

## **Systematic stakeholder engagement a key for assessing and addressing changes in the global societal environment**

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### **Abstract**

In recent years, companies have come to recognize the value of identifying, meeting with and listening to their stakeholders. Whether to gain trust in local communities, to mitigate the negative effects of potentially 'hot issues' or even to further innovation, companies have increasingly solicited external views and ideas from amongst their stakeholders.

Today several international standards such as the UN Global Compact, ISO 26000, the Global Reporting Initiative and many more have identified stakeholder engagement as a key success factor for corporate social responsibility.

While the value of stakeholder engagement is fast becoming apparent, many companies have also learned that it is not necessarily easy. For many organizations finding the right approach to stakeholder engagement and tapping the wider benefits it offers to their business is still uncharted territory.

Most companies are used to communicate with market stakeholders such as employees, customers, suppliers, shareholders or business partners on a regular basis providing information about the organization and its products. Collective bargaining with workers through trade unions as well as reactive stakeholder engagement in case of a crisis when an organization has to engage to solve an issue are other forms of stakeholder engagement companies are getting used to.

Most of these engagement activities however are one-off or reactive two-way engagement. To assess and address changes in the global societal environment and to create shared value systematic stakeholder engagement with non-market stakeholders such as community members, neighbours or NGOs should be a standard element of daily business.

Significant strategic advantages can be won through the implementation of pro-active stakeholder engagement processes such as needs assessments, on-going community advisory panels, integration of stakeholders in advisory boards or strategic partnerships.

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These methods of engagement provide a forum for identifying controversial issues before they turn into conflicts or spotting opportunities for everyone involved and will be further explored in this paper.

**Key Words:** Stakeholder engagement, needs assessment, issue management, creating shared value, partnerships, community advisory panels.

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### 1. The first steps: stakeholder identification and needs assessment

To assess and address changes in the global societal environment, stakeholder engagement has to be an integral part of a company's strategy. It provides an opportunity to establish and nurture a relationship with selected stakeholders, provides a platform for the discussion of potentially controversial issues before they turn into conflicts and for spotting opportunities for innovation.

Every company needs to make informed and explicit decisions regarding the level and nature of engagement at each site based on local conditions and needs.

As it is neither feasible nor desirable to engage with every possible stakeholder, the relevant stakeholders have to be identified. Questions to address include:

- Who in the value chain might be positively or negatively affected by the organization's decisions or activities?
- Who has been involved in the past when concerns needed to be addressed?
- Who can help the organization address specific impacts?
- Who can affect the organization's ability to meet its responsibilities?
- Who would be disadvantaged if excluded from the engagement?

Identifying stakeholder representatives and consulting with and through them can be an efficient way to disseminate information to large numbers of stakeholders and receive information from them. In any case gender, diversity considerations have to be made as well as indigenous and tribal communities invited.

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A useful management tool can be a stakeholder engagement database which includes the various stakeholder groups, their needs and interests as well as interactions held with them and the results thereof.

Once the relevant stakeholders have been identified it is important to understand the needs and concerns of the relevant stakeholders. Needs assessment is a necessary step in analysing societal needs and matching societal priorities with company expertise and experience.

The three most common ways of collecting information for a needs assessment are document reviews, interviews and focus groups, and observations. Most practitioners recommend using at least two or three sources for identifying needs. This is known as ‘Triangulation’ and helps to increase the reliability of your data.

## **2. Strategic stakeholder engagement activities**

To help boost sustainable growth from within a company and to generate creative and innovative ideas, it is essential to engage the own workforce and to create a strong sustainability culture within the organization.

Once this potential has been tapped, systematic stakeholder engagement especially with non-market stakeholders should be explored and implemented.

Companies can choose from a variety of engagement level: they can inform, consult, negotiate, involve, collaborate or empower stakeholders.

An example on how to involve community stakeholders are community advisory panels (CAP). They are a productive means to bring local people together to address local issues on a regular basis – generally four times a year. With the appropriate cross-section of stakeholders as its membership, a CAP is an excellent forum by which a company can directly solicit substantive input from community members.

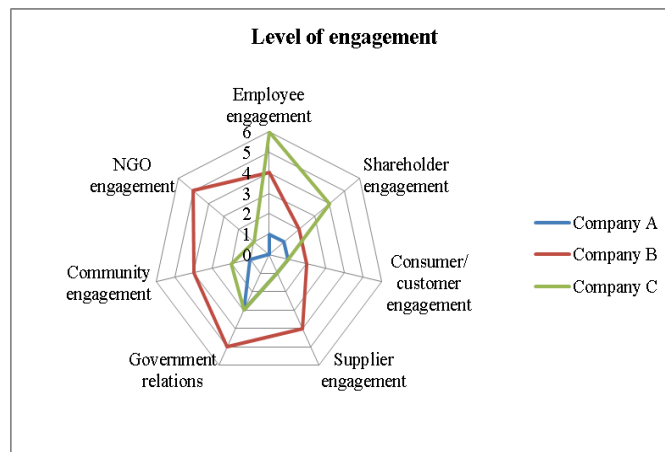
A CAP creates a forum for rational discussion of various issues, providing the opportunity to raise arguments in an open environment. This contributes to ‘balance’ in a debate and can foster potential ‘champions’ in the community if the relationship is well developed and trusting.

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In order to ensure stakeholder engagement becomes systematic and strategic, companies have to set measurable stakeholder engagement targets and monitor its effectiveness. It is not sufficient to rely on the existence of policies and process for engagement.

More sophisticated measures such as a stakeholder engagement index (see graphic) may help to implement and measure systematic and strategic stakeholder engagement, always bearing in mind that stakeholder engagement is a process.



### 3. Innovation potential of partnerships

Significant strategic advantages can be won through the implementation of pro-active stakeholder engagement processes such as strategic public private partnerships or partnerships between business and NGOs.

Companies are increasingly adopting collaborative approaches to innovation. These can take the form of networks, partnerships, alliances or multi-stakeholder initiatives and may involve different actors such as universities and research institutions, suppliers, users, competitors and non-profit organizations.

Engaging with NGOs bears certain risks such as providing them with sensitive information, but NGOs also have particular strengths that can provide benefits to corporations in the context of a collaborative relationship such as legitimacy, awareness of social forces, distinct networks and specialized technical expertise.

The following table highlights examples of partnerships achieving organizational change, fostering the development of new innovative and sustainable products or how to transfer new or best practice processes, identifying new markets as well as an example of a multi-stakeholder initiative. The typology is based on the OECD, Oslo Manuel<sup>1</sup>.

<i>Type of innovation – benefits for companies</i>	<i>Stakeholder engagement enhancing innovation</i>	<i>Short description</i>
Organisational change – New business opportunity	Grupo Nueva ‘todos ganamos’ – an internal award scheme	In 2003, Grupo Nueva organized an internal competition called ‘Todos ganamos’. Employees were asked to propose an innovative, sustainable and inclusive business opportunity consistent with the company’s strategy. At the same time the new goods and services had to improve the quality of life of the people at the bottom of the pyramid.
New processes - heading off trouble or shaping legislation	The GIZ Holcim public-private partnership to develop solutions for integrated waste management in developing countries	To ensure that clear legal provisions are in place and to improve waste management, Holcim entered into partnership with the German-based international cooperation enterprise, GIZ. Together guidelines for the use of waste in the cement industry were developed and implemented in more than 20 countries. It is an example for technological know-how and innovation transfer.

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<i>Type of innovation – benefits for companies</i>	<i>Stakeholder engagement enhancing innovation</i>	<i>Short description</i>
New products – accelerating innovation; foreseeing shifts in demands	‘Greenfreeze’ – a partnership between Greenpeace and DKK Scharfenstein	Already in 1992, Greenpeace and an East German company DKK Scharfenstein launched the ‘Greenfreeze’ technology for domestic refrigeration. The new products are entirely free of ozone destroying and global warming chemicals. The launch of the new ‘Greenfreeze’ product was a success and helped to salvage the company and saved the jobs of its workers.
Market innovation – foreseeing shifts in demand	‘Housing for all’ – an initiative from the Hilti Foundation and Ashoka	Together with the non-profit organization Ashoka, the Hilti Foundation has launched the initiative “Housing for All” with the objective to develop a construction scheme for homes affordable to low-income persons.
Multi-stakeholder initiative – setting industry standards	The Global Reporting Initiative (GRI) – a network based organization that pioneered the world’s most widely used sustainability reporting framework.	The uniqueness of GRI is that its reporting framework is developed through a consensus-seeking, multi-stakeholder process. Participants are drawn from global business, civil society, labor, academic and professional institutions.

Overall, the different partnerships provide a forum for identifying new opportunities for everyone involved. Benefits to be accrued through such collaboration include heading off trouble, accelerating innovation, foreseeing shifts in demand, shaping legislation and setting industry standards. At the same time cooperation can create significant innovation and shared value, improve the environmental footprint, create social benefit, improve the competitiveness of a company and are an opportunity for the partner to fulfil its mission.

#### 4. Concluding remarks

Realizing the power of shared value will require leaders and managers to develop new skills and knowledge—such as understanding stakeholder needs, interests and concerns and acquiring the ability to collaborate with a range of stakeholders. The appreciation of societal needs is a fundamental part to understanding nonfinancial risks and opportunities and to manage a company responsibly.

Getting your organization to engage or to partner with another organization is challenging, but is key for assessing and managing changes in the global societal environment and can provide competitive advantage. In order to be successful systematic and strategic stakeholder engagement processes as well as stakeholder engagement targets or metrics have to be established. Engaging stakeholders is not a one-off affair, rather it is a learning process involving long-term commitments.

#### Notes

<sup>1</sup> Different typologies of innovation have been discussed in OECD: *Oslo Manual, Guidelines for collecting and interpreting innovation data*, OECD Paris, 2005

#### Useful resources

AccountAbility: *AA1000SES, Stakeholder Engagement Standard*.  
[www.accountability.org](http://www.accountability.org)

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International Finance Cooperation (IFC): Stakeholder Engagement: *A good practice book for companies doing business in emerging countries*

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