



DEVELOPING A STAKEHOLDER ENGAGEMENT PROGRAM

*Selections from Andrew Savitz's "The Triple Bottom Line"
Compiled by Strandberg Consulting*

The following is a guidance document to help firms develop a comprehensive stakeholder engagement program in order for them to better manage their stakeholder risks and to maximize business opportunities available to them through active stakeholder engagement. Strandberg Consulting excerpted and adapted this material from Andrew Savitz's book, "The Triple Bottom Line".

Who Are Your Stakeholders, Anyhow?

Stakeholder mapping, a technique for identifying and prioritizing your stakeholders, is a powerful diagnostic tool. It helps you identify your current position in relation to the various interest groups, community organizations, economic and financial interests, government agencies, and others who take an interest in or can affect your activities. It is important to note that not only does the company have stakeholders, but so does every division, department, business unit, plant, and facility. And understanding who they are and what they want is a prerequisite to effective stakeholder engagement.

An easy way to start is by putting your stakeholders in three categories: those within the company (internal), those with whom you do business (value chain), and those outside the company (external). This type of stakeholder mapping is often called a *target analysis*, simply because it resembles an archery target with your organization at the center (see Figure 1.1). Most stakeholders will fall neatly into one or another of the circles shown in the diagram. On occasion, however, a particular stakeholder may fit into two or even three categories (for example, by being both a shareholder and a community activist), which would typically give this individual or group greater impact to your organization.

To start mapping, make a list of individuals and organizations in each category. The more specific you can be, the more effective the mapping. Name names and take time to brainstorm these lists; some stakeholders who may be important may not be immediately obvious—for example, the local newspaper.

SOLUTIONS FOR A SUSTAINABLE WORLD

6325 Sperling Ave., Burnaby, B.C. V5E 2V3 Phone: 604-433-7339
e-mail: cstrandberg@shaw.ca website: www.corostrandberg.com

Figure 1.1 – Categories of Stakeholders: Target Analysis

Location	Type of Stakeholder
External	Stakeholders outside the company with no direct business link to the company: community members, government agencies, media, etc.
Internal	Stakeholders inside the company: employees, managers, shareholders, etc.
Value Chain	Stakeholders outside the company with a direct business link to the company: customers, suppliers, etc.

Identifying and segmenting your company's (or your department's) stakeholders will generate further insights into how you interact with them and how they perceive your current sustainability status, all of which can easily become part of your self-assessment. For each stakeholder, consider these questions:

- How do we communicate with this stakeholder? Do we have open lines of communication that permit both sides to express needs, concerns, and problems easily and honestly?
- What are the stakeholder's interests as they affect our company? How are we addressing those areas of concern?
- What are the major conflicts between the needs of the stakeholder and those of our company? How are those conflicts being managed? Are we moving toward a mutually satisfactory resolution of those conflicts?
- Who within our company is responsible for this stakeholder relationship? What policies, procedures, and principles are in place for guiding the relationship? What objectives, explicit or implicit, has the company set, and what incentives are in place that affect the management of this relationship?

Additional criteria for identifying stakeholders¹:

- Responsibility – those that firm has or will have a legal, financial or operating responsibility in the form of regulations, contracts, policies or codes (e.g. staff, local authorities)
- Influence – those with influence or decision-making powers (e.g. shareholders, local authorities, pressure groups)
- Proximity – those with whom the organization interacts with most closely including internal stakeholders, long standing relationships (e.g. business partners and those that the firm depends on for day to day operational needs (e.g. outsourced employee management, local communities, local suppliers)
- Dependency – those who are directly or indirectly dependent on the firm's activities and operations in economic or financial terms either regionally or locally (e.g. sole suppliers of goods)

¹ From "Making Tomorrow Today: Mapping the Progress in Sustainable Development in the Public Transport Sector 2005 – 2007"; International Association of Public Transport, Belgium, 2007, p. 37.

- Representation – those who through regulation can legitimately claim to represent a constituency (e.g. NGOs, special interest groups, trade unions or the voiceless (those that are unable to represent themselves such as future generations or the environment)
- Policy and strategic intent – those the firm directly or indirectly addresses through its policies and values (e.g. consumers, local communities, outsourced employees)

What do Your Stakeholders Care About?

A second technique for stakeholder mapping is known as an *impact chart* (see Figure 1.2). It's an easy way to organize your insights into how specific sustainability issues affect particular stakeholders.

To create this type of chart, draw up a table in which every possible stakeholder group is listed in its own row. (The list shown in the sample chart is illustrative only; your own list is likely to be much more detailed and specific.) In the vertical columns, list the key issues, or impacts, relevant to your company. Then examine each cell in the chart and ask, Does this group of stakeholders have an interest in and an impact on our activities in relation to this issue? If so, put a checkmark in that cell. In some cases, the stakeholders will be connected to issues that are not on your list, and these too should be recorded. The resulting pattern of checked and empty cells will help you answer such questions as the following:

- Which issues or impacts affect the broadest array of stakeholder groups? (It's likely that these issues will present the most complex challenges for stakeholder relations.)
- Which stakeholder groups have an impact on the largest number of relevant issues? (These are groups that deserve the most consistent and thoughtful nurturing by managers from within your organization.)
- Specifically how do our impacts and the interests of this stakeholder overlap? (This will identify either opportunities or areas of conflict.)

Figure 1.2 – Impact Chart

Stakeholders	Issues and Impacts					
	Human Rights	Technology Implementation	Lobbying & Proposed Legislation	Economic Effects	Safety Impact	Environmental Effects
Customers						
Community						
Environmentalists						
Regulators						
Unions						
Employees						
Media						
Competitors						

How Do You Prioritize Your Stakeholders?

A third way to look at your stakeholders is to prioritize the many individuals and groups vying for your attention, interest, and resources in terms of their potential impact on your organization. To do this, you can create what we call a *priority table* (see Figure 1.3).

Like the impact chart, the priority table begins with a list of all your key stakeholder groups. (Again, the list shown in the sample table is illustrative only.) For each stakeholder, estimate its possible impact: its ability to help or harm your company in whatever way it might act—lobbying, making statements to the media, purchasing your product or boycotting it, contacting other influential third parties, or other actions. Rate help and harm, each on a scale of 1 to 5, with 5 being the greatest ability to help or harm, 1 the least.

These ratings for each stakeholder will depend entirely on your company's current situation and challenges. Suppose your company is facing a financial crisis due, in part, to costly commitments for employees' future benefits. Your financial health may depend on whether you can negotiate a reduction in those liabilities with the leaders of the employees' unions. The ability of the unions to help or harm you right now would be unusually high, possibly critical to your company's future, whereas at some other time your ratings for the unions might have been much lower. Environmentalists or customers would not rate as high, in terms of their ability either to help or harm you, at the moment.

The third column in the table is labeled Likelihood of Acting, and it should contain decimal fractions ranging between 0 and 1. A rating of 0, of course, would reflect *no* possibility that a particular stakeholder will take action to influence your company; a rating of 1 would reflect the *absolute certainty* of stakeholder action. In the example, the unions are shown as most likely to act, with a rating of 0.8 (the equivalent of 80 per cent likely), whereas the customers are least likely to act, rated at just 0.3 (30 percent).

To determine the relative priorities, you'll add up the two help-or-hurt columns to come up with a total, which will range between 2 (least) and 10 (most). Then multiply this total by the rating for likelihood of acting. The resulting numbers serve as a guide in prioritizing your stakeholders. Those individuals and groups with the highest total scores are the ones that demand the most immediate and focused attention from your organization.

Using each of the three systems we've illustrated in the last few pages, you should be able, at any given time, to sketch an accurate map of your most important stakeholders. If you can do this, it means that you can identify the most influential people in the life of your organization and have at least a broad-brush strategy for managing your relationships with them.

Figure 1.3 – Priority Table

Stakeholder	Ability to Help Us	Ability to Hurt Us	Likelihood of Acting	Overall Priority
Customers	4	1	0.3	1.5
Community	2	3	0.5	2.5
Environmentalists	1	3	0.7	2.8
Regulators	1	4	0.6	3.0
Unions	4	5	0.8	7.2
Employees	3	4	0.5	3.5
Media	1	3	0.4	1.6
Competitors	1	2	0.6	1.8

Advanced Stakeholder Strategy

We've looked at who your stakeholders are, what they care about, and which ones might be the most important in terms of their ability to affect your agenda and their likelihood of doing so. The question now is, What do you do about it?

You can use all the information you've acquired (and laboriously mapped) as a means of developing strategies for managing a specific program of initiative, such as a plan to expand your factory in an environmentally sensitive region. One way to plot strategy is by creating an influence grid.

Influence Grid

This grid consists of a vertical axis representing the degree of support for the particular program or initiative, and a horizontal axis representing the degree of influence each of various stakeholders might have on your initiative. This grid is just a more highly focused version of the priority table, created in the same way.

Having created the influence grid, you then match each of your key stakeholders. You can begin to develop your strategy according to where each stakeholder falls on the grid:

- With stakeholders whose support for you is high but whose influence is low, your strategy should be to *empower* them. Work with these stakeholders to enhance their influence by supporting their efforts to attract members, communicate through the media, and spread their message to the larger world.
- With stakeholders whose support for you is low and whose influence is low, your strategy should be to *monitor* them. Under normal circumstances, you should have little to fear from these stakeholders. But you should track their behavior and communications so that if the dynamic should change such that these stakeholders gain greater influence, you will be prepared to change your approach.
- With stakeholders whose support for you is high and whose influence is high, your strategy should be to *partner* with them. Look for opportunities to work together in support of your shared goals, thereby augmenting your own influence and increasing the chance of achieving your goals.

- With stakeholders whose support for you is low but whose influence is high, your strategy should be to *engage* them. Keep the lines of communication open, seek areas of agreement (however minor these may appear).

The Many Faces of NGOs

Managing companies in your value chain is challenging, but you have a direct financial relationship with them that gives you some leverage and control. If conflicts become unmanageable, you can usually stop dealing with them and find new business partners. That option isn't available when it comes to dealing with most other stakeholders, and certainly not with the advocacy organizations often referred to as nongovernmental organizations (NGOs).

NGOs are the stakeholder groups that many business people misunderstand and mismanage, often with painful results. They include a wide range of lobbying organizations, citizens' interests groups, environmentalists, labor and human rights activists.

Business leaders who assume that NGOs are all fundamentally hostile to business are making a big mistake, however. NGOs are as varied as corporations themselves, and almost as numerous: an estimated sixty thousand NGOs are operating today around the world. Recognizing the many and sometimes subtle differences among them is crucial for any business that wants to forge a mutually beneficial relationship with an NGO or simply get the NGO out of its hair. The attitudes and approaches taken by NGOs toward business have been evolving rapidly in recent years, and savvy businesspeople are altering their thinking and behavior to suit.

We find it helpful to think about NGOs in three categories, based on their primary area of focus:

1. *Company focused.* These NGOs often take a skeptical or aggressive attitude toward business and can be hostile if provoked. Their goals vary widely, but they generally want to limit the influence of business. They seek legal, regulatory, and moral restrictions on certain corporate activities and, in some cases, try to reform business. Some NGOs in this category explicitly position themselves in opposition to specific companies or industry groups; others are organized around the corporate role on certain issues, such as the environment, labor or human rights, public health, HIV/AIDS, or worker safety, and focus on particular companies or industries that are identified as especially bad actors on the issue.
2. *Policy focused.* These NGOs are devoted to influencing government policy either directly, as special-interest lobbying groups working to support specific forms of legislation and regulation, or indirectly, using financial and opinion-shaping influence to try to sway elected or agency officials. Corporations are, in a sense, an indirect target of these groups, who seek policies that are designed to change corporate behavior, among other things. Consequently, policy-focused NGOs are usually less directly confrontational than company-focused NGOs—except when they perceive their interests as colliding with those of a specific business.
3. *Issue focused.* These NGOs are devoted to solving specific environmental, social, or economic problems. They are interested in businesses and

SOLUTIONS FOR A SUSTAINABLE WORLD

governmental organizations that affect progress on their issue. They will work with businesses or government agencies if they believe synergies are possible that may advance the cause.

Managing Partnerships with NGOs and Other Stakeholders

Partnerships with NGOs and other external stakeholders can provide enormous business benefits when properly managed. What are the keys to managing partnerships for maximum benefit? Here are some important tips:

- *Do your homework.* Use the stakeholder mapping techniques described earlier to identify and prioritize opportunities for collaboration and partnership. Note that the “environmental community” or the “social justice community” is not monolithic.
- *Study potential partnerships to determine the likelihood of success.* Part of your homework is to look at how the NGO connects with other organizations. How does it spend its money? More important, from whom does the NGO raise it? What are its objectives in general and in working with you specifically? The specific personalities of NGO leaders can make a big difference in your ability to work with them.
- *Create a network of stakeholder organizations.* Use your networking skills to link from one NGO leader or organization into other groups with related interests.
- *Focus on the long haul and be prepared for continuing challenges.* Most NGOs that are willing to work with business are looking for marriage partners, not one-night stands. You build credibility and trust with advocates only over the long haul. Envision what a long-term relationship would look like and where it might lead. And don’t assume that working closely with a group in one area makes you immune from criticism by the same group elsewhere.
- *NGOs can be marketplace allies or marketplace adversaries.* Some NGOs have become increasingly sophisticated at using the marketplace to affect corporate behaviour. You may face direct action from a disaffected NGO—for example, a forty-foot banner that denounces your company flying over your headquarters. But you are just as likely to hear an action aimed at your customers, suppliers, or investors. Often these NGOs focus on the weakest link in the company’s value chain.
- *Set specific expectations.* Partnerships with NGOs and other stakeholders may be highly formal, with memoranda of understanding that define all the terms of engagement: the purpose, scope, duration of the project, and how disputes are to be resolved. Or they may be based on handshake agreements, shaped and maintained on an informal basis. In either case, the best way to ensure success is to clarify expectations from the beginning and avoid overly ambitious goals. Partnerships with NGOs are usually harder to manage, more costly, and more time-consuming than expected, and it helps if everyone understands and acknowledges that reality.
- *Have an exit strategy.* Just as with commercial partnerships, NGO partnerships can fail or fall apart. Some NGOs will react badly and seek to retaliate. The best way to avoid that is to acknowledge the possibility of failure at the beginning and agree on how it will be handled by all sides. This discussion will serve the added benefit of managing expectations appropriately and increasing trust.

Most companies see stakeholder engagement as a sideline, relegated to someone as a fourth job if he or she can get around to it. That is a big mistake. Stakeholder engagement should be an explicit part of your strategy and receive all the resources and attention it requires.

The Do's and Don'ts of Stakeholder Relations

Creating stakeholder groups to provide independent views or to work with you on initiatives or projects can be a powerful way of transforming hostility into positive energy for change. But it can backfire if not handled with a high degree of attention and integrity. Here are some important dos and don'ts to remember if you plan to try this strategy:

- *Do* seek stakeholder partners with real credibility and strong credentials, whose independence and integrity are unquestioned in the stakeholder communities you are trying to reach.
- *Do* give the stakeholder organizations you create or work with genuine independence, allowing them to set up their own policies and procedures and giving them the opportunity to communicate with the outside world freely and without censorship.
- *Do* offer the stakeholder groups as much corporate transparency as possible, giving them open access to company records, employees, and facilities as consistent with genuine issues of legal liability, privacy, and trade secrets.
- *Do* involve your own key leaders who are in a position to make and keep commitments on behalf of the company.
- *Don't* create an "Astroturf" organization—a phony grassroots group that masquerades as an independent NGO while secretly serving your corporate interests.
- *Do* be up-front about your role in helping create and, if necessary, fund a stakeholder group; if the connection is exposed against your wishes due to investigative work by the media, it will seriously damage both your credibility and that of any stakeholders involved.
- *Don't* renege on any commitments you make; the damage to your company's reputation will be doubly serious if you first boast about, then try to eliminate, any moves toward dialogue and partnership with outside stakeholders.