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**The role of active relationship governance in building social capital,
improving trust and reinforcing reputation**

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Toni Muzi Falconi

Intro

Good day/ evening to you

1.

If you bear with us, in the next 40 minutes we hope to expose you to diverse -yet convergent- arguments related to what we consider a relatively new, yet highly promising approach to active public relationships intended as an effective management process for private, social and public sector organizations who together aim to create on the ground materially measurable so called intangible value.

A process based on the principle of subsidiarity.. imagined, devised, implemented and evaluated by one or more of the three cited subjects (a company, an institution, a non profit);

or by a relationship governance entrepreneur/enterprise who devises and coordinates the effort in agreement with those three organizational actors, ensuring as a management fee for it-her self an agreed part of the created material value when the exercise terminates.

2.

The idea behind the process is that each single organization-as-such naturally develops, creates, exchanges and evaluates relationships with other organizations to achieve its objectives, and that when this is done consciously and with appropriate and specific relationship tools, the mentioned coalition creates -in a given and agreed amount of time- material value on/for/with the territory as well as for the three organizations.

Value creation thus stems from the governance of relationship process, the selection of the specific objective as well as the joint effort between the organizations to achieve it.

3.

The recent global epidemic as well as the current and coming economic and social collapse of many countries also tells us that what we define as social, reputational or relational capital has taken a huge beating everywhere and that while working (as we must) on any recovery program, we absolutely must contribute to sharing, building and creating on-the-ground trust and reputation between the social, institutional and private sectors of our societies.

Social weavers, this is how we choose to call these public relators, have today an unprecedented opportunity of creating and sharing social, economic and institutional progress.

And now,

Biagio Oppi, currently head of pr for the Alfa Sigma group in Bologna and of international relations for Ferpi the Italian PR Association, will now give you a brief material description of a specific case history that we selected and that we cite in our collective paper co-prepared by many italian professionals in a six month joint effort for the Bled 2019 Symposium.

He will be followed by Biagio Carrano, head of Serban Monitor and East West Consulting in Belgrade, who will briefly adjourn us to the sense and value of social capital today.

Then Livia Piermattei, board advisor for sustainable performance and senior advisor of Methodos, will give us a flash update on the status of non financial evaluation and reporting as required today by financial markets and institutions.

She will be followed by Francesco Rotolo, ceo and founder of Storyfly, who will elaborate on the growing need for the neo intermediation of representative bodies who traditionally represent societal expectations-

And finally I will conclude.

Biagio Oppi

Social weavers & social capital. The case of Northern Area of Modena (Italy)

In 2012 an earthquake hit the northern area of Modena, where the global medical device industry has one of its most important clusters. In terms of turnover, employees and R&D centers.

At the time, I was the Public Relations and Communication Manager of the biggest company localized in the area, named at that time Gambro, later acquired by Baxter International. The site was severely damaged in all its 20 facilities: R&D laboratories, manufacturing plants, distribution center, administration offices, sterilization and compounding areas.

Immediately a crisis management plan was activated as each stakeholder of the company was affected: patients at risk of not receiving life-saving treatments (such as dialysis), physicians and hospitals, local communities, local employees, a number of suppliers also hit by the earthquake, other plants and functions of the company.

It took three years to build a brand new plant, overall employment grew, while medical device turnover and production numbers in 2015 skyrocketed among all the companies of the cluster (Chamber of Commerce of Modena 2017).

This case was then analyzed in some articles and books as a successful crisis management and crisis communication case, mainly focused on Responsible Communication during Natural Disasters by a working group of economists and communicators from Modena and Bologna University, FERPI, and other authors (Oppi-Martello 2016; Sheehan-Oppi 2015).

Last year, this group began investigating the role of Public Relations in building social capital and we focused on Public Relations as social weaving during the earthquake case (BledCom paper, "The role of active relationship governance in building social capital, improving trust and reinforcing reputation").

Our idea is that the Public Relations function can facilitate, increase and feed social capital of a company and of a local community where the role of public relations was crucial in supporting the effort not only to rebuild the site, but also to engage employees and the local community in a number of initiatives, that strengthened the entire social capital. This was true not only for Gambro, but also for other companies and the community.

Analyzing social capital in the area, we found that this area is recognized as one of the most valuable regions in Italy, for what regards social capital (Cartocci 2012) and human capital (Regioss, 2011).

Immediately after the earthquake, a group of local managers from a number of multinational companies based in the area met to define a coordinated strategy, involving on one side the kind of storytelling that companies would adopt, on the other the engagement of local organization and the constitution of not-for-profit organizations. Trade Unions and public institutions were actively involved in this second stream.

Analyzing the behavior of other multinational companies in that area (Medtronic, BBraun & Fresenius) we found a similar pattern, that is still in place 8 years after the earthquake. Two of the non-profit bodies, constituted at that time to relaunch the area, have now become pillars of the medical device cluster of Modena: **Tecnopole** (funded by Emilia-Romagna Region) now serving R&D and Quality laboratories with specialized services; **Istituto Tecnico Superiore Biomedicale** (*high technical school in medical device*) that has prepared hundreds of specialized technicians in the last five years. Other projects have been less

impactful but were functional in feeding the resilience of the area, together with the storytelling itself: Museum of Biomedicale, MedTech exhibition, temporary business agreement among SME, Democenter projects, etc.

Talking about communication itself, a relevant meeting (that involved Comune of Mirandola, Gambro, Confindustria Modena, AIMAG, Comune di Cento, and other companies) was organized thank to the Italian association of Public Relations professionals with the project “Task Force Ferpi for Emilia” that gave birth to the studies on Natural Disasters and Responsible Communication” and shaped the tone and the frame in which communication of local bodies and companies has been enacted.

On one side Gambro (now Baxter) began an intense stakeholder relationship management process with Trade Unions and Mayors of the area, activating institutional working groups (a local group to manage the social crisis; a national working group to manage medical device shortage; as analyzed in BledCom paper) in order to:

- Inform stakeholders on the issues ongoing;
- Listen and understand stakeholder expectations;
- Propose and engage the stakeholders in finding common solutions;
- Communicate externally an aligned position;
- Undertake a number of initiatives to raise workforce engagement.

On the other side, the same model adopted by the company during the contingency phase of the earthquake, was soon replied in other multinational companies, used by Unions and Mayors of the area, and facilitated by local managers of multinational companies.

In a short period, during and after the recovery phase, multinational companies such as Baxter and Medtronic acquired manufacturing sites in the area and invested more than 200 million euros in the last three years in new facilities and machineries, moving to Medolla sites before based in other areas (such as Lund - Sweden).

Summarizing the case. The collective effort led to the constitution of local networks (Tecnopolo and ITS above all) who enriched the social capital of the area. During the recent pandemic the area has been one of the most responsive and productive in the effort of facing COVID-19: a clear example are again the former Gambro plant and Medtronic plants that have increased production, employment and turnover.

Social capital, industrial competencies, resilience, have been increased by an active local community and through a continued effort of relationship stakeholder governance, put in place by local managers of multinational companies, Trade Unionists and Mayors of the area. Public Relations role played a crucial role in the initial phase, as social weaver, and then during the approach

Reference:

Cartocci R. 2012, Il capitale sociale, in AAVV. *Le parole chiave della politica italiana*, Carocci ed.

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<https://www.mo.camcom.it/statistica-studi-e-pubblicazioni/stampa-periodica/e-elle/capitolo9-biomedicale>

Regione Emilia-Romagna, 2018 <http://www.regione.emilia-romagna.it/notizie/primopiano/7-anni-dopo-il-sisma-si-rafforza-leconomia-dellarea-colpita-i-numeri-della-ricostruzione>]:

Regioss, 2011, Il Capitale Territoriale <http://www.regioss.it/workshop-unicredit-regioss>

Sheehan M. 2015, Crisis Communication in Natural Disaster, Cambridge University press Local Data from Medtronic & Baxte

Biagio Carrano

Spotlights on the past and the future of social capital

1. Social capital is a common term, but the concept has been often poorly defined and conceptualized. Moreover, social capital has been often seen as a catch-all concept hard to be operationalized.

From the beginning of the modern era, many philosophers, social thinkers, and economists have been realizing that there was a kind of “hidden glue” between people to explain the wealth of nations, the efficiency of organizations or the reputation of political institutions.

After the conceptualizations proposed by Pierre Bourdieu in 1984, James Coleman in 1990 and Robert Putnam in 1993, this “hidden glue” was generally recognized as “social capital”.

Already in 1916 L.J. Hanifan, a social reformer, used the term ‘capital’ to highlight the importance of the social structure to people with a business and economics perspective. The term was used in explaining the importance of community participation in enhancing school performance, describing it as:

‘those tangible substances [that] count for most in the daily lives of people: namely good will, fellowship, sympathy and social intercourse among the individuals and families who make up a social unit .. If [an individual comes] into contact with his neighbor, and they with other neighbors, there will be an accumulation of social capital, which may immediately satisfy his social needs and which may bear a social potentiality sufficient to the substantial improvement of living conditions in the whole community’.

Social capital is not a new idea, but a discovery of contemporary social analysis.

2. In the paper we presented at Bled Symposium, we identified the social weaver as a professional able to increase the social capital not only inside the organization but especially in the social environment outside the organization.

An operational approach to social capital doesn’t rely on its simple definition and analysis, but on:

- a defining and using best practices, policies and operational tools able to increase the social capital and
- b Measuring, in a quantitative way, the impact of these activities, both on financial/monetary outcomes of the companies and in terms of improved quality of life of a given territory/environment

If we interpret the relationship between an organization and the environment in which it operates in terms of constant dynamics of feedback, through activities, relationships and interactions, we understand how these two elements can no longer be thought of as separate, simply because the organization is also its environment, and therefore benefits from the development of the social capital that surrounds it.

3. The social weaver works on two premises:

- Social capital is not a stock but a flow
- The activities developed to create it must have a long-term approach

For these reasons, today I see three big challenges for the weavers of social capital:

- to introduce a quantitative approach to a traditional qualitative profession

- to shift the quest for the “results” on the long run
- to amplify the ambit of her job well beyond the borders of her organization

Therefore: Broader, Deeper and Longer.

4. The short time frame of this speech lets me only mention two questions that are, in my opinion, essential to develop this new role of the social weaver in the digital age:

- 1 What is the impact of social media networks on social capital?
- 2 How is it possible to increase social capital through social media and inside digital environments?

After the lockdown experience, we have all realized the opportunities and the threats of the digital technologies of communication.

Social capital has always been developed through physical interactions, trust, open dialogue, while we now all know the many pitfalls of social media: polarization, trivialization, manipulation, among others.

Will we be able to twist the digital media, by nature epidemic and ephemeral, into such a broader, deeper and longer vision?

Livia Piermattei

Integrated Thinking to extract value from social and other forms of capital.

Social capital is one of the different ways for an organization to generate value.

The others, besides financial and assets, are: human, intellectual, environmental.

As a whole then, there are 6 forms of capitals that can generate value for the organizations in which we all operate.

They are strongly integrated and connected to each other.

They are managed by stakeholder inside the organization (the different functions) and there are stakeholder outside and inside the organization that are interested to the value they can generate as outputs or outcomes.

Where **investors** are mostly interested in the financial value generated by the organization, they cannot ignore that there are 4 other - out of 6 different forms of value - who create the conditions for financials to happen. Nor can they avoid considering that to effectively generate financial values, it is with the stakeholders that govern and/or benefit from the other capitals that they need to deal with TODAY.

This is why there is an increase in the attention that investors give to ESG/non-financial dimensions of value; this is why both Larry Fink from Black Rock as well as other institutional investors are growing the teams they dedicate to non-financial analysis of the assets they invest in as well as to engagement with the investees.

If organizations and investors are interested in these issues, then **regulators** need to first understand, then evaluate and regulate it – wherever possible.

With the set-up of the non-financial Directive, the EU and the different European countries, have made necessary for large companies (but the roster includes FitseMib, Medium Cap, Star, and up from medium sized non listed companies) throughout Europe, to report the non-financial values they generate and the non-financial capitals they use.

Regulators also understand that to measure non-financial issues cannot be merely a compliance exercise but implies a deep **transformation** of strategies and business models. So for example, I work with CONSOB, the Italian SEC, to understand the different implications of this process.

We made a first report last year, now we are finalizing the second and see that the transformation is progressing. We have discovered that corporate storytelling – not that related to sustainability – but that related to Investors Relations, with documents you can find on the IR page of companies' web sites is deeply evolving. Last year in Italy no abstract of strategic plan of listed companies mentioned ESG materiality analysis. This year one company is describing its materiality analysis as a foundational pillar of its multi-capital strategy. Last year no abstract of strategic plan was fully intertwined with non-financial issues. This year 5 companies (all from the energy/oil and gas industry unfortunately) are. Last year non-financial issues were occasionally mentioned in the abstract of strategic plans only in a few cases. This year they are 25.

Things are moving, in a quicker way than could be thought only three years ago, with strong impacts on all the different perspectives of PR from communication to investor relations to institutional affairs.

Francesco Rotolo

The “Social Weaver” Public Relator as the possible enabler of a new role for intermediate organizations in this ‘disintermediation era.’

The role of the ‘Social Weaver’ implies the capability of improving the quality of stakeholder relationships of private, public, and social organizations, creating measurable social capital *within-and-amongst* them and with their respective territories.

According to this perspective, the Public Relator is the best candidate to support all those “**intermediate organizations**” or “*representative bodies*,” such as professional and trade associations, parties, citizens committees, to name but a few, whose role went into decline since the late eighties, moving into what has been called “the era of disintermediation.”

The ongoing **process of disintermediation** has moved from being a transactional market model to a whole-scale phenomenon, nowadays affecting every part of the ‘social body.’ We tapped into many models and theories from different disciplines to define “disintermediation,” from semiotics to sociology; long story short, we can describe disintermediation as a social frame in which the new consumer/citizen would sooner choose and make decisions autonomously, basing on the data available (e.g. from the internet), instead that seeking the guidance of an expert. Disintermediation per se is not inherently bad: it can also be considered as the by-product of a claim to freedom from the citizenship and, as such, it could support a process towards what Grunig defined in its Fourth Model, the “Two-way symmetrical model.”

The missing element here is **competence**: a disintermediate society requires a **higher degree of competence** to make complex choices. As nobody can be realistically an expert in every field, it should be the main task for governments and intermediate associations to be able to provide valuable information and insights, possibly via consistent and understandable *communication*. When this is missed, the result is a sense of disorientation and a **loss of trust** towards the institutions and the representative bodies. The consequences of this scenario are there to see: the recent wave of “infodemic” related to the Covid19 Pandemic only sped us quicker to the present situation. It would be easy to shift the blame for this entirely on the shoulders of a “dumb citizenship” or the unstoppable impact of technology.

The truth is, this outcome has also been the **responsibility of those intermediate organizations themselves**, when their capability of representation decayed into the mere governance of ‘a share of power,’ as a mix of both position and social influence. When people make questions which are not replied, or which are replied too late or ineffectively, it should not surprise if they eventually turn their eyes elsewhere to seek advice and guidance. **Technology-enabled what society already had called for long before the advent of the web.**

Turning the tide won’t be easy nor costless: those who still hope nostalgically for a ‘vertical’, top-down “re-intermediation” of the ‘representative bodies’ are going to be disappointed. The **2020 Edelman Trust Barometer**¹ clearly shows, by example, that brands and private organizations now have the podium when it comes to trust, being seen as the most *competent* players to lead the change. In a world in which Governments reached an all-time low in terms of trust, instead of vainly trying to regain their lost status, the **intermediate organization should aim to achieve a new role** in this over-complex scenario, moving towards an alternative ‘horizontal’ and “circular” model of **neo-intermediation**.

The Social Weaver is already “organically focused” on building social capital for the organizations, their stakeholders, and their territories through a process that is based mainly on the **capability to listen** instead

¹ <https://www.edelman.com/trustbarometer>

of adding just more “propaganda” to an already overexerted context. As such, the Public Relator can lead the intermediate organizations through the difficult transition from being “*dispensers of truth*,” as they pretended to be at the end of the “intermediation-era,” to “*enablers of meaning*,” as players able to effectively guide the citizenship in an over-complex world²: In this scenario authoritativeness will come from the capability to “give representation” to complexity and ambiguity, which in turns could lead towards a new model of “representativeness” for the intermediate organization.

² A “code” which is nowadays literally one, as it is already written almost entirely by an algorithm (on this topic I wrote before the pandemic in one of my contributes for the Italian Federation of Public Relations, <https://www.ferpi.it/news/quel-ramo-del-lago-dibled>).