

Stakeholder Engagement: A Road Map to Meaningful Engagement

#2 in the Doughty Centre 'How to do Corporate Responsibility' Series



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Foreword

This guide aims to provide you with an understanding of, and practical tips for, successful stakeholder engagement. We focus particularly on engaging communities, NGOs and wider civil society. It is written by a Doughty Centre Associate Neil Jeffery who has had extensive experience as an NGO campaigner and director; and more recently, as an adviser to a number of Fortune 500 corporations on engaging stakeholders.

Stakeholder engagement is relevant to any type of organisation: business, public or civil society. It is particularly important in the context of running an organisation responsibly and is integral to the concept of Corporate Responsibility. An organisation cannot be serious about Corporate Responsibility unless it is serious about stakeholder engagement – and vice versa.

Stakeholder engagement is crucially different to stakeholder-management: stakeholder engagement implies a willingness to listen; to discuss issues of interest to stakeholders of the organisation; and, critically, the organisation has to be prepared to consider changing what it aims to achieve and how it operates, as a result of stakeholder engagement.

Some critics of Corporate Responsibility misinterpret the idea, believing that it means that an organisation surrenders to NGOs or community activists; it should mean no such thing. The leadership of the organisation still needs to set the direction for the growth of the organisation, but does so in the knowledge of stakeholders' wants and needs (SWANS) as well as the organisation's wants and needs (OWANS) – see *Understanding stakeholders* (3.2).

Successful management thus becomes the art of optimising long-term benefits for the organisation based on reconciling sometimes disparate stakeholders' wants and needs (investors, employees, customers, suppliers etc.).

Organisations are constantly interacting with stakeholders, some of whom will be more or less positively or negatively disposed to the organisation and will have greater or lesser power over the organisation – see *Segmenting stakeholders* (3.2).

Organisations have long recognised that employees at all levels need negotiating skills; stakeholder engagement significantly recasts these skills, extending considerably the range of organisations and individuals that an organisation needs to negotiate with, and re-emphasising that the most successful negotiations are those that produce satisfaction for all parties over the long term – for critical success factors for stakeholder engagement see Section 4 – *Towards Meaningful Engagement*.

If Corporate Responsibility is about minimising negative and maximising positive environmental and social impacts, then stakeholder engagement is one of the core skills and key activities which enables this to happen successfully and effectively. When organisations don't engage stakeholders successfully, they can lose out – as the following newspaper headlines demonstrate.

Retailers accused of ignoring Bangladeshi workers' plight: Workers producing clothes in Bangladesh for some of the UK's biggest retailers are being forced to work up to 80 hours a week for as little as 7p an hour, according to a report from War on Want – Guardian 051208

Thomas Cook promises investors it will outline its carbon footprint after being "named and shamed" by investors – Guardian 131008

Norwegian government attacks Rio Tinto selling a £500 million holding in the company after accusing it of "grossly unethical conduct" – Independent 100908

Gene modified crop spurs investor revolt – Financial Times 050308

Whistleblowers bring BP down to earth – Financial Times 080806

Foreword

When organisations do engage successfully it can be a win-win for business and society – as these newspaper headlines demonstrate

Wal-Mart and leading suppliers form council to foster green job creation. The world's largest retailer announced the formation of a supplier council to stimulate and retool America's workforce – GreenBiz 031208

Starbucks to promote Ethiopia's farmers and their coffee. Starbucks and the Ethiopian government have reached an agreement over the distribution, marketing and licensing of Ethiopian coffee – BBC 210607

Internet companies agree on China code of conduct – Reuters 050808

U.S. technology giants Microsoft Corp, Google Inc and Yahoo Inc, in talks with other Internet companies and human-rights groups, have reached an agreement on a voluntary code of conduct for activities in China and other restrictive countries – Reuters 050808

A parallel How-to guide from the Doughty Centre looks at engaging Corporate Responsibility champions within organisations to engage employees. Future publications will cover engaging investors on Corporate Responsibility and Sustainability; and how organisations can engage their supply chain. With external partners we have recently produced a think-piece on the future of the Corporate Responsibility and Sustainability function; and with other partners, we will shortly issue a piece on communicating Sustainability.



David Grayson, July 2009

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Executive Summary

This guide seeks to identify, explore and elaborate the essential elements of meaningful relations and the concomitant internal environment in an organisation that most enhances its ability to obtain value from NGO and community stakeholder relationships.

The guide is designed to provide strategic advice to senior executives who shape and lead institutional policy towards stakeholders, and practical guidance and case studies to operational managers who engage regularly with stakeholders. Reading this guide will help you to be better able to establish conditions for meaningful engagement by more effectively recognising, analysing and utilising opportunities and challenges to building relations; and through exploring issues above and beyond the simple identification of stakeholders and immediate 'unprepared' initiation of conversations. It seeks to reflect the reality of managers' 'on the ground' experience, by drawing on lessons learnt from past incidents, highlighted by practical examples.

This How-to guide is written primarily for:

- ❖ More experienced managers who are seeking to improve their organisation's Corporate Responsibility and Sustainability performance, or who may want to reflect on their organisation's approach to stakeholder engagement, especially when facing hostile communities or unfamiliar NGOs' campaigns
- ❖ Specialist Corporate Responsibility managers looking for additional tools and techniques to share with operational managers facing environmental, social and governance challenges

Section 2 examines why an organisation should engage with stakeholders, while Section 3 explores practically how an organisation can establish stakeholder relations. Section 4 examines critical success factors in meaningful engagement and outlines recommendations on how to build conditions and capacities for meaningful relations.

Readers can go through the guide section by section or refer to specific section as and when they need that information – as an aide memoire. Box 1 below gives examples of the type of information you can find as and when you need it.

Box 1: Getting Started

Managers should be able to answer:

- ❖ Who are our stakeholders?
- ❖ How do we / will we segment our stakeholders?
- ❖ What benefits can we expect from meaningful stakeholder engagement?
- ❖ What information sources do we already have about our stakeholders and their views?
- ❖ What, therefore, do we think are the principal stakeholder wants and needs (SWANS), and the organisation's wants and needs from stakeholders (OWANS)?
- ❖ What are the organisation's priorities for better understanding SWANS (for example, where are the significant knowledge gaps; where particularly important stakeholders' wants and needs seem to be changing; where we believe there already is / could be significant and potentially damaging gaps between SWANS and OWANS?)
- ❖ Armed with this better information, where is the potential for reducing risks and increasing opportunities from better aligning SWANS and OWANS; and where are the biggest threats from gaps between SWANS and OWANS?
- ❖ What is the best methodology for meaningful engagement with key stakeholders?
- ❖ What does the organisation need to do to maximise chances of success?
- ❖ How does the organisation learn and continuously improve meaningful stakeholder engagement?

The Importance of Meaningful Stakeholder Engagement

Organisations can no longer choose if they want to engage with stakeholders or not; the only decision they need to take is when and how successfully to engage. Stakeholder engagement is premised on the notion that ‘those groups who can affect or are affected by the achievements of an organisation’s purpose’¹ should be given the opportunity to comment and input into the development of decisions that affect them. In today’s society, if they are not actively sought out, sooner or later they may demand to be consulted.

Situations arise when organisations do not actively engage but are forced to do so by the demands of society as a result of a crisis situation. In response, organisations employ crisis-management techniques, and are often forced into a defensive dialogue with stakeholders, leading to a significant and long-lasting loss of reputation. This type of interaction is often antagonistic and damaging of trust.

Meaningful engagement occurs when organisations, aware of the changes in the wider society and how they relate to organisational performance, choose to establish relations with stakeholders as a means to manage the impact of those changes, such as those created as a result of global economic downturn. Organisations can either seek to mitigate risk through the use of stakeholder management, or exploit these new trends to identify and establish new opportunities through the use of meaningful stakeholder engagement; the latter is characterised by a willingness to be open to change. Figure 1 distinguishes between crisis management, stakeholder engagement and stakeholder management.

Figure 1: Differentiating Crisis Management, Stakeholder Management and Stakeholder Engagement

Crisis Management	Stakeholders Management	Stakeholders Engagement
Reactive	Proactive	Interactive
Vulnerable	Anticipate	Encourage
Episodic	Regular	Inclusive
Hostile	Defensive	Prepared to change

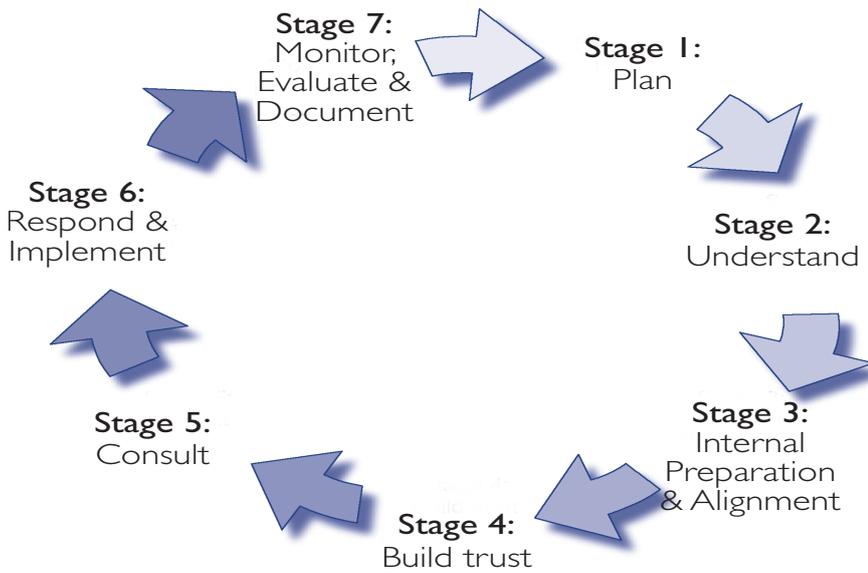
A Summary of Meaningful Stakeholder Engagement

As with any other business process, the process for engagement should be systematic, logical and practical. We provide a process here that will take you from the starting point of planning and identifying objectives through to post monitoring and evaluation. This process is represented as a circle because it is constant, where lessons from past experience will then shape future planning and engagement.

The process is not linear; rather it is an iterative process in which an organisation learns and improves its ability to perform meaningful stakeholder engagement while developing relationships of mutual respect, in place of one-off consultations. The following figure is a useful check-sheet for you to use in practice.

¹ Freeman. Strategic management: A stakeholder approach. Pitman (1984).

Figure 2: The Process Flow of Stakeholder Engagement



Section 3 provides detail and examples of each process. In brief:

- ❖ **Stage 1**, planning: Identify your basic objectives, issues to address and the stakeholders you prioritise as critical to your organisation.
- ❖ **Stage 2**, understand your stakeholders: Identify the urgency they feel for their issues, the legitimacy of their interest and the power they have to impact on your organisation. Understand their wants and needs and how this correlates with your wants and needs from them. Having an understanding of their motivation, objectives and issues, and which of those are your issues, will help with profiling the priority stakeholders. (Profiling will help later when designing engagement and consultation tactics.)
- ❖ **Stage 3**, preparing internally to engage: Dedicate appropriate time and resources to identify possible commonalities between your organisation and your stakeholders – to identify possible ways into conversations and win-win situations. Agree the commitment your organisation will give to stakeholder engagement and the process, which may mean building the business case and identifying internal advocates.
- ❖ **Stage 4**, building trust: Different stakeholders will come with different levels of trust and willingness to trust. Recognise this and that how you interact with them will need, therefore, to adapt to the level of trust present and needed.
- ❖ **Stage 5**, consultation: For overall success it is important to achieve during consultation:
 1. Fair representation of all stakeholders, not just the easy ones
 2. Be responsive by providing information and proposals that respond directly to their expectations and interest previously identified, not just information responding to your internal objectives and activities.

3. Contextualise information so that stakeholders get a detailed, holistic picture.
4. Provide complete background information stakeholders need to draw fair and reasonable conclusions.
5. Be realistic in negotiations with possible trade-off of expectations, needs and objectives. This will help achieve agreement and build trust.
6. The consultation process should be material to your organisation's key economic, social and environmental risks.

The mechanism of consultation includes personal interviews, workshops, focus groups, public meetings, surveys, participatory tools and stakeholder panels. Choose relevant mechanisms for each stakeholder group as one template won't fit all. Prioritise issues from your and the stakeholders' viewpoint, understanding the stakeholders' issues of importance.
- ❖ **Stage 6**, respond and implement: Decide on a course of action for each issue agreed upon – understanding possible stakeholder reactions to your proposal will help you to develop a more successful proposal of action. How you respond is critical and a perception of fairness can drive success. A process is provided offering guidance on how to implement measures for the agreed issues identified.
- ❖ **Stage 7**, monitor, evaluate and document: Knowledge management is critical for capturing information and sharing what is learned. Transparency of the process is greatly aided by accurate documentation, especially if your organisation reports on stakeholder engagement or submits to external scrutiny. Remember to report back to stakeholders on progress, in a form and language appropriate to them. Collect a wide range of views to assess success and learning points of the engagement process, especially to understand cost-benefit – including benefits such as reputation, risk management and new business models.

We also include a few 'Golden Rules' – conditions within your organisations that will encourage and foster meaningful engagement (Section 4).

- ❖ Internal alignment of CR and Business Units in expectations, roles and outcomes. Being flexible will help achieve this, as will appreciating different viewpoints, pressures and business objectives that the CR team and Business Units may have.
- ❖ Building trust with stakeholders is very important, aided by understanding their viewpoints and motivations. Managers need to gauge the level of trust in relationships but not be too quick to judge.
- ❖ Understanding and being transparent about the motivation of both stakeholders and your organisation can help overcome differences. Recognise that the fundamental motivation of each side may be very different but understanding and articulating this can help close this gap.
- ❖ Your organisation needs to recognise the importance of stakeholder views and engagement. It is critical that your organisation as a whole appreciates the contribution stakeholder engagement gives to overall business success and that it is not just an add-on.
- ❖ It is important to consider how you plan engagement so that it encourages viewpoints from across the population spectrum. Gender can play a role in how women interact vs. men, and consideration should be given to setting, mode of consultation and fair representation.
- ❖ The 'tone from the top': the role that leaders play is fundamental in building meaningful engagement. An appropriate role for the CEO may be actively involved in the initiation of the development of the stakeholder engagement strategy and involved in engagement with key global stakeholders.
- ❖ Your organisation's culture will have an impact on how stakeholder engagement occurs (i.e. autonomy for local adaption and local relevance). Therefore assessing its culture is important for identifying enablers and barriers to your stakeholder engagement activities. A culture web will help do this.
- ❖ Assessing past non-productive engagement behaviour will help the organisation to learn from past experiences. It is important to collate this information from both the organisation and stakeholder viewpoints.
- ❖ Recognise the interplay and, therefore, influences between leadership, organisational behaviour and capabilities in creating strategies, processes and procedures.
- ❖ In conclusion, we recommend you consider four vital influences on your stakeholder engagement efforts: organisational culture, structure, human resources and learning.

Introduction

The terminology of stakeholder and stakeholder engagement has become increasingly common parlance in international business circles in the last decade, particularly with regard to social and environmental performance².

Box 2: Understanding Stakeholders

Stakeholders can be defined as:

- ❖ Anyone who affects or is affected by your organization (R Edward Freeman)
- ❖ Those groups or persons who have a stake, a claim, or an interest in the operations and decisions of the firm...legal, financial, or moral claim, explicit or implicit contract (Archie B Carroll)
- ❖ They supply resources that are critical to the success of the enterprise (e.g. licence to operate)
- ❖ They place something of value 'at risk': i.e. their own welfare is directly "affected by the fate of the enterprise" (e.g. quality, environment)
- ❖ They have "sufficient power" to affect the performance of the enterprise, either favourably or unfavourably (e.g. mobilise social forces, withdraw labour)

For a list of possible stakeholders see Section 3.5.

Stakeholders can be both local, having detailed information and opinions on a specific issue or region, or global, engaging directly with companies at pan-regional headquarters level. The definitions above apply equally for both local and global stakeholders.

2.1 The Benefits of Engaging with Stakeholders

The development of meaningful relations should add value to the organisation's operations by: reducing constraints on business and increasing the licence to operate; allowing it to plan for the future, minimising risks and enhancing opportunities by better understanding the fast-changing PESTE (Political, Economic, Social, Technological, Environment) context; and, enabling it to better understand critics and potentially refute, convince or address criticisms. Furthermore it will enable organisations to reassure stakeholders that they are on top of issues, and in some cases, be essential for solving problems. It is, therefore, justifiable in terms of time, money and effort expended in their development and maintenance.

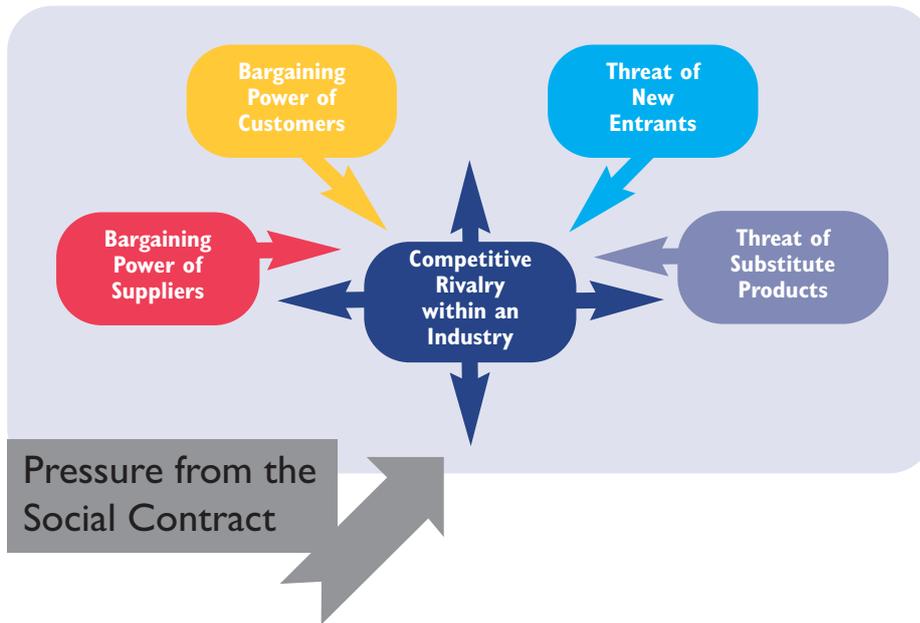
2.2 Basic Principles of Stakeholder Participation

Articles by Coimbatore Krishnarao Prahalad, Michael Porter and others have highlighted the growing consensus in business circles that the relationship between business and society is now an issue of significant commercial relevance to all organisations. Ian Davis, the then Global Head of McKinsey & Co, writing in the Economist emphasised the need for CEOs of modern large corporations to take the opportunity to 'restate and reinforce' this relationship to help secure the billions invested by their shareholders over the long term, arguing that there is a new social contract³. Some commentators have described the social contract as an additional and sixth force in Porter's widely recognised and utilised five forces model (see Figure 3)⁴.

² Sequeira, Debra et al. 2007. Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets. International Finance Corporation

³ Davies, Ian. 2005. *The biggest contract*. The Economist

⁴ Jeffery, Neil. 2007. *Towards a Customer Value Model for Stakeholder Engagement: Understanding the Added Value to Business*. Cass Business School

Figure 3: Porter's Five Forces model plus Social Contract

Box 3 describes some of the basic principles of stakeholder participation.

Box 3: Core Values for the Practice of Stakeholder Participation

1. Stakeholders should have a say in decisions about actions that could affect their lives or essential environment for life.
2. Stakeholder participation includes the promise that the stakeholder's contribution will influence the decision.
3. Stakeholder participation promotes sustainable decisions by recognising and communicating the needs and interests of all participants, including decision-makers.
4. Stakeholder participation seeks out and facilitates the involvement of those potentially affected by or interested in a decision.
5. Stakeholder participation seeks input from participants in designing how they participate.
6. Stakeholder participation provides participants with the information they need to participate in a meaningful way.
7. Stakeholder participation communicates to participants how their input affected the decision.

Source: Adapted from Core Values for the Practice of Public Participation by the International Association for Public Participation, www.iap2.org

2.3 Current Stakeholder Engagement in Practice

As more and more organisations have set up specialised departments to manage their Corporate Responsibility (CR) activities, stakeholder language has become pervasive throughout business marketing and public relations materials, concomitant with the growing belief that stakeholders can be critical to business performance⁵.

As a result, the risks and opportunities associated with stakeholder relations are now 'better understood by the private sector and financial investors alike'⁶, while the rationale for business to follow such procedures is characterised by the belief that stakeholder 'goodwill' is not just a 'nice to have' but is an essential way for business to achieve 'competitive advantage and licence to operate in an ever more informed, activist society'⁷.

This sentiment is reflected in increasingly assertive beliefs of some business practitioners:

*'The message is increasingly clear: corporations that effectively serve the needs of all their key stakeholders will outperform their peers ... We are moving into a new economic era ... of accelerating stakeholder consciousness and connectivity [which] will make it an imperative for corporate leaders to master the art of organizational metamorphosis—of transforming their organizations from nearsighted, shareholder-centric systems to organizations designed to serve all of their stakeholders all the time. Those organizations that learn to make that shift will survive and thrive. Those that don't, won't.'*⁸

Yet what does this mean practically for a business operating in today's global and fast changing business world? A significant challenge for managers is how they develop and enhance their skills and understanding of best practice in engagement to ensure that the relations that they establish and manage are 'meaningful'.

Senior business leaders' frequent expressions of support for stakeholder engagement as a powerful mechanism to manage risk and identify new business opportunities do not always accurately reflect observed behaviour of organisations. For example John Mackey, CEO of Whole Foods, was quoted as saying:

'Business is fundamentally a community of people working together to create value for not only themselves, but for other people

*including their customers, employees, investors, and the greater society ... Business owners and entrepreneurs ... need to ... manage their business more consciously for the well-being of all their major stakeholders while fulfilling their highest business purpose.'*⁹

Yet Mackey was later accused of not acting in stakeholders' interests by posting comments on Yahoo Finance message boards over an eight year period praising the organisation he co-founded, and overtly and unjustifiably criticising one of the organisation's then competitors, in an attempt to drive down its share price¹⁰. While the criticism may or may not be justifiable, this incident highlights possible ambiguities between an organisation's public statements about stakeholders and actions with respect to stakeholders.

Organisations can no longer choose whether they want to engage with stakeholders or not; the only decision they need to take is when and how successfully to engage. Stakeholder engagement is premised on the notion that 'those groups who can affect or are affected by the achievements of an organisation's purpose'¹¹ should be given the opportunity to comment and input into the development of decisions that affect them; in today's society if they are not actively sought out, sooner or later they may demand to be consulted.

The recent economic downturn, rather than reducing the need for stakeholder engagement has highlighted its critical role in times of change and uncertainty. Recent examples of negative press regarding the reaction of communities, workers and suppliers impacted by an organisation's decisions to reduce or entirely withdraw their business operations has once again highlighted the value of stakeholder engagement e.g. the response of the Western Australian communities of Ravensthorpe and Hopetoun to the decision of BHP Billiton to shut down their nickel mine after just eight months of operation¹² or the reaction of the Slovenian public to the news that Renault is planning to close its operation in the country¹³.

Such situations arise when organisations do not actively engage but are forced to do so by the demands of society as a result of a crisis situation e.g. Nike and child labour in the 1990s. In response, organisations employ crisis-management techniques, and are often forced into a defensive dialogue with stakeholders, leading to a significant and long-lasting loss of reputation. This type of interaction is often antagonistic and damaging of trust.

⁵ Grayson, David and Hodges, Adrian. 2004. *Corporate Social Opportunity, 7 Steps to make Corporate Social Responsibility work for your Business*. Sheffield: Greenleaf Publishing.

⁶ Ibid

⁷ SustainAbility <http://www.sustainability.com> (January 2008)

⁸ Thomas B and Veltrop B. *Internal Transformation of Corporations; The road to conscious capitalism, 2007 Summit on the Future of the Corporation*, paper No.4, Page 37-46

⁹ Ibid

¹⁰ Wall Street Journal, WSJ.com (January 2008)

¹¹ Freeman (1984)

¹² Australia hit hard by mining slump, <http://news.bbc.co.uk>

¹³ Renault revives protectionism fears, <http://www.ft.com>

Meaningful engagement occurs when organisations, aware of the changes in the wider society and how they relate to organisation performance, choose to establish relations with stakeholders as a means to manage the impact of those changes, such as those created as a result of global economic downturn.

Organisations can either seek to mitigate risk through the use of stakeholder management, or exploit these new trends to identify and establish new opportunities through the use of meaningful stakeholder engagement; the latter is characterised by a willingness to be open to change. Figure 4 outlines further the characteristics of the three types of interaction.

Figure 4: Characteristics of Crisis Management, Stakeholder Management and Stakeholder Engagement

Crisis Management	Stakeholders Management	Stakeholders Engagement
Reactive	Proactive	Interactive
Vulnerable	Anticipate	Encourage
Episodic	Regular	Inclusive
Hostile	Defensive	Prepared to change

How to Engage Stakeholders

*'Stakeholder engagement should be managed as one would manage any other business function.'*¹⁴

Engagement should be regarded as any other business project planning process, with adequate analysis, preparation, implementation, reporting, evaluation and follow up. The ideal stakeholder engagement process should be an iterative process, allowing engagement to benefit from diligent planning, thorough reporting and the application of learning as a result of appropriate evaluation and monitoring.

Engagement with stakeholders has the possibility of securing a wide range of benefits for your organisation, from protecting the organisation's licence to operate to gathering information on improved market or product performance. Done well, it can even lead to the development of new products and services. However, if an engagement process is poorly managed, it has the potential to undermine stakeholder relations resulting in mistrust and tension, as well as making the possibilities for future successful relations much more difficult.

Box 4 lists some of the key basic characteristics to be considered in establishing an engagement process. Some present International Standards for Stakeholder Engagement with brief descriptions are listed in Appendix 5.1, for example AA1000 and the Global Reporting Initiative.

Box 4: Basic Characteristics of Engagement

Ideally, an engagement process will be built on common values and vision.

- ❖ Characterised as 'two-way' so that both sides have the opportunity to exchange views and information, to listen, and to have their issues addressed
- ❖ Be free from manipulation or coercion
- ❖ Be characterised by a long-term commitment from both sides
- ❖ Involve a representative group of stakeholders
- ❖ Be targeted at those most likely to be affected by the organisation
- ❖ Be representative of your stakeholders, whether by gender, race, age, class, sexual orientation, education or religion
- ❖ Not involve making commitments that cannot be delivered on

Utilise best practice in engagement's implementation.

- ❖ Be developed early enough to scope key issues and have an effect on operational decisions
- ❖ Be informed as a result of relevant information being disseminated in advance
- ❖ Be meaningful to those consulted because the content is presented in a readily understandable format
- ❖ Be relevant to the stakeholder and context you operate in, whether local or global
- ❖ Put in place strong internal processes to build consensus and support among internal departments for stakeholder engagement and as a way to facilitate better engagement
- ❖ Use techniques that are culturally appropriate
- ❖ Use appropriate technology for the context, level of education or development of the stakeholders
- ❖ Be designed to be context specific to reflect appropriate timeframes, local realities and languages
- ❖ Utilise a documentation system to keep track of who has been consulted and key issues raised
- ❖ Have a system for feeding back and following up on issues raised during consultation as well as clarification of next steps
- ❖ Be managed by organisational staff who have facilitation, communication and conflict resolution skills
- ❖ Have clear roles and scope about the objectives and activities to be achieved
- ❖ Involve clarity of key point contacts on both sides

Source: Adapted and expanded from material from Sequeira, Debra et al. 2007. Stakeholder Engagement: A Good Practice Handbook for Organisations Doing Business in Emerging Markets. International Finance Corporation; and, McCallum, Alison et al. 2007. SEAT: Socio-Economic Assessment Toolbox. Anglo American

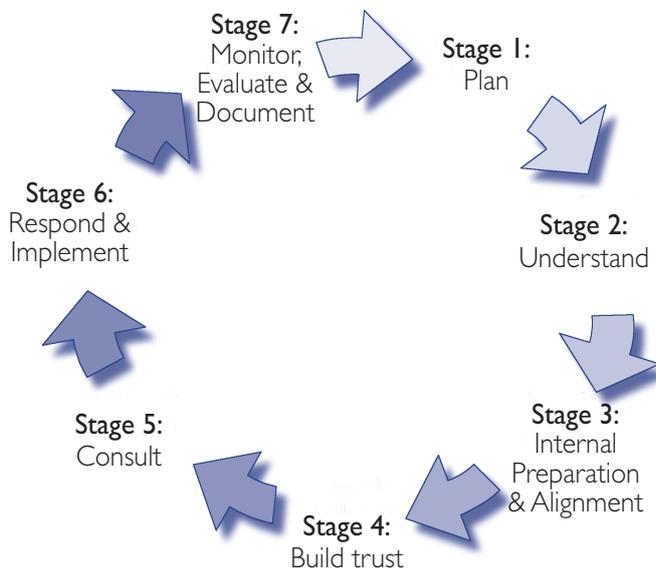
¹⁴ Grayson, David and Hodges, Adrian. 2004. *Corporate Social Opportunity, 7 Steps to make Corporate Social Responsibility work for your Business*. London: Greenleaf Publishing

The Stakeholder Engagement Process

Figure 5 is a model of a 'meaningful' stakeholder engagement process. It builds a proactive two-way process between the organisation (business leaders, internal technical experts, and CR and business departments) and the stakeholder; in which communication, opinions and proposals flow in both directions and where the organisation is willing to change its behaviour as a result of engagement. The process is not linear; rather it is an iterative process in which an organisation learns and improves its ability to perform meaningful stakeholder engagement while developing relationships of mutual respect, in place of one-off consultations.

This chapter follows this process as a guide for the seven steps to be taken for successful stakeholder engagement.

Figure 5: Stages in a Meaningful Stakeholder Engagement Process



3.1 Stage 1: Plan

At this point, it is important that the organisation has already developed an understanding and consensus regarding why it wishes to pursue meaningful engagement; this is ideally based on recognition of the material impact of not engaging meaningfully such as weakened risk and opportunity management, rather than just a desire to better manage communications.

This stage involves identifying the basic objectives that you as an organisation want to achieve, the issues you want to address and the stakeholders that you would like to prioritise in the engagement process. These will of course depend on the nature of your organisation, business sector; present priorities, and your business model etc., as well as whether stakeholder engagement is at a local or global level or both. Processes, accountability lines and priorities may be different at each level.

Box 5 contains some examples of questions that you typically might need to answer in the planning stage, ahead of any final decisions regarding which stakeholder to engage with or which methodology to employ.

Box 5: Questions to be Answered in the Planning Stage

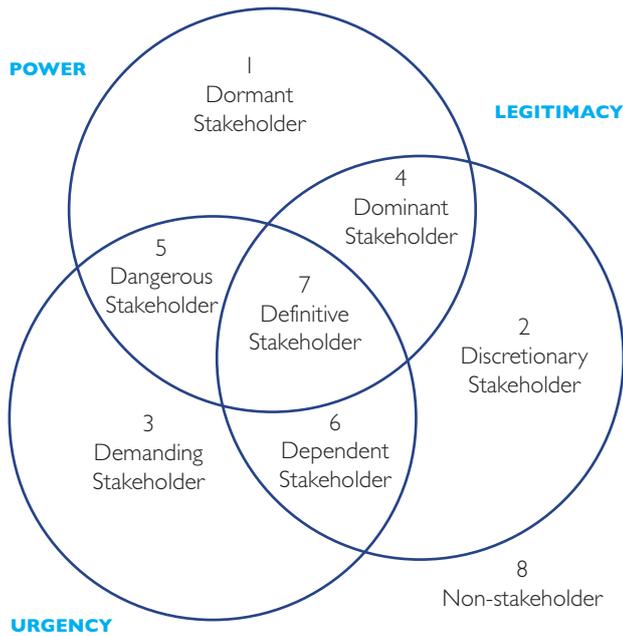
- ❖ What do we want to achieve?
- ❖ What are the key issues to be addressed?
- ❖ Does our organisation have any experience of engaging on these issues in the past and what can be learnt from that experience?
- ❖ What level of resources can be allocated to this initiative?
- ❖ What level of support exists in our organisation for this engagement and does that include senior management?
- ❖ What is the time scale for achieving results?
- ❖ Who are the affected communities, families or individuals?
- ❖ Who are the appropriate representatives for consultation?
- ❖ Is there any previous experience, either positive or negative, of engaging with these stakeholders and what can be learnt from that experience?
- ❖ What means and formats for consultation would be most effective?
- ❖ What is the likely timeframe for consultation and discussion?
- ❖ Are there any legal obligations to consider under national or international law and how may this impact on the engagement?
- ❖ What is the attitude of the national government to this consultation, if any?
- ❖ What are the potential obstacles? Have we identified them?

Source: Expanded and Adapted from 'pre-consult where possible', Sequeira, Debra et al. 2007. Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets. International Finance Corporation

3.2 Stage 2: Understanding Stakeholders and their Wants and Needs

Common stakeholder engagement techniques are based on an initial categorisation or segmentation of stakeholders, such as in the Mitchell, Aages and Wood model exhibited below.

Figure 6: Stakeholder Typology based on a Diagnostic of up to Three Attributes: Perceived Power, Legitimacy and Urgency



Source: Mitchell, R.K., Agle, B.R., Wood, D.J. (1997), "Toward a theory of stakeholder identification and salience: defining the principle of who and what really counts", Academy of Management Review, Vol. 22 No.4, pp.853-86

Mitchell suggests that a stakeholder group has power when it can impose its will on the firm, especially through the control of resources, while legitimacy implies that a stakeholder group reflects the prevailing opinions and beliefs of society. Urgency is characterised as stakeholder sensitivity to the response time of managers. This classification can help to assess with whom an organisation should interact, e.g. those with power may have an enhanced capacity to disrupt and therefore capture public attention.

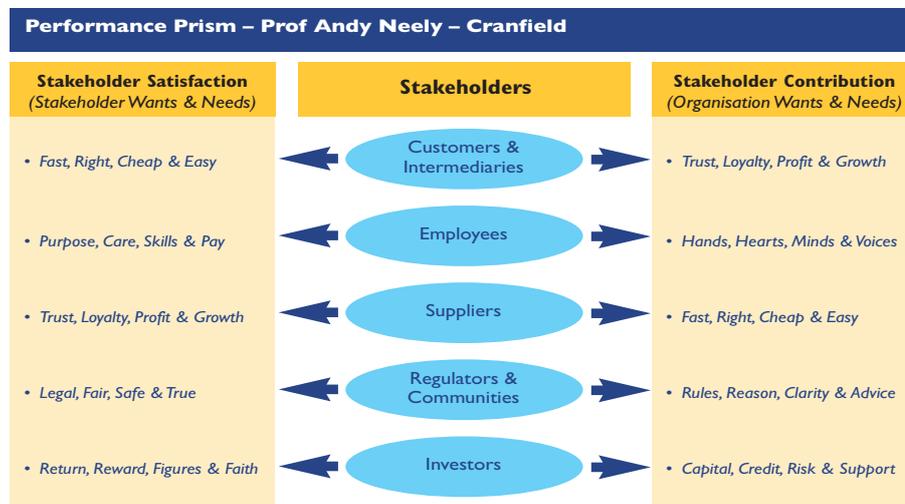
Prioritisation in such segmentations is usually according to a predetermined set of characteristics; most models utilise two of the three dimensions listed below (or all three), defining discrete groups and prioritising these for differentiated attention and according to the level of stakeholders':

- ❖ Interest, i.e. the degree to which stakeholders are motivated by and mobilise around an issue
- ❖ Influence, i.e. the ability of stakeholders to galvanise public interest and receptivity of the public to an issue
- ❖ Salience, i.e. the degree to which organisations feel that an issue, and a stakeholder's stance on an issue, is of importance or relevance to them

However, precisely because stakeholders are not homogenous, taking the analysis a step further provides significant additional critical information regarding their 'wants' and 'needs' in relation to the organisation.

The SWANS and OWANS approach of Prof. Andy Neely of Cranfield School of Management (Chairman of the Centre for Business Performance) provides a mechanism to illicit this information. **SWANS** (stakeholder wants and needs) is shown in the left column of Figure 7 and **OWANS** (organisation's wants and needs from stakeholders) in the right.

Figure 7: SWANS and OWANS

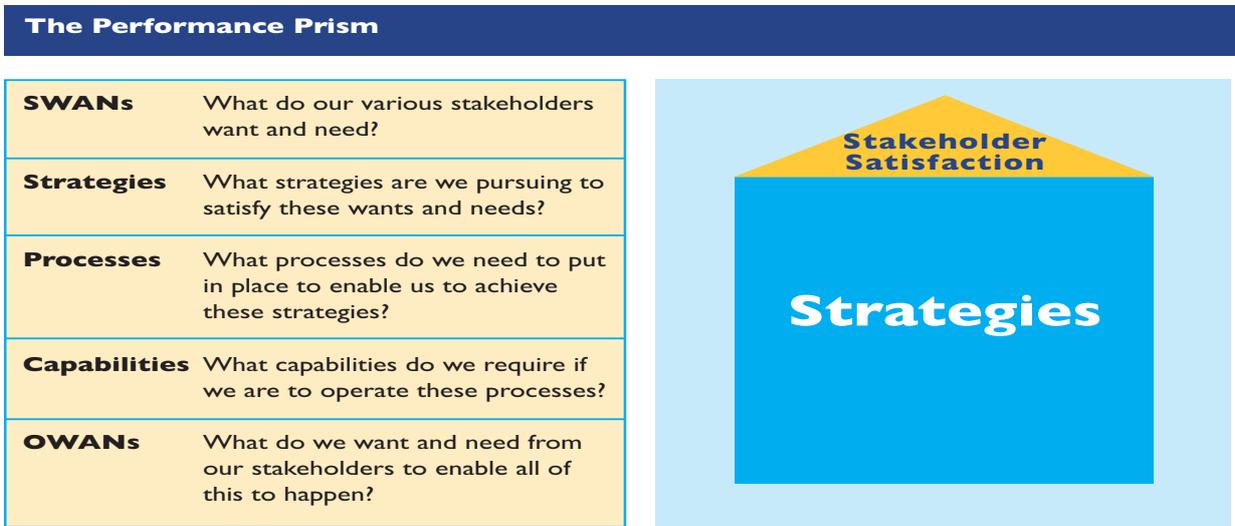


Source: Prof. Andy Neely, Cranfield University, School of Management, UK.
Note: Some organisations will separate regulators and communities into different categories.

Identifying SWANS and OWANS can help shape your organisational processes – strategies, processes, and capabilities –

to deliver these SWANS and OWANS, as described further in Figure 8.

Figure 8: SWANS and OWANS: The Performance Prism



Source: Prof. Andy Neely, Cranfield University, School of Management, UK.

After making an initial assessment of which of your stakeholders may represent a priority for your organisation, you should make strenuous efforts to 'get under the skin' of those priority stakeholders to understand their thinking and decision making processes: what motivates them; what objectives they seek; what are their expectations of the company; and, why and how their vision and interpretation of issues are influenced by their history, culture, ways of working and relations with others.

Understanding and appreciating these elements, and others, will make your likelihood of successfully engaging with them at a later

stage much greater. In the Appendix (5.2) we have provided some tips on how to better understand NGOs and their motivations ahead of engagement.

At this stage, potentially sensitive information may need to be collected through third parties as it is important not to raise expectations unnecessarily before a final decision on whether to engage or not has been taken. The careful management of expectations is crucial to the future chances of successfully engaging, as the nature of expectations themselves can significantly influence future outcomes.

Example: Understanding NGO Personalities and Characteristics

A global organisation in the extractive industry recognised that their reputation was being negatively impacted by the international image of their operations in emerging markets in Africa. Nigeria was highlighted as a key area where interaction with stakeholders was required, particularly with regard to human rights issues.

The organisation soon recognised the need to understand the specific and localised dynamics of the human rights civil society organisations, including academics and faith based organisations in the country and searched for a critically positioned individual or organisation who could provide them with insight into the localised situation of roles, relationships and expectations of the various human rights organisations.

The selected organisation mapped out the NGOs, their areas of interest, the key personalities, key contacts, critical issues and concerns. Furthermore they identified a personality known as Mr.A, who was previously the president of the Nigerian Bar Association and inaugural president of the Civil Liberty Organization of Nigeria to assist them to better understand the 'landscape'. Mr.A. had played a leading role in protesting for civil liberties in Nigeria when the military refused to relinquish power, and as a result had been the centre of mobilising social and labour movements to protest and campaign for the return of Nigeria to democracy. The Civil Liberty Organization of Nigeria that he helped found in partnership with other groups played a fundamental role in ensuring the restoration of democracy in the country. And at the end of that process Mr.A continued to work in a common framework with a wide range of civil society organisations making him very suitably placed to comment and provide information on their interests, concerns and expectations.

This provided the organisation with critical information in the preparation of their stakeholder engagement strategy in Nigeria.

One can build a basic community stakeholder group profile, the objective being to build an understanding of the characteristics of the stakeholders potentially affected by your organisation's

operation. The information collected can be utilised at a later stage to assist in the design of an engagement and consultation strategy. Figure 9 provides a template for building this profile.

Figure 9: Building a Basic Profile of Local Community Stakeholders

Stakeholder Group Characteristics	- 3 year	Present	+ 3 Years
Gender (% Male/Female)			
Age Profile (% per 10 years)			
Religious profile (% per religion or non-religious)			
Ethnic profile (% per ethnic group)			
Livelihoods (% per profession /sector)			
Average Income level (across group)			
Wealth distribution (across group)			
Average educational level attained			
Homogeneity of group			

In building up this initial information it is crucial to examine any previous interaction between your organisation and the stakeholders, even if it is from several years in the past; such prior experiences, whether positive or negative, have the potential to dramatically impact on the likelihood of success of present engagement efforts. One can record and assess this

information, to know the impact of previous interactions between organisation and stakeholder: Appendix 5.3 provides a template table that you can use to do this. The output of this step should be a prioritised list of stakeholders that can be fed into the consultation stage.

¹⁵ Jeffery, Neil. 2007. Towards a Customer Value Model for Stakeholder Engagement: Understanding the Added Value to Business. Cass Business School.

3.3 Stage 3: Internal Preparedness and Alignment with Stakeholders

This stage recognises that the greatest levels of success may be achieved when the interests and objectives of your organisation and stakeholders can be aligned. This is not to assume that your organisation and stakeholders will necessarily want identical outcomes, but if a common interest can be identified it may act as a critical means to leverage a solution to an issue, to the satisfaction of both parties.

Recent research has highlighted the importance of greater alignment not only between the interests of stakeholders and those of managers in CR departments, but also between stakeholders and business or operational units within the same organisations¹⁵. It is important to recognise that different business units may have different needs, creating misalignment regarding how or why to undertake meaningful engagement. Three examples of challenges that may arise are:

- ❖ Willingness and understanding at HQ level but a lack of resources and skills or a failure to receive the message at the local level
- ❖ Conversely a lack of support from top leadership when prioritising funds due to their distance from the interaction with stakeholders, resulting in a failure to perceive the potential impact of engagement
- ❖ A global stakeholder group may have more influence in one region than another, causing different regions within the same organisation to prioritise the stakeholder differently

Establishing an internal stakeholder management team to take on central management and support local units on issues pertinent to them will help to create a more coordinated approach (see Sections 4.4 and 4.7 for more detail).

Such a development implies the existence of internal capability and skill, coupled with leadership support. A crucial element in the planning process is recognition of the commitment and internal capacity required to achieve meaningful engagement. However, this is not a common skill, requiring training and support from both strategic and operational managers. Such internal capacity building can also include the development of the engagement team's understanding of the language of the core business to facilitate internal communication.

The 'embeddedness' of stakeholder engagement throughout the organisation is detailed in Section 4.4. However, if a select group of staff manage the stakeholder engagement, it is vital to keep them in touch with the priorities and pressures of the core business, so that they are seen as relevant internally and externally they represent the true dynamics of the organisation. Regular communication and feedback, secondments across parts of the business and inclusion in departmental planning will help members of staff to better understand the process of meaningful engagement. Connecting stakeholder engagement processes to

other processes in the company, such as procurement, social investment and issues management, will help, especially if the outputs from stakeholder engagement continuously inform these other processes.

Organisations should dedicate time and resources in attempting to recognise possible commonalities between themselves and stakeholders, which may not at first appear obvious. This can provide a way through an apparent 'mismatch' of interests, leading to a win-win outcome. If this kind of research can be proactively completed ahead of consultation then the 'entrance into engagement' may be more successful, as well as 'setting the right tone' for the whole process. This may even assist in avoiding, or reducing, the incidents of failed engagements when both or one party feel there is no point in continuing a consultation as the 'gap' between the parties is perceived to be irreconcilable.

Example: Internal Changes Facilitating External Benefits

An executive at an energy firm described the crucial internal changes in the organisation, particularly with regard to the priorities given to stakeholder relations, which helped facilitate and prepare the way for engagement:

"When you need people to do a study there is no immediate return, so we have to give the space, the encouragement, and also the brainpower, one important thing is when you get senior people, I really mean the senior management, as senior as you can think of, thinking this through with you, you get the intellectual power together with the operational delivery - huge space given and huge support given."

3.4 Stage 4: Building Trust

Building trust is a fundamental part of the meaningful engagement process which is why it has been given a dedicated stage. Appropriate and diligent planning and preparation, as outlined in stages 1 to 3, will go a long way to assisting in building trust, as the initial engagement is more likely to be successful. However, other issues will also need to be addressed and managed as they may tend to engender lack of trust, including inequity of the relationship, differential power of individual or groups in the engagement process, language and cultural barriers, and ways of working etc.

¹⁵ Jeffery, Neil. 2007. Towards a Customer Value Model for Stakeholder Engagement: Understanding the Added Value to Business. Cass Business School.

Example: Different Stakeholders, Different Levels of Trust

A manager from a worldwide energy organisation described the various levels of personal commitment and confidence that different stakeholders brought to an engagement process that they facilitated. These various stakeholders responded very differently to the organisation's efforts to engage with them, demonstrating the highly varied and diverse nature of their stakeholders and the need to use alternative mechanisms to build trust with each:

“What we found was as you expect some people were absolutely brilliant and it was quite clear that they were going to go on to bigger and brighter things and then there was quite a large number of people who might not have done absolutely brilliantly ... but got a lot out of the process...and then I think there were some people who didn't get much out of it, they weren't really as interested in it as they originally thought or they found it frankly difficult and were surprised by the amount of work you have to do if you are going to do a piece of serious work, so perhaps some of them found that too intensive. A few, really a few, because they had serious preconceptions, they were doing it as a political act, they wanted to find the negatives – of course they did find some negatives, but largely they didn't find the negatives that they were alleging, so a very few were thoroughly pissed off, they weren't in it to learn anyway.”¹⁶

Example: Destroying Trust is Easy

A major beverage organisation invested significant time and energy over a series of months in building relations with a wide number of stakeholders in an emerging market as a way to establish open communication and relationships that the organisation could draw upon in future. In order to achieve this objective they dedicated significant head office and local staff time, as well as the services of various consultants and other external partners over a twelve-month period. They then allowed the relationships to lapse for 18 months during which time no follow up or further exchanges took place with the stakeholders.

Following increased negative publicity regarding the actions of the organisation in the same market, the organisation decided to re-establish contact with stakeholders and requested that they sign a public letter expressing support for the actions and behaviour of the organisation. This produced some concern on the part of stakeholders, principally because of the long 'period of silence' on the part of the organisation. Not only did the stakeholders decline to sign the letter, but the perceived poor corporate communications with stakeholders led to a significant deterioration of trust between organisation and stakeholders – not least because expectations raised in the initial introductory process were not fulfilled.

The result of the whole process was to generate a greater level of scepticism in stakeholders than if no contact had been made at all.

There are several reasons why community and civil society stakeholders may trust an organisation more. The building of trust is a crucial part of meaningful engagement resulting in information being shared both ways, communication becoming an enabler not a barrier; a significant willingness from both parties to understand the others' viewpoint and enhanced ability to find commonalities.

The following actions are examples of how an organisation can improve the non-financial aspects of relationships thus influencing how stakeholders, i.e. local communities, may view an organisation, allowing them to 'trust' the organisation more:¹⁷

- ❖ Acknowledge internally, and if appropriate publicly state, that you need the community's trust to gain social licence to operate
- ❖ Consult with the communities, as they need to feel that they are being heard and have a say in issues that concern them
- ❖ Develop and put in place a mechanism or procedure for holding the organisation accountable for activities, e.g. periodic forums with community groups with a nominated senior member of staff to whom stakeholders can report concerns. It is important not to hide behind a website or email address, but rather give the organisation a personal face and stakeholders a way of talking to a person
- ❖ Set up a way of keeping communities informed about the organisation's future prospects or plans, whether through newsletter; website, email shots etc. Consider other platforms for communicating with them
- ❖ Make sure that meetings with organisational staff are held regularly, take place when and where it is convenient for stakeholders, and are maintained on an informal and personal basis.
- ❖ With your dealings ensure there is follow-through – assign a staff member to carry an issue to resolution and report on progress or difficulties, so that the organisation is known to be reliable and predictable, and to follow through on its promises
- ❖ Encourage organisational staff to socialise informally with local people, by providing open days, tea & coffee informal chats, away days for members of staff to community projects etc.
- ❖ Don't just deal with the big issues – make sure you capture little issues as well
- ❖ Plan and then use appropriate language for the audience. Do not use language that is too heavy on business jargon
- ❖ Identify and use shared history to find commonalities, such as where the organisation has grown with the community

¹⁶ Interview with Author; June 2007

¹⁷ Adapted from CDA Collaborative Learning Projects. 2004. Stakeholder Consultation Issue Paper: Corporate Engagement Project

3.5 Stage 5: Consultation

When consultation actually takes place it should be after an extensive period of preparation, as outlined in the previous stages, and should exhibit the following characteristics. Any consultation should be:

- ❖ **Representative:** it is important that those involved in the consultation process are as representative as practicable of the full range of stakeholders affected by the organisations' actions, to ensure that the organisation can build as meaningful relations as possible (see Section 4.5). While it may be easier to engage with the most sympathetic, organised, vocal or powerful stakeholders, consulting with minority organisations or those who are less vocal or powerful, can help to produce more representative, accurate and appropriate conclusions regarding stakeholders' issues and mechanisms to address those issues, thus allowing your organisation to more effectively and successfully respond to stakeholders. Winning the support of one or two 'big' stakeholders does not necessarily indicate that meaningful engagement has been achieved; not all community or environmental groups (for example) have the same view of or priority for an issue.
- ❖ **Responsive:** by providing information, analysis and proposals that respond directly to stakeholder expectations and interests already identified through the preparation phases – i.e. be stakeholder driven and focused, rather than responding to internal objectives and activities of the business, or being shaped by your organisation's organisational behaviour
- ❖ **Context focused:** by making available information and analysis that is contextualised so that stakeholders are able to gain a detailed, holistic and complete picture of organisational motivations, culture and behaviour; and assess the relevance of each of these to the ultimately observed organisation's action
- ❖ **Complete:** by providing appropriate background information together with the historical or analytical basis to certain decisions, thus allowing stakeholders to draw a 'fair and reasonable' conclusion as to why the organisation responded in a particular way to an issue. An efficient internal knowledge management system will help collate and provide this information.
- ❖ **Realistic:** in the 'negotiation' process with stakeholders there may be an inevitable trade off of expectations, needs and objectives, where both parties recognise that they may not ultimately achieve everything they had originally set out to accomplish. Nevertheless this trade off in itself can be extremely positive to the overall engagement process, allowing trust to be strengthened as each side demonstrates that they can be moderate and realistic, ahead of a significant commitment in time and resources being made. As part of this process, ensure that you accurately represent the intentions of the organisation, providing clarity on your expectations of the 'negotiation' i.e. what is on the table for discussion and what is not.

- ❖ **Material:** the consultation process should be relevant to your organisation's key economic, social, and environmental risks, how they are presently being managed and, where possible, dovetail with present activities and outputs, and support already accomplished outcomes and impacts

Box 6 provides a list of typical stakeholders that your organisation should consider for consultation. In Appendix 5.4 we have listed more specific examples of community and civil society stakeholders for further clarity.

Box 6: List of Typical NGO/Community Stakeholders for Consultation

- ❖ Stakeholders directly affected by your organisation's operations, both positively and negatively
- ❖ Stakeholders who have an interest in, or influence over, organisation operations
- ❖ Stakeholders who have knowledge about the impact of the operation
- ❖ Stakeholders who are partnering with the organisation to address the impacts of the operation
- ❖ Stakeholders who have instigated their own initiatives to address impacts associated with the operation
- ❖ Stakeholders who are part of the broader community (whether local, regional, national, international) who have expressed an interest in, concern with, or influence over the operation
- ❖ Authorities or regulators at an international, national, provincial or local level
- ❖ Authorities who control or issue licences or permits to operate
- ❖ Authorities or regulators who exercise control over a particular sector or industry
- ❖ Authorities responsible for social and economic development, infrastructure and service provision, town or regional planning

There is a range of consultation techniques available for you to use depending on which you think are suitable for your different stakeholder groups:

1. Personal interviews
2. Workshops
3. Focus groups
4. Public or 'town hall' meetings
5. Surveys
6. Participatory tools
7. Stakeholder panels

In Appendix 5.5 we give further detail on their respective uses, with advantages and disadvantages.

Once your organisation has decided upon which stakeholders to consult and the most appropriate mechanisms to be utilised – given the context, local realities and the characteristics of stakeholders, issues of interest or concern to each stakeholder group should be identified and tracked, for example using a knowledge management system. It is important not to lose sight of topics and record issues that are being followed through, resolved or being fed into the business. Otherwise there is a very real danger that different parts of the business engage – not knowing what was said by a different part of the same company the last week – and getting themselves into serious problems as a result. For example, track:

- ❖ where/who/when an issue is raised
- ❖ the priority the issue is given (based on work done from Step 2)
- ❖ if the issue involves another part of the business
- ❖ the internal owner (ensuring they are engaged or at least informed)

- ❖ actions taken, through the above techniques and why, (see Section 3.6)
- ❖ communication regarding the issue
- ❖ resolution and feedback from stakeholders when available on how the issue was managed (see Section 3.6)

This information is essential for 'operationalising' meaningful engagement, from its initial development to ongoing progress. It will also help identify the efficiency and effectiveness of the engagement enabling the setting of KPIs as well as the establishment and measurement of progress i.e. time period for resolution or percentage targets for positive feedback. Some organisations will include stakeholders in setting and measuring of these KPIs.

Figures 10 and 11 highlight a mechanism to identify such issues:

- ❖ by engaging with stakeholders utilising a series of generic questions as a way to 'bring out' issues (Figure 10), and then
- ❖ systematically assessing the priority of each issue raised in the dialogue, firstly from an organisation's perspective and then from a stakeholder's point of view (Figure 11)

Figure 10: Initial Generic Questions to Scope out Issues of Importance to Stakeholders

Information	Sample Questions
About stakeholder	Can you tell us something more about your organisation? What are your objectives? How do you operate?
Relationship with organisation	Have you interacted with the organisation in any way? If so why? What was the outcome?
Potential issues of interest to stakeholder	Do you have any issues, positive or negative, related to the organisation's operations? Can you articulate what you feel should or could happen regarding this issue?
Expanding information on the issue (positive or negative)	What do you see as the cause of the issue? What if anything aggravates the issues? How have the issues evolved over time? Over what time frame has the issue developed? What other factors impact on the issue? How?
Link between issue and organisation	When did you first become aware of the issue? What relationship do you see between the actions of the organisation and the development of the issue? Have any changes in organisation behaviour or action impacted on the issue, positively or negatively?
Importance of issue	Do you regard this issue as a priority for organisation action? Why? What other themes are impacted by this issue?
Possible solutions	At present how do you think the organisation is addressing the issue? How do you think the organisation could address the issue in future? What role could you or other stakeholders play in addressing this issue? Which other third parties could be invited to play a role in addressing this issue?

Figure 11: Issue Prioritisation from Organisation and Stakeholder Perspectives

Prioritisation of Issues from an Organisation perspective ¹⁸	Issues I	Prioritisation of Issues from a Stakeholder perspective	Issues I
Secures / threatens licence to operate		Enhance / reduces overall quality of life e.g. noise, space or light implications	
Direct financial benefits / costs to organisation operation		Enhances / reduces health of stakeholder group	
Improves / strains relations with neighbouring communities		Enhances / reduces livelihoods of stakeholders	
Improves / strains relations with regulators		Enhances / reduces environment for stakeholder group	
Improves / strains relations with NGOs		Enhances / reduces educational access of stakeholder group	
Enhances / undermines perceptions of business unit within organisation		Enhances / reduces legal rights of stakeholder group	
Enables / disrupts operations		Enhances / reduces water and food security of stakeholder group	
Damages / improves corporate reputation		Results in perceived criminal activity against stakeholder group, e.g. forced migration, loss of property, loss of life	
Compliance / noncompliance with responsible business principles		Results in direct action against the organisation operation (e.g. public protests, legal action, media action etc.)	

Example: Lack of Priorities Lead to Decisions of Ambiguous Value

A major commodity organisation began an engagement process with stakeholders to identify possible actions to take in conjunction with stakeholders as a way to improve and enhance the reputation and communication capacity of the organisation.

A number of options were recommended to the organisation by stakeholders, particularly with regard to public security and safety. Without any assessment of relevance of the issues to stakeholders or to the organisation or any form of prioritisation for selecting issues, the organisation agreed to stakeholder requests. This included a commitment to support and fund the development of a national police force, a role for which the organisation had no expertise or experience, or democratic legitimacy. This led to considerable confusion within the organisation regarding the decision, given the significant doubts as to whether 'policing the Caribbean' was a priority or an area of expertise for the organisation.

¹⁸ Adapted from McCallum, Alison et al. 2007. SEAT: Socio-Economic Assessment Toolbox. Anglo American

3.6 Stage 6: Respond and Implement

Once consultations have taken place, stakeholders will want to know which of their suggestions have been taken on board, and what measures are to be put in place to address their concerns. Issues that are priorities for either your organisation or stakeholders should particularly be addressed. Once you have decided on the most appropriate course of action for your organisation, given the issue(s) identified, you should formulate proposals for action in the light of the probable response from stakeholders to each proposal.

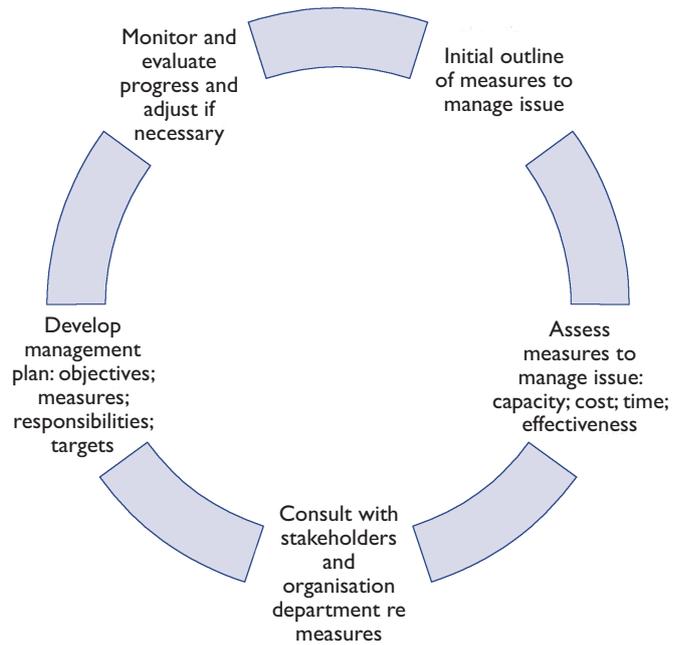
Figure 12: Deciding on a Course of Action for a Particular Issue

Issue	Organisation Response At Present	Proposed Response 1	Proposed Response 2	Proposed Response 3
Organisation Reaction to Proposal				
Stakeholder 1 Reaction to Proposal				
Stakeholder 2 Reaction to Proposal				
Stakeholder 3 Reaction to Proposal				
Average Stakeholder Reaction to Proposal				

How an organisation responds or is perceived to respond to stakeholders, particularly over areas of disagreement, can have significant implications for business reputation and performance, and therefore must be handled with great care and delicacy. A perception of fairness in the process is critical, even if not all stakeholder demands are met, as well as responding in an appropriate time frame and in a transparent manner.

Figure 13 highlights a possible route to implement measures once an organisation has decided which proposals to adopt in response to an issue being raised by stakeholders.

Figure 13: Implementing Measures to Manage Issues Identified as Priorities¹⁹



3.7 Stage 7: Monitoring, Evaluating and Documenting

The rigorous management of knowledge and information acquired in the engagement process is essential. Various international standards can be used as a reference point in developing monitoring and evaluating capacity (Box 7) and organisations should employ their expertise and experience in knowledge management systems, and in evaluating outputs and outcomes gained in other business operations to ensure effective monitoring and evaluation. Implementing lessons learnt and understanding their implications for future engagement are critical aspects to this role.

¹⁹ Jeffery, Neil. 2007. Towards a Customer Value Model for Stakeholder Engagement: Understanding the Added Value to Business. Cass Business School

Box 7: Check List for Monitoring and Evaluation

The following questions will assist managers to analyse whether their monitoring and evaluation component of the stakeholder engagement process is appropriate and sufficient:

- ❖ Have the projected outputs, outcomes and impacts of the stakeholder engagement process been identified, verified and understood by organisation managers?
- ❖ Do baseline data exist about the attitude, behaviour and actions of stakeholders ahead of engagement, which can be used to compare with 'post-engagement' data?
- ❖ Are stakeholders going to be involved in the monitoring and evaluation of the engagement process? If so, how?
- ❖ Do adequate measurement and reporting systems exist to permit the organisation to track business changes attributable to stakeholder dialogue and to feed this back to stakeholders?
- ❖ Do these reporting systems allow the organisation to attribute 'origin' to specific stakeholders and appropriately allocate rewards fairly to stakeholders who have contributed to positive change?

It is important to recognise that monitoring and evaluating is an ongoing process. Winning support or resolving an issue initially does not mean it will always stay resolved – the internal and external environment is complex and over time may create new influences or changing priorities regarding that issue or stakeholder.

Documenting, reporting and the clear keeping of records are vital elements to any engagement process, particularly when there is the need to report to third parties, external bodies or the media. Feeding back to stakeholders is a crucial part of the learning process for an organisation, as it provides a mechanism by which to judge the reaction of stakeholders to an organisation's behaviour and actions. The quality, efficiency and 'perceived fairness' of the documenting, reporting and feedback system to stakeholders and other third parties may heavily influence the perceived transparency of the overall organisation engagement process. Box 8 provides a series of suggestions for providing appropriate feedback and reporting to stakeholders. Furthermore it is critical for any organisation to be able to measure as accurately as possible the impact and level of success of their stakeholder engagement, giving them an understanding of the relationship between the resources expended e.g. staff time and costs to implement internal changes and build capacities, and the gains achieved in terms of enhanced reputation, improved relations with regulators, better ability to mitigate risk, and the potential to access new consumers, new product ranges and new business models.

Box 8: Reporting Back to Stakeholders

The following considerations may be helpful when devising the reporting component of your stakeholder engagement strategy:

- ❖ Consult with stakeholders regarding their reporting needs and requirements and come to an agreement on what are reasonable reporting obligations
- ❖ Request that stakeholders provide you with regular communication on their reaction to the feedback and reports provided
- ❖ Determine what information needs to be reported to which stakeholders, by what method and how frequently
- ❖ Regularly update your commitments register and disclose progress to affected and interested parties. In particular, publicise any material changes to commitments or implementation actions that vary from publicly disclosed documents.
- ❖ Make monitoring results publicly available, especially reports of any external monitors
- ❖ Regularly report on the process of stakeholder engagement as a whole, both to those stakeholders who are directly engaged, and to other interested parties
- ❖ Translate information reported to stakeholders into other languages including local languages if necessary
- ❖ Provide feedback in summary or and easy to understand formats
- ❖ Ensure summary of stakeholder consultation activity is included in the Annual Report

Source: Adapted and expanded from 'Tips for reporting back to stakeholders', Sequeira, Debra et al. 2007. Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets. International Finance Corporation

As part of this process it is important to collect a wide range of views above and beyond the business, regarding the quality of the engagement process and concomitant achievements. Many social ratings agencies tend to focus heavily on analysis of external communications of organisations when rating stakeholder relations, which does not necessarily reflect the true nature of the relationships with stakeholders.

Because the quality of relationships between stakeholders and organisations can vary over time and because the intensity of engagement fluctuates, it is important to regularly review the state of relations with critical stakeholder groups to analyse their level of satisfaction. A yearly perception survey carried out by an independent third party, with a standard set of questions and initial baseline data to allow benchmarking, can help managers to assess the impact and achievements of engagement. Such a survey can provide valuable information on the approximation of stakeholder satisfaction levels and how and why they move over time, providing a basis upon which managers can make adjustments to their engagement process. See Appendix 5.6 for topics that can be included in a survey.

Towards Meaningful Engagement

As outlined in Section 2.2, the concept of meaningful stakeholder engagement goes far beyond the idea of simple contact inherent in crisis management or consultation as seen in stakeholder management; inherent in the concept of meaningful engagement are the following ideas:

- ❖ a two-way process including exchange of information, research, analysis and opinions between the organisation and stakeholder
- ❖ a commitment and willingness from each side to contemplating changes in behaviour, actions, priorities, organisational structure, staffing, training, product development and interaction with markets
- ❖ actions based on a unambiguous set of objectives, with clearly defined outputs, and projected outcomes and impacts
- ❖ an understanding that companies are rarely homogenous in nature, and therefore how stakeholders establish and build relations with different departments in the organisation may be distinct, and will be influenced by the particular organisation context, corporate culture and structure
- ❖ a shared and acknowledged understanding of the political environment in which the NGO is operating, which may influence their agenda

The benefits to companies of engaging in a meaningful way are various, including enhanced reputation, strengthened capabilities, improved relations with regulators, better ability to mitigate risk, and potential access to new consumers, new product ranges and new business models.

Such stakeholder engagement is a necessary but not sufficient condition for organisations to become 'good' or 'great' social performers, particularly due to the contribution that this process can make to positive and material changes in the organisation's organisational behaviour and internal structure.

Critical issues, or critical success factors, to be assessed in the planning of meaningful stakeholder engagement, rely on what the organisation is willing and able to do. Figure 14 provides further detail on these critical issues and useful questions to be asked and answered. This section then provides further details regarding each of these issues.

Figure 14: Desirable Company Characteristics

Is the Organisation Willing and Able to ²¹ :	Explanation	Questions to be Asked and Answered
1. Be flexible	Be prepared to change the way in which stakeholder dialogue is conducted with different stakeholders. Not all stakeholders, even within the same category, will have the same attitudes or perceptions and they will not all desire the same intensity of dialogue.	Which form of engagement is appropriate for different stakeholders, and does the company have expertise in that technique, or the ability to build the expertise? Are you flexible to altering the forms of engagement with any stakeholder as the relationship evolves?
2. Allow time to build trust	Devote adequate time to the process. This may involve dedicating staff and resources over a considerable period of time, i.e. a number of years	Do all participants understand and respect the perspectives of the other participants and why they are present, so that there is mutual understanding (if not agreement!)? Do we understand where different stakeholders are coming from – what is the legacy of past dealings with the company and/or the industry? Do we know if there has been a history of broken promises, and stop-go dialogue in the past which has to be overcome?

²⁰ Zollo, Maurizio et al, 2007. Response: Understanding and Responding to Societal Demands on Corporate Responsibility. INSEAD

²¹ Adapted from 'Ten critical success factors for stakeholder engagement', Grayson, David and Hodges, Adrian. 2004. *Corporate Social Opportunity, 7 Steps to make Corporate Social Responsibility work for your Business*. London: Greenleaf Publishing

Figure 14: Desirable Company Characteristics (continued)

3. Be open	Be open about access to information, and be willing to provide regular briefings and updates to stakeholders. Be prepared to appreciate that stakeholders may opt to withdraw from the process if they perceive that dialogue is being misused for PR purposes.	Do you have the ability and permission to provide external stakeholders access to the majority of non-sensitive company information?
4. Be realistic	Have realistic expectations about what the process of engagement is going to achieve.	<p>Are you clear about your objectives and hopes for the engagement, and do you think that they can be achieved given the time frame, the staffing and resources committed, and the nature of the issue to resolved?</p> <p>Are you clear on the role and scope of the engagement activity and are you sure that these have been well communicated, and are realistic?</p> <p>Have you ensured that the company has only made promises that it is sure that it can deliver on?</p>
5. Demonstrate clarity of purpose	You as a manager, your department and the rest of the company must have clarity, and an agreed understanding, with regard to the engagement strategy and direction. Without this the consultation and dialogue may be in danger of losing direction and may become ineffectual. You should clarify beforehand your position and the rules that will govern the process, the so-called 'rules of engagement'.	<p>Have you taken the time and effort to engage with other departments in your company to ensure that there is a clear consensus on the strategy and direction within the company vis-à-vis engagement with stakeholders?</p> <p>Are all company staff presenting a consistent message?</p> <p>Are there other factors internally in the company that are placing obstacles in the way of your reaching clarity on what your company wishes to achieve with the stakeholders? If so, how might these be overcome?</p> <p>Are you clear as to the purpose of your engagement, and are you able to clearly communicate that? E.g. if your purpose is to consult, make sure that the other stakeholders do not think they will be co-decision-makers.</p> <p>Have you decided what the rules of engagement will look like?</p>

Figure 14: Desirable Company Characteristics (continued)

6. Involve stakeholders in the planning of the process	Decide beforehand if you are willing to allow stakeholders to have a say in the development and steering of the process, and to what degree, and then be consistent in your reasoning as to why you have chosen a particular route. Don't be afraid to ask stakeholders to play a role in co-evolving the agenda, but be very clear as to what you are asking them to do, and what you are not asking them to do.	<p>Is the atmosphere conducive to different stakeholders proactively raising issues for discussion?</p> <p>What techniques are you using to ensure different stakeholders feel 'ownership' of the issues?</p> <p>Are you ready to embark on new rules and act according to a different script from that with which you are familiar?</p>
7. Field the best people	Company participants should be those best suited to the job rather than those you can best spare from other duties, with the appropriate level of expertise and experience with regard to the specific cultural, gender and political scenarios that may be encountered during a particular engagement.	<p>Do your colleagues have the patience to listen carefully?</p> <p>Will your colleagues be open to new perspectives rather than simply looking for confirmation of their own prejudices?</p> <p>Do your colleagues truly appreciate diversity and different forms of logic as sources of learning?</p> <p>Are your colleagues ready to put themselves, for the purposes of understanding, 'into the other person's shoes'?</p>
8. Be prepared for change	Be prepared to make real changes to your project, company or business model as a result of stakeholder dialogue.	<p>Do we have measurement and reporting systems permitting the company to track business changes attributable to stakeholder dialogue and to feed this back to stakeholders?</p> <p>Does the company have a process to allocate rewards fairly to stakeholders who have contributed to positive change?</p>
9. Engage key stakeholders – which may include 'difficult' stakeholders	Companies should engage those with the most interest, influence and salience with regard to their business and its activities (as outlined above). This however may mean inviting in even 'some difficult voices'.	<p>What is the reputation of each participant, and how does it vary with different audiences?</p> <p>Could association with 'difficult' stakeholders actually be beneficial to the company, while it is trying to build a relationship with a particular market segment or target audience?</p>
10. Acquire individual and organisational skills	Companies need the proper skills in place, in both individuals engaging stakeholders and at an organisational learning level.	<p>Are you willing and able to learn how to communicate with people from different backgrounds and with different experiences of life?</p> <p>Are you able to demonstrate patience to others, including willingness to listen to others?</p>

Figure 15 gives a set of suggestions and issues that managers should consider if they wish to assist their companies to progress towards meaningful engagement, by ensuring that they are as

prepared as possible with respect to the desirable characteristics outlined above.

Figure 15: Issues to Consider Related to Critical Success Factors in Meaningful Stakeholder Engagement

Critical Success Factor	Issues to Consider
4.1 Be flexible	Alignment of CR and Business Units Relations
4.2 Allow time to build trust	Building Trust
4.3 Be realistic	Motivation
4.4 Demonstrate clarity of purpose	'Embeddedness' of Stakeholder Thinking
4.5 Involve stakeholders in the planning of the process	Importance of Accurate Representation
4.6 Field the best people	Tone from the top: the Leadership Role of the CEO
4.7 Be prepared for change	Organisational Behaviour
4.8 Engage key stakeholders – which may include 'difficult' stakeholders	Non-Productive Engagement Behaviour
4.9 Acquire individual and Organisational skills	Combination of Leadership, Capabilities and Organisational Behaviour

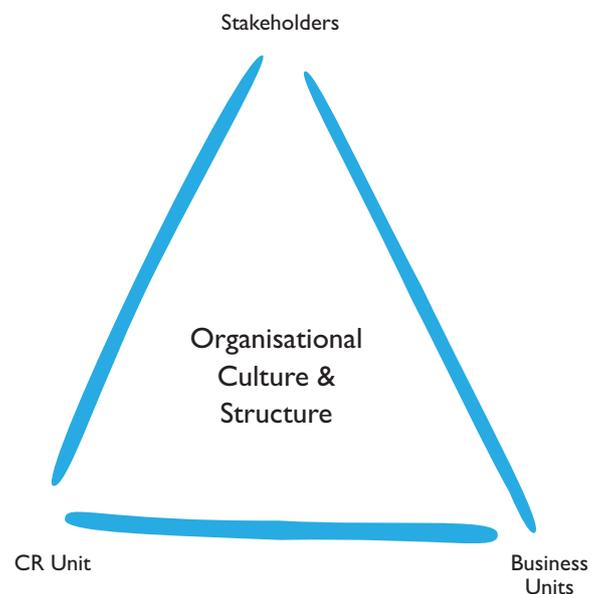
4.1 Alignment of CR and Business Units Relations

Alignment of expectations, needs and objectives between organisation and stakeholders has been highlighted as a critical element to building success in stakeholder relations. However there is a need to go beyond this concept to recognise that engagement by stakeholders with CR professionals in an organisation is significantly different from direct engagement with managers in business units responsible for product development, sales or marketing.

There may even be misalignment between the expectations of the engagement process between CR and business unit departments, which could significantly impact on the development of meaningful relations between the organisation and stakeholders. Indeed where there is significant mismatch between CR department and business units then the CR department can act as a 'false reality' for stakeholders not reflecting the real expectations, needs and objectives of the business.

This phenomenon is reflected in demands that CR issues should be 'built in' not 'bolted on'²² – i.e. that CR principles need to be integrated across the business to ensure a shared understanding of how and why to build relations with stakeholders. Figure 16 highlights the key relationships that need to be considered in a meaningful stakeholder engagement process.

Figure 16: Key Relationships of Importance to Building Meaningful Stakeholder Relations



²² Grayson, David and Hodges, Adrian. 2004. *Corporate Social Opportunity, 7 Steps to make Corporate Social Responsibility work for your Business*. London: Greenleaf Publishing.

Example: CR and Business Units View Stakeholders very differently

A CR manager described the experience of engaging with stakeholders during a major physical infrastructure project. He commented on the resistance from the business unit tasked with implementing the project.

“You can’t spend that much effort on something [engagement with stakeholders] without having the approval of your business unit manager because you are taking people’s time and [spending] a budget, but also you are inconveniencing the business. You are saying ‘we are going to bring people to your site, there will be x visits over x weeks’ – it’s a fairly big inconvenience to managers when they are busy trying to dig a trench, put stuff in it safely, and there was a bit of resistance! Some people said ‘this is just such a waste of our time ... we are on a tight timeline. We are trying to do this on a budget ... you are just getting in the way’. We did generally have management support, but if you didn’t have the support of your business unit leader you would not be able to do it, because it was too high profile and it took too much valuable time.”

The motivations of business units and CR department in the same organisation may be different and depend on organisational history and the culture of each department. Typically, staff from operational units of businesses have a strong focus on achieving practical business objectives: meeting deadlines, designing new products, installing physical infrastructure in an appropriate and timely fashion, implementing business plans or guaranteeing that appropriate skills are in place. They therefore, naturally, focus on how stakeholders can assist them to achieve these aims – as the following exchange with a business operational manager demonstrates:

Question: “So a lot of [the stakeholder engagement] was about making [the project] work operationally?”

Answer: “Yes, absolutely”²³

In contrast the motivation for CR professionals to engage with stakeholders have typically focused more on longer term and less tangible benefits, such as reputation gain and licence to operate for the organisation.

As a manager in your organisation ask yourself and colleagues the following questions as a means of identifying the motivation of different departments for engaging with stakeholders:

- ❖ What are the role or roles that Business Unit staff believe stakeholders can provide for the organisation?
- ❖ What are the role or roles that CR staff believe stakeholders can provide for the organisation?
- ❖ Are there differences between the two answers?

If yes, then consider whether the difference is simply the use of different language to describe the same concept or if there are fundamental differences in the motivation of the two departments to engage with stakeholders.

Typically, companies that have a ‘more advanced degree of integration of CR principles in their operating and strategy-making processes’ demonstrate higher degrees of alignment between CR and business units and as a result between the business and stakeholders²⁴. This issue highlights the need for companies to prioritise the integration into business operations of the understanding, utilisation and development of stakeholder relations, as a means to encourage the establishment of meaningful stakeholder relations.

Consider the potential complexity within a large organisation and how differing agendas from different parts of the organisation can make engagement externally quite challenging. It is important to get internal alignment right first. Not doing this can result in duplication of effort, time and resources as well as very different and sometimes conflicting messages being sent, often resulting in great frustration for the stakeholder. The knowledge management system discussed in Section 3.5 can help with this, as will building internal expertise, as detailed in Section 3.3.

²³ Interview with Author; June 2007

²⁴ Zollo, Maurizio et al. 2007. *Response: Understanding and Responding to Societal Demands on Corporate Responsibility*. INSEAD

4.2 Building Trust

“Companies who are perceived as engaging with stakeholders only when it seems to suit their purpose or when they want something from communities may be undermining their own interests.”

The building of trust is a fundamental prerequisite to meaningful engagement, as is a focused effort to deepen the level of trust during engagement. As noted earlier one of the greatest steps in building trust is understanding the motivation of your stakeholders – i.e. why do they think the way they do and how is that influenced by history, organisational behaviour, cultural or political differences; what motivates them to be at the table; why are they willing to engage?

Managers' initial impressions regarding the motivations of stakeholders may not be correct, and a significant amount of time may be needed to truly understand the motivations of each side and ultimately to break down barriers and dispel misconceptions. The building of trust takes considerable time and effort, and is in danger of being damaged even by small, but perceived, lapses in this effort.

The following questions have been developed to help managers gauge the level of trust in relationships between their organisation and stakeholders.

- ❖ Do all the organisation's participants understand and respect the perspectives and motivation of stakeholders, even if there is no agreement on these issues?
- ❖ Do all the organisation's participants believe that stakeholders will act in good faith to support a constructive and mutually beneficial outcome to the process?
- ❖ Have you chosen a facilitative mode of engagement (where to meet, timing, attendees etc.) that will encourage open dialogue and the building of trust?
- ❖ Do any of the organisation's participants suspect that stakeholders are involved in the process for non-transparent reasons? If this is the case this issue needs to be tackled.
- ❖ Do all the organisation's participants understand where different stakeholders are coming from and what the legacy is of past stakeholder dealings with the organisation and/or other companies in your industry / other sectors?
- ❖ Has there previously been a history of broken promises, missed commitments, or a stop-go dialogue that needs to be recognised as an issue to overcome?
- ❖ Does enough trust exist for the organisation to involve stakeholders in the design, monitoring and implementation of the engagement process?

Remember practical considerations, such as:

- ❖ When it is necessary to use an interpreter
- ❖ What type of language your team should use, or avoid (such as technical or non-technical language)
- ❖ Remember to provide information to stakeholders before the meeting - i.e. distribution of standard project leaflets before a meeting

Box 9 highlights a series of obstacles that may inhibit the building of trust between companies and stakeholders.

Box 9: Obstacles to Building Trust in Stakeholder Relationships²⁶

The following issues, alone or in combination, can represent material and significant risk to the building of trust between an organisation and stakeholders:

1. There is a history of conflict between key interests.
2. One partner manipulates or dominates the others.
3. The engagement process lacks a clear purpose.
4. Participants have unrealistic goals, and are inflexible and unwilling to compromise.
5. There are differences in philosophies and ways of working.
6. There is a lack of communication both between stakeholders engaged and about the stakeholder discussions to outsiders.
7. Discussion or consideration of key interests is missing from the dialogue or consultation.
8. Participants have hidden agendas.
9. The rules of engagement are not clear, have not been agreed or have been imposed by one side.
10. There is an overall lack of 'know-how' and 'know-who'.

²⁶ Adapted from 'Ten critical factors in the failure of stakeholder engagement' Grayson, David and Hodges, Adrian. 2004. *Corporate Social Opportunity, 7 Steps to make Corporate Social Responsibility work for your Business*. London: Greenleaf Publishing

4.3 Motivation

The motivation of the stakeholder and organisation to enter into dialogue may be different, particularly when the two parties are organisations of radically differing ethos, values and culture. In such cases it is important for each party in the engagement process to recognise, analyse and understand the underlying motivation of the other as a critical step in building and strengthening the relationship. The underlying premise for engagement between organisation and stakeholder may be different – e.g. many organisations may base their action, knowingly or unknowingly, on the principles of 'do no harm', whereas NGOs may centre their behaviour on the core objectives of a 'do good' framework. Understanding this difference and attempting to bridge the gap through appropriate accommodation is a key step in building meaningful relations.

Example: Motivation: Stakeholders as a Source of Expert Information, Knowledge and Expertise either Technical, Medical or Niche Specific

A manager in a national energy supplier described how the organisation had a very clear vision of their motivation to engage with stakeholders, which was to benefit from information that stakeholders could provide on future and upcoming trends in the market place. The organisation believed that 'NGOs perceive the future' and therefore wanted to gain as much insight and expertise. This had led their relationship to be 'more one way' and only 'at a very local level' focused on practical information gathering.

Example: Motivation: Stakeholders Regarded as an Obstacle to be Overcome

An executive in a worldwide energy organisation explained how the organisation hoped that the process of engaging with stakeholders would shift their opinions and perspective and enable them to behave in a more professional and rigorous manner in the future.

"Privately we would say that we were hoping that the skills they [the stakeholders] gained would enable them to look at any other organisations including of course their government - instead of an emotional 'we think they are horrible' type of way - to say this is how we evaluate the situation ... we did it on the basis of an objective questionnaire, these are the results – they are facts not opinions, here are the conclusions about those facts – then you become a bit more challenging."

The same executive commented that sometimes it was easy for the organisation to experience frustration during the engagement process, as they were sometimes unsure if they were achieving their aim:

"We probably asked ourselves why the hell are we doing this at various points, especially when we were dealing with process problems, but we never have done a [formal] calculation. It is hard to put a dollar value on relationships, unless it gets to something like the pipeline route is being blocked and that is costing us half a million dollars a day and then everyone goes 'not having good relationships costs money' ... We did ask ourselves in our lessons learnt sessions 'are we glad we have done this?' and there was no doubt whatsoever in anyone's mind that we were – it had been an incredibly valuable exercise for us."



The following is a checklist to assist managers to identify the motivations behind an organisation's desire to engage with stakeholders. Ten possible different motivations for engagement are contemplated. Ask yourself and colleagues the following questions:

- ❖ Are stakeholders seen as a source of expert information, knowledge and expertise either technical, medical or niche specific, for the organisation?
- ❖ Are stakeholders seen as a source of credibility and legitimacy to allow the organisation to better respond to business challenges by more easily, more cheaply, more effectively, or more rapidly constructing a solution to an issue?
- ❖ Are stakeholders regarded as useful because of their ability to facilitate, convene or coordinate the activities or responses of smaller, less credible, less well resourced stakeholders, thus creating a single point of contact for the organisation and reducing staff time and resources that need to be deployed?
- ❖ Are stakeholders regarded as useful because of their ability to help lessen the antagonism and emotional response, which may or may not be justified, of other stakeholders to actions, decisions and plans of the organisation, by acting as a buffer between stakeholders and organisation?
- ❖ Are stakeholders regarded as a source of specialised and detailed information and knowledge for companies regarding potential new customers, such as consumer needs, consumer characteristics and consumer habits?
- ❖ Are stakeholders regarded as useful because they act as a conduit or channel to prospective new consumers or are they seen as potentially playing a critical role in persuading consumers to consider the organisation's products or to trust the organisation's services?
- ❖ Are stakeholders regarded as useful because they allow the organisation to respond or acquiesce to investor, client, media or regulatory pressure, or to others that have influence over the organisation?
- ❖ Are stakeholders regarded as a resource to improve the organisation's long-term reputation?
- ❖ Is interaction with stakeholders regarded as a useful way to provide the organisation's staff with an innovative training environment where they can learn and develop new and distinctive skills, or as a way to motivate staff at very little cost?
- ❖ Are stakeholders regarded as an obstacle to be overcome or ignored, as a result of their critical views of the organisation's operations, or belief that the organisation should change its business operations in some way, i.e. not market to a certain type of consumer, not sell a certain type of product, change their remuneration structure, or address the perceived impact of previous actions?

4.4 ‘Embeddedness’ of Stakeholder Thinking

The degree to which an organisation can achieve meaningful stakeholder engagement depends on how embedded the concepts are across the organisation. The following list of questions is designed to help managers to identify this reality within the organisation. Ask yourself and colleagues in your organisation the following questions as a means to identify the degree of ‘embeddedness’ of stakeholder relations in your organisation.

1. Is there a realisation that the effectiveness of stakeholder relations is not simply a matter of communicating to external stakeholders, but that it requires significant investment in internal processes?
2. Are CR experts in your organisation regarded as being peripheral to the business by business unit managers?
3. Do stakeholders feature in annual strategic plans or are they seen as only an issue that arises when a crisis occurs?
4. Have metrics been established to determine deliverables for stakeholders as well as outcomes required from stakeholders?
5. Are relations with stakeholders established as a critical KPI alongside other key metrics?
6. Do managers in different departments share their stakeholder objectives over the year and coordinate accordingly?
7. Is there one person or department responsible for directing overall stakeholder policy across the organisation?
8. Are stakeholder relations driven by the salience of short-term issues to the organisation, or as a result of long-term analysis of changing stakeholder expectations?
9. Is an ‘opportunities analysis’ conducted with each stakeholder to help identify the way that they can bring value to the organisation?
10. Is engagement with stakeholders driven by a proactive, i.e. results-led agenda or by a reactive, i.e. events-led agenda?

Example: Overlook Stakeholders at your Peril

A risk manager from a major international financial institution described the organisation’s planning in the event of a major emergency incident. Most notably the organisation had not considered the need for or the value of building relationships with stakeholders in the immediate vicinity to assist in the preparation of plans, but rather viewed their relationship with those bodies as either of no value, or as recipients of charitable donations.

Q: “Are the communities around your major operational locations included in your crisis management planning?”

A: “No, not specifically. Obviously they would be impacted if there was a geographical incident, as business and local communities would all be impacted, and we would liaise with the fire services and the police as to where we had to go, and by implication it might involve being located with members of the community. I suppose if they had a crisis, if one of the schools burnt down, then we would engage with them ... and help and see what we could do around financial support, it’s things like that, it’s more likely that we would provide help to them in a crisis rather than the community providing help to us.”

4.5 The Importance of Accurate Representation

A further factor mentioned earlier in Section 3.5 is the importance of achieving accurate representation of all your stakeholders and stakeholder types. For example if you are engaging with a population mixed across race, religion, gender, region, age, class, sexual orientation and education, or even time-poor stakeholders, it is important that you elicit views that represent this diversity as well as consider effective ways to engage with a cross-section of the stakeholder population, which will differ across groups. The work developed through Participatory Rural Appraisals²⁷ has much process similarity with corporate stakeholder engagement.

Gender is a good example of the dynamics involved in achieving accurate representation. It is critical that both male and female stakeholder representatives are involved in the process of building meaningful relations. In some communities, men and women may have differing views and needs; and they can be impacted by – and react differently to – engagement processes. Consulting primarily with men in such communities may only give your organisation half of the picture. Women may view engagement differently from men and may have different priorities and perspectives, and may be differentially impacted by an operation, highlighting the need to actively seek out women's reactions. Partial information can lead to both a false evaluation of the results of engagement and opportunities being missed; it is crucial in such communities for companies to manage this reality, i.e. that men and women play different roles and have differential access to resources and finances, to contacts and relationships, to personal skills development, and to opportunities and power. For most companies, failing to consult adequately with women is not deliberate, but is a result of lack of awareness or inability to examine the issues with sufficient detail.

The following questions are designed to assist you to assess if your engagement adequately takes into consideration the perspective of women.

1. Have you actively sought out the views of women, to provide a more complete picture of potential risks, impacts, and opportunities relating to an engagement process?
2. Have you considered whether the engagement process will have any effects on the gender dynamics within a stakeholder group?
3. Have you considered how men and women may view the engagement process and environment in a different light, or from a different perspective, and how this could impact on achieving a balanced participation and the eventual success of the process?
4. If you have collected any data on the stakeholder groups, has it been disaggregated by gender and the implications of that assessed?
5. Have you clarified that the stakeholder representatives appropriately represent the wider stakeholder group in terms of gender balance?
6. Have you assessed whether you need gender-specific staff members, or staff with specific levels of expertise and experience on your engagement team, so that they can adequately facilitate situations in a way that allows both men and women to express their views?
7. Have you considered how to increase the accessibility and convenience of the engagement process to more women?
8. Have you considered how to increase women's participation in stakeholder meetings? (Sometimes just having one female representative, or even a number of female representatives may not be enough, because the women may not feel empowered to contribute, or may have been already 'assigned' roles, explicitly or implicitly, by their male peers)
9. Have you assessed whether any female-specific stakeholder inclusion mechanisms actually add to women's ability to input into the stakeholder process or not?

²⁷ Used by development groups to identify what needs to be done in particular developing country situations.

Example: An Organisation's Gender Representation to Stakeholders

An organisation experienced in stakeholder relations wanted to develop an engagement process with a particular stakeholder group from an emerging market. As a result they requested that representatives of the group travel to the organisation's headquarters for an initial meeting, and requested that a number of female colleagues be included in the group to ensure greater gender balance of the group, even agreeing to pay the costs for these representatives. At the first meeting with stakeholders the organisation asked where the female representatives were, and received the reply from the male stakeholder colleagues that their female counterparts had stayed behind at the hotel to make sure that clothes washing for the group would be done by the end of the day.

Women's participation may be facilitated in meetings through a number of different techniques, such as increasing the amount of time spent in smaller groups; having some group-work that is single sex; specifically requesting feedback from women in the room. In some cultures it may be more appropriate to hold

separate or parallel meetings with women, therefore creating a specific venue at which women's issues and concerns can be raised. It is important, however, to make sure that the outcomes of these women-specific meetings are actually fed back into the main process.

Example: Impact of Settings on Gender Participation

"An organisation wished to guarantee the input of women into a stakeholder consultation exercise, as it was particularly conscious of the possibility that their views could be significantly different from those of their male colleagues. As a result, separate meetings and a separate process to collect opinions, views and suggestions were established, convening male-only audiences and female-only audiences to gather information regarding the issues, concerns and needs of each.

"As a result positive meetings were held between the organisation and the stakeholders and key issues identified. However, as an attempt to empower the stakeholders, they were later on requested to collate the information themselves to establish a global picture of their needs. It soon became apparent that the stakeholders themselves overwhelmingly selected the 'male view' when in closed session between themselves. It was as if the previous separate male and female meetings had not been held. As a consequence, and even though this was not the organisation's preference, as they wished to encourage the stakeholders to take as much responsibility as possible, the attempt to let the stakeholders collate opinions was abandoned, and the separate direct meetings between the organisation and male-only and female-only audiences were resumed."

Have you made sure that a diverse group of women is included as stakeholder representatives? Not all women are the same and may not be able to effectively describe key issues affecting other types of women, i.e. the experiences of rich and poor women, or women of different ethnic backgrounds may be very different.

The key questions to ask are:

- ❖ Does the cross-section of stakeholders with whom you have worked represent the demographics of the community in which your organisation operates?
- ❖ Given this diversity do you have the correct engagement approach (i.e. staff, setting, time, local etc.) to best facilitate this engagement?

It will be very beneficial to consider representation of population diversity within your group of stakeholders, even if your organisation is involved mostly within a particular sub-set of the population. Needs and wants vary across age, race, religion, education, ethnicity and income categories – and even regional/national borders for global organisations – and a balanced representation will give you better insight than focusing on one particular sub-set.

²⁸ Author's experience

²⁹ Author's experience

4.6 Tone from the Top: the Leadership Role of the CEO

Appropriate leadership is fundamental in the building of meaningful engagement by an organisation, exemplified by the role of the CEO in convincing employees, investors and clients that engagement with a broader set of stakeholders is worthwhile. Even if an organisation has the appropriate capabilities and organisational culture to allow meaningful engagement to develop, without the approval and active leadership through both words and deeds of a CEO, it is unlikely to be successful.

Example: A Role for Leaders in Stakeholder Conversations

A senior executive of an energy organisation described his nervousness regarding the outcome of the very first meeting that the organisation planned with a series of stakeholders to discuss environmental issues related to the impact of their operation:

"It was also the first time for the organisation to reach into the territory of meeting with the NGOs, so it was a very tough meeting."

The chairman and managing director of the organisation both agreed that they needed to be present to demonstrate the commitment of the organisation to the issue and to the dialogue with the stakeholders. The meeting was extremely turbulent as stakeholders aired their views, concerns and grievances and about the actions of this specific organisation as well as others operating in the region, and outlined their opinion that the organisation was damaging the environment and not acting responsibly. The chairman and managing director had the credibility to talk frankly to stakeholders about the weaknesses of the organisation, and obstacles that it still faced to build relations with stakeholders. Their presence reinforced the seriousness with which the organisation regarded the process. Furthermore they were able to describe in detail the issues related to procedures that have environmental impact such as gas flaring and the efforts made by the organisation to improve these processes.

The senior executive described the impact of the meeting as a 'paradigm shift in our relationship with the NGOs', and that this would not have been possible without the clear leadership from the very top of the organisation.



The following is a checklist of issues to help managers assess and understand if their CEO and other senior management are playing an appropriate leadership role to develop a situation where the organisation can successfully develop meaningful engagement.

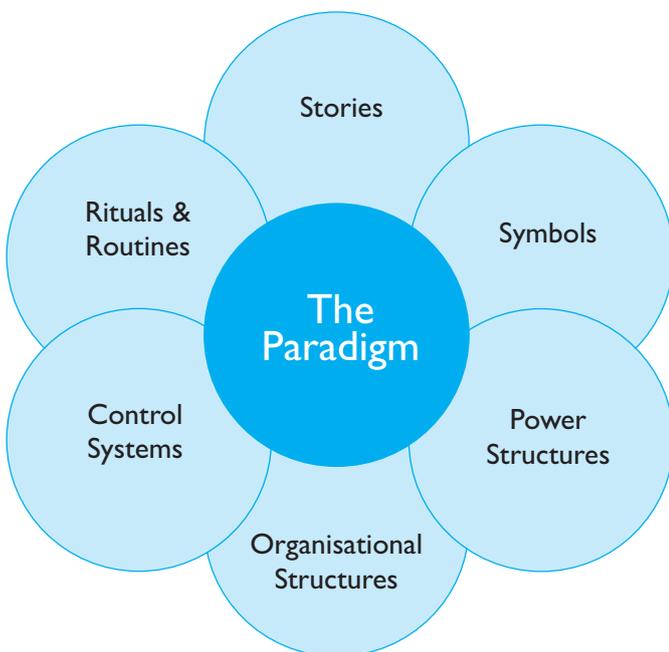
- ❖ Does the CEO actively engage all the staff in his/her vision for stakeholder engagement for the organisation?
- ❖ Is the CEO actively engaged in the development of stakeholder policy in the organisation?
- ❖ What percentage of time does the CEO dedicate to stakeholder issues?
- ❖ Is the CEO actively engaged in discussions with stakeholders?
- ❖ Does the CEO promote staff within the organisation who have championed meaningful engagement with stakeholders?
- ❖ Do those responsible for developing stakeholder strategy report directly to the CEO, and do they have the opportunity to utilise his/her time and energy to strengthen the strategy?
- ❖ Does the CEO utilise inputs from stakeholders to help shape the future development and direction of the organisation both internally and externally?
- ❖ How does the CEO describe the use of stakeholder inputs? Is it for external reputation improvement or internal change, or both?
- ❖ Does the CEO regularly advise the Board on stakeholder engagement? What level of awareness is there on the Board regarding stakeholder engagement?

4.7 Organisational Behaviour

Understanding an organisation and being able to successfully analyse the nature of its organisational behaviour and culture is key to forecasting how engagement with stakeholders will develop, what critical issues and challenges may arise and how meaningful relations may be achieved. Depending on its culture, the organisation may respond in a different way to stakeholders.

The Cultural Web, developed by Gerry Johnson and Kevan Scholes, has been designed to help managers analyse the exact nature of an organisations culture with respect to stakeholders.

Figure 17: Typical Example of a Culture Web³⁰



The culture web helps you identify the characteristics of your organisational culture by highlighting six 'clustered' characteristics. As a manager in your organisation ask yourself and other colleagues the following questions to help you determine the true nature of your organisation's culture as it refers to relations with stakeholders.

As these questions are answered, you can start to build up a picture of what is influencing your corporate culture, and how that may influence the establishment of meaningful stakeholder relations. After all the questions are answered you should look at the answers as a whole and identify generalised statements regarding the overall culture to describe and identify common factors that influence stakeholder relations for the organisation.

Stories

Past events and people are talked about inside and outside the organisation. Who and what the organisation chooses to immortalise says a great deal about what it values, and perceives as great behaviour.

- ❖ What stories do people currently tell about your organisation's interaction with stakeholders?
- ❖ What reputation of the organisation is communicated amongst your stakeholders?
- ❖ What do these stories communicate about the beliefs of your organisation with respect to stakeholders?
- ❖ What do employees talk about when they think of the history of the organisation's interaction with stakeholders?
- ❖ What stories do they tell new people who join the organisation about stakeholders?
- ❖ What hero, villain and maverick stakeholders appear in these stories?

Rituals and Routines

The daily behaviour and actions of people signal acceptable behaviour. This determines what is expected to happen in given situations, and what is valued by management.

- ❖ What do customers expect of the organisation's behaviour towards stakeholders?
- ❖ What do employees expect: the same or something different?
- ❖ What would be immediately obvious about the engagement with stakeholders if rituals/routines were changed?
- ❖ What behaviour do these routines encourage with respect to stakeholders?
- ❖ When a new challenge concerning stakeholders is encountered, what rules do staff apply as they attempt to solve it?
- ❖ What core beliefs do these rituals about stakeholders reflect?

Symbols

This refers to the visual representations of the organisation, including logos, how plush the offices are, and the formal or informal dress codes. It helps to highlight how the organisation creates identity for its stakeholders.

- ❖ Is organisation-specific jargon or language used to refer to stakeholders? If so, what does this jargon signify?
- ❖ Are there any status symbols used in the organisation, and are stakeholders judged using the same systems?
- ❖ What image is associated with your organisation, looking at this from the separate viewpoints of clients, staff and other stakeholders?

³⁰ Johnson, Gerry (1992) 'Managing Strategic Change—Strategy, Culture and Action'. *Long Range Planning* Vol 25 No 1 pp 28-36

Organisational Structure

This includes both the structure defined by the organisation chart, and the unwritten lines of power and influence that indicate whose contributions are most valued.

- ❖ Is the structure flat or hierarchical? Formal or informal? Organic or mechanistic? This knowledge will help stakeholders understand, for example, where decisions can be made and reasons for possible delays in decision making
- ❖ Is there a specific or pre-determined structure for interacting with stakeholders?
- ❖ Where are the formal lines of authority?
- ❖ Who decides on policy to engage with stakeholders?
- ❖ Are there informal lines and if so, how do these impact on relationships with stakeholders?

Control Systems

These refer to the ways relationships with stakeholders are controlled and include strategy for engagement, quality of relations, goals, and the evaluation of engagement.

- ❖ What process or procedure has the strongest controls over stakeholder relations?
- ❖ What has the weakest controls?
- ❖ Are stakeholder relations by the organisation generally loosely or tightly controlled?
- ❖ Are employees rewarded for building good stakeholder relations and/or penalised for poor stakeholder relations?
- ❖ What reports, instructions or memos are issued to keep control of stakeholder relations?

Power Structures

These are the pockets of real power in the organisation. They may involve one or two key senior executives, a whole group of executives, or even a department. The key is that these people have the greatest amount of influence on decisions and strategic direction regarding stakeholders.

- ❖ Who has the real power in the organisation and how do they engage with stakeholders, if at all?
- ❖ What do these people believe and champion within the organisation with regard to stakeholder relations?
- ❖ Who makes or influences decisions on engagement with stakeholders?
- ❖ How is this power used to further relations with stakeholders?

4.8 Non-Productive Engagement Behaviour

Sometimes non-productive engagement can exist; this is when previous engagement has not produced a positive outcome and therefore has been abandoned by either or both parties. Several challenges can arise from this situation as a result of the engagement issue not being resolved: either it can re-emerge later as a more difficult subject to address, or the abandonment of the issue in itself can further inflame already difficult stakeholder relations. Post-situational surveys are a good way of uncovering the existence of such incidents and reasons for the engagement failure. This may occur for many possible reasons, including a lack of time, lack of perceived interest, lack of trust, perceived differences in ideology or values, incompatible personalities, competing priorities, internal disagreements, pressure from a third party or any of the other common obstacles identified in Box 9 (Section 4.2) above.

This type of behaviour does exist but is not often acknowledged, particularly by organisations. It is, however, extremely important and valuable for an organisation, alongside the process of collating information regarding positive engagement, to capture their experiences of non-productive engagement and analyse the underlying reasons for that outcome, whether it be due to a lack of good faith or interest from outside stakeholders, lack of willingness for internal change on the part of the organisation or as a result of some other factor. Non-productive behaviour can originate from inside the organisation, and difficult conversations may need to be initiated – especially if the behaviour stems from or is displayed by senior people and those with stakeholder relationship responsibilities.

The following questions have been developed to help managers assess non-productive engagement and understand better the possible causes of this behaviour. Ask yourself and colleagues in your organisation the following questions:

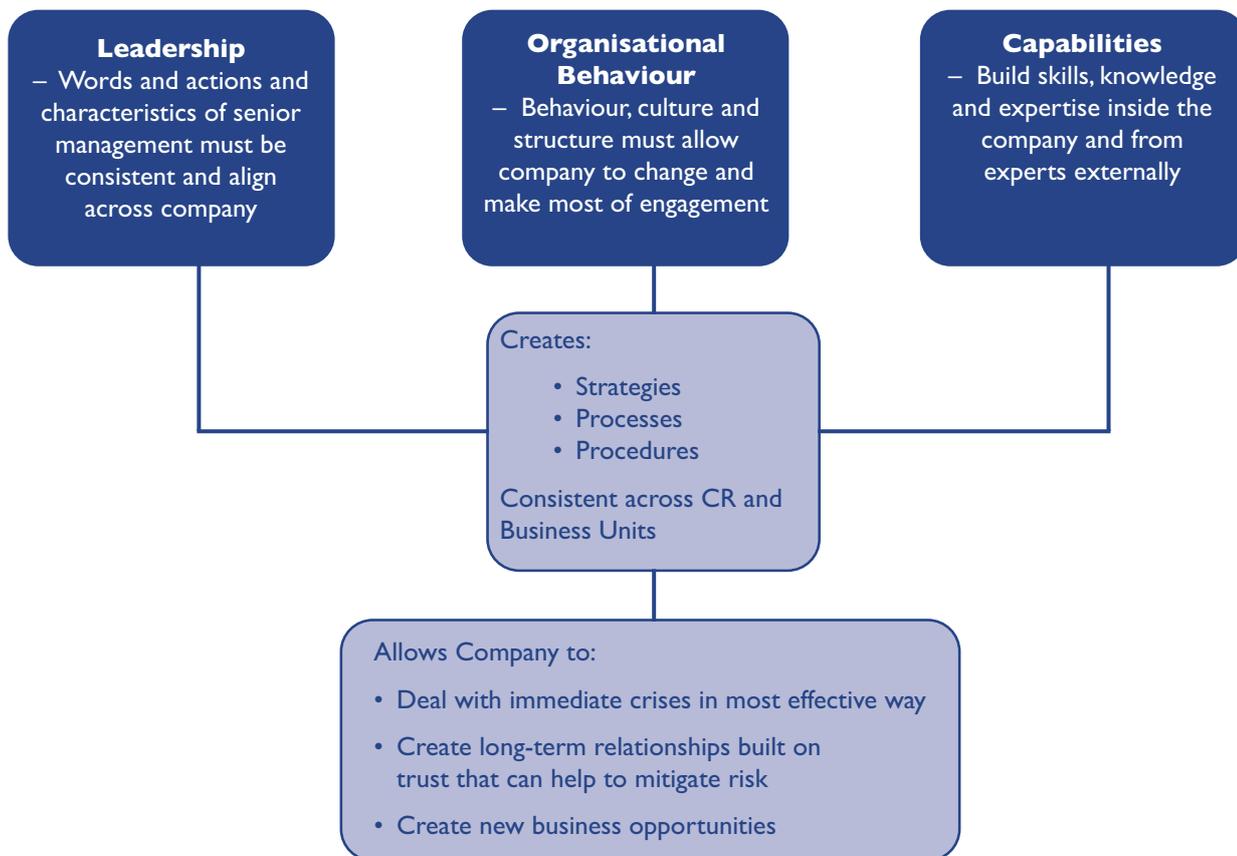
- ❖ What is the typical story that is told about engagement processes in your organisation? Is it always positive, negative or both?
- ❖ What are the typical reasons given in your organisation for engagement not producing a positive outcome? Are they internal to the organisation or external?
- ❖ What types of engagement behaviour are not talked about in your organisation, but you have seen or experienced?
- ❖ What happens in your organisation when engagement with a particular stakeholder is seen to be going nowhere?
- ❖ Are senior management willing to get involved if an engagement process is seen to be non-productive?
- ❖ Has your organisation experienced a previous non-productive engagement with a stakeholder and then subsequently been able to successfully engage with them? What, if anything, did you learn from this process? How was this learning utilised across the organisation later on, if at all?
- ❖ Are lessons from non-productive engagement experiences utilised in stakeholder planning exercises in your organisation or in strategy formation for interaction with stakeholders?

4.9 Combination of Leadership, Capabilities and Organisational Behaviour

The sections above highlight the importance of leadership, capabilities and organisational behaviour for any organisation that wishes to engage and improve their relations with stakeholders; the development and strengthening of knowledge, skills and expertise in each area of priority for those companies that seek to instigate meaningful engagement.

Each area should be addressed in parallel to ensure uniform, harmonious and complementary progress across the organisation. Managers who are involved in day-to-day relationship building with stakeholders should have a good understanding of each of these various elements and how they interact to influence and shape overall organisation strategy, behaviour and objective setting. Figure 18 outlines how each of the elements plays a complementary role in assisting the organisation to progress to a position where meaningful engagement with stakeholders is achievable.

Figure 18: Internal Elements Critical to Building Meaningful Stakeholder Relations



Example: Critical Elements Producing Radical Change

A senior executive of a brewing organisation described the critical elements as developments in organisational behaviour and capabilities linked with strong leadership, which were crucial in producing radical change in his organisation:

“We had the old school of thought [of senior management] which was more resistant to change and kept behaving in the way the organisation had always been behaving, but there was definitely a large group of executives in the organisation [for whom] this was a new beginning and a different time and this needed to be a different organisation, and the prospects for the organisation were intimately tied to our ability to interpret that new reality, and adjust to it and act in a new way... those are the ones that have been able to shape the organisation nowadays and I see quite a different organisation now than the one I saw six or ten years ago; it had to come from the very top, and what enabled the change to come about was that our current CEO and chairman of the Board was very supportive of that school of thought and he consolidated a management team that was receptive to those new ideas and changes.”

4.10 Recommendations Towards Meaningful Engagement

In summary, we list below a number of considerations upon which you and your organisation should reflect. The considerations either outline strategies to be implemented or items to be addressed, as a means to maximise the impact and success of meaningful stakeholder relations. The recommendations are classified according to their relevance to organisational culture, organisational structure, organisational human resources, and organisational learning.

Organisational Culture

- ❖ Ensure that successful stakeholder engagement behaviour is embedded throughout all layers of the organisation and is reflected and supported by organisational culture. Take steps to modify and adapt the organisation culture if necessary.
- ❖ Staff should be encouraged to understand and develop their thinking regarding the motivation for conducting stakeholder engagement, i.e. why an organisation is doing this and what value is being created.
- ❖ Appropriate leadership from the very top of the organisation is needed to demonstrate real commitment to these issues, not only through words and declarations, but also through deeds; staff should be able see senior management of the organisation actively employed in stakeholder engagement at the highest levels, on a regular basis.
- ❖ Organisation policy must critically be reflected in organisation practice; otherwise, internal and external stakeholders will not regard the process as being valid, legitimate or believable.
- ❖ Stakeholder engagement should be reflected in the actions and intentions of both business operations and CR staff, and efforts should be made to ensure that staff across different departments are able to recognise the value created for the organisation as a whole, otherwise potential conflict may arise.
- ❖ Provide managers who establish and develop stakeholder relations with a degree of freedom and autonomy so that they can 'take risks' and 'surprise' stakeholder organisations who may have 'set' views of business.
- ❖ To encourage this, CEOs must show leadership, publicly support these managers and, where appropriate, be seen to be taking risks themselves. CEOs should work to make the engagement process credible to other, more traditional stakeholders.

- ❖ Recognise that the central focus of this task needs to be the building of trust even before any concrete programmes, or partnerships can be considered. This may involve the organisation revisiting its preconceptions regarding stakeholder organisations and vice versa, and may involve examining long-standing embedded practices.
- ❖ 'Do not just talk to those with whom you agree'; it is important for managers to maintain a dialogue with those with whom they disagree and maintain a position of active negotiation with them i.e. be willing to concede on issues as a way of making progress.
- ❖ Senior management should get involved in the wider debate about how society builds strong institutions and overcomes challenges as a way of demonstrating commitment.

Organisational Structure

- ❖ The senior management of an organisation should clearly demonstrate that stakeholder engagement is regarded as a strong facilitator of business success. They should 'own' the concept so that when it is delegated to operational level staff a clear message is given that the work is valuable and necessary. As discussed earlier, engagement should be embedded within the organisation, with nominated individuals who can transmit the appropriate skills and knowledge to those who need them.
- ❖ Consideration should be given as to whether this task should report directly to the CEO, rather than be located in corporate affairs; successful stakeholder engagement is a strategic function and not a communications function as it provides value for, and feeds into, all business areas of the organisation.
- ❖ Those responsible should promote excellence in stakeholder engagement across the organisation, ensuring that staff in critical positions (such as country managers) have the necessary support and tools to carry out this role. A variety of staff from across different departments, different functions and different levels in the organisation should be encouraged to engage with stakeholders in a strategic manner.
- ❖ The organisation should promote the understanding of the importance for – and support of – the creation of relations between the organisation's staff and stakeholders, recognising that such relations can bring unique, difficult to replicate and immense value to the organisation.
- ❖ Build the capacity of the organisation to better empathise with stakeholders; this will help to grow the appreciation for stakeholder motivations and objectives.

Organisational Human Resources

- ❖ Companies need to ensure that they have access to new capabilities, in particular to seek out talented staff who come from diverse, varied and alternative backgrounds, who will be able to bring unique perspectives and skills to assist the organisation in its efforts to build relations with stakeholders.
- ❖ Continuously develop in-house skills of existing staff and expose them to unfamiliar environments, to ensure that they stay up-to-speed with fast changing business necessities regarding engagement.
- ❖ Recognise that companies are made up of individuals and excellence in stakeholder relations relies on individual human actions. Innovation and entrepreneurship in this area by staff should be supported, rewarded and developed.
- ❖ Hire new talent that is skilled in building trust, has a high degree of emotional intelligence, and can demonstrate empathy for stakeholders; in addition such managers should be good communicators, and have excellent negotiation skills. These may well be talented individuals who have previously worked for stakeholder organisations, or specialised consultancies.
- ❖ Hiring staff from stakeholder organisations, or investing in secondments to/from stakeholders' organisations, is perhaps one of the best ways to improve knowledge and understanding of stakeholders and their priorities.
- ❖ Build the case within your organisation for institutional expenditure for strengthening internal stakeholder engagement capacity as a cost-effective mechanism to mitigate risk.

Organisational Learning

- ❖ Appropriate training should be provided for staff if necessary to support and promote the objectives listed above.
- ❖ Like any other speciality task within the business, stakeholder engagement should be regarded as a mixture of science and art where continued learning can help improve the performance of the organisation, and potentially create more value. Stakeholder engagement is an iterative process where learning from action should be continually fed back to improve that action.
- ❖ On occasion, embedded practice will actually develop ahead of policy, leading to the need for the organisation to review its present practice, extract learning, and disseminate it across the organisation.
- ❖ Broaden the ability of all staff to conduct analysis regarding stakeholder motivations, objectives and value. This can be achieved through increased training and greater diversity of business staff, in particular drawing on those that have civil society and stakeholder backgrounds.
- ❖ Develop stakeholder strategy in parallel with the business strategy and alongside the development of a framework to understand the changing stakeholder environment (geopolitical trends, stakeholder views, their relative influence). Use scenarios to assess the influence of both sets of issues in immediate and longer term planning.
- ❖ Utilise specific and specialised socio-political analytical skills from sophisticated and specialised sources to help the business identify strategies to work with stakeholders.
- ❖ Ensure that knowledge and learning is captured and shared across your organisation, to guarantee that advances and activities are retained, shared and transmitted to additional staff.

Appendices

5.1 International Standards for Stakeholder Engagement and Reporting

AA1000 Stakeholder Engagement Standard – managed by the NGO AccountAbility, an open-source framework for improving the quality of the design, implementation, assessment, communication, and assurance of stakeholder engagement, including customer care, issue-based engagements (e.g. human rights), and reporting and assurance. www.accountability21.net

AA1000 Assurance Standard – managed by the NGO AccountAbility, an evaluation method using a specified set of principles and standards to assess the quality of a reporting organisation's subject matter and their underlying systems, processes and competencies that underpin its performance. www.accountability21.net

Dow Jones Sustainability Index – sets standards for corporate governance and stakeholder engagement, including corporate codes of conduct and public reporting. www.sustainability-indexes.com

FTSE4Good Index Series – a series of benchmark and trackable indices for socially responsible investors. Inclusion criteria for oil, gas, and mining companies include commitment to respect the core ILO labour standards (or be signatories to the UN Global Compact, SA8000 or OECD Guidelines for Multi-national Enterprises); respect indigenous peoples; consult with independent local stakeholders; integrate human rights concerns into its risk assessment; and report on human rights performance to the public. www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp

Global Reporting Initiative (GRI) – a comprehensive set of social, economic, environmental, and governance indicators, including a sub-set on stakeholder engagement. www.globalreporting.org

Organization for Economic Cooperation and Development (OECD) – Guidelines for Multinational Enterprises – promotes consultation and cooperation between employers and employees; disclosure of information on material issues regarding employees and other stakeholders; and, adequate and timely communication and consultation with the communities directly affected by the environmental, health, and safety policies of the enterprise and by their implementation. www.oecd.org

SA 1000 – a voluntary, third-party certification standard developed by Social Accountability International (SAI), aimed at companies interested in auditing and certifying labour practices in their facilities, and those of their suppliers and vendors. www.sa-intl.org

UN Global Compact – commits signatory companies to support and respect the protection of internationally recognised human rights, labour and environmental standards. www.unglobalcompact.org

5.2 Tips for Understanding NGOs

- ❖ Do your homework and find out about the mandate of the NGO and what it regards as its 'bottom line' – it is unlikely to be financial.
- ❖ Respect differences between NGOs by not lumping them all together in the same room for a consultation exercise – NGOs are proud and competitive too. There are different types of NGOs operating on different principles, such as service delivery, campaigning, research, membership etc. These will require an organisation to establish and maintain different types of relationships.
- ❖ International NGOs may have shared common goals between their national counterparts, but national offices are not necessarily clones of one another, unlike national offices of some multinational companies, so be prepared for different approaches and attitudes.
- ❖ Don't make the mistake of thinking that you are the only company that is the target of the NGO's campaigning efforts, or that the NGO hasn't other programmes and projects that may have nothing to do with business.
- ❖ There are many more companies than stakeholders in any given sector. Company managers with a stakeholder engagement brief exist to engage stakeholders, but NGOs (and other stakeholders) do not exist to be engaged. They have their own work priorities and the success of XYZ plc's project or business may be far down that list. Just because a stakeholder is important to you, doesn't mean that you are necessarily important to them.
- ❖ Respect the NGO's ways of working and its cultural norms (e.g. some may take decisions through consensus) — but don't stereotype those norms.
- ❖ Respect the NGO's time – they will be alienated if you only provide information already publicly available on the company's website.
- ❖ Appreciate that NGOs have severe financial constraints compared with business, and so don't judge NGOs by the same standards (e.g. in terms of presentation) as you do other businesses.
- ❖ Remember that cash does not necessarily have the same power as it does when buying products or services from other companies.

Adapted and Expanded from 'Tips for companies wishing to enter stakeholder engagement with non-governmental organisations (NGOs)', Grayson, David and Hodges, Adrian. 2004. Corporate Social Opportunity, 7 Steps to make Corporate Social Responsibility work for your Business. Sheffield: Greenleaf Publishing.

Source: Sequeira, Debra et al. 2007. Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets. International Finance Corporation

5.3 Template for Assessing Impact of any Previous Communication History with Stakeholder

Communication History with Stakeholder	Stakeholder 1	Stakeholder 2	Stakeholder 3
Most recent communication			
Frequency of communication			
Nature of communication			
Impact on stakeholder relations of communication			
Issues raised by stakeholder			
Manner issue is addressed in			
Subsequent response from stakeholder			

5.4 Examples of Community and Civil Society Stakeholders

- ❖ Employees, permanent and temporary workers, or resident workforce
- ❖ Employee representative groups such as trade unions
- ❖ Managers
- ❖ Contractors and Suppliers
- ❖ Employees' families including spouses/partners and children
- ❖ Communities' neighbouring operations
- ❖ Non-neighbouring communities who are impacted by the operation
- ❖ NGOs (international, national and local)
- ❖ Community-based organisations such as support groups, recreational and sporting groups, women's and children's groups and youth groups
- ❖ Community development organisations
- ❖ Welfare and service organisations
- ❖ Tertiary and vocational education and training institutions
- ❖ Health organisations
- ❖ Family services organisations
- ❖ Local businesses and associations e.g. Farmers' Associations or Chambers of Commerce
- ❖ Religious organisations and associated community or support groups

- ❖ Ethnic & indigenous groups
- ❖ Traditional community leaders such as councils of elders or family heads
- ❖ Political groups and local/state representatives
- ❖ Political parties, elected representatives of local and state authorities
- ❖ Departments of environment, infrastructure, health, welfare, trade and industry
- ❖ Local councils, provincial or district offices
- ❖ Regional or national governments

Examples of other stakeholders:

- ❖ Shareholders
- ❖ Employees
- ❖ Future employees
- ❖ Business partners
- ❖ Customers
- ❖ Competitors
- ❖ Suppliers
- ❖ Distributors
- ❖ Regulators
- ❖ Industry groups (voluntary or compulsory)
- ❖ Local or global standards bodies, such as for accounting, reporting, or workers' rights
- ❖ Organisations dealing with global initiatives, such as the G8 or G20, the Clinton Global Initiative, or UNGC

5.5 Matrix of Consultation Techniques

Technique	Most Appropriate Application	Main Advantages and Disadvantages
Personal Interviews	<p>When the operation is seeking to:</p> <ul style="list-style-type: none"> ❖ Identify issues specific to each stakeholder ❖ Provide opportunities for stakeholders to speak confidentially ❖ Build relationships with individual stakeholders 	<p><i>Advantages</i></p> <ul style="list-style-type: none"> ❖ Demonstrates commitment on part of the company ❖ Provides an opportunity to build a relationship ❖ Provides detailed data through two-way communication <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> ❖ Time and resource intensive ❖ No opportunity to test attitudes and assertions independently ❖ Individuals may not necessarily be representative of a stakeholder group as a whole

Technique	Most Appropriate Application	Main Advantages and Disadvantages
Workshops	<p>When the operation is seeking to:</p> <ul style="list-style-type: none"> ❖ Form relationships with and between high level stakeholders and experts ❖ Involve stakeholders in thinking through issues, to develop a strategic approach or resolve an issue/s ❖ Communicate aspects of stakeholder engagement process or issues management to stakeholders and employees ❖ Analyse impacts ❖ Prioritise / rank issues and potential solutions 	<p><i>Advantages</i></p> <ul style="list-style-type: none"> ❖ Demonstrates commitment on part of the company ❖ Provides an opportunity to build a network of relationships ❖ Allows issues to be verified, tested and solutions developed ❖ Increases ownership by participants <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> ❖ Participation is limited to a relatively small number of stakeholders ❖ Individuals may not necessarily be representative of a stakeholder group as a whole ❖ Need to provide sufficient information such that participants can provide informed views
Focus Groups / Forums	<p>When the operation is seeking to:</p> <ul style="list-style-type: none"> ❖ Identify stakeholder views on a specific issue ❖ Discuss the views of a common interest stakeholder group ❖ Gather baseline data ❖ Support, pilot, test, or gain feedback on the outputs of other methods (e.g. surveys, interviews) ❖ Determine stakeholder responses to proposed mitigation / social investment strategies ❖ Monitor and evaluate the social performance of an operation 	<p><i>Advantages</i></p> <ul style="list-style-type: none"> ❖ Demonstrates commitment on part of the Company ❖ Provides an opportunity to build a network of relationships ❖ Allows issues to be verified, tested and solutions developed ❖ Increases ownership by participants <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> ❖ Participation is limited to a relatively small number of stakeholders ❖ Individuals may not necessarily be representative of a stakeholder group or a community as a whole ❖ Need to provide sufficient (sometimes sensitive) information such that participants can provide informed views
Public or "Town Hall" Meetings	<p>When the operation is seeking to:</p> <ul style="list-style-type: none"> ❖ Reach large audiences in particular communities quickly ❖ Present information and seek feedback from stakeholders ❖ Ensure that everyone gets a chance to provide comment / criticism / feedback 	<p><i>Advantages</i></p> <ul style="list-style-type: none"> ❖ Relatively inexpensive and quick ❖ Allows you to reach a large number of people simultaneously ❖ Demonstrates willingness to be open ❖ Provides communities with opportunity to speak directly to company representatives <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> ❖ There is a risk that vocal but unrepresentative groups may "hijack" the meeting ❖ Some communities, or groups within them, may not be comfortable speaking in such a public forum ❖ Limited opportunity to explore issues of particular stakeholders in detail ❖ Can be difficult to facilitate if the issue/s under discussion is/are controversial or highly emotive
Surveys	<p>When the operation is seeking to:</p> <ul style="list-style-type: none"> ❖ Identify stakeholder issues and assess community needs ❖ Obtain an objective overview of a group of stakeholders to a particular issue or potential impact ❖ Develop mitigation / social investment strategies ❖ Gather data for the evaluation of social performance indicators ❖ Monitor social and economic impacts and performance using repeat surveys 	<p><i>Advantages</i></p> <ul style="list-style-type: none"> ❖ Provides detailed data on specific issues ❖ Assuming an appropriate sample is gathered, provides a good insight to the extent an issue/s is significant within a community ❖ Widely known and acceptable, particularly in developed countries <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> ❖ Written surveys are not appropriate in an environment where literacy levels are low ❖ Can be easily manipulated or designed to yield particular results ❖ Depending on the response method, surveys can yield poor response rates ❖ Surveys take considerable time and resources to prepare, implement and analyse results

Technique	Most Appropriate Application	Main Advantages and Disadvantages
Participatory Tools	<p>When the operation is seeking to:</p> <ul style="list-style-type: none"> ❖ Scope and identify community needs / aspirations ❖ Involve stakeholders in the development ❖ Mitigate community social investment strategies ❖ Monitor and evaluate social impacts and social performance 	<p><i>Advantages</i></p> <ul style="list-style-type: none"> ❖ Demonstrates commitment on part of the company ❖ Provides the opportunity to build relationships and stakeholder ownership of outcomes ❖ Can gain in-depth understanding of community cultures, beliefs, assets and interactions <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> ❖ Need to manage conflicting community demands ❖ Can result in unrealistic community expectations ❖ Process can be dominated by articulate and organised stakeholder groups
Stakeholder Panels ³¹	<p>Some companies such as Camelot, Westpac Vodafone and BT have established stakeholder advisory panels. These small, external advisory panels are composed of sustainability experts from academia, NGOs, CR coalitions, etc. Typically panels meet several times a year and report to the company board or specialist CR / sustainability committee</p>	<p><i>Advantages</i></p> <ul style="list-style-type: none"> ❖ Examines specific aspects of corporate policy, action or performance ❖ Produces comments or recommendations, upon which the company may or may not make specific commitments ❖ Helps company to receive advice, gauge expectations and criticism concerning its sustainable development strategy and/or reports ❖ May anticipate possible threats to their activity that may arise in the future <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> ❖ May not be representative ❖ May not have expertise in specific subject or in all the issues dealt with in the company's CSR strategy

Source: Adapted from McCallum, Alison et al. 2007. SEAT: Socio-Economic Assessment Toolbox. Anglo American

³¹ For more information see ORSE, CSR Europe and the European Alliance for CSR Proactive Stakeholder Engagement: Practical Guide for companies and stakeholders – 2008 – pages 13-19; and Critical Friends - AccountAbility and Utopies http://www.stakeholderpanels.net/StakeholderPanels_report.pdf - March 2007

5.6 Stakeholder Perception Surveys

Topics to include in stakeholder perception surveys:

- ❖ General ethical conduct
- ❖ Conduct of staff and contractors
- ❖ Quality of environmental and social impact and risk management, including monitoring regimes
- ❖ Interaction with government and local government
- ❖ Local procurement, employment, and training opportunities
- ❖ General relationship with the company, including levels of honesty and trust
- ❖ Relevance and meaningfulness of information communicated or reported
- ❖ Effectiveness and responsiveness of ongoing consultation
- ❖ Effectiveness and responsiveness of grievance procedures
- ❖ Perceptions of paternalism, favouritism, and corruption
- ❖ Benefits of community investment programmes or similar benefit-sharing programmes
- ❖ Comparison of performance, in any of the above, between the last survey period and this one

Source: Sequeira, Debra et al. 2007. Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets. International Finance Corporation

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1. "How to: CR Champions Networks." Nadine Exter (2009)
2. "Stakeholder engagement: A road map towards meaningful engagement." Neil Jeffery (2009)

WORKING PAPERS

1. "Non-Financial Performance Metrics for Corporate Responsibility Reporting Revisited." Malcolm Arnold (2008)
2. "Measuring Business Value and Sustainability Performance." David Ferguson. A joint research project with EABIS (2009)

OTHER PUBLICATIONS

1. Sense and Sensibility – Inaugural lecture (2007)
2. The Doughty Centre Year One Report to Stakeholders (2008)
3. Business-Led Corporate Responsibility Coalitions: Learning from the example of Business in the Community - David Grayson – jointly with CSR Initiative, Kennedy School of Government, Harvard (2008)
4. "Engaging Business in the Community - not a quick fix" by Geoffrey Bush, David Grayson and Amanda Jordan with Jane Nelson. With the Smith Institute (2008)
5. "A new mindset for Corporate Sustainability" - a white paper on sustainability as a driver of commercial innovation, produced in partnership with academics from MIT, Beijing, Singapore and IESE in association with BT and CISCO (2008)
6. The Doughty Centre Year Two Report to Stakeholders (2009)

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