

Managing Stakeholder Relationships

Lesson 2





Engaging Stakeholders

**How organisations
engage stakeholders**

**The role of the
manager**

**The benefits
of creating an
engagement plan**



Stakeholder Expectations

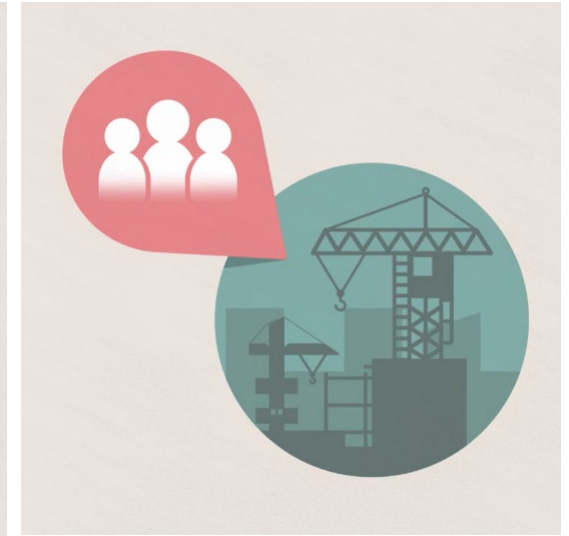
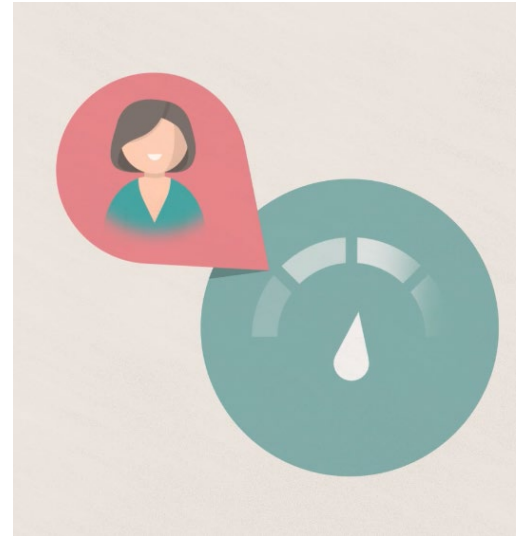
As we've seen, stakeholder relationships are based on mutual exchange, and each party has its own needs and expectations in this process.

To develop the relationship and make it fully reciprocal, an organisation must make its own expectations clear - for example, through contracts - but it must also understand the expectations of its stakeholders.



Stakeholder Expectations (cont.)

So for instance, if the stakeholder is an investor, the organisation's leaders will need to understand the level of risk they are willing to tolerate before they are asked to commit funds. If the stakeholder is an entire community - as in the case of an infrastructure project - then their diversity of viewpoints must be considered to understand who will support or oppose it.



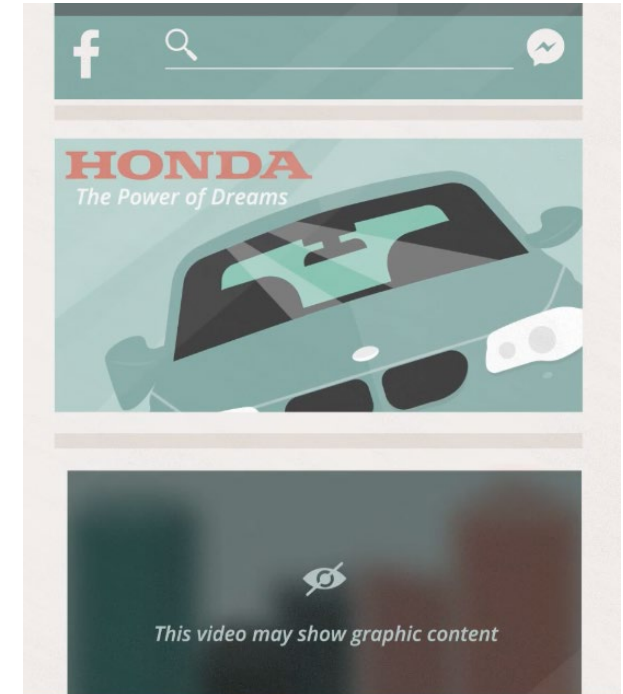
Failure to clarify what the expectations are - and to act on them - can have serious consequences.



Stakeholder Expectations - Example

Consider the example of Facebook. In 2020 the social media giant came under fire from its advertisers for failing to control hate speech and misinformation on its site.

Among other issues, major companies like Honda America and Levis Strauss were dismayed to find their adverts appearing next to extreme content, giving the impression the companies approved of it.





Stakeholder Expectations - Example (cont.)

Although Facebook announced some changes to its practices, they were not enough to reassure their stakeholders, who joined a boycott against it. The boycott eventually involved over 1000 organisations, cost the company millions in ad revenue, and affected its stock price.

The experience of Facebook shows that even large and wealthy organisations can underestimate what really matters to stakeholders - especially if they've come to rely on them. But stakeholder loyalty can't be taken for granted; it must be nurtured through active 'engagement.'





Stakeholder Engagement

Engagement is the part of stakeholder management that involves actual interaction with a stakeholder; its goal is to improve the relationship so that both parties feel their needs are being met.

The activities that make up engagement can cover a wide range, but most involve proactive communication. Seeking out stakeholder views through surveys, providing updates through newsletters, and hosting meetings and events are all means of engagement. These methods will often be combined when pursuing a more complex objective, like a joint project.

For an organisation, the payoff for all this effort is a stakeholder who feels valued and respected, and therefore more likely to support it on a long term basis. Such stakeholders are also likelier to ‘buy-in,’ or commit, to the organisation’s riskier projects. This can help the relationship weather potential setbacks, like changes to budgets or delivery dates.





Stakeholder Power

However, the level of engagement practiced by the organisation will vary depending on the identity of the stakeholder.

The researchers Andrew L. Friedman and Samantha Miles argue that the depth of engagement is determined by the stakeholder's power.

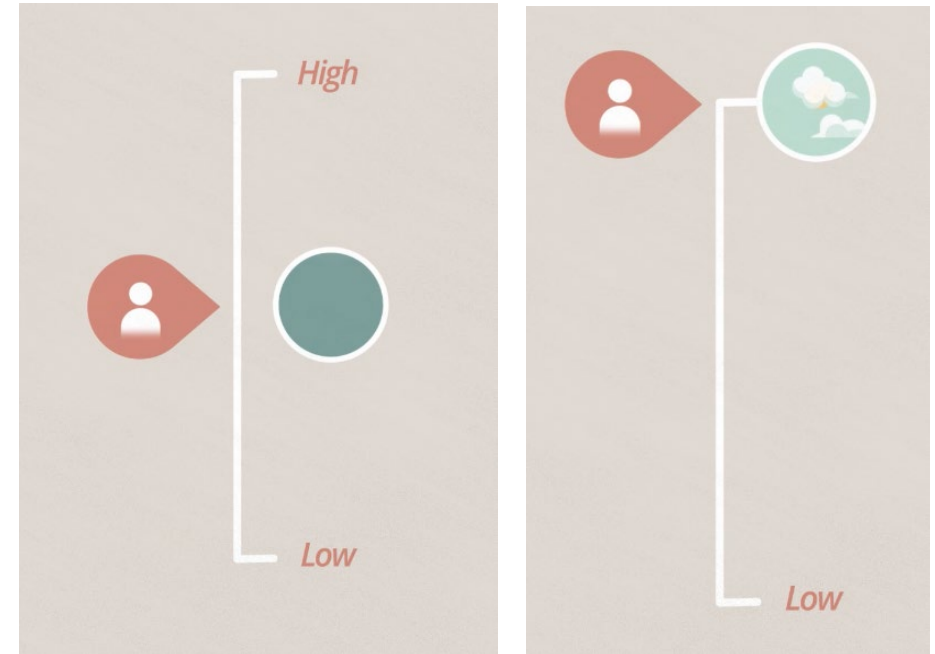
When stakeholders have low levels of power, engagement mainly takes the form of 'informing' them, and 'explaining' the company's positions.



Partnerships

As the stakeholder's power rises, the organisation begins to 'consult' them more extensively. Stakeholders become more involved in the company's work, perhaps 'collaborating' on individual projects.

At the highest levels of engagement, stakeholders may form 'partnerships' with the organisation, and even take charge of decision making - as in the case of shareholders in a publicly traded company.





Managing Stakeholder Engagement

The complex nature of engagement requires some forethought and planning, and this responsibility will generally rest with the managers in the organisation.

Although lower level staff may interact with stakeholders, it's the managers who will create plans for how to approach them. So, for example, the employees of a call centre will speak to customers on a daily basis, but their conversations will be guided by management's strategy for customer relations.



Engagement Hierarchies

Not all managers will engage with stakeholders in the same way, however.

The senior management team - the people responsible for the company's overall strategy - will direct engagement with key external stakeholders, like investors and important clients. Middle managers with an 'externally' facing role, such as marketing or sales managers, will also interact with these stakeholders. But their planning role will be limited to stakeholders at their own level and below.



Engagement Hierarchies (cont.)

A similar hierarchy applies to engagement with internal stakeholders. Here the manager's rank will determine the scope of the planning. Senior managers will make plans and policies that affect relations with all employees in the company, including the staff working directly for them. Managers further down the ranks will only do so for their own teams.

Regardless of their place in the company, all managers will need to think strategically about their stakeholder approach.



Krick and Forstater's Framework

Engagement is a crucial part of stakeholder management, but to be most effective, it must be adapted to suit particular stakeholders. This means it's generally planned ahead of time.

Researchers Thomas Krick, Maya Forstater and colleagues have developed a five stage framework for engagement that emphasises planning. The framework may be applied to both new and existing stakeholders, as these relationships can change over time, requiring new approaches.

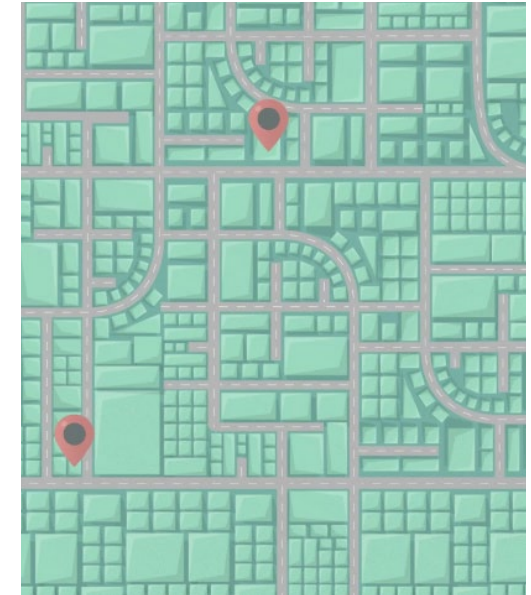




Krick and Forstater's Framework - Stage 1

One of the key elements of this framework is that any engagement approach should fit within the broader goals of the organisation. This will ensure that the relationship benefits both parties.

So in the first stage, managers are asked to 'think strategically' about the stakeholder relationship. This starts with identifying the organisation's 'strategic objectives' - the critical targets for the entire company. For example, a retailer may aspire to have a store on every high street.

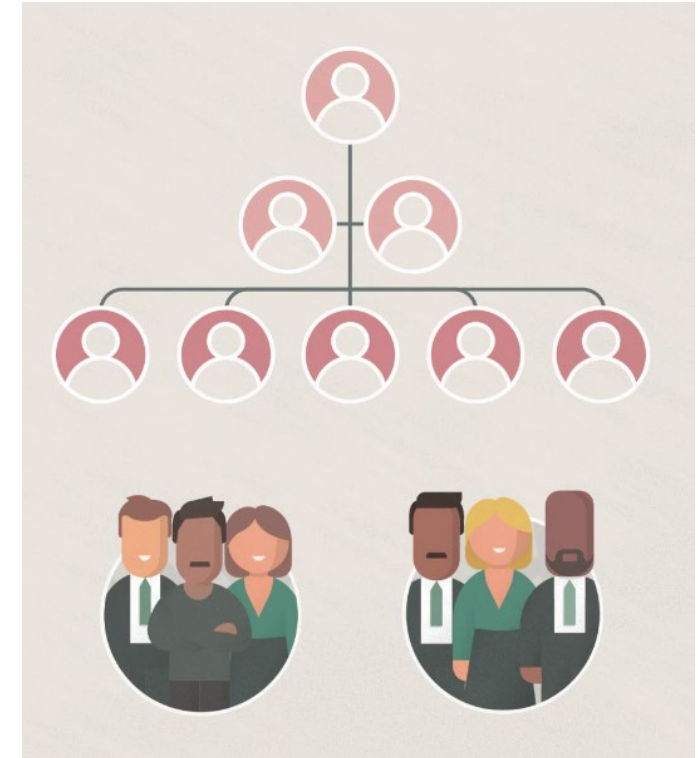




Krick and Forstater's Framework - Stage 1 (cont.)

Understanding the company's overall goals can help managers identify how the relationship might align with its broader strategy. This applies to managers at every level in the hierarchy, and both internal and external stakeholders.

Once they have a solid idea of the company's priorities, managers can study how its stakeholders fit into this vision. This could include mapping stakeholders according to their power and interest in the company, as we saw in lesson 1.





Krick and Forstater's Framework - Stage 2

In stage two, managers are asked to 'analyse' individual stakeholder needs and expectations, and 'plan' their engagement based on this information. This means carrying out some research to gauge stakeholder priorities.

This research will fall into one of two categories: primary or secondary.

Primary research, also known as 'field' research, requires the gathering of new data by the manager. This can be done by a variety of means - surveys and focus groups are two 'structured' methods.





Surveys and Focus Groups

Surveys are a series of questions designed to identify trends or opinions across a population. They are therefore especially useful when dealing with stakeholder groups - employees, customers or the residents of a city, for example. Their advantage is that the data may be kept anonymous. This can help in situations where confidentiality is important, as with employee feedback.

Focus groups are small groups of people assembled to offer their views about a product, service, or proposed change. For example, an amusement park planning to expand might consult customers on the kinds of rides to include in the new location.

A focus group is typically made up of just 6 to 10 people. However, because it is interactive, the group can sometimes give a fuller idea of the feelings around an issue than a survey, which is limited by its static format.

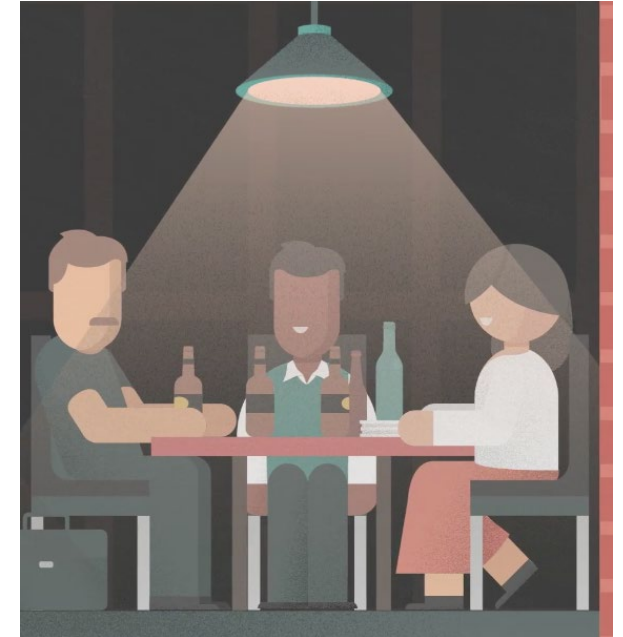




Networking

Surveys and focus groups are more formal ways of gathering data. But informal research can be useful as well.

Networking, for example, can produce information about stakeholders within a particular industry. For instance, the manager at a company that caters to lawyers may gather data on their preferences by attending a social event for legal professionals.





Secondary Research

It's not always possible to get data first hand, however, and primary research may be expensive and time consuming. This is especially true when the information concerns major stakeholder trends. In these cases, it may be quicker and more affordable to do 'secondary' research.

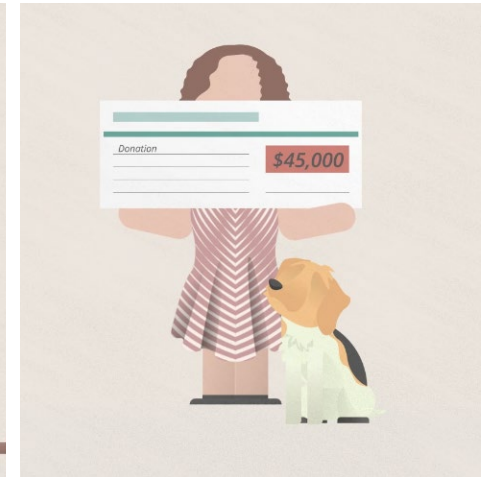
Secondary, or 'desk' research involves collecting information that has been gathered and interpreted by others. This may be research done by other organisations, including businesses, non-profit groups and government agencies like the Office for National Statistics. Unlike primary research, secondary research can be carried out without any interaction with the stakeholder.



Setting Engagement Objectives

Both types of research can build profiles of stakeholders, which will then be used to set objectives for the engagement.

For example, the head of an animal shelter may discover that a local celebrity is a dog lover. This information will create a new goal for engagement with her: to persuade her to make a major gift to the shelter's dog adoption fund.





Setting Engagement Objectives (cont.)

The objective is the core element of the engagement plan; the rest of the plan will cover the actual timing and method of engagement. So once managers understand the stakeholder's priorities, and what they want out of the relationship, they can decide who will contact the stakeholder, how often and by what means.

If the organisation already has a relationship with the stakeholder, there will be a track record managers can study to see the current approach. They can then identify any gaps between this approach and the stakeholder's current expectations, amending the plan if necessary.



Krick and Forstater's Framework - Stage 3

So far we've looked at the first two stages of Krick and Forstater's framework for engagement. These cover analysis of the organisation's strategic objectives, and the needs and expectations of its stakeholders

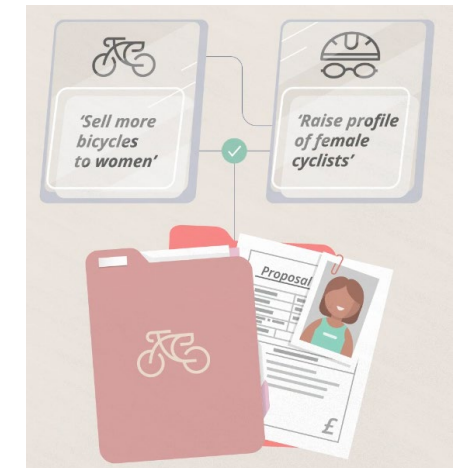
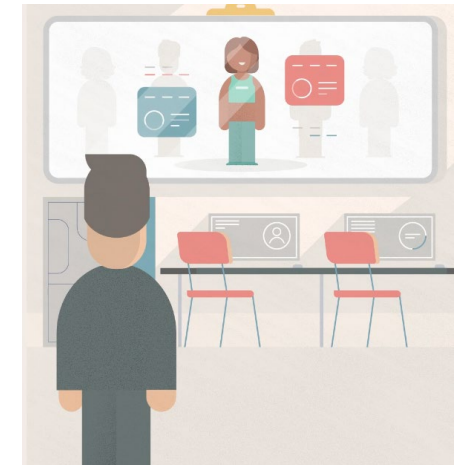
The key is to find the place where these two elements overlap. The engagement approach can then take advantage of this alignment.



Krick and Forstater's Framework - Stage 3 - Example

For example, let's say a bicycle manufacturer has the strategic objective of selling more of its products to women. The Director of Marketing at the company has researched athletes whom it has sponsored in the past, and found one who is active in getting girls into the sport. The athlete wants to raise the profile of female cyclists, and the company wants to sell more bicycles to women: their priorities align.

The director will now respond by putting together a plan for engagement - a detailed proposal to recruit the cyclist as a company spokesperson.



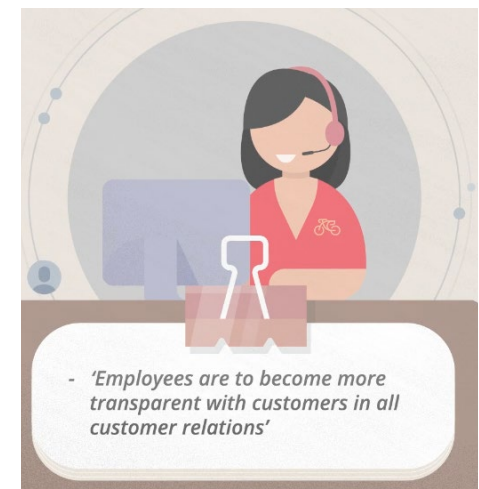


Krick and Forstater's Framework - Stage 3 (cont.)

However, a shift in strategy may require preparation before it can be applied in the real world. The organisation may need to 'strengthen' its 'capacities' to engage stakeholders according to the new plan.

This happens in the third stage of Krick and Forstater's framework.

For example, a business may implement training to develop customer service skills among its staff. To support such changes, it's often necessary to adapt workplace policies; in this case, the company may resolve to become more transparent with customers, not just during service calls, but in all its customer relations. This will help embed the changes in its culture.



- 'Employees are to become more transparent with customers in all customer relations'



Krick and Forstater's Framework - Stage 4

Stage four in the Krick and Forstater framework is the 'design and engage' phase; this is where all the research and planning is turned into action. The manager's focus will now shift to the methods of engagement which best meet the objectives set out in the plan. This will require a good understanding of the communication tools at their disposal.

One way to group these is by their purpose - for example, by whether the manager needs to 'convey' information or to 'exchange' it.





One and Two Way Communication

Presentations, webinars, newsletters and reports are key ways to convey information to stakeholders. They tend to be formal in nature, and although they may include a feedback option, like a questionnaire, they are largely forms of 'one way communication.' They are often used to inform multiple people at the same time.

Often, however, a manager will need to exchange information with stakeholders - this will require tools that make 'two way communication' easier. These include one to one or group meetings, social events, phone calls and emails. Although they vary in their formality, these methods are designed to get feedback from stakeholders, not just inform them.



Stakeholder Status

In some cases, the aim of the engagement may be even higher - to make a decision or take collective action. So for example, a trade union may keep its members informed via newsletters and annual reports. But it will schedule meetings when they need to debate policy or come to a decision on whether to strike.

Engagement methods will also take into account the stakeholder's status. The higher their level of power, the more personal and interactive the communication becomes. This reflects the different 'levels' of engagement, as set out by Friedman and Miles, which change as stakeholder power increases. So for example, a charity will keep its contributors updated on its activities via an email newsletter. But its major donors will be invited to private lunches, and opportunities to meet the beneficiaries of its work.





Krick and Forstater's Framework - Stage 5

The fifth stage in the framework involves the review of interaction with stakeholders undertaken at stage 4. This final stage centres around three key activities: Act, Review, and Report.

The first of these - Act - refers to action the organisation takes as a result of engaging the stakeholder. For example, using their feedback to change the timelines on a project.

'Review' represents an evaluation of the whole engagement process, noting which methods worked well, where there is room for improvement and what form it should take.





Krick and Forstater's Framework - Stage 5 (cont.)

Finally, 'Report' refers to ways the company may communicate the action to the stakeholder. This could literally be a report, but equally it could consist of meetings or email updates, depending on the company, project and stakeholder status.

Any lessons learned can then be used to update the engagement plan. This must be done on a regular basis because, as we saw earlier, stakeholder positions may change. By revisiting the process, organisations can ensure they keep up with the relationship as it develops.



Influencing Stakeholders

It's possible to maintain stakeholder relationships without a formal engagement plan - this is often the case with secondary and low power stakeholders.

However, as the stakeholder's power rises and their involvement with the company increases, it becomes more important to 'influence' or persuade them to support the company's objectives.

This is where frameworks like the Krick and Forstater model we saw earlier can be helpful.



Influencing Stakeholders (cont.)

According to the CMI, 'influencing' is 'the ability to form, shift or alter the opinions and behaviour of others' - to bring them round to a way of thinking.

Influencing can take almost any form in practice - persuading a team to adopt a new handover method and convincing a major supplier to change contract terms are both forms of influencing.



Engagement Methods

The engagement methods used for these purposes can also vary widely, from one way communication tools, like speeches or newsletters, to more interactive ones, like meetings.

Presentations offer a useful way of engaging stakeholders and presenting important information. So, as a manager, it is important for you to be able to present effectively.

Download the 'Presenting to Stakeholders' information sheet in the lesson to explore a structured, seven-step approach. It emphasises understanding your audience, crafting compelling content and delivering your message with authenticity.

The difference between influencing and simply interacting with stakeholders, is that influencing has an underlying purpose - an objective driving the engagement. As we've seen earlier, this objective will be informed by company strategy, and the identity and needs of the stakeholder in question.



Influencing and Engaging Stakeholders - Example

Let's see how this might work in practice.

Marilyn is the Head of Development at a medium sized natural history museum in London. Her team is responsible for cultivating relationships with the institution's key external stakeholders: museum members, and individual and corporate donors.

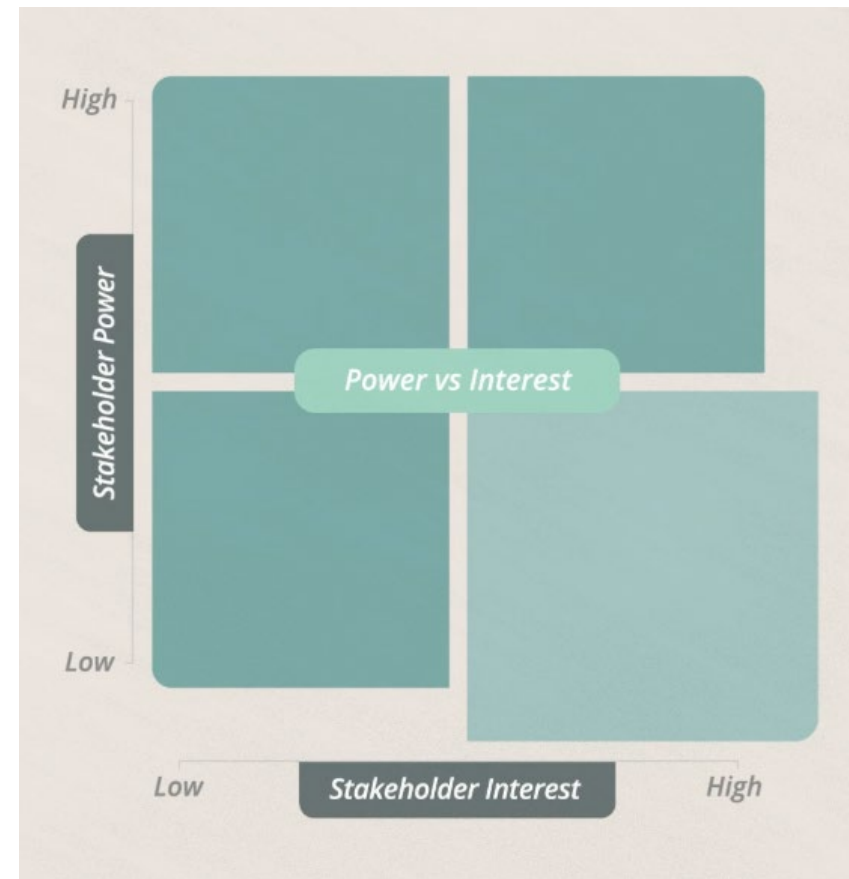




Influencing and Engaging Stakeholders - Example (cont.)

Museum members belong to the 'high interest, low power' stakeholder group. Individually they don't have much influence over the museum, but collectively their membership fees make up the foundation of its operating income.

Keeping them informed and engaged is therefore a priority for Marilyn's team.

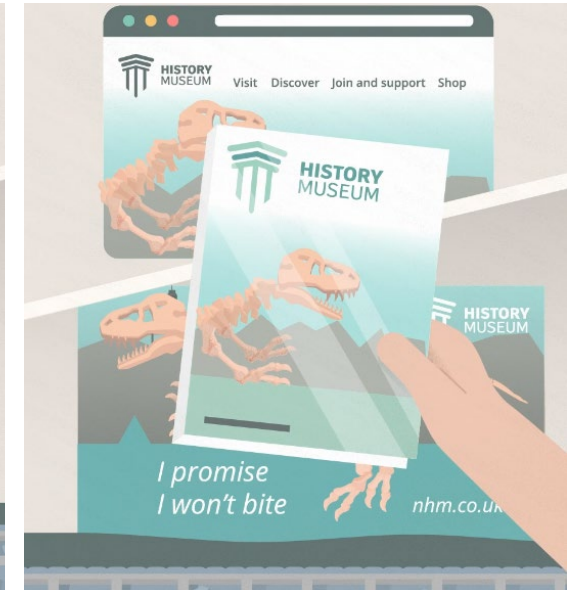




Influencing and Engaging Stakeholders - Example (cont.)

While Marilyn will use the museum website and tube adverts to update Londoners about the museum's work, members will get a glossy quarterly magazine, and special visiting hours to acknowledge their status.

By giving them regular updates and special perks, she hopes to maintain - and perhaps increase - their number of visits and level of funding.

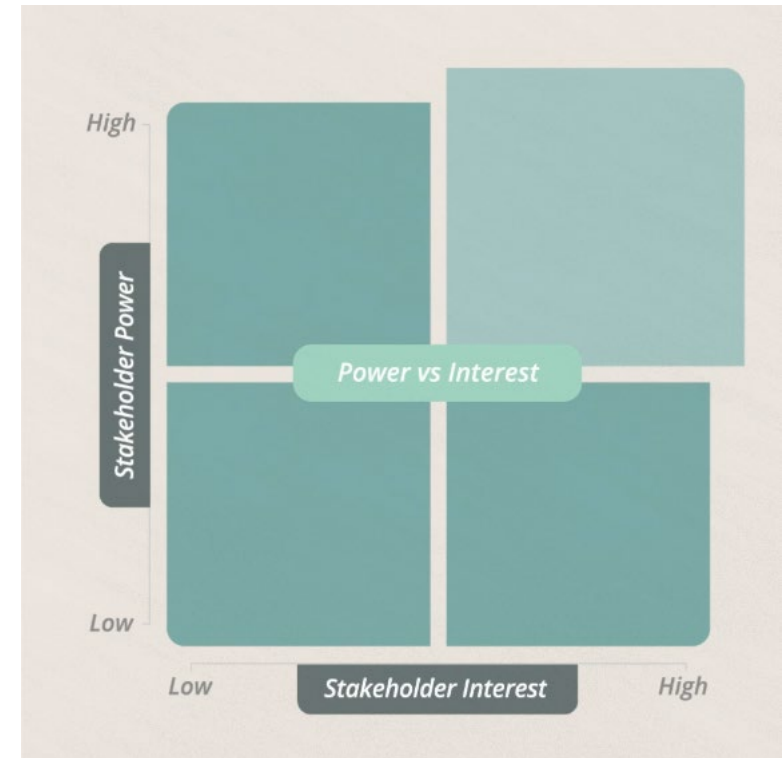




Influencing and Engaging Stakeholders - Example (cont.)

The museum's donors, on the other hand, are smaller in number, but contribute significantly more to its budget. They may work on collaborative projects with the museum - for example, to fund renovations to its building. They may also sit on the Board of Trustees and meet the leadership regularly to guide the museum's direction.

Donors are 'high interest, high power' stakeholders, so Marilyn will create a more detailed plan of engagement for them than she does for members.

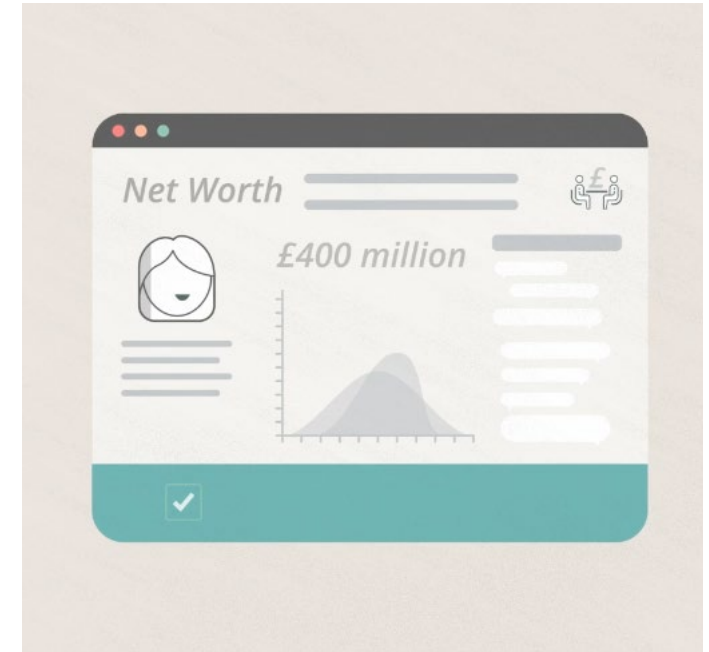




Influencing and Engaging Stakeholders - Example (cont.)

This will often start with secondary research into a donor's net worth, their interests and commitments. Marilyn will use this research to build a profile of each donor, and devise the best way to engage them.

Maintaining these relationships takes both time and effort. While members might be happy with perks like special visiting hours, donors expect high level treatment from the museum in line with their large contribution. The museum offers this in the form of special access to its top staff and its collections.





Influencing and Engaging Stakeholders - Example (cont.)

For example, Marilyn will schedule working lunches for donors with the museum's leadership, where both sides can discuss long term strategy and future projects.

This exchange is beneficial for both parties: donors feel valued because their views have been considered, and museum leaders get a better sense of donor priorities, whilst drawing on their expertise.

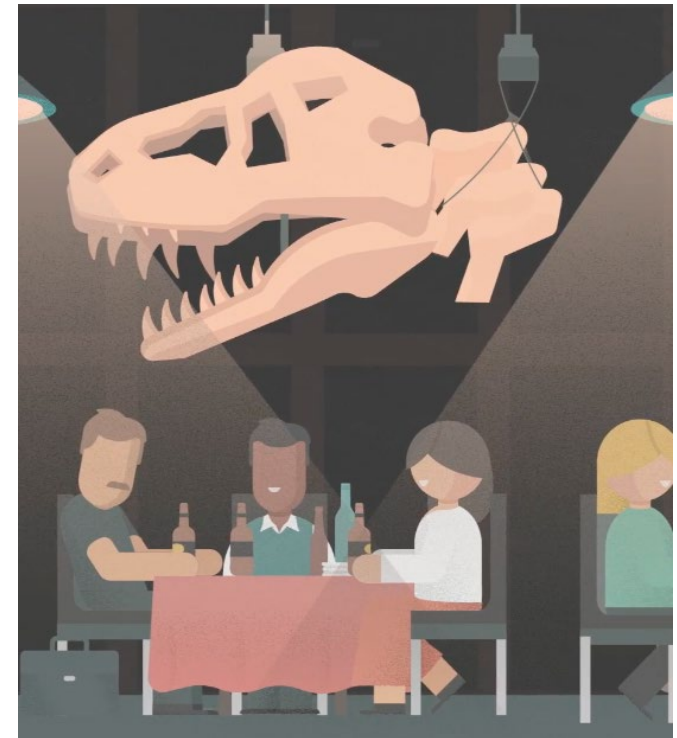




Influencing and Engaging Stakeholders - Example (cont.)

Marilyn's team will also arrange events exclusively for donors, such as annual dinners and private tours of new exhibitions. Here they will mingle with the museum's curators and other high level staff, giving Marilyn the chance to catch up with them individually, and pitch the museum's new ideas in a low pressure setting. This is often a lead in to a formal pitch for funding, which will happen in a one to one meeting.

Although they differ depending on the stakeholder group, all of Marilyn's engagement methods involve influencing. And in this case, their objectives are the same: to build loyalty, generate interest and secure commitments to future funding.





Influencing and Engaging Stakeholders - Example (cont.)

You'll notice that as the stakeholder's status rises, Marilyn's approach to engagement changes, from mostly one way, to mostly two way communication.

This is because high power stakeholders often expect a more personal and 'collaborative' approach from organisations. However, collaborative techniques may be useful with any stakeholder group in the right circumstances. We'll look at how managers deploy these methods more closely in the next lesson.



Recap

In this lesson, you have learned about:

- How organisations engage stakeholders
- The role of the manager
- The benefits of creating an engagement plan