

# Effectively Engaging Stakeholders: A survey of current practice

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Kevin Brady  
Director, Five Winds International

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Five Winds INTERNATIONAL

# Presentation Outline

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- Background
- Project Team
- Project Objectives
- Approach
- Findings & Insights
- Summary
- Acknowledgements & Contacts



# Project Background

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- One client with initial interest in improving stakeholder practices
- Decided to conduct benchmark study, to learn from stories & experiences of other companies
- Approached other partners to participate & sponsor



# Project Team

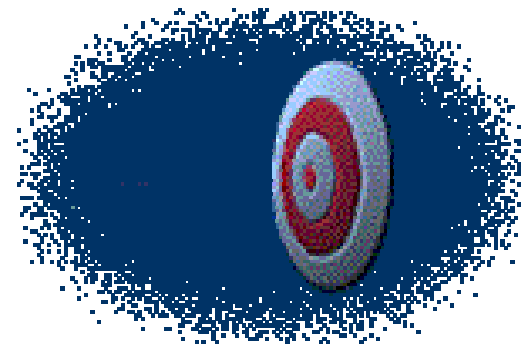
<b>Five Winds International</b> Kevin Brady Jenn Clipsham & Jennifer Hall	Project Manager Contacted companies, Conducted interviews & follow-up, Wrote case studies
<b>Jacques Whitford Consulting</b> Mark Duk & Jon Mitchell	Contacted companies, Conducted one interview & follow-up, Wrote one case study
<b>Enbridge Pipelines</b> Greg Milne <b>EnCana Corporation</b> Neil Symington <b>Exelon Corporation</b> Bill Brady	Study sponsors: Financial support, company selection, advice & feedback



# Objectives

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- To gain an “insider perspective” on processes companies use to engage stakeholders - environmental NGOs and local community stakeholders
- Sponsors can use this insight in their engagement processes



# Approach

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1. Selected 8 companies, in cooperation with sponsors
  - TXU, Entergy, Alcan, Petro-Canada, Teck Cominco, Suncor, Baxter, Blinded Company
2. Interviewed managers in 8 companies who are responsible for various aspects of stakeholder engagement, focusing on 2 levels/types
  - Engaging stakeholder at the strategic, corporate level
  - Engaging stakeholders at the project, community level
3. Interviewed 1 stakeholder identified by each company
4. Developed 8 Company Case Studies and overall Summary Report



# Findings & Insights

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- Findings are organized in 4 main areas:
  - Stakeholder perspective on engagement
  - Business case for engaging stakeholders
  - Processes for stakeholder engagement
  - Change management – success factors & challenges



# Stakeholder Perspective

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- Focused on practices to engage environmental non-governmental organizations
- Based on insight from interviews, these stakeholders can be classified into two main groups:
  1. Organizations that work with a number of different companies at a more **strategic or corporate** level
  2. Organizations that work more at the **local & community** level with the companies who operate in their region

The two groups are not mutually exclusive



# Stakeholder Perspective: Corporate

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- Strategic, corporate level stakeholders:
  - Can have **high expectations** of the companies with whom they partner
  - Most focused on a clear **agenda of specific issues**
  - Approached by many companies, so will be **selective** of whom they work with
  - A majority of engagements at this level rely very much on **personal relationships**
  - Many expectations revolve around building & maintaining **trust**



# Stakeholder Perspective: Corporate

Table 2: Key Expectations for Stakeholder Engagement from Strategic, Corporate level NGOs

What Stakeholders Said	Discussion
Stakeholders in this study identified these key expectations of companies they engage with:	Discussion on why these expectations are important to stakeholders:
Clear and <b>full commitment</b> to the engagement from senior persons in the organisation. The preference is to deal with senior management directly, at least at the beginning (e.g. some corporations have CEOs kick off a project and in certain cases CEOs provide active support throughout).	This is important to many NGOs, as they want to ensure that the organisation can be held accountable throughout the process. It also increases the probability of accomplishing the agreed upon goals.
A shared, high quality, neutral source of <b>technical information</b> . (e.g., all parties contribute to assemble a technical team whom they all trust and can query for information).	Neutral information from a source that all parties trust and agree upon in advance is key during negotiations. Without this common knowledge basis, there is opportunity for each party to bring its own figures and calculations to the table, which if significantly different can result in mistrust. Debate over numbers will inevitably slow progress on the actual issues.

# Stakeholder Perspective: Corporate

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- Other expectations include:
  - Transparent process
  - Working with companies who “break rank” or choose to be “leaders”
  - Report both success and failure/lessons
  - Sequence engagement (not necessarily all at once)
  - Build personal relationships & trust
  - Clear focus
  - Integration of engagement with company operations & decision-making



# Stakeholder Perspective: Community

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- Local, community level stakeholders note that:
  - Expectations are **unique** to each community
  - Often, companies **incorrectly assume** that:
    - Stakeholders who want to be consulted or engaged will be the same in each community / region
    - Stakeholder expectations or issues will be the same from facility to facility, region to region
  - Companies need to **take the time** to effectively **listen** to their concerns, to ensure they **understand the real roots** of the concerns



# Stakeholder Perspective: Community

**Table 3: Key Expectations for Stakeholder Engagement from Local and Community Stakeholders**

What Stakeholders Said	Discussion
<p><i>Stakeholders in this study identified these key expectations of companies they engage with:</i></p>	<p><i>Discussion on why these expectations are important:</i></p>
<p>Demonstrate <b>honesty</b>, <b>keep promises</b> and build mutual trust.</p>	<p>Stakeholders want to trust the company, not to spend resources scrutinizing every statement to ensure that the company is being truthful.</p>
<p>Process <b>open to all stakeholders</b> who are interested in participating.</p>	<p>Companies who are inclusive with their stakeholder engagement process (inviting anyone who is interested in being involved to participate) have greater success than those who are exclusive.</p>
<p><b>Frequent meetings</b> and regular communication.</p>	<p>Relationships with communities and local stakeholder groups need continual work and attention, just like any other relationship built on trust. Keeping stakeholders informed, even if there is no progress to report, is better than leaving stakeholders out of the loop.</p>

# Stakeholder Perspective: Community

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- Community stakeholders expect companies to:
  - Demonstrate honesty and keep promises (build trust)
  - Involve all interested stakeholders (be inclusive not exclusive)
  - Communicate frequently even if no major developments
  - Prove commitment to the process (not simply PR or token engagement)
  - Provide some funding to cover expenses (if necessary)
  - Be open to all stakeholder concerns (no assumptions)
  - Be patient (some stakeholders are more knowledgeable on sustainability issues, or technical issues etc. than others)
  - Involve government or other organizations (to offset power imbalances between corporations and community stakeholders)



# Business Case

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- Deciding to engage stakeholders is a business decision, like any other
- Need to clearly understand opportunities, risks, benefits & costs of initiating and engaging each stakeholder(s)
- However, no company interviewed had a formal method to develop a business case for stakeholder engagement or present it to management



# Business Case

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- Facility level:
  - Direct link between local stakeholders and success or failure of operations in locality
  - Projects can be held-up (\$) or stopped completely without proactive, timely engagement
  - Today stakeholder engagement is part of doing business – no separate “business case” is required
- Corporate level:
  - Business value of engaging stakeholders is less clear
  - Almost all companies identified business benefits from engagement with environmental NGOs



# Business Case

**Table 4: Business Value of Stakeholder Engagement**

Company	Alcan	Baxter	Entergy	Un-named company	PetroCan	Teck-Cominco	TXU	Suncor
Business Benefit								
Maintain or improve corporate reputation and brand image	✓	✓	✓	✓	✓	✓	✓	✓
“Keep the radar screen tuned” - Stay in front of, and influence regulations and expectations		✓	✓	✓	✓	✓	✓	✓
Stimulate innovation, and generate ideas	✓		✓		✓	✓		✓
Earn and maintain licence to operate	✓			✓	✓	✓		✓

# Business Case

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- Stimulate innovation & generate ideas:
  - Entergy & Petro-Canada find external stakeholders a valuable source of information & advice on technical solutions
  - Alcan found stakeholder partnerships lead to innovative solutions & deeper relationships with customers
    - Alcan engaged in cooperative exchanges with Environmental Defense Fund, Pembina Institute & Pollution Probe to help identify public policy options for reducing GHG emissions while preserving growth and innovation (e.g. approaches on covenants, emissions trading, etc.)



# Business Case

<b>Other business values expressed:</b>	<b>Example:</b>
<ul style="list-style-type: none"><li>• Valuable input to strategic planning (new perspectives) &amp; better understand sustainability issues facing the company</li></ul>	<ul style="list-style-type: none"><li>• Alcan, Blinded Co, Suncor, Teck Cominco</li></ul>
<ul style="list-style-type: none"><li>• Establish or improve reputation with investors, bond agencies &amp; banks</li></ul>	<ul style="list-style-type: none"><li>• Baxter, Entergy</li></ul>
<ul style="list-style-type: none"><li>• Reduce business risks</li></ul>	<ul style="list-style-type: none"><li>• Alcan, Blinded Co, Suncor, Teck Cominco</li></ul>
<ul style="list-style-type: none"><li>• Maintain employee moral &amp; retain employees</li></ul>	<ul style="list-style-type: none"><li>• Baxter, Petro-Canada, Suncor</li></ul>



# Business Case

**Table 4: Business Value of Stakeholder Engagement**

Company	Alcan	Baxter	Entergy	Un-named company	PetroCan	Teck-Cominco	TXU	Suncor
Provide valuable input to Strategic Planning, and an understanding of sustainability	√			√		√	√	
Improve reputation with investors, bond agencies and banks		√	√					
Reduce business risk	√			√		√		√
Maintain employee moral & employee retention		√			√			√

# Process for Stakeholder Engagement

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- There is no “one size fits all” approach to engaging stakeholders, but there are **common elements**
- We developed a guiding process for stakeholder engagement based on a compilation of the elements that companies identified as being important to an effective stakeholder engagement process



# Process for Stakeholder Engagement

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1. Commitment & Principles
  - Designate responsibility
  - Develop principles to guide engagement
2. Identifying & Prioritizing Stakeholders
  - Identify key stakeholders
  - Identify the issues
3. Methods & Types of Engagement (“Toolbox”)
  - Determine appropriate method of engagement
4. Implementation & Exit



# Process for Stakeholder Engagement: Commitment & Principles

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- All companies interviewed mentioned the need to **designate responsibility** to a group or individual:
  - need internal champion(s) to ensure that appropriate SE takes place
  - champions should have experience in SE, and strong interpersonal skills for relationship building
  - champions need to report to a senior executive to ensure high level commitment and involvement



# Process for Stakeholder Engagement: Commitment & Principles

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- Companies indicated that having **formalized principles** for SE helps them to:
  - show company commitment to all stakeholders
  - establish rules of the game for fair, respectful dialogue
  - ensure consistent approach across all operations
  - facilitate the integration of SE into managers' performance requirements



# Process for Stakeholder Engagement: Identify Stakeholders

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- **Identifying key stakeholders** is an activity that all companies are involved in
- No company interviewed had formal criteria for selecting stakeholders to engage
- Many indicated that it is easier to identify priority stakeholders in local communities than for corporate level engagement (easier to define)
- All companies have expanded their definition of stakeholders
- Consensus that even if companies did have criteria for selecting stakeholders, they would always have to be open and willing to engage those stakeholders who approach them for dialogue on certain issues



# Process for Stakeholder Engagement: Identify Issues

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Before engagement with stakeholders can begin, companies must **identify the issues**:

## Local Community Level

- Stakeholders determine issues to be addressed
- Companies need to listen to ensure they understand the *real* issues
- Companies can then set the scope for what can reasonably be addressed

## Corporate Level

- Companies tend to track issues associated with their business
- Then proactively seek out NGOs aligned with their issues



# Process for Stakeholder Engagement: Methods of Engagement

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Determine **appropriate method of engagement**:

- Method of engagement depends on many factors
  - business value, issues being discussed, location, stage of process, level of resources required etc.
- Most companies develop a “toolbox” of methods they can draw from
- 3 levels of involvement
  1. Information Sharing
  2. Consultation
  3. Collaboration



Increasing level of  
involvement



# Process for Stakeholder Engagement: Methods of Engagement

**Table 5: Toolbox of Stakeholder Engagement Methods**

<i>Levels of Involvement</i>	<i>Methods used by companies</i>	<i>Why they used them...</i>
<p><u>II. Consultation:</u></p> <p>Meeting and working with stakeholders to resolve issues and concerns</p>	<p>Teck Cominco's Public Liaison Committee – Pend Oreille, Washington</p>	<p>Because of the short mine life (10-12 years), Teck Cominco knew that impact on the community would be significant. This motivated it to set up a formal public liaison committee to address local economic development and plans for closure right at the beginning of the process. Effective stakeholder engagement so early on saved Teck Cominco time and money in getting required permits etc.</p>
	<p>Petro-Canada's written question &amp; answer approach, an extension of traditional open-house meetings</p>	<p>Petro-Canada has added a written question &amp; answer component to its traditional open houses because they had a few examples where stakeholder groups (specifically aboriginal groups or groups where English is second language) were afraid to ask questions aloud in front of large groups of people. The company ran into some difficulty with these groups later on and learned that there were concerns or resistance that had not been raised during the open house meeting.</p>



# Process for Stakeholder Engagement: Implementation

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## Implementation

- After methods of engagement have been selected and initiated, it is time for companies to develop action items to address issues raised
- To be meaningful engagement, some type of action or follow through is required
- It is also important for companies to develop ways to measure success of SE to justify time and expense
- Some companies develop tools to help ensure SE is meaningful (Suncor *Promise* Database, Petro-Canada database of commitments etc.)



# Process for Stakeholder Engagement: Exit

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## Exit

- Most companies indicated that “exit” is natural part of process
- If SE has been effective and reason for engagement has been addressed, than exit of the relationship occurs
- SE with local community stakeholders is often longer term, and can last for the duration of an operation or project, even after closure or decommissioning



# Change Management

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- Companies noted different factors that can be key to successful stakeholder engagement
- They also experienced challenges, from which others can learn



# Change Management: Success Factors

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- **Senior Management Champion:**
  - Teck Cominco stated that without senior level commitment to sustainability & stakeholder engagement it is extremely **difficult to convince operations managers** that there is value in changing the way the company does business – “it is not easy getting buy-in; it happens one person at a time”
- **Principles & Policies**
- **Training & Employee Engagement**
- **Commitment to Long-term Relationships**
- **Success Builds Success**
- **Early Initiation of Dialogue**



# Change Management: Key Challenges

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- **Increased and changing expectations of stakeholders:**
  - after Teck Cominco's success with Red Dog Mine in Alaska, the company received an influx of queries from other aboriginal groups across Canada
- **Time:** time and human resources limit company involvement with stakeholders
- **Common language:** challenge to explain technical aspects of operations to all audiences, or to audiences where English is not first language etc.
  - Petro-Canada sought to overcome this by allowing groups to submit questions to address language barriers and cultural differences in communication



# Change Management: Key Challenges

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- **Lack of consistency and formalized process:**
  - Petro-Canada recognizes that each facility has worked with stakeholders for decades, therefore it is challenging to initiate change and establish a consistent standard of practice
  - Suncor added that sharing and implementing ‘best practice’ approach to SE across all operations was challenging
- **Performance measurement:** Many companies stated that developing some type of performance indicator to measure the success of SE was critical to improvement and to reinforce the business case for SE to management (Alcan, Teck Cominco). Having formal performance measures also demonstrate the company’s SE commitment to external stakeholders



# Summary

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- Nearly all companies have expanded their definition of priority stakeholders
- They have initiated more proactive engagement approaches
- No “one size fits all” approach
- Approach differs in each situation, according to:
  - Issues (type and duration)
  - Stakeholders involved (local vs. corporate level)
  - Business case for engagement (strong vs. weak)
  - Etc.



# Summary

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- Proactive, transparent relationships with stakeholders generate business value and provide experiences that will help ensure future benefits.
- All, even the leaders, are learning as they go
- There are key steps, but it doesn't matter where you start
- Each engagement is somewhat unique – exchanging experiences, good and bad, among corporate peers can help companies design more effective engagement strategies
- Stakeholder are becoming more sophisticated in terms of differentiating between “good and bad” engagement processes
- Stakeholder expectations will continue and become more demanding in the future



# Acknowledgements

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This study would not have been successful without the important contributions of:

- Managers from participating companies who openly shared their experiences & expertise
- Greg Milne of Enbridge Pipelines
- Patrica MCCunn-Miller and Neil Symington of EnCana Corporation
- Bill Brady of Exelon Corporation



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# Questions & Discussion



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