stakeholder engagement

primer

stakeholder engagement. Involving constituents in business processes and decision-making to inform, consult, partner, or solve problems.

An organization can build support for its actions and avoid social backlash through stakeholder engagement. Interacting with stakeholders enables an organization to identify and address their concerns, which reduces the risks and deadlocks that can result from misunderstandings. By proactively engaging its stakeholders and identifying potential problems before they arise, the organization will operate in a more stable sociopolitical environment.

What is Stakeholder Engagement?

Stakeholder engagement can be defined as interactive activities initiated by an organization with its stakeholders. The organization typically has many stakeholders, and is itself "a stakeholder within the community" (ISO 26000).

There are numerous opportunities to undertake stakeholder engagement, and many ways to initiate a dialogue. An organization should consider carefully the relationships it needs to build, and identify all stakeholders who might be affected by new projects.

Stakeholder engagement can address issues of concern to the *stakeholders* or issues of concern to the *organization*. In both cases, stakeholder engagement will consist of two essential practices:

1. identification of stakeholders
2. dialogue with the stakeholders

How to Identify Stakeholders

A stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984). Traditionally, this has included:

- internal stakeholders (shareholders, employees, etc.);
- external stakeholders (suppliers, customers, etc.);
- coordinating authorities (governments, professional associations, etc.).

This concept has expanded to include often neglected stakeholders such as NGOs and local communities.

Managers should recognize all stakeholders, including those that are frequently forgotten but can have a major impact on an organization's activities and reputation (e.g. activist groups, or aboriginal communities). A responsible organization identifies and interacts proactively with the stakeholders impacted by its activities, particularly if the impact is likely to be negative.

How to Engage in Dialogue with Stakeholders

The purpose of dialogue is twofold:

1. Involve stakeholders by providing them opportunities to share views and concerns directly;
2. Improve the management and scope of activities carried out by the organization while legitimizing the decisions it makes.

The nature of the dialogue can range from confrontational interactions to avoidance to joint decision-making.

Choosing Your Engagement Strategy

Before implementing a stakeholder engagement process, managers must first consider the type of relationship they wish to pursue. For example, research points to a continuum spanning various types of engagement (Bowen *et al.*, 2008):

The Continuum of Engagement Strategies

Transactional
"giving back" through community investment

Transitional
"building bridges" through two-way communication

Transformational
"changing society" through deep interactions with strategic community partners

4 Steps to Implementing an Engagement Process

1. Target priority stakeholders

To establish constructive dialogue, first identify your stakeholders' concerns and any issues that could derail the organization's activities. *Caution: Stakeholders are not always well-organized. Some may lack representatives to engage in dialogue. In these cases, it is still in the business' interest to ensure it does not negatively impact such stakeholders.*

2. Begin the dialogue

Choose a context-appropriate method of engagement. A participatory approach (communication of information, consultation, partnerships) typically yields better results than a one-way approach. *Caution: Understand the importance of context. Discussing an issue in-person on neutral ground is very different than being locked in a public controversy where media may inhibit open dialogue.*

3. Conclude--or continue--the dialogue

Each project should have a deadline. But, there should generally be no end to stakeholder engagement overall. An organization should continually interact with stakeholders regarding its existing activities and new projects. *Caution: stakeholder engagement is not a one-time tactic---approach it like an ongoing project with various milestones.*

4. Leverage ongoing learning opportunities

Developing a dialogue creates learning opportunities for an organization. Follow up to improve the performance of the engagement process (and your skills at managing ithe process). Managers should learn from their own experience as well as best practices from other organizations. *Caution: The engagement process requires regular follow-up as stakeholders--and their expectations--will evolve.*

Recommended Resources on Stakeholder Engagement

The ISO 26000 standard on societal responsibility: This standard, in addition to defining societal responsibility, provides instructions on the main principles of stakeholder engagement.

Best Practice Guides: Some organizations have published best practices on stakeholder engagement. We recommend:

- "Part 3: The importance of stakeholder engagement," Corporate Social Responsibility Guide, Industry Canada
- "Leading Practice Principles," The Stakeholder Engagement Manual, vol.1, Government of New South Wales, Australia
- Making Community Participation Meaningful. A Handbook for Development and Assessment, Burns *et al*.

Tools: The NBS is currently working on a diagnostic and planning tool for stakeholder engagement. Watch for it at www.nbs.net. Other practical tools include:

- Minding your stakeholders' business: the key to sustainability, Deloitte
- Public Participation Toolbox, International Association for Public Participation

For More Information

- Our Leadership Council of leading Canadian businesses identifies their top sustainability issues each year.
- Our Research Insights provide highlights from top-notch research articles chosen especially for managers.
- Our Systematic Reviews summarize what we know about a particular topic based on a thorough evaluation of research in that area.
- Our Member Directory lets you find NBS members interested in similar issues.

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Case Study – Sustainable Development in Action
Gildan, Inc.

Gildan, a sports clothing manufacturer, learned the importance of stakeholders after poor working conditions in one of their factories were exposed in 2001. Five years of controversy (2001-2005) ensued surrounding the choice of standards to be adopted to ensure good working conditions. Gildan finally decided to take into consideration all of the activists' interests in adopting a new standard. It was only at this time that the controversy ended (see Turcotte, de Bellefeuille and den Hond). Since then, Gildan has implemented stakeholder engagement structures and designated corporate social responsibility representatives.

Listen to Corinne Adam, former Vice President, Corporate Social Responsibility for Gildan, Luc Robitaille, Corporate Director of Environment at Holcim and Jean-Sébastien David, Vice-President, Sustainable Development at Osisko discuss the importance of stakeholder engagement in managing controversy (online).