Pathways to Management and Leadership

Level 5: Management and Leadership

Unit 509

Managing Stakeholder Relationships

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Unit 509: Managing Stakeholder Relationships

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Managing Stakeholder Relationships

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About this workbook

The unit

The main purpose of this workbook is to support you as you study for the Chartered Management Institute Level 5 Qualification — Management and Leadership, so it specifically focuses on the content of the syllabus for Unit 509, Managing Stakeholder Relationships. This unit is about building good relationships, whether they are with customers, suppliers, partners or staff, and understanding how this is a key contributor to an organisation's success.

This workbook provides underpinning knowledge and develops understanding to improve your skills as well as to prepare you for future assessment. If you are studying towards the Level 5 in Management and Leadership, then you will be assessed by your approved centre on 'your knowledge and understanding of' the following learning outcomes:

1. Understand the different types and value of stakeholder relationships
2. Understand the frameworks for stakeholder management
3. Know how to manage stakeholder relationships
4. Know methods for measuring the impact of stakeholder engagement on organisational performance.

The aims of this workbook

This workbook aims to help you learn about:

- How to analyse the types of stakeholder relationships within organisations
- The challenges working with different stakeholders, contractual frameworks and how to engage and manage effectively
- How you can analyse your role managing stakeholder relationship, evaluate working techniques, deal with conflict and measure the impact of your stakeholder engagement.

Syllabus coverage

The table below shows which sections of the workbook address the assessment criteria of the qualification syllabus.

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Getting started

Stakeholders are individuals who are affected by or can influence an organisation, product or service. These individuals can be customers, clients, suppliers, investors and employees. Meeting the needs of stakeholder relationships is critical to the success of every business. Without the ongoing participation of stakeholders, it is hard for a company to survive.

How to use the workbook

The workbooks provide ideas from writers and thinkers in the management and leadership field. They offer opportunities for you to investigate and apply these ideas within your working environment and job role.

Structure

Each workbook is divided into sections that together cover the knowledge and understanding required for that unit of the Level 5 Management and Leadership. Each section starts with a clear set of objectives that identify the background knowledge to be covered, and the management skills in the workplace that enable you to demonstrate this knowledge. You do not have to complete the sections in the order they appear in the workbook, but you should try to cover them all to make sure that your work on the unit is complete. There are self-assessment questions at the end of each section that allow you to check your progress. You may want to discuss your answers to the self-assessment questions with your line manager or a colleague.

Activities

Throughout the workbooks there are activities for you to complete. These activities are designed to help you to develop yourself as a manager. Space is provided within the activities for you to enter your own thoughts or findings. Feedback is then provided to confirm your input or to offer more ideas for you to consider.

To get the best from the workbooks, you should try to complete each activity fully before moving on. However, if the answer is obvious to you because the issue is one you have encountered previously, then you might just note some bullet points that you can then compare quickly against the feedback. You may sometimes find it difficult to write your complete response to an activity in the space provided. Don't worry about this — just keep a separate notebook handy, which you can use and refer to as needed.

Try not to look at the feedback section before completing an activity. You might like to try covering up the feedback with a postcard or piece of paper while you are working through an activity.

Timings

Timings are suggested for each section and activity, although it is important that **you** decide how much time to spend on an activity. Some activities may occupy only a few moments' thought, while others may be of particular interest and so you might decide to spend half an hour or more exploring the issues. This is fine — the purpose of the activities is to help you reflect on what you are doing, and to help you identify ways of enhancing your effectiveness. t is always worth writing something though, even if it's brief — the act of writing will reinforce your learning much more effectively than just referring to the feedback.

Scenarios

There are scenarios and examples throughout each workbook to illustrate key points in real workplace settings. The scenarios cover a wide range of employment sectors. As you work through, you might like to think of similar examples from your own experience.

Planning your work

The reading and reflection, scenarios and activities in each section of the workbooks are designed to take around two hours to complete (although some may take longer). This is a useful indicator of the minimum length of time that you should aim to set aside for a study session. Try to find a quiet place where you will not be interrupted and where you can keep your workbooks, notes and papers reasonably tidy. You may also like to think about the time of day when you work best — are you a 'morning person' who likes to get things done at the start of the day, or do you work better in the evening when there may be fewer disturbances?

Preparing for assessment

Further information on assessment is available in the Qualification Support section of ManagementDirect, CMI's online resource portal. If you have any further questions about assessment procedures, it is important that you resolve these with your tutor or centre co-ordinator as soon as possible.

Further reading

Suggestions for further reading and links to management information are available via ManagementDirect. You will also find titles for further reading in the Further Resources at the end of this workbook.

Section 1 Understand the different types and value of stakeholder relationships

Learning outcomes and assessment criteria (about 2 hours)

By the end of this section you will understand the different types and value of stakeholder relationships in your organisation. In this next section you will be able to:

1.1	Analyse the types of stakeholder relationships within organisations
1.2	Examine the benefits and challenges for organisations working with different stakeholder groups

Analyse the types of stakeholder relationships within organisations

CMI define a stakeholder as:

> "*Any person, or organisation, with a vested interest in the successful operation of a company, or organisation. A stakeholder may be an employee, customer, supplier, partner, or even the local community within which an organisation operates. Although differentiation is often made between shareholders and stakeholders, shareholders should also be included as stakeholders in an organisation.*"

A shareholder is an owner of shares in a company.

Stakeholder theory argues that the interests of all stakeholders - not just those with a financial stake in the business - should be taken into consideration. The needs of each stakeholder should be understood, respected and incorporated into company thinking and plans. To achieve this, managers need to identify their key stakeholders, and understand their interest in, contribution to, or effect on the organisation and its ability to meet its objectives.

The stakeholder concept has its origins in the study of corporations and how they make decisions. R. Edward Freeman's Strategic Management: A Stakeholder Approach (1984) is regarded as a seminal work of stakeholder theory.

The aim of stakeholder analysis is to provide decision makers with information about the individuals and groups that may affect the achievement or otherwise of their goals. This makes it easier to anticipate problems, gain the support of the most influential stakeholders, and improve what the organisation offers to different groups and individuals and how it communicates with them.

Stakeholders can be internal - employees, managers, trade union members or departments for example, or external such as customers or suppliers. A distinction can also be drawn between primary and secondary stakeholders. Primary stakeholders define the business and are vital to its continued existence. For example, the following are normally considered primary stakeholder groups:

- employees
- shareholders and / or investors
- customers
- suppliers.

Secondary stakeholders are those who may affect relationships with primary stakeholders. For example, an environmental pressure group may influence customers by suggesting that your products fail to meet eco-standards. Secondary stakeholders could include:

- government - central or local government bodies
- legal authorities - inspectors and regulators
- the media - press, broadcasters, online media
- social groups - consumer groups, pressure groups, community groups
- commercial organisations - landlords, business partners, competitors.

Identify your Stakeholders

Activity

1.1 Identify your stakeholders

(about 30 minutes)

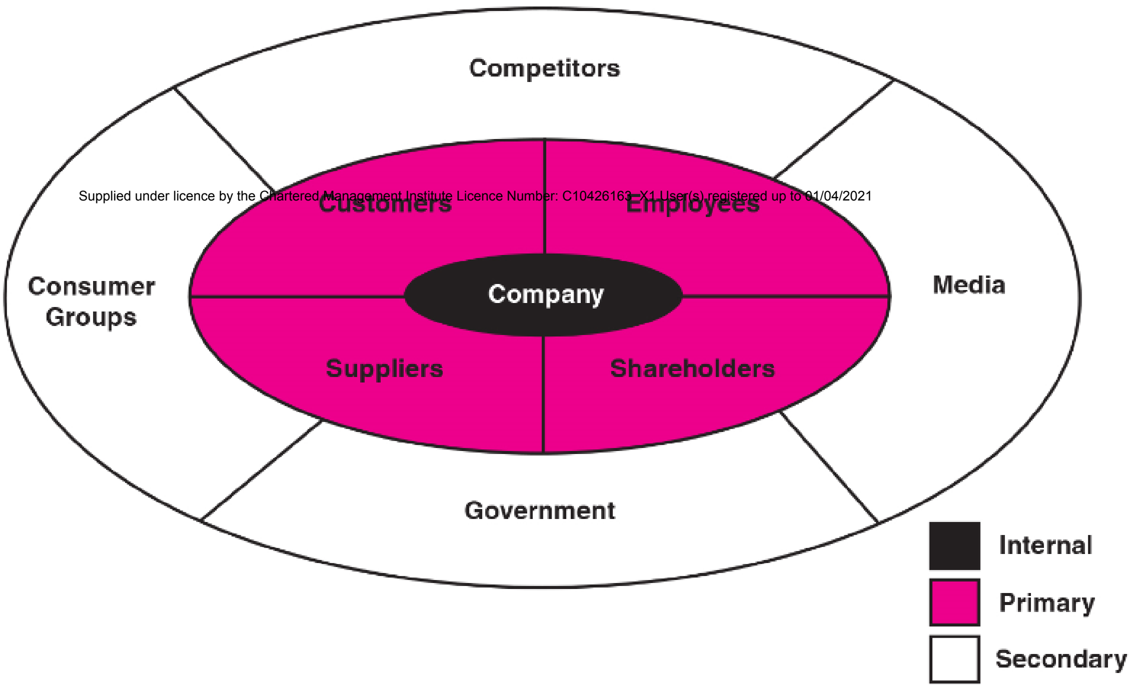
The first step in your Stakeholder Analysis is to brainstorm who your stakeholders are. As part of this, list all of the people who are affected by your work, who have influence or power over it, or have an interest in its successful or unsuccessful conclusion.

Primary	Secondary

Feedback

- *Stakeholders may be both people and businesses. However, you need to identify the individual stakeholders within each business. 'People buy from people and they always buy from people they trust.'*
- *Your stakeholder list may include Board Members, CEO, Finance Officer, Manager, Team Members, Family, Friends, Insurance Company, Auditors, Caterers, Suppliers, Customer Services, Designers, Media, Marketers, Bank, Customers, Distributors, Facilities, HR, Local Interests Groups, Community Interest Groups, Logistics, Local People, Legal Specialists, Government Bodies, Education Providers and Competitors.*

A stakeholder map by Doyle (1995) provides a graphic representation of the individuals, groups and organisations which influence the achievement of the organisation's goals. (CMI Checklist 234, Stakeholder Analysis and Management)

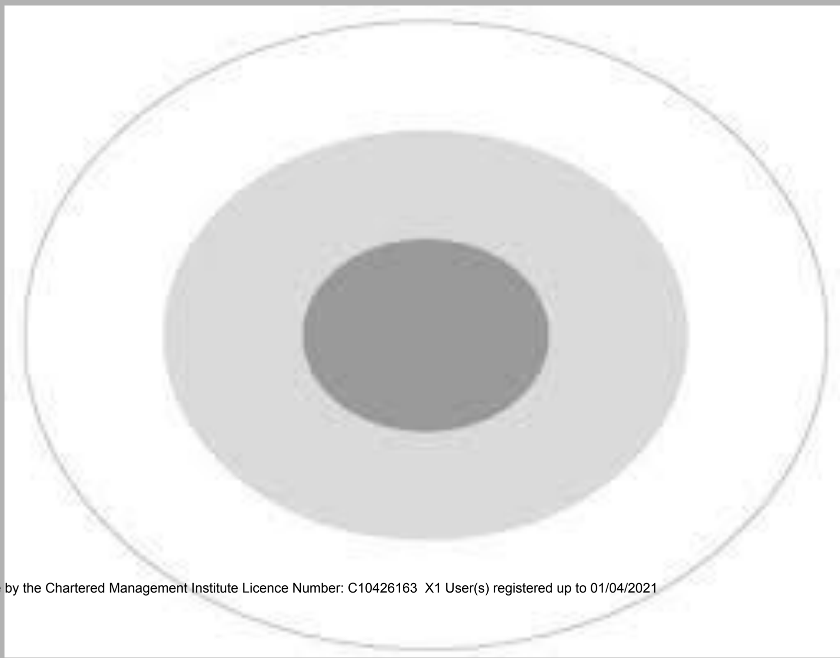


Activity

1.2 Stakeholder map

(about 20 minutes)

Using the table of stakeholders identified in activity 1.1 draw a stakeholder map to provide a graphic representation of your stakeholders.



Feedback

Stakeholder management is the process by which you identify your key stakeholders and win their support. Stakeholder analysis is the first stage of this, where you identify and start to understand your most important stakeholders.

Managers should avoid:

- *assuming they know what their stakeholders are thinking*
- *seeing stakeholder management as a one-way process*
- *trading the interests of one group off against those of another*
- *ignoring and failing to engage with stakeholder groups that are critical of the organisation*
- *neglecting the interests of important stakeholders.*

Put yourself in the place of each stakeholder and ask yourself what their perspective of your business may be.

- What are their needs and concerns?
- What affects or influences them?
- What do they believe?
- What do they value?
- What motivates them?
- What potential threats or opportunities do they represent?

Consider what you know about their actual and previous behaviour and what underlies it. It can be helpful to draw up a table listing each stakeholder and showing the level of priority you have assigned to them, the relationship you have with them and how they are impacted by your organisation.

Stakeholder Power Interest Grid

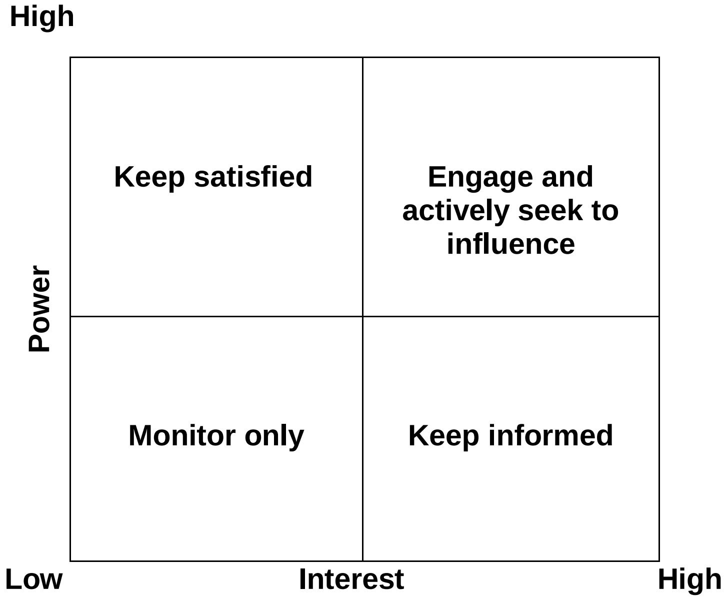
A common approach is to map the interest and power or influence of each stakeholder group on a quadrant (Bryson 1995: 71-75).

The Power / Interest grid can be used to map the level of interest different stakeholders have in the operations of your organisation and their power to affect or be affected by it. This will help you to decide where you need to invest your stakeholder management efforts. (See below)

Clearly, you will need to engage fully with those who have both a high level of interest and a high level of power and take great care over relationships with these groups. You will want to keep those who have power but less interest satisfied, but not overwhelm them with too much information.

Those with high interest but little power should be kept informed, but you won't need to pay so much attention to those with little interest and little influence.

The next step is to prioritize your stakeholders by power and interest, and to plot this on a Power / Interest grid. This will help you to prioritise stakeholders by making decisions about how much effort to invest in attending to their needs and communicating with them.



The grid used 2 axes - Power and Interest:

- **Power** - How much influence does the stakeholder have over your job / task / project / idea?
- **Interest** - How much interest do they have in your job / task / project / idea?

- **High Power / High Interest** - You will need to fully engage with these people and make a great effort to satisfy them. Keep the relationship you have with them strong
- **High Power / Low Interest** - You will need to keep these people satisfied, but not too much though - you don't want them to become fed up of your message
- **Low Power / High Interest** - You will need to keep these people updated and informed
- **Low Power / Low Interest** - You will need to monitor these stakeholders, but you do not need to communicate regularly.

Activity

1.3 Power / Interest Grid

(about 60 minutes)

Using the table of stakeholders identified in activity 1.1 draw a stakeholder Power / Interest grid to map the level of interest different stakeholders have in your organisation, project, task, process or job role.

High

Power		
	Keep satisfied	**Engage and actively seek to influence**
	Monitor only	**Keep informed**

Low **Interest** **High**

Feedback

You will need to think about your stakeholders and learn about them.

It is important to try and find out as much as possible about your stakeholders as this will help manage them and develop an appropriate strategy to build better relationships with them.

Gaining an understanding of what motivates your stakeholders and how you need to win them around will be of great benefit.

Examine the benefits and challenges for organisations working with different stakeholder groups

Working with different stakeholders will undoubtedly bring benefits and challenges to an organisation. Each stakeholder will have differing levels of interest and power. Managing stakeholder relationships using the right methodology is vitally important to building an effective stakeholder engagement culture in every organisation.

Benefits

At a basic level the benefits of stakeholder engagement will help identify opportunities and barriers, build trust and repair relationships and limit misunderstandings, rumours, and anxiety.

In the article Champions of Change (2014), available on CMI ManagementDirect, the author Mike Clayton said:

> *"We should stop trying to manage stakeholders, and instead should start respecting them. And we need to take this attitude and make this a systematic part of the way that we do business within our organisations. We need to create a stakeholder engagement culture."*

According to Clayton, if you can create a positive stakeholder culture the organisation will reap the benefits. Some of these benefits include:

- Increased communication channels and networks that that will help with organisational learning, innovation, and change
- Improved levels of stakeholder feedback that will inform decision making
- An increased focus on ethical practices that will improve corporate social responsibility
- A drive to improve and evolve processes and systems
- Improvements in the levels of training and experience that will be valuable career assets for your staff in helping them meet stakeholder requirements
- Reduced resistance to change among staff, arising from a better understanding of the pressures on your organisation.

Positive and mutually supportive stakeholder relationships encourage trust, and stimulate collaborative efforts. By contrast, conflict and suspicion stimulate formal bargaining and limit efforts and rewards to teams, which result in time delays and increased costs.

Challenges

There are also a number of stakeholder engagement challenges. For example, stakeholders have multiple priorities, resistance to share information. Stakeholders can misinterpret their needs and interests, as they are constrained by time and opportunities are limited. Also people change, it is often hard to find shared interests and common ground. Communicating both virtually and face-to-face brings differing demands and researching relevant stakeholder information can be time consuming.

In the excellent article Stakeholder Management: An Instrument for Decision Making, Howitt, M & McManus, J. (2012), we get an insight into some of the challenges:

> *"Typically stakeholders have different priorities and different objectives. Unequal influence and distribution of resources exacerbate conflict of interests.*
>
> *Managers should understand that each stakeholder has the ability to equally threaten and co-operate with the decision-making process. The objective is to reduce the threatening element and increase co-operative behaviour."*

Others pitfalls to avoid include:

- assuming you know what your stakeholders are thinking

- seeing stakeholder management as a one-way process
- trading the interests of one group off against those of another
- ignoring and failing to engage with stakeholder groups that are critical to the organisation
- neglecting the interests of important stakeholders.

Activity

1.4 Understanding the benefits and challenges of stakeholder engagement

(about 60 minutes)

Draw up a table listing each stakeholder, the benefits and opportunities they bring and also the challenges and risks.

Stakeholder	Benefits / Opportunities	Challenges / Risks

Feedback

Each stakeholder listed will bring benefits and challenges. Your list should clearly show that to succeed you will need to have developed an in-depth understanding of each stakeholder and have thought about the benefits and challenges they bring to you and your business.

Activity

1.5 Understanding your stakeholders needs

(about 60 minutes)

Draw up a table listing each stakeholder, their needs or concerns, and what actions you need to take to meet these requirements.

Stakeholder	Their Needs / Concerns	Action Needed by You to Meet their Needs	Their Expectations

Feedback

Each stakeholder listed will have specific needs and concerns. Your list should clearly show that to succeed you will need to have developed an in-depth understanding of each stakeholder. You should also have thought about the best and most appropriate way to meet their needs and expectations.

Essential Checklist

Put yourself in the place of each of your stakeholders and ask yourself what their perspective of your business may be. All stakeholders will have needs and expectations, which are often different and need to be aligned and agreed to outcomes. Whilst a stakeholder may expect or have a strong belief that something will happen, this must be understandable regarding actual outputs and the needs which are necessary.

Key questions that can help you understand your stakeholders are:

- What are their needs and concerns?
- What affects or influences them?
- What do they believe?
- What do they value?
- What motivates them?
- What potential threats or opportunities do they represent?
- What might encourage stakeholders to be more cooperative?
- What opportunities are there to communicate and engage with different groups of stakeholders?
- Which areas should you focus on?

- What financial or emotional interest do they have in the outcome of your work? Is it positive or negative?
- What information do they want from you?
- How do they want to receive information from you?
- What is the best way of communicating with them?
- What is their current opinion of your work?
- Who else might be influenced by their opinions?
- How will they be affected by the work?
- Will they be openly for, against or ambivalent to your work?
- What are their expectations and how can these be best managed?
- Who would be the best person to engage with the stakeholder?
- Who is the gatekeeper?

The best answers to some of these questions will often be given by talking directly to your stakeholders. Asking people’s opinions is often the first step in building a successful relationship.

Supporting resources

CMI Checklist 234: Stakeholder analysis and management

Clayton, Mike, Champions of change, Training Journal, 14656523, Aug 2014

Clayton, M, The Influence Agenda: A Systematic Approach to Aligning Stakeholders for Driving Change, Palgrave Macmillan, (2014)

Howitt, Michael, McManus, John, Management Services Stakeholder Management: An instrument for decision making. By:, 03076768, Fall 2012, Vol. 56, Issue 3

Bryson, J. (1995) Strategic Planning for Public and Non-profit Organizations (rev. edn), San Francisco, CA: Jossey- Bass..

Eden, C. and Ackermann, F. (1998) Making Strategy: The Journey of Strategic Management, London, Sage Publications

Freeman, R. E. (1984) Strategic Management: A Stakeholder Approach. Boston Pitman. Latest edition Strategic Management: A Stakeholder

Detailed example of a stakeholder map https://www.stakeholdermap.com/stakeholder-analysis/stakeholder-analysis-basic-method.html

A useful site with details of stakeholder challenges outlined .http://influence.cipr.co.uk/2015/09/15/engaging-stakeholders-meeting-challenges/

Interactive tools for Stakeholder Analysis https://www.mindtools.com/pages/article/newPPM_07.htm

Summary

Now that you have reached the end of this section, you should be able to:

1.1	Analyse the types of stakeholder relationships within organisations
1.2	Examine the benefits and challenges for organisations working with different stakeholder groups

If you can do this, and if you can answer the self-assessment questions, then you are ready to move on.

Self-assessment

Use these questions to check whether you have understood the key issues in this section. If you are not sure, or really don't know the answers, this suggests you might need to work through parts of this section a second time.

1. Describe the meaning of stakeholder?
2. Describe the meaning of shareholder?
3. Identify your primary and secondary stakeholders?
4. Outline the benefits that each of your stakeholders brings to you and your organisation?
5. Outline the challenges that each of your stakeholders brings to you and your organisation?

The next section looks at gaining an understanding of the frameworks for stakeholder management.

Section 2 Understand the frameworks for stakeholder management

Learning outcomes and assessment criteria (about 2 hours)

The next section examines the contractual frameworks and outlines a process for planning stakeholder engagement. In this section you will be able to:

2.1	Examine the contractual frameworks for stakeholder engagement and management
2.2	Specify a process for planning stakeholder engagement

Examine the contractual frameworks for stakeholder engagement and management

In 1984, R. Edward Freeman published his landmark book, Strategic Management: A Stakeholder Approach, a work that set the agenda for what we now call stakeholder theory. However, it is worthwhile remembering that companies are social organisations participating in a network of communities, other organisations and society as a whole. These are both affected by the company and can affect it. There may be legal and voluntary obligations to disclose information and engage with stakeholders. You may also be required to engage due to public scrutiny, societal expectations and critical events. Some stakeholder relationships will be set up as a legal transaction (e.g. Partnership, Service Level Agreements, Financial Agreements, Grant Funding, Investments).

Once the stakeholders have been assessed, plans should be put in place to communicate with them in the form of a Stakeholder Engagement Framework to ensure that you meet any mandatory obligations for stakeholder engagement.

To assist with this, a Stakeholder Engagement Framework can provide a unified, standardized approach to help you understand how to begin the work of engagement and also reminds you what not to forget. Core framework components include a set of guiding principles on how stakeholders will be approached and any legal requirements. The guiding principles should outline formal standards and expectations for how you and your business will work with stakeholders to accomplish goals. These principles can be described in a stakeholder management plan while the detailed communications can be set out in a communications plan.

What rights do stakeholders currently have under company law, and do directors have a specific duty to take their interests into account?

The law is different in each country. Whether or not directors should owe a duty directly to stakeholders has been hotly debated for some time. Indeed company law academics hold diverse views and many have argued that company directors have a wider obligation beyond that of profit maximization.

The CMI Checklist 242 Corporate Social Responsibility states:

> *"Corporate Social Responsibility (CSR) is now an important and increasingly specialised aspect of strategy and management. Over recent decades, it has become a necessity rather than a choice."*

In August 2017, the Government announced a package of corporate governance reforms. These included new regulations to require all companies of a significant size to explain how their directors comply with the requirements of Section 172 of the Companies Act 2006, and possible changes to the UK Corporate Governance Code, on which the Financial Reporting Council will consult. **The requirement to have regard to the interests of certain stakeholders is expressly set out in Section 172 of the Act**, which contains the duty to promote the success of the company. It states:

> *"…that a director is required to act in the way he or she considers, in good faith, will be most likely to promote the success of the company for the benefit of its members (the shareholders) as a whole."*

In addition to the specific requirements in Section 172, other general duties on directors in the Act may also be relevant to the way the board addresses the interests of the members and other stakeholders. These include, for example, the duties to comply with the company's constitution (Section 171), to exercise independent judgement (Section 173), and to exercise reasonable care, skill and diligence (Section 174).

These requirements are complex and, in the event of doubt, professional advice and guidance should be sought.

It should also be borne in mind that, in addition to the statutory general duties, there are other legal duties imposed on directors by other legislation, for example, in terms of accounting and reporting, some of which will be relevant to at least some of the company's stakeholders.

Examples include those duties imposed by the Bribery Act 2010, the Modern Slavery Act 2015, and health and safety and employment legislation.

In addition the UK Institute of Directors' code of professional conduct requires directors to exercise responsibilities to employees, customers, suppliers and other stakeholders, including the wider community.

Therefore stakeholder engagement should be timely, effective and unbiased, subject to the needs of commercial security and legal, regulatory and ethical compliance where appropriate.

The core principles put forth by the *Institute of Chartered Secretaries and Administrators 2017 - The Investment Association* are:

> *“Boards should identify, and keep under regular review, who they consider their key stakeholders to be and why.*
>
> *Boards should determine which stakeholders they need to engage with directly, as opposed to relying solely on information from management.*
>
> *When evaluating their composition and effectiveness, boards should identify what stakeholder expertise is needed in the boardroom and decide whether they have, or would benefit from, directors with directly relevant experience or understanding.*
>
> *When recruiting any director, the nomination committee should take the stakeholder perspective into account when deciding on the recruitment process and the selection criteria.*
>
> *The chairman - supported by the company secretary - should keep under review the adequacy of the training received by all directors on stakeholder-related matters, and the induction received by new directors, particularly those without previous board experience.*
>
> *The chairman - supported by the board, management and the company secretary - should determine how best to ensure that the board’s decision making processes give sufficient consideration to key stakeholders.*
>
> *Boards should ensure that appropriate engagement with key stakeholders is taking place and that this is kept under regular review.*
>
> *In designing engagement mechanisms, companies should consider what would be most effective and convenient for the stakeholders, not just the company.*
>
> *The board should report to its shareholders on how it has taken the impact on key stakeholders into account when making decisions.*
>
> *The board should provide feedback to those stakeholders with whom it has engaged, which should be tailored to the different stakeholder groups.”*

It is important therefore to truly understand your stakeholders, the nature of the relationship and any legal requirements imposed.

Activity

2.1 Stakeholder contractual obligations

(about 30 minutes)

Consider your business stakeholders. For each of these stakeholders consider any financial, societal, voluntary, legal, regulatory, procedural, policy or ethical duties that you may have to consider to meet their requirements and contractual arrangements.

Feedback

You should consider any form of both formal and informal agreements (e.g. service level and trade union agreements), contracts, compliance (legislation, regulation, quality), governance, custom and practice within the industry you work and implied duties. You may also wish to consider external quality standards (e.g. ISO, Investors in People, Balance Scorecard, Customer Service Excellent Charter Mark, EQFM).

If your organisation is not conforming to any external quality systems you may find it helpful to refer to the ISO website (www.iso.org) to widen your understanding of quality systems in practice.

Specify a process for planning stakeholder engagement

The key principles of stakeholder engagement are information disclosure, communication, consultation and participation, involvement, cooperation and partnership. It is important to:

- Determine the key issues at stake
- Identify which stakeholders are important
- Help avoid conflicts between decision makers
- Make use of specific knowledge
- Stimulate good governance ethics
- Encourage fairness and equity.

There are 3 main reasons that you should have a planned approach to stakeholder engagement as follows:

1. **Social Licence** - you can have all the regulatory and legal approval that you want, but unless you have the support from society and the community you operate within, you will face opposition and difficulties with your business. A planned approach to stakeholder engagement can turn opposition into support for your business.
2. **Trust** - if your business is not trusted then 59% of people will believe negative information and 9% will believe positive information about you after hearing it just once or twice. However if you are a trusted business, 52% of people will believe positive information about you after hearing it just once or twice and only 14% will believe the negatives.
3. **Economics** - businesses that have planned stakeholder engagement increase their market value.

The Five Stage Stakeholder Engagement Framework

Krick, Forstater et al. 2005 offer many excellent, practical resources in The Stakeholder Engagement Manual centred around what they call the Five Stage Stakeholder Engagement Framework as follows:

The **first stage** in effective stakeholder engagement is an overall

consideration of strategic business objectives, how these relate to stakeholders and specific issues, and how you can undertake an initial prioritisation of stakeholders and issues for further analysis.

You will need to have a clear understanding of the purpose of the engagement and the results that you need to achieve.

The **second stage** introduces different levels of engagement, and guides you in analysing your existing relationships, available resources and organisational constraints. It also helps you to learn more about specific stakeholder representatives, and to decide on what kind of relationship you want to develop with these stakeholders. Reflect on the following questions:

- What do you want to achieve?
- Do you want to ***remain passive*** with no engagement and no goals?
- Do you want to ***monitor*** the stakeholders' views via one-way communication from the stakeholder to the business?
- Do you want to ***inform*** and build awareness?
- Do you wish to ***transact*** with the stakeholder by working together in a contractual relationship where one partner directs the objectives and provides funding?
- Do you need to ***consult*** with your stakeholders and get their input?
- Should you ***involve*** your stakeholders in decision making?

- Would you benefit from ***collaboration*** with your stakeholders?
- Would you like to ***empower*** your stakeholders to make decisions?

The **third stage** addresses questions of internal and external competencies and capacities to engage, and provides guidance on how you can ensure that all parties to an engagement are able to join and take part in it effectively. For example, whether they have been giving the knowledge, information and training necessary.

The **fourth stage** outlines different engagement techniques, and builds on the previous steps - helps you to design an approach that suits the needs of your specific situation and helps you to reach your objectives. At this stage you may benefit from the development of a communication plan.

Typical contents of the communication plan are:

Introduction

The introduction should describe the purpose of the document and the business context relating to the communication plan - whether, for example, it is to promote the launch of a new service, a new project initiative or an organisational change.

Background

This section should highlight the scope of the communication plan related to the business context and its objectives. This could include information about what activities may already have taken place and when, and who was involved and what has led up to this point.

Stakeholder map

A stakeholder map showing all the different groupings of stakeholders and the names and roles of stakeholders, (if feasible), should be produced in order that there is absolute clarity about the audiences that are to receive the communications.

Audience needs

This section should detail the needs of each stakeholder group, (audience), e.g. what they will want to hear about. For example if a new service is being introduced to the public, staff will want to understand any changes to their roles, and the public will want details of how and where to obtain the service.

Key messages per audience

This section should highlight the key messages that each audience group should receive the documents to be produced and the information to be included in each document, together with the objectives of each message.

Benefits of the communication plan

The benefits of the communication plan should be outlined in order to ensure that communication is given the high priority that it deserves. Such benefits could include the management of expectations, the advantages of being proactive and the ability to promote a positive message about the change being communicated.

Risks

Any risks related to the communication plan should be highlighted, actions to mitigate them proposed, and responsibilities for these actions should be assigned.

Proposed communication methods and tools

This section should highlight the proposed communication methods and tools for each message. This should embrace a range of different methods and tools including, for example: briefings, presentations, workshops, training events, team meetings, one to ones, publications, regular bulletins, e-mails, video, internet or intranet and social media.

Communications plan, with dates

In this section you need to think about the audience and what they need to know. What is the key communications message and what is the best method to disseminate this information. Consideration needs to be given to who should be responsible for the communication and when it needs to be completed

Method of recording and monitoring

It is very important that once a communication plan has been produced and accepted, it is monitored on a regular basis. All communications should be monitored regularly and recorded, and review points should be set to ensure that the key messages are hitting home.

Finally, in the **fifth stage**, follow up on the outputs of engagement, and how to ensure that your stakeholders feel assured regarding the quality of your efforts.

The approach outlined above demonstrates that effective and strategically aligned stakeholder engagement can:

- Lead to more equitable and sustainable social development by giving those who have a right to be heard the opportunity to be considered in decision making processes
- Enable better management of risk and reputation
- Allow for the pooling of resources (knowledge, people, money and technology) to solve problems and reach objectives that cannot be reached by single organisations

- Enable understanding of the complex business environment, including market developments and identification of new strategic opportunities
- Enable corporations to learn from stakeholders, resulting in product and process improvements
- Inform, educate and influence stakeholders and the business environment to improve their decision making and actions that impact on the company and on society
- Build trust between a company and its stakeholders.

Activity

2.2 Planning stakeholder engagement

(about 30 minutes)

There are 3 linked questions which you need to answer in order to align your stakeholder engagement processes with your organisation's strategic objectives. Think about each question in relation to your own organisation and the key stakeholders.

1. Why engage with stakeholders?

2. What do you need to engage about?

3. Who do you need to engage with?

Feedback

You should know those stakeholders that are a low priority as opposed to those that you need to keep informed, keep happy or keep in close contact based on the Power / Interest grid completed in section 1.3.

Activity

2.3 Objectives for stakeholder engagement

(about 30 minutes)

Think about each question in relation to your own organisation and the key stakeholders.

1. What are our external drivers for stakeholder engagement?

2. What benefits can we gain from stakeholder engagement?

3. What are the risks of not engaging?

4. What are the objectives for engagement?

Feedback

Examples of objectives are:

Learn and understand long-term trends in the behaviour of stakeholders that shape the market in region X.
Develop relationships that are key to success in region X.
To partner with those stakeholders for the development of and success in new markets in region X.
To enhance our reputation for responsible employment.

Activity

2.4 Stakeholder engagement methods

(about 30 minutes)

Brainstorm the type of stakeholder engagement approaches that would be most suitable regarding the level of engagement required in the table below:

Engagement Level	Engagement Approach
Monitor stakeholder views	
Inform and educate stakeholders	
Work together in a contractual relationship	
Consult with stakeholders to gain feedback	
Involve stakeholder in decision making	
Collaborate and partner with stakeholders	
Delegate decision making to stakeholders	

Feedback

Examples of engagement approaches are:

Media and internet tracking, targeted interviews, published reports, bulletins and letters, brochures, websites, speeches, seminars, conferences, facility tours, road shows and public displays, press releases, advertising, lobbying, surveys, focus-groups, 1-1 meetings, public meetings, forums, online feedback, committees, telephone hotlines, focus-groups, stakeholder advisory or assurance panels, multi-stakeholder alliances, partnerships, voluntary initiatives and joint-projects.

Supporting resources

CMI Checklists 234: Stakeholder analysis and management

CMI Checklist 242: Corporate Social Responsibility (CSR)

Bourne, Dr Lynda, *Stakeholder Relationship Management: A Maturity Model for Organisational Implementation* Gower Publishing, Ltd., 28 Sep 2012

Friedman, A. and Miles, S. (2006). Stakeholders: Theory & Practice. Oxford: Oxford University Press

Stakeholder Engagement Manual by Krick, Forstater et al**.** http://www.unep.fr/shared/publications/pdf/WEBx0115xPA-SEhandbookEn.pdf.

Summary

Now that you have reached the end of this section, you should be able to:

2.1	Examine the contractual frameworks for stakeholder engagement and management
2.2	Specify a process for planning stakeholder engagement

If you can do this, and if you can answer the self-assessment questions, then you are ready to move on.

Self-assessment

Use the following to check whether you have understood the key issues in this section. If you are not sure, or really don't know the answers, this suggests you might need to work through parts of this section a second time.

1. Describe the contractual arrangements in place when engaging with stakeholders within your workplace.
2. Describe the steps to consider when developing a stakeholder engagement plan.
3. Outline the range of approaches available to engage with stakeholders.

The next section looks at gaining an understanding of how to manage stakeholder relationships.

Section 3 Know how to manage stakeholder relationships

Learning outcomes and assessment criteria (about 2 hours)

By the end of this section you will understand the role of the manager in managing stakeholder relationships, collaborative working techniques and managing conflict in stakeholder engagement.

3.1	Analyse the role of the manager in managing stakeholder relationships
3.2	Evaluate the use of collaborative working techniques to manage stakeholder relationships
3.3	Discuss methods for managing conflict in stakeholder engagement

Analyse the role of the manager in managing stakeholder relationships

Why is it important?

According to the *Association of Project Management* [*https://www.apm.org.uk:*](https://www.apm.org.uk)

> *"Building relationships is a natural human instinct that often 'opens doors' or influences outcomes that cannot always be achieved by following plans and processes alone."*

Organisations, stakeholder groups and project teams are made up of a variety of people who need to depend on each other to deliver a great outcome. Each individual brings their own skills, knowledge, experience, working practices and all will potentially communicate and build relationships in different ways. In addition each stakeholder may work within different organisational cultures, procedures, policies and standards. The role of the manager is therefore to agree the best way that these individuals will work together moving from a group to a team to achieve optimal results.

"Stakeholder theory" is fundamentally a theory about how business works at its best, and how it could work. It is descriptive, prescriptive, and instrumental at the same time, and, as Donaldson and Preston (1995) have argued, it is **managerial**.

In a recent book *Corporate Social Responsibility: Strategy, Communication, Governance by Andreas Rasche and Mette Morsing 2017, r*eflecting on his experience as CEO of Medtronic, Bill George (2003) summarized the stakeholder mindset:

> *"Serving all your stakeholders is the best way to produce long term results and create a growing, prosperous company … Let me be very clear about this: there is no*

conflict between serving all your stakeholders and providing excellent returns for shareholders. In the long term it is impossible to have one without the other. However, serving all these stakeholder groups requires discipline, vision, and committed ***leadership****."*

However, the problem often faced is that managers believe that building stakeholder relationship or team building activities is too time consuming. The result being mistakes, delays, frustration, unclear team standards and misunderstandings. Many of these issues could be avoided if the manager openly explores and sets standards regarding stakeholder engagement and relationships. Thus the effective management of stakeholder relations should be an essential focus for managers. A good manager is someone who can balance stakeholder needs and interests, and ensure that all parties pull together and support the project in delivering a valuable outcome. Stakeholder relationships that are unmanaged or mismanaged have a number of less than favourable consequences for companies. These include unnecessary expenses, and a lack of buy in to processes and initiatives aimed at growing the business and meeting objectives.

Managers should avoid:

- assuming they know what their stakeholders are thinking
- trading the interests of one group off against those of another
- ignoring the concerns of stakeholder groups that are critical of the organisation

- neglecting the interests of important stakeholders.

Sample Job Description for the Role of a Stakeholder Manager

Job Purpose

1. Responsible for building and maintaining relationships with key stakeholders and developing and implementing stakeholder engagement strategies including informing, consulting and involving stakeholders where relevant and evaluating the effectiveness of these strategies. The manager is responsible for coordinating the full range of communications activities with key stakeholder audiences. This may include travel, face-to-face meetings, participating in business events, networking, public speaking and writing briefings to support the delivery of the organisation's communications strategy.
2. Advising senior management of issues and / or risks to stakeholder relationships as soon as they arise so risks can be managed effectively.
3. Ensuring management and staff understand the value of - and are committed to - the genuine participation of stakeholders in the development of products and services designed to meet stakeholder needs.

Roles and Responsibilities

- Work closely on an ongoing basis with key 'stakeholders' to ensure that ideas are shared and planned. The role is not just to liaise, but to also influence and persuade on key issues, and to ensure that the business objectives are met
- Build strong stakeholder relationships both at practitioner level and at senior level, influencing people with different agendas to adopt new concepts and different ways of working
- Use advocacy skills to 'sell' the benefits of the business to external audiences
- Work to collaboratively develop ideas, and implement those ideas for improving the business performance
- Take a proactive professional oversight role regarding stakeholder communication ensuring that content disseminated is accurate and appropriate
- Delivering complex messages simply to multiple stakeholders, and negotiate across boundaries, organisations, business partners and employees sometimes managing significant resistance
- Raise the profile of the business to improve its credibility and visibility
- Develop and highlight best practice and communicate this internally and externally to drive up capability.

Person Specification

- Broad grasp of key strategic issues
- Evidence of building strong trust based relationships with senior stakeholders
- Diplomacy, tact and understanding of others' priorities to achieve common goals
- Excellent communication, influencing, persuasion and engagement skills. Not afraid to speak honestly about consequences, and is able to deliver bad news or bold recommendations if needed
- Good analysis, problem solving and project management skills
- A team player.

According to the Newsletter Corporate Stakeholder Engagement, Metrics, and Reporting: Aligning corporations and stakeholders to advance global citizenship, the best leader for stakeholder initiatives must be a nuanced thinker (not someone who sees the world in black and white) and should be seasoned in conflict resolution and negotiation. He or she should be an agent for change, a change enabler - not someone who is change-averse or who likes to keep tight control of a situation or simply support the status quo. It is extremely important that this person understands the business intimately. He or she must have a broad understanding of key issues and controversies, pending litigation, and regulatory constraints, as well as a thorough knowledge of the marketing side - branding, messaging, vision, and mission.

Scenario

The Importance of Stakeholder Management

Stakeholder engagement is increasingly seen as the responsibility of everyone working in the business, particularly in relation to the digital revolution and easier access to clients using online technology and social media. As a charity business, our external stakeholders include:

- Clients and their family members
- Local community members
- Potential employees
- The media
- The government - MPs, ministers and shadow ministers, local government - councillors and officials
- Industry bodies
- Health authorities
- Government agencies
- Suppliers
- Associates
- Staff and temporary workers
- Board Members.

One of the challenges this creates is that we need to co-ordinate our stakeholder engagement approach to make sure that we are consistent with the information we are giving out about each of our services.

Stakeholder engagement used to be regarded as being mainly the responsibility of our marketing department, but we have gradually realised that it is the responsibility of everyone in the organisation to maintain an ongoing dialogue with our stakeholders and to continuously develop our understanding of their interests and concerns.

This requires a greater focus on Stakeholder Management and training our team to ensure that our people can take responsibility for engaging and communicating with the parties that have a stake in our projects in a coordinated manner offline and online, even if this is not necessarily referred to in their job title. Brand ambassadors are now critical across the business as with digitisation our employees are visible 24/7.

Activity

3.1 The role of the stakeholder manager

(about 30 minutes)

Using the scenario consider how your style of management would have an impact on 3 stakeholder engagements both for yourself and your team.

Feedback

Practical strategies to help in this scenario include:

- *making sure that team members understand the importance of stakeholder engagement offline and online and the impact for the organisation*
- *making sure that there are open and honest channels of communication between you and your team so that ideas can flow freely regarding stakeholder engagement*
- *acknowledging and rewarding contributions from team members.*

Evaluate the use of collaborative working techniques to manage stakeholder relationships

In production environments, increasing automation and computerisation mean that the remaining human tasks may be less routine, and more concerned with identifying and handling exceptions. New organisational structures and increasing participation may push responsibility down the line. It is no longer enough simply to complete a given task; the individual is the prime value-adder and output-creator. Often, the contribution of each individual is central to organisational success regarding stakeholder engagement.

To maximise the potential of collaborative working techniques to build stakeholder relationships you need to review three main areas:

1. Empowerment
2. Training
3. Quality.

Empowerment

Empowerment is a management method that involves team members participating in, or controlling aspects of work that was traditionally the preserve of management. Empowerment means sharing responsibility, information and a higher level of decision making with your team. It entails a greater degree of transparency and communication in the decision making process. Management and teams share information, and managers tend to consult with employees before making a decision, and to explain their decisions to them afterwards. In this sense, empowerment requires participatory leadership.

Routine decisions are handed over to team members. For example, team members monitor their own work and have the authority to take action if they spot problems.

Empowered organisations tend to have flatter management structures and to emphasise teamwork. The roles of the manager shift from that of ‘inspector’ to that of ‘team facilitator’. Teams are taught the techniques of problem solving and effective group working, and are expected to use them. Procedures become more flexible and less rule bound as front line staff are given more discretion. In empowered organisations, employees ‘own’ both the successes and the problems arising from their work.

It is worth noting:

> *“No matter how knowledgeable employees are, if they believe they are working in a hostile, low-trust environment they will hoard information, avoid collaboration, and display very low levels of creativity” (Nahapiet and Ghoshal, 1998).*

Activity

3.2 Team empowerment

(about 5 minutes)

What are / would be the advantages of your team members feeling empowered regarding stakeholder engagement?

Feedback

There are many advantages to empowerment. It tends to make teams more flexible and responsive to changes demanded by the external environment. Empowered teams are certainly more responsive to the customer, as customer complaints can be handled faster, without front line staff needing to refer decisions to managers. Employees’ self-esteem, motivation and morale increase. Effective and satisfying teamwork results in higher quality output, as group pressure and cohesiveness promote higher standards than traditional supervision could. Employees’ ideas are tapped and fed back into the organisation. For example, employees close to the customers can identify gaps in product lines.

Training

Training can sometimes appear expensive to organisations that have not invested in it before. Successful organisations, however, find that it yields a significant return on investment.

A company should not undertake a comprehensive stakeholder engagement process without proper training in several key areas. For example:

- stakeholder analysis and research
- effective communications, negotiation and conflict management
- risk management
- dealing with the media.

Quality

The training and empowerment of teams leads naturally to every member of the team actively striving to make improvements. This mindset can be formalised by teams meeting regularly to discuss stakeholder engagement, communication methods, customer feedback or quality related issues.

Activity

3.3 Collaborative teamwork

(about 15 minutes)

What support would members of your team need to get involved more in stakeholder engagement and continuous improvement?

Feedback

Each organisation operates in a different combination of ways. However, the benefits of encouraging everyone across the organisation to feel a sense of ownership and contribute to the evolution of the organisation are common to all.

To fully support employees to meet the needs and expectations of stakeholders training, mentoring and coaching is often necessary. It is also important to share knowledge and understanding regarding stakeholders and their specific requirements, standards of services and the appropriate channels that are available to engage with the right people and the right time and in the right place.

Discuss methods for managing conflict in stakeholder engagement

Disagreements, differences of opinion and conflicting perspectives on key issues inevitably arise in any context where people are working together. Whilst not all conflict is negative - creative solutions and new ideas can often emerge from the cut and thrust of debate - conflict can frequently become destructive. (See also CMI Pathways workbook for Unit 502 Developing, Managing and Leading Individuals and Teams to Achieve Success.)

According to the CMI a definition of conflict is:

> *"Conflict exists when disagreements lead to arguments and struggles between people with competing ideas and / or personal interests. There are many sources of conflict in the workplace - differences of opinion, dissatisfaction with working conditions or remuneration, excessive workloads, lack of recognition or promotion, perceptions of discriminatory or unfair treatment, feelings of insecurity, fear of redundancy, clashes of personality, misunderstandings or breakdowns in communication and differing expectations of what constitutes appropriate behaviour - to name but a few."*

Maintaining stakeholder support is important to the success of any business. Conflict Management is about addressing grievances and disputes to arrive at constructive solutions while maintaining positive relationships. Stakeholders can span different companies, sectors, geographies and have interests and agendas which do not always coincide. To complicate things further, not all stakeholders have an equal interest in your business or to its continued success. Companies of all sizes recognise the importance of taking the time to identify who their stakeholders are and developing plans to satisfy their stakeholders' needs.

Apart from becoming as self-aware as you can, respecting differences, understanding red flags and responding rather than reacting, what else might be worth thinking about?

In 1975, management theorist Sethi developed a three tier model for corporate social responsibility. This model provides an insight into maximizing opportunity to engage effectively with external stakeholders on issues and concerns. If we take Sethi's model as a starting point, we can consider if we are compliant, responsive or engaged with our stakeholders and ask the question, are we at the correct level to maximize outputs and build productive relationships? Sethi's model is described as follows:

Level 1 Compliant: for example ensuring safety of products and workers, avoiding economic losses, corruption and (illegal) environmental damage.

Level 2 Responsive: meeting reasonable individual stakeholder expectations, for example, achieving good levels of customer satisfaction, employee morale, returns to investors and reducing environmental impacts of operations, products and services.

Level 3 Engaged: maximizing economic, social and environmental value, for example, achieving simultaneous sales and stock value growth, customer and employment growth and eliminating or offsetting environmental impacts.

Conflict Management Guidance

1. Be aware of conflict. Keep your eyes and ears open for changes in stakeholder relationships and any early signs of conflict. Ignoring conflict may be an easy option initially, but in most cases it does not help and will create a more difficult situation to resolve later.
2. Aim to take an assertive stance, while treating all parties with respect and listening to all points of view.
3. Take time to find out what has happened, who is involved, how people are feeling, and what the issues are. Don't pre-judge the issue or jump to conclusions.
4. Having examined the situation, decide what kind of action is appropriate. Ask yourself:

    - Is this a serious matter or relatively trivial?
    - Could it become serious?
    - Is the matter within your sphere of authority or should it be referred to a superior?
    - Are any legal issues involved?
    - What action is needed?

5. Make sure that everyone has the chance to explain their point of view and concerns. People will be more willing to relinquish entrenched positions and consider compromise if they feel that their point of view has been understood and their concerns taken on board.
6. Identify and agree a way forward. Ask the parties to put forward preferred solutions, allow time for reflection, assess each option and help the parties to agree on which represents the best way forward and secure the commitment of all parties to any agreement and agree a review point.
7. It is important to ensure that everyone is clear about what has been decided and takes personal responsibility for any actions which have been agreed. In some cases a written agreement may be appropriate.
8. Evaluate how things are going and ensure you have considered preventative strategies and lessons learnt for future stakeholder relationships.

Activity

3.4 Dealing with conflict

(about 60 minutes)

There's a conflict between stakeholders in your workplace. Emails are flying, tempers are fraying and comments have been posted on social media. Whatever the problem is, you have a big mess on your hands. What do you do?

Feedback

- *Try to find win-wins for stakeholder relationships.*
- *An up-front stakeholder analysis can prevent potential problems.*

Good stakeholder management:

- *Ensures team are not ignoring key stakeholders and people that are key to business success*
- *Ensures all stakeholders understand the benefits of the relationship*
- *Helps gain commitment by identifying the method of communication*
- *Identifies actions that will win people's support by anticipating their reaction to the project.*

Here are four easy steps you can take to increase your stakeholder happiness, and maximize your business value at the same time:

- *Step 1: Set clear objectives for stakeholder relationships management and engagement*
- *Step 2: Identify key stakeholders and make sure your understand their needs and concerns*
- *Step 3: Analyse and prioritize stakeholder requirements*
- *Step 4: Communicate regularly and continuously measure performance.*

Supporting resources

CMI Checklist 046: Handling Conflict Situations

Hodder, S. (2011). Resolving Conflicts at Work: A Guide to Negotiation and Joint Problem-solving in the Workplace

Paper on stakeholder relationship management. http://www.cim.sfu.ca/folders/currentprojects/2-stakerholder-brochure.pdf)

Information on managing stakeholder relationships https://www.apm.org.uk/resources/find-a-resource/stakeholder-engagement/key-principles/relationships-are-key/

Publication from the Royal Institute of Chartered Surveyors gives practical guidance, describing what happens in the 'real world' through a series of case examples, and aims to offer approaches proven as effective http://www.rics.org/Global/Stakeholder_Engagement_1st_edition_PGguidance_2014.pdf

Summary

Now that you have reached the end of this section, you should be able to:

3.1	Analyse the role of the manager in managing stakeholder relationships
3.2	Evaluate the use of collaborative working techniques to manage stakeholder relationships
3.3	Discuss methods for managing conflict in stakeholder engagement

If you can do this, and if you can answer the self-assessment questions, then you are ready to move on.

Self-assessment

Use the following to check whether you have understood the key issues in this section. If you are not sure, or really don't know the answers, this suggests you might need to work through parts of this section a second time.

1. Define the role of a stakeholder manager.
2. Describe the skills and qualities required by a stakeholder manager.
3. Outline how collaborative working techniques would enhance your stakeholder relationships.
4. Outline the importance of managing stakeholder conflict.

5. Describe the difficulties and challenges in stakeholder management and methods for managing conflict.

6. Reflect on your own management skills in this area and the nature of stakeholder relationships in the workplace.

The next section looks at methods for measuring the impact of stakeholder engagement on organisational performance.

Section 4 Know methods for measuring the impact of stakeholder engagement on organisational performance

Learning outcome and assessment criteria (about 2 hours)

By the end of this section you will understand how to measure the impact of stakeholder engagement.

4.1	Examine methods for measuring the impact of stakeholder engagement on organisational performance

Examine methods for measuring the impact of stakeholder engagement on organisational performance

Before the first contact is made with stakeholders, you should develop and agree metrics that measure the effectiveness of contacts. To understand the effect of engaging with stakeholders, an evaluation process should be conducted at regular intervals. (See also CMI Checklist 231 SMART Objectives)

Measuring Perception of Performance

At the most basic level, encouraging or training all staff to be more aware and vigilant regarding stakeholder engagement can help instill a culture that encourages continuous improvement in stakeholder relationships.

However, to be able to measure performance, you need to have clearly defined outcomes set from the outset. This is the starting point of any evaluation. What do you need to actually be able to measure to determine value for the business? For example:

- The first step is to benchmark how your business is currently perceived by its stakeholders and compare this against verifiable facts regarding your actual performance. For example, if you have service level agreements, a stakeholder framework with policy, procedures and KPI's, then check how the business has performed regarding implementation and what the value of stakeholder engagement is.

- Measuring stakeholder perceptions helps to uncover the views of stakeholders outside of the business and how they view your performance and business. Performance and perception of performance often do not align. For example, you may have a procedure regarding CSR. However your stakeholders may not know that you have this procedure or that you have taken part in any CSR activities. On the other hand, if the perception of a company's performance is high among their stakeholders, yet measurements of its actual performance are low, then the company may be exposed to poor management practices.

So, given the importance of both performance and the perceptions of that performance, how do you go about measuring these things?

Measuring perceptions of performance begins by getting feedback from key stakeholders or stakeholder groups. For example:

- Corporate Governance: Shareholders
- Workplace: Executives, employees, contractors, and supply chain partners
- Community: Local government representatives, community representatives and local entrepreneurs
- Marketplace: Competitors, other suppliers, and consumers
- Environment: Advocacy leaders for natural resources and systems.

Opinions can be sought via survey, focus groups, 1-1 discussions, telephone interviews, formal meetings, information meetings, public meetings. The method selected should be suitable for each stakeholder to elicit the most open and honest feedback. The challenge is finding the right time, right people and right resources to conduct the evaluation and juggling large amounts of both quantitative and qualitative data can be difficult. Quantitative data that can provide facts, figures and measures is important. However, so is qualitative data, which often cannot be measured but may be subjective feedback, customer's views and comments.

Measuring Performance

The article 'Corporate Stakeholder Engagement, Metrics, and Reporting: Aligning corporations and stakeholders to advance global citizenship' 2017 by Cate Gable and Bill Shireman states:

> *"When stakeholder mapping has been completed, the mode of engagement identified, and metrics for success determined, the team will be ready to begin stakeholder engagement."*

(See also CMI Pathways Workbooks for Unit 502 Developing, Managing and Leading Individuals and Teams to Achieve Success).

We've all heard the saying, "What gets measured gets done." Or "What gets measured gets managed." By simply examining an activity changes the activity by forcing you to pay attention to it. Regular measurement and reporting keeps you focused - because you use that information to make decisions to improve your results. Your most critical measurements are called Key Performance Indicators (KPI's).

Key Performance Indicators (KPI's)

KPI's are agreed-upon measurements that reflect your organisation's critical goals for success. They are measurable, objective and actionable. You can measure anything your business cares about. For example:

Customer complaints

Traffic to the website

Email enquiries

Online engagement of customers

Awareness of product or service

Number of new customers or returning customers

Buying patterns,

Percentage of satisfied customers

Customer conversion rates

Average order value

Days / visits to purchase

Customer loyalty

Competitor intelligence

Wolfe (2010) states:

> *"KPI's are one measurement technique in your arsenal. They can be a quick and useful tool to let you diagnose strengths and weaknesses in your process, make strategic decisions, and ensure you are heading in the right direction. Don't forget: the real value is in the discussion of results with your team, not the numbers themselves."*

Some key points:

- Ensure your team understands the KPI's established regarding stakeholder relationships and engagement. The team should know the most important indicators for the business, team and each individual employee. What are those indicators that tell you things are working as intended? A good question to ask everyone – they should be able to give a viable answer.

- Ensure that stakeholders know how their involvement will be utilised and feedback on how their input has influenced the decision making process
- Consider what data you need to collect to demonstrate that you have met these indicators. Make sure that you decide this from the outset as if the data is too difficult to find you will simply stop. Think about gathering evidence
- Create a way of tracking the data. Keep a log of engagement activities to demonstrate how stakeholders have been involved and informed. For example, CRM database or Excel spreadsheet
- Discuss the results regularly with your team and make changes to your KPI's until you are satisfied they are correct. Include stakeholder activities and feedback in update reports to the project board
- Keep stakeholders regularly informed to maintain stakeholder commitment. For example, e-newsletters, emails, visits and meetings
- Say thank you often and celebrate milestones and outcomes.

The amount of time you should allocate to stakeholder relations management depends on the level of importance. For each stakeholder there are several factors to consider and should be continuously monitored and reviewed. For instance:

- What is the importance of the stakeholder and relevance to you?
- What is their current attitude towards your business?
- What are you seeking from the relationship?
- What can you can offer them in return to help build the relationship?
- What do you need to communicate to them? Has the message been received and understood? How do you know?

Activity

4.1 Measuring performance

(about 60 minutes)

Consider your key stakeholders. For each of these, determine the desired outcome from the stakeholder relationship, a measure of performance and how you plan to measure this impact.

Key Stakeholder	Desired Outcome from Engagement	Measure of Performance	Method of Measurement
e.g. Employees	Innovation and employees working collaboratively with others to create value for the business Better knowledge sharing, due to established trust relationships	X% increase on use of employee opinion box X% positive net employee promoter score 100% completions of employee engagement survey X% reduction on product returns X% reduction on employee complaints	Employee Surveys Employee Retention and Turnover Rates Productivity Rate Sales Volume Customer Satisfaction Level Disciplinary and Grievance Data Training Evaluations

Feedback

- *You should continuously measure performance and have checkpoints and milestones to achieve along the way. Celebrate successes and learn from mistakes.*
- *The outcome should be the ability to interpret results, work out lessons learnt together, develop future strategies and make better business decisions.*

Supporting resources

Wolf, Leslie, *What Gets Measured Gets Done: Key Performance Indicators* September 15, 2010

Information on setting KPIs
http://www.cdlib.org/cdlinfo/2010/09/15/what-gets-measured-gets-done-key-performance-indicators/

Use KPI Library to discover Key Performance Indicators based on industry and interests, ask advice and read expert articles on how to measure business performance, benchmark your business performance against industry peers http://kpilibrary.com/

Report on measuring and managing total impact
https://www.pwc.com/gx/en/sustainability/publications/total-impact-measurement-management/assets/pwc-timm-report.pdf

Summary

Now that you have reached the end of this section, you should be able to:

4.1	Examine methods for measuring the impact of stakeholder engagement on organisational performance

If you can do this, and if you can answer the self-assessment questions, then you are ready to move on.

Self-assessment

Use the following to check whether you have understood the key issues in this section. If you are not sure, or really don't know the answers, this suggests you might need to work through parts of this section a second time.

1. Describe the importance of establishing objectives and KPI's at the outset of stakeholder engagement?
2. Describe the difference in measuring perception and measuring actual performance?
3. Develop KPI's for your own stakeholder relationships?
4. Outline the techniques to evaluate and measure impact?
5. Outline the type of data that you would need to collect to measure impact?

Before you move on

Preparing for assessment

You have now completed this workbook, Managing Stakeholder Relationships - covering Unit 509. If you are studying for the Chartered Management Institute Level 5 Management and Leadership and are preparing for assessment, you should now be confident of your knowledge and understanding of the required learning outcomes. The table below indicates which sections of the workbook addressed each of the learning outcomes.

Unit 509 Managing Stakeholder Relationships Syllabus coverage		Addressed within section
1.1	Analyse the types of stakeholder relationships within organisations	1
1.2	Examine the benefits and challenges for organisations working with different stakeholder groups	1
2.1	Examine the contractual frameworks for stakeholder engagement and management	2
2.2	Specify a process for planning stakeholder engagement	2
3.1	Analyse the role of the manager in managing stakeholder relationships	3
3.2	Evaluate the use of collaborative working techniques to manage stakeholder relationships	3
3.3	Discuss methods for managing conflict in stakeholder engagement	3
4.1	Examine methods for measuring the impact of stakeholder engagement on organisational performance	4

These assessment criteria will be assessed by your approved centre, usually through the use of an approved written assignment. Make sure that you know all the necessary information about assessment procedures by discussing with your centre.

You might like to visit the Qualification Support section for this unit which can be located by visiting the CMI's online management and leadership portal ManagementDirect. Qualification Support can be found by clicking on the Qualification Support tab located within Learning Resources. Here you can find short videos on leadership from senior managers within major organisations, checklists, articles and book reviews.

The Further Resources at the end of this section lists the references to other texts used in this workbook, and can also be used as a source of further reading if required.

Reflecting on progress

At this point it might also be useful for you to stand back from your studies and reflect on your progress through this unit. Ask yourself how you are doing in terms of:

- improvements in management and leadership skills:
  - Have I applied the workbook activities to my role in my workplace?
  - Have I identified the aspects of my role which I am not so good at, as well as those I am good at?
  - Have I identified further personal development needs which I will actually work on?
  - Have I been noting issues and questions to address in other units?
- learning and study skills:
  - Have I achieved a balance between work, home and study activities?
  - Have I developed good time management skills for my studies?
  - Have I used a range of necessary learning skills?
  - Have I used all the sources of help available to me?
  - Have I prepared for assessment as well as possible?

Don't forget to prepare any action plans that arise from your answers to these questions.

Planning your next steps

In addition to preparing a personal action plan, you might like to consult your personal tutor or co-ordinator of your approved centre to help plan and address:

- your next unit of study
- any issues which arise from your job role or workplace activities
- any study skills support which you have identified
- what you need to do to succeed with your personal action plan.

The Management and Leadership Standards

In addition to covering Unit 509 for the Chartered Management Institute Level 5 Management and Leadership Qualifications, this workbook also relates to the National Occupational Standards for Management and Leadership. The National Occupational Standards for Management and Leadership describe in detail the activities, behaviours, and knowledge that define effectiveness in the management field. You can find full details about the Standards at www.skillscfa.org.

The National Occupational Standards for Management and Leadership do not correspond exactly with the Institute Level 5 syllabus, as they provide competency statements which are not defined by level, but are focused towards the needs of organisations. Each workbook therefore draws on components from one or more areas of the National Occupational Standards.

How this workbook relates to the Standards

The material in this workbook relates to some extent to the National Occupational Standards unit listed in the table below.

National Occupational Standards for Management and Leadership	
Unit	**Unit title**
CFAM&LDD2	Develop and sustain productive working relationships with stakeholders

The CMI has designed this Pathway workbook to provide you with activities, tips, and reference material to help you with your studies whilst undertaking the level 5 Operations / Departmental Manager Apprenticeship programme. The content has been developed by subject specialists to aid your understanding of level 5 management techniques.

Relationship with Apprenticeship Standards	
Unit	**Unit title**
Building Relationships	
F1	Approaches to partner, stakeholder and supplier relationship management and engagement including negotiation, influencing and effective networking
F2	Collaborative working techniques to enable delivery through others
F3	How to share best practice
F4	How to manage conflict at all levels
F5	Build trust and use effective negotiation and influencing skills
F6	Manage conflict

F7	Identify and share good practice
F8	Work collaboratively with other inside and outside the organisation
F9	Use specialist advice and support to deliver against plans
Communication	
G1	Interpersonal skills

Further Resources

Available via ManagementDirect

A range of resources have been drawn together in ManagementDirect to support your studies. Login to ManagementDirect and go to Qualifications Support, then click on the Key Resource List for this unit.

Below are some suggestions on further resources.

Eskerod, Pernille and Lund, Anna, Project stakeholder management, Farnham: Gower, 2012

Bourne, Lynda, Stakeholder relationship management: a maturity model for organisational implementation, Farnham: Gower, 2009

Friedman, A. and Miles, S. (2006). Stakeholders: Theory & Practice. Oxford: Oxford University Press.