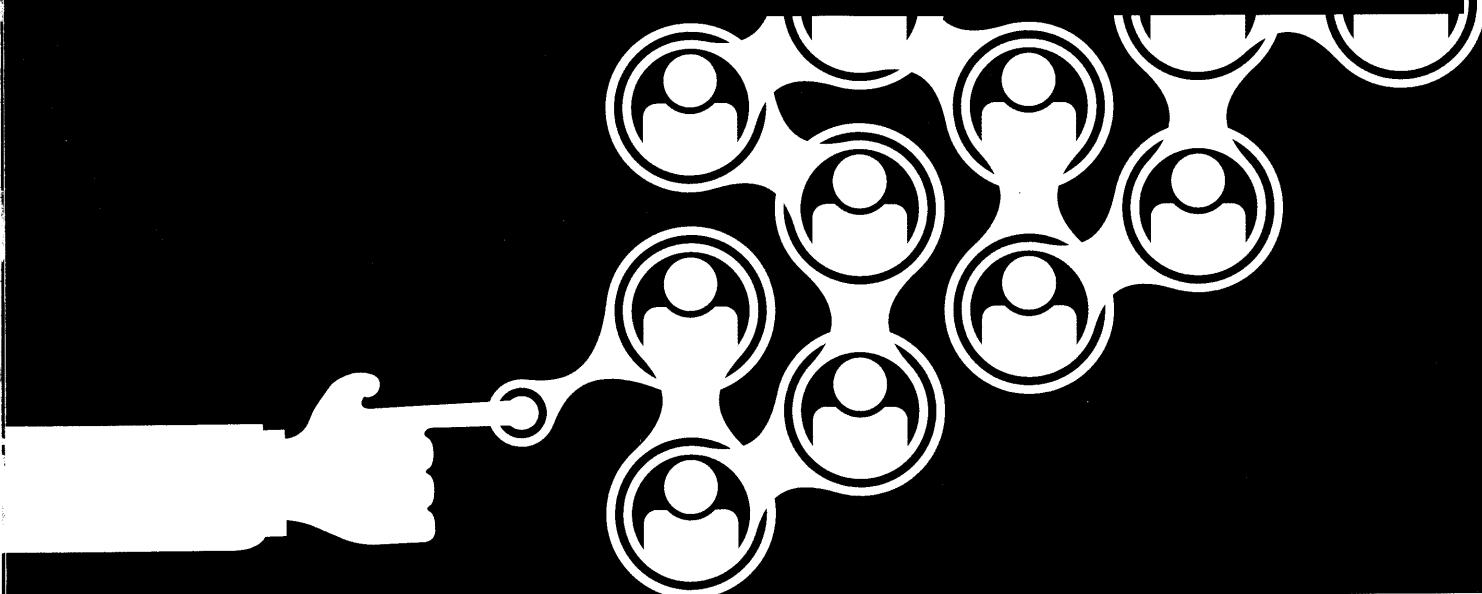


# From 'Them' to 'Us': Making stakeholder engagement work

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*In this time of global economic volatility, governments are scrambling to balance the socio-economic imbalances of the country.*



**O**ne wrong move from an organisation may result in the fall of its reputational value – a concept which is intangible and difficult to quantify, but whose value is evidenced in its fruit – or business results which it bears in the form of a licence to operate (LTO). The peculiarity about an LTO is that it is very difficult to accumulate, but very easy to lose. And once lost, it is a slow and expensive process to regain the position of trust. Any organisation has 'Value'. This value is usually expressed in economic terms, but there is also a social and environmental context to this appreciation of 'Value'. The organisation's 'Value' is contingent on its Licence to Operate.

The LTO is dependent on the view that important stakeholders have of the organisation because they are affected by that organisation's activities, products or services and associated performance.

Consequently, a LTO obliges an organisation to involve stakeholders in identifying, understanding and responding to social, economic and environmental sustainability issues and concerns. These

range from Rhodes Must Fall to outsourcing to labour brokers, to public confidence in products and services. These organisations have to report, explain and be answerable to stakeholders for decisions, actions and performance. It includes the way in which an organisation governs itself, sets strategy and manages performance. It lies at the heart of the 'Licence to Operate'.

Chapter Eight of King III spells out the governance requirements for stakeholder engagement. If we take King III seriously, as we should, this means accountable organisations will:

- Establish a strategy based on a comprehensive and balanced understanding of and response to material issues and stakeholder issues and concerns;
- Establish goals and standards against which the strategy and associated activities can be measured;
- Ensure that performance is managed and judged, and disclose credible information about strategy, goals, standards and

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performance to those who base their actions and decisions on this information.

Engaging with the individuals, groups or organisations affected can have a positive impact on an organisation’s activities, and by responding to these concerns helps organisations to perform better overall. It increases their knowledge and contributes to their licence to operate. Now, more than ever, we need quality stakeholder engagement because, undertaken sensitively, it 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 to solve problems and reach objectives that cannot be reached by single organisations;
- Enable understanding of the complex operating environments, including transformation, market development and cultural dynamics;
- Enable learning from stakeholders, resulting in product and process improvements;
- Inform, educate and influence stakeholders to improve their decisions and actions that will have an impact on the organisation and on society; and
- Contribute to the development of trust-based and transparent stakeholder relationships

A consistent Stakeholder Engagement approach for any organisation can protect and enhance the organisations value for all stakeholders, and sustain the organisation’s social, political, commercial and environmental Licences to Operate.

Typical dimensions of Stakeholder Engagement extend to:

**Community Relations:** This component is highly significant in context of the Licence to Operate. It is probably the most significant aspect of Stakeholder Engagement in South Africa. The specific set of engagement activities that are required to meet the performance requirement relating to Community Relations. This has powerful and positive implications for reputation enhancement and brand building.

**Government Relations:** The specific set of engagement activities that are required to meet the performance requirement relating to Government Relations. It is probably the second most significant aspect of Stakeholder Engagement in South Africa.

**Supply Chain:** The specific set of engagement activities required to meet the performance requirement relating to Supply Chain. This has implications for Quality of Product (Service) and Continuity of Supply (Financial Sustainability).

**Customers:** The specific set of engagement activities that are required to meet the performance requirement relating to Customers. Requirements such as Licence to Operate, Reputation, and Product Trust are key requirements here.

Now, more than ever, South African organisations, in both the public and private sector need to protect their licence to operate. They should take King III to heart and pay special attention to setting up the disciplines and processes for sustainable effective stakeholder engagement. ■

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**Value gained through IoDSA membership:** Corporate governance is an integral part of my work as a management consultant. The IoDSA, through studies, publications and events, provides me with a current, condensed overview of important corporate governance issues.

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