

## **IAP2 National Conference Picnic Circle**

### **Trends in Stakeholder Engagement Practise**

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#### **Discussion Notes**

##### **Overview**

Sinclair Consulting has recently completed a five-year project to identify international trends in stakeholder engagement management and design an innovative and effective engagement management model for the Water Corporation in Western Australia.

In 2003, the Water Corporation identified stakeholder alignment as a strategic organisational priority. The consultancy was asked to review the Corporation's stakeholder engagement management arrangements.

It became evident in the initial course of our inquiry that what would add real value was a whole-of-organisation management system to move engagement from 'nice to have' to core business.

We undertook an action research process, with cycles of internal and external stakeholder research and subsequent reflection, informing: design; progressive roll-out; iterative improvement; and evaluation of such a framework.

We designed what became known as the Water Corporation Stakeholder Engagement Framework (SEF). It offered a more systematic approach to corporate stakeholder engagement; integrated with existing systems; and subject to regular performance evaluation.

It was designed to ensure: timely and appropriate engagement by the organisation with major stakeholders; on matters of strategic significance; supporting key business imperatives such as access to and timely development of the state's water resource; and effective management of social risks and opportunities.

Some 18 months after its initial introduction, the framework had delivered very significant improvement in the Corporation's stakeholder engagement function.

There had been an overall 35 per cent improvement in ratings of the Corporation's stakeholder engagement performance relative to other similar organisations and it was perceived among its key corporate stakeholders, as a leader in stakeholder engagement performance.

Annual evaluation research showed further progressive improvement over three years.

## Research Findings

Sinclair Consulting's three key lines of inquiry produced similar findings.

*Internal stakeholders* said that:

- There was no clear policy on engagement at the corporate level.
- A whole-of-organisation approach was important.
- There was a broad range of approaches being taken by different managers with different levels of proficiency and success.
- There was no consistency of approach, no KPIs, no obvious connection with strategic imperatives, no clear accountabilities and no measurement.
- There was no formal process to obtain, manage and feed back stakeholder perceptions into corporate planning.
- There was no overall co-ordination of the effort.
- There was no clear identification of stakeholders or effective stakeholder information management systems.

In 2004, qualitative research was conducted to determine the perceptions and expectations of the GTE's most significant external stakeholders in relation to the organisation's stakeholder engagement performance. We looked at shared interests and opportunities for co-operation; divergences – emerging issues; and preferences in terms of engagement.

*External stakeholders* said that:

- There were strong areas of shared interest and values and opportunities for collaboration.
- The relationships that worked best were characterised by formal agreements, sound interaction on the policy level and early data exchange.
- The relationships that were not as strong were characterised by a more remote, later, less strategic interaction.
- The Corporation's approach was inconsistent.

A comprehensive *literature review* looked at stakeholder theories of management, communications theory and the merging corporate social performance and CSR agendas

It showed that, over more than a decade, a host of trends have driven the evolution of stakeholder engagement from 'nice to have' to core business. They include:

- Changes in management philosophy and practice – most especially the crystallization of the stakeholder approach as a framework for strategic management.
- Significant transformation in the community relations field – including the evolution of cheque-book philanthropy to cause-related marketing, corporate community investment and other collaborative partnerships.
- The emergence of the sustainability, social performance and corporate social responsibility agendas – the third bottom line.
- Changes in public values - burgeoning public cynicism and heightened community expectations with regard to corporate accountability.

The benefits of effective engagement are well-known and well-documented.

Contemporary stakeholder strategy is firmly anchored in the view that companies and society are interdependent. Businesses do not operate in a vacuum. Long term business prosperity is inextricably linked with the well-being of stakeholders and communities.

## Outcomes

The SEF has proven to be an effective management system for corporate stakeholder engagement at the Water Corporation. It has been shown to be successful in enhancing stakeholder engagement and associated business performance.

The model reflects current and emerging trends in stakeholder engagement practice and provides a legitimate management system around this imperative, which is central to the way that the business functions.

It is a formal, integrated management system for stakeholder engagement, based on and continuously informed by consultation with both internal and external stakeholders. It is effectively resourced, managed and measured – and it is a core business function that informs strategy development.

The model supports symmetrical, ethical and continuous engagement with stakeholders who can contribute substantially to the development of the business and provides the platform for effective sector-wide collaboration on matters of mutual interest,

The Corporation reports many benefits of having stakeholder engagement embedded as a core function and the adoption of a strategic and systematic approach, including:

*...enhanced trust and credibility through improved relationships at various levels of the organisation; better outcomes for communities, stakeholders and the environment through early and genuine engagement; faster [regulatory] approvals, with stakeholder managers fostering organisational interaction and playing an important role in issues resolution through new initiatives; improved service for major and significant stakeholders through dedicated resources and early and open exchange of information; and better decision making through corporate intelligence, consistent messages and understanding of organisational position on matters. (Ferrari ,2008, p.5).*

The principles of the SEF and the processes associated with it are readily applicable at both the project and the corporate level and the model is readily transferable across various organisations.

Sinclair Consulting has subsequently researched and developed similar frameworks and embedded them in organisations including an academic institution, a global mining company and other government agencies.

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