

BOOK REVIEW

The 360° corporation: From stakeholder trade-offs to transformation

Sarah Kaplan

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Sarah Kaplan, a University of Toronto, Rotman School of Management Professor, has combined her McKinsey & Company consulting experiences, and didactic experiences with her MBA students at Rotman, to evaluate the modern corporation's role in society by "look[ing] at the stakeholders that surround companies from all directions, all 360 degrees" (p. 3). For multinational enterprises (MNEs), Kaplan views the 21st century "crucial debate" within corporations as the trade-offs between "the shareholder and those other stakeholders such as communities, workers, consumers, suppliers, and the environment" that may conflict irreconcilably (p. 10). In response to this challenge, Kaplan proposes a management framework that involves four modes of action for the 360° corporation (and depending on the issues they are confronting, companies can be operating in any of the four modes simultaneously).

In Mode 1, Kaplan implores that MNE management *know its trade-offs* and analyze its business model. Corporate social responsibility (CSR) involves trade-offs, that is, advantages and disadvantages, between and among stakeholders in all business models, and it must be initially embraced to effectively manage these trade-offs. To illustrate Mode 1, Kaplan analyzes the business model at Walmart, concluding it was built on low employee wages and not supply chain efficiencies. Recently, Walmart executives, due to pressure from unions, workers, and public opinion, changed their business model; management increased minimum wages and invested in employee training to increase sales and improve customer satisfaction. What does Kaplan recommend to executives for Mode 1? Understand the mechanics of the company's business model by undertaking an inside-out analysis, that is, involving value-based management and its effects on stakeholders, and an outside-in analysis, that is, having stakeholders sit at the company table to speak about what matters to them and why.

In Mode 2, management must *rethink trade-offs*. In this mode, there may be a business case for a particular corporate policy to resolve trade-offs among stakeholders, resulting in a "win-win" solution. This approach reflects the Porter-Kramer shared value framework, which makes the business case for social responsibility "that action in favor of other stakeholders will also benefit the shareholders' bottom line" (p. 55). Kaplan has a problem with the limitations of the

"business case" (or shared value framework): when it justifies the investment, it is embraced by the company; when it does not, it is discarded. Citing system-justification theory, Kaplan argues that the business case reinforces "justification of the system" and "makes it harder for us to feel moral outrage and limits our ability to even see problems in the system that might cause inequalities or damage to other stakeholders" (p. 55). This business case "bogs down" when confronted by challenging issues, such as diversity in the workplace, where the moral case (even with evidence of a strong business case) for greater gender diversity in management ranks has stalled. Kaplan recommends that when it comes to implementing diversity, companies need to establish targets and measure progress (Is this simply a de facto quota system?), recognizing that the business case is only a conversational starting point.

With Mode 3, Kaplan follows her argument that business case solutions should merely be a starting point for conversations by providing examples of how companies may progress to innovating with the stakeholders. Using the evolution of Nike's outsourced-manufacturing business model, where in the 1990s several articles reported that Nike had employees work excessive amounts of overtime for low-wages (South Korea) and in environments with low air quality leading to respiratory problems (Vietnam), Kaplan highlights the fact that Nike was not mentioned—decades later—in relation to the Tazreen fire (2012) or Rana factory collapse (2013) incidents in Bangladesh. Indeed, their FY2007–2009 Corporate Social Responsibility reports indicate Nike began to look at how "the upstream processes of design, commercialization, and sourcing may be... the root causes of such problems as excessive overtime, work without breaks, and toxic chemicals in the workplace" (p. 102). Making the connection between Nike headquarters decisions and factory conditions led to multi-stakeholder collaborations between brands, NGOs, universities—and of course the factory suppliers often at the heart of controversy. Thus, Nike went beyond compliance and "inclusive innovation" focused simply on well-being, to more "embedded innovation," reflecting a "commitment to solidarity with stakeholders" (p. 105). Kaplan provides four steps for innovating around trade-offs, the first and second reemphasizing Modes 1 and 2, the third underscoring the broader focus of

innovation that is co-created “with” stakeholders instead of “for” them, and the fourth needing an expansive view of issues (e.g., not focusing solely on factories, but looking at larger systemic issues).


Kaplan utilizes Mode 4 to address the “intractable” nature of some trade-offs, such as a consumer’s willingness to pay for changing standards, and to attenuate this issue by showing the prospect of thriving while balancing “tensions” between short-term (profits) and long-term (sustainability). The section begins with examples from two business models driving consumerism, the “elite, aspirational brand” of Nike that allows for “keeping up with the Joneses” that is, overspending, and the “low-price high-volume” strategies of Walmart, with emphasis on the allure of short-term profitability. Kaplan suggests that to manage short-term and long-term objectives, companies are best served by attempting to find more sustainable solutions in a limited number of operations that is, “experimenting” with some—but not all. She provides examples of how Walmart uses its power over suppliers, even large ones like P&G where they reduced water consumption and other wastes by creating concentrated versions of laundry detergent. To thrive, she proposes a three-stage process that first, attempts to identify where business case arguments break down; second, tries to find innovative solutions even when a business case cannot be made and such attempts ultimately fail (e.g., the Nike Considered boot); and third, uses experiments, failed or successful, as stepladders to future innovations or experiments.

While Parts I–IV of her book introduce the reader to Modes 1–4 and the broader concept of the 360° Corporation, Part V is largely a summary of the main concepts covered earlier and what a “360° CEO” can do to transform their organization. This is followed by an epilogue that includes business examples and personal anecdotes that are more loosely related to the focus of the book.

Kaplan’s Four Mode approach to stakeholder trade-offs and “transformation” is not revelatory. Modes 1 and 2 involve the “business case” for CSR (already developed by Porter and Kramer). Mode 3 involves “innovation” as a solution to stakeholder issues, which are addressed directly through public regulation, such as pre-determined CAFE standards (in the United States) required to be met by automotive manufacturers, or industry standards, such as the seven-digit plastics identification code for recycling consumer plastics developed and implemented by the Society of the Plastics Industry. In Mode 4, a stakeholder issue “tension” already exists between short-term and long-term transformative solutions. Such “trade-offs,” addressing stakeholder demands, are not unfamiliar to managers operating within the constraints of limited resources, knowledge constraints, and realistic priorities, reflecting Herbert Simon’s “satisficing” cognitive heuristic.

However, Kaplan further argues there are consumers “now expecting companies to substitute for weak or slow or damaging government action (p. 167).” Here Kaplan implies that the “unelected” management of corporations should consider usurping the (Failed?) role of “citizen elected” officials in democracies—a potentially dangerous exercise for corporations and a great concern to many enlightened citizens. Unfortunately, some of the beneficial insights that Kaplan conveys for engaging stakeholders are overshadowed by her strong ideological bias, leaving many readers questioning the true purpose of her book: Is she interested in “true collaboration, real co-creation, and real conversation” (p. 171) between the corporation and stakeholders, or simply instituting a pre-determined ideological outcome that “radically changes the corporate and leadership models” (p. 171)?

Reading through each progressive Mode, one cannot help but notice the overreliance on two particular companies, Walmart and Nike, for both the positive and negative examples meant to reinforce concepts introduced. This, alongside frequently revisiting the overlapping themes from her previously published book, *Creative Destruction*, and continuously reintroducing concepts previously covered in earlier “Parts” of her book—in more detail than necessary—made the lessons unnecessarily redundant and confusing at times. The use of company examples brings a richness to the book and provides lessons sure to be valuable to managers, but sifting through each page becomes monotonous—at times the takeaways are not aligned and appear to go in every direction, creating an alternative—unintentional—interpretation of the “360° Corporation” title. As Modes 3 and 4 are perhaps the main contribution of this book, moving beyond the CSR and creation of shared value of Modes 1 and 2, providing several detailed company examples associated with how companies may *innovate around trade-offs* and *thrive even with intractable trade-offs* would have been much more practical for managers and provided greater clarity of concepts to the reader. In short, there are numerous practical lessons one may take away by reading the *360° Corporation*, but the larger implications of Modes 3 and 4 are much more ambiguous than they should be in relation to chapter and book length.

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