unproductive Conflict.</u>

   Learning about the perspectives and realities of others can shift perspectives of participants from defensiveness and blame to understanding and openness. Dialogue can generate reciprocal trust that is needed to build a sense of responsibility for the other.

5) <u>Strengthens Communities.</u>

   Co-creative engagement helps to build social capital within a community over time. Trust-based relationships support fast decision making in times of crisis when there is a need for flexibility, adaptability and the capacity to respond quickly to changing conditions.

Conclusions

Current organization-centric or 'managerial' relationships with stakeholders are appropriate in certain situations such as when a company is in charge and can act unilaterally to achieve its goals, or when issues are relatively straightforward and the company does not need the ideas and support of other stakeholders. We believe,

however, that while an organization-centric approach may have been workable in the past, it is insufficient in a networked world.

For organizations committed not only to a responsive form of corporate social responsibility, but also to engaging with their stakeholders over the long term to create sustainable economic, social, and environmental value, a new direction is needed. We suggest that engaging networks for whole system change is a new and potentially powerful way for companies to move forward on their sustainability agenda and in so doing, help to create a better world for all.

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