



# THE SIGMA GUIDELINES- TOOLKIT

STAKEHOLDER ENGAGEMENT TOOL



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## 1. Introduction

Consultation and engagement with stakeholders in order to gather useful data and ideas, strengthen relationships, enhance corporate reputation or improve decision-making, is increasingly part of mainstream business practice.

Effectively engaging with stakeholders counts because they determine the success of the business. This engagement is equally at the heart of sustainable performance. Without engagement with stakeholders, there can be no common, enduring agreement about what sustainability means for an organisation. Without such agreement, an organisation will be at risk not only of acting unsustainably, but also of being perceived to act unsustainably.

In order to improve their practice of stakeholder engagement organisations need to ask the following questions:

- **who are the stakeholders (and who are not)?**: owners, trustees, employees and trade unions, customers, members, business partners, suppliers, competitors, government and regulators, the electorate, non-governmental organisations (NGOs), pressure groups and influencers, local and international communities, etc.
- **what are the right techniques to use?**: one-to-one interviews – face to face and distance; group interviews; focus groups; workshops and seminars; public meetings; questionnaires (face to face, by letter, internet or other techniques); web-based discussion fora, etc.
- **which technique should be used to achieve specific goals?**: anticipating and managing conflicts, gathering information to improve decision-making, building consensus amongst diverse views; creating stakeholder identification with the outcomes of the organisation’s activities; building trust in the organisation, etc.

Organisations also face the challenge of measuring how successful engagement has been and in communicating how well they have done.

This engagement tool includes two ways for organisations to think about improving their stakeholder engagement practices. The first is through the management framework approach of AA1000, the accountability framework that includes stakeholder engagement as a core element of the process of managing, measuring and communicating performance.

The second approach that organisations using [the SIGMA Management Framework](#) can draw on is a set of tools to explain and evaluate their engagement. The tools explore the drivers of engagement and provide a set of key questions: the who, what, where, when and how of engagement.

## **2. The AA1000 Framework Approach**

The AccountAbility 1000 (AA1000) Framework is an accountability standard – a management framework focused on the quality of social and ethical accounting, auditing and reporting. AA1000 is concerned with improving performance – addressing this with a process of learning through stakeholder engagement.

The AA1000 Framework is based on a series of principles that ensure the quality of the process. The hierarchy of AA1000 principles is as follows:

- a quality process of social accounting is governed by the principle of accountability
- organisational accountability is directly addressed by the inclusivity of the social accounting process. Inclusivity concerns the reflection at all stages of the process of the aspirations and needs of all stakeholder groups. Stakeholder views are obtained through an engagement process that allows them to be accurately and fully expressed without fear or restriction. Inclusivity requires the consideration of ‘voiceless’ stakeholders including future generations and the environment.
- inclusivity supports the operational meaning of the remaining AA1000 principles, which relate to the scope and nature of the organisation’s process; the meaningfulness of information; and the management of the process on an ongoing basis.

The AA1000 approach adopted in the SIGMA Guidelines also describes a set of processes (summarised in Table 1) that an organisation can follow in order to measure, manage and communicate performance; it does not specify what that performance should be. Through stakeholder engagement, AA1000 helps an organisation capture different stakeholder aspirations and needs, and balance and manage the interlinked elements of social, environmental and economic performance.

In this way, the AA1000 Framework ties the stakeholder engagement process into the goal of sustainable development.

**Table 1 – The AA1000 Process Model – Summary**

<p><b>Planning</b></p> <p><b>(P)rocess 1 Establish commitment and governance procedures</b></p> <p>The organisation commits itself to the process of social and ethical accounting, auditing and reporting, and to the role of stakeholders within this process. It defines governance procedures to ensure the inclusion of stakeholders in the process.</p> <p><b>P2 Identify stakeholders</b></p> <p>The organisation identifies its stakeholders and characterises its relationship with each group of them.</p> <p><b>P3 Define / review values</b></p> <p>The organisation defines or reviews its current mission and values.</p> <p><b>Accounting</b></p> <p><b>P4 Identify issues</b></p> <p>The organisation identifies issues through engagement with its stakeholders regarding its activities and performance across the triple bottom line.</p> <p><b>P5 Determine process scope</b></p> <p>The organisation determines, based on engagement with its stakeholders, the scope of the current process in terms of the stakeholders, geographical locations, operating units and issues to be included, and identifies how it plans to account for the excluded stakeholders, operations, locations or issues in future cycles. It identifies the timing of the current cycle. The organisation also identifies the audit method(s), the audit scope, and the auditor(s) to provide a high level of quality assurance to all its stakeholders.</p> <p><b>P6 Identify indicators</b></p> <p>The organisation identifies key performance indicators through engagement with its stakeholders. The indicators reflect the organisation’s performance in relation to: its values and objectives; the values and aspirations of its stakeholders, as determined through a process of consultation with each group of them; and wider societal norms and expectations.</p> <p><b>P7 Collect information</b></p> <p>The organisation collects information about its performance in respect of the identified indicators. The organisation engages with stakeholders in the design</p>
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of the collection methods, which allow stakeholders to accurately and fully express their aspirations and needs.

### **P8 Analyse information, set targets and develop improvement plan**

From the information collected, the organisation:

- Evaluates its performance against values, objectives and targets previously set.
- Uses this evaluation and engagement with stakeholders to develop or revise objectives and targets for the future, with a focus on improving performance.

### **Auditing and reporting**

#### **P9 Prepare report(s)**

The organisation prepares a report (written or verbal communication) or reports relating to the process undertaken in a specified period. The report(s) clearly and without bias explains the process and demonstrates how the organisation's performance relates to its values, objectives and targets. It includes information about its performance measured against its performance targets. The organisation provides comparative information for previous period(s) to help stakeholders understand the current performance in the context of prior period trends and in the context of external benchmarks, if available.

#### **P10 Audit report(s)**

The organisation arranges and supports the external audit of the process, including any relevant internal and external report(s). Support is provided to the auditor throughout the planning and accounting processes as appropriate.

#### **P11 Communicate report(s) and obtain feedback**

The organisation communicates information on the process and the performance of the organisation to all stakeholder groups. This includes making accessible to all stakeholder groups the organisational report(s) together with the independent audit opinion(s). The organisation actively seeks feedback from its stakeholder groups in order to further develop its process.

### **Embedding**

#### **P12 Establish and embed systems**

The organisation establishes systems to support the process, and the on-going achievement of its objectives and targets in line with its values. Systems include those to implement and maintain values, to manage the collection and documentation of information and to perform the internal audit / review of the process.

### 3. Tools for understanding and evaluating engagement

Organisations working with the SIGMA Guidelines can use two tools to examine and improve their stakeholder engagement practices. The tools are founded on work by the Institute of Social and Ethical AccountAbility published in the Background Briefing of the Prince of Wales's Business & the Environment Programme, 'The Accountable Business: Dealing with Stakeholders.'

The first tool helps organisations to explore the drivers of engagement. The second provides a set of questions to explain and evaluate the practice of engagement: who is involved in the engagement; what is its subject; where does it take place; when does it take place; how is it done; and what techniques are used?

#### 3.1 The drivers of engagement

Four main factors affect the way organisations engage with their stakeholders:

- **organisational objectives:** organisation relevance; organisation aims
- **stakeholder needs:** accessibility of engagement; receptiveness of the engagement environment
- **organisational-stakeholder relationships:** maturity of relationship; organisation and stakeholder knowledge and skills
- **issues of dialogue:** maturity of issue; nature of issue; context of issue; linkages between issues

For each of these factors, organisations can ask themselves key questions to explain the nature of their existing engagement (and to understand how it may be developed) and to assess its quality. These are outlined in Tables 2 to 5 below.

## Table 2 – Organisational objectives

### Organisational relevance:

- What are the priority issues for the organisation? How relevant is the issue under discussion and how critical are relationships with specific stakeholder groups?
- *The accountable organisation will demonstrate inclusive engagement on issues of significant concern to all stakeholders. Yet clearly some groups have a closer relationship with the organisation and are owed a stronger duty of account. Employees, for example, tend to have a clear contractual relationship with the organisation, and may receive closer attention than an infrequent customer of a low-value product.*

### Organisational aims:

- What are the aims of the organisation in engaging with its stakeholders? Organisations often explain the reason for engagement in one of five ways: relationship-building, decision-making, information-gathering, reputation-building and learning and innovation.
- *Each of these arguments may be used in an instrumental way, purely as a means to deliver increased shareholder value. But for the accountable organisation, these arguments are strengthened through the transparency of its approach and its responsiveness to stakeholders needs. It is the range of relationships that the accountable organisation has, as well as the depth of these relationships that enables it to capture/exploit the potential financial and social value of engagement.*

### **Table 3 – Stakeholder needs**

#### **Accessibility of processes to stakeholders:**

- not have access to telephones, computers or transportation, inhibiting their access to avenues of communication such as telephone hotlines, internet based information or advisory desks. Other groups may have high levels of illiteracy or speak languages and dialects that inhibit their access to written and spoken communications.
- *stakeholder group.*

#### **Receptiveness of environment to stakeholders:**

- How receptive is the engagement environment to stakeholders? Some approaches to stakeholder engagement may be considered intimidating by certain stakeholders, for example, some stakeholder groups may not feel comfortable expressing their views in large groups; whereas, others may not feel comfortable in one-on-one interview style situations.
- *comfortable expressing their views and opinions.*



#### **Table 4 – Organisation - stakeholder relationships**

##### **Maturity of relationship:**

- How mature is the relationship between the organisation and the stakeholder group? An organisation may have a relatively mature relationship with its employees and they would, therefore, be receptive towards a written survey. However, this approach may not be as appropriate for less mature relationships with a community group, where a face-to-face engagement approach may indicate a sense of commitment to the engagement process on behalf of the organisation and would more easily facilitate a sense of trust from the community group.
- *The accountable organisation will demonstrate approaches to engagement that reflect the needs of the organisation and its stakeholders in the context of their relationship.*

##### **Organisation and stakeholder experience and skills:**

- What skills and experience do the organisation and its stakeholders possess in different methods of engagement? A relationship that has been well documented by the organisation and its stakeholders will require a lower level of pre-briefing for all the participants. In contrast, at the beginning of a relationship, where records have not been kept, or key individuals have moved between organisations, a higher degree of preparation and capacity-building will be required.
- *The accountable organisation will demonstrate approaches to engagement that ensure that the participants in the engagement are well prepared to make informed comments and decisions as appropriate during the engagement.*

## Table 5 – Issues for dialogue

### Maturity of issue:

- How mature or well understood is the issue under discussion, in particular in the context of organisation-stakeholder partnerships? Equal opportunities is a relatively mature issue in South Africa and has been codified in law. As such, a supplier questionnaire addressing equal opportunities policies and practices would be considered appropriate as expectations of performance have been formalised through legislation. Alternatively, for an emerging issue such as labelling GMO ingredients, where there is still much debate about what constitutes appropriate organisational behaviour, the engagement process would involve engaging with governments through face-to-face discussions, rather than written questionnaires.
- *The accountable organisation will demonstrate approaches to engagement that reflect the needs of the business and its stakeholders in relation to the maturity of issue(s) under discussion.*

### Nature of issue:

- What is the nature of the issue being addressed by the engagement? An extremely sensitive issue, such as corruption or bribery, would require a confidential avenue of communication for stakeholders who may wish to remain anonymous. A telephone hotline would, therefore, be more appropriate than a focus group discussion for reporting incidences of bribery or corruption; whereas, a focus group discussion would be a better form of communication for raising awareness of bribery and corruption.
- *The accountable organisation will demonstrate approaches to engagement that reflect the needs of the business and its stakeholders in relation to the sensitivity of issue(s) under discussion.*

### **Context of issue**

- What is the context surrounding the issue being addressed by the engagement? The organisation may need to consider relevant issues of context such as previous discussions of the issue being raised, the outcomes of such discussions, the previous or planned extent of stakeholder engagement, the historical, political and cultural context of the issue.
- *The accountable organisation will demonstrate approaches to engagement that reflect the needs of the business and its stakeholders in relation to the context of the issue(s) under discussion.*

### **Linkages between issues**

- To what extent are there linkages and dependencies between different issues? Very few issues exist in isolation and therefore an understanding of the linkages between the issue under discussion and other issues may be critical to a successful outcome.
- *The accountable organisation will demonstrate approaches to engagement that reflect the needs of the business and its stakeholders in relation to the linkages and dependencies of the issue(s) under discussion.*

### **3.2 The practice of engagement**

The second engagement tool helps organisations to understand all relevant aspects of the practical content of their engagement. This is based on a set of method questions: the **who**, **what**, **where**, **when** and **how** (which technique) of stakeholder engagement. With this understanding, organisations are better placed to select ways of engagement in the future.

The table below illustrates the way the questions can be used to explain or evaluate engagement practice.

**Table 6 – Explaining and evaluating stakeholder engagement behaviour**

**Who** is involved in the engagement?

- Engagement may focus on one or more groups. It may attempt to survey all individuals within a group or identify a sample that is either representative or able to provide information of particular value.
- *Traditionally organisations have identified those stakeholders that could have an adverse effect on their activities and sought to engage them. Accountable organisations go further in their identification of stakeholders, using an inclusive definition, and have a deeper identification based on their transparency and responsiveness.*

**What** is the subject of the engagement?

- Engagement may focus on a particular issue, or may be linked to a particular part of an organisation's decision-making process. In some cases, there may be no clearly formed subject of engagement – the point is to allow the organisation and stakeholders to understand each other better and to allow important issues to arise unforced.
- *Accountable organisations do not restrict the overall scope of discussion in the engagement, although debates on specific issues may be appropriate for particular consultations.*

**Where** does the engagement take place?

- This may be driven by the use of a particular technique, for example the use of the Internet or postal questionnaires. In other cases, the location will depend on the site of an organisation's operations, the location of stakeholders, and the ability of each to travel to each others' sites (where they are not the same).
- *Accountable organisations ensure that the location of the engagement does not exclude stakeholders or restrict them in voicing opinions or making decisions.*

**When** is the engagement undertaken?

- The engagement may be a one-off process either to begin a process of debate or to close off a decision, or it may be used on an on-going basis either to understand how opinion has changed or to build a common understanding between the organisation and its stakeholders of its contribution to economic, social and environmental sustainability.
- *Accountable organisations ensure that the timing and structure of the engagement does not exclude stakeholders or restrict them in voicing opinions or making decisions.*

**How** does the organisation engage with stakeholders – which methodologies and techniques does it use?

- A variety of techniques can be used to engage with stakeholders, including telephone hotlines, face-to-face meetings, workshops and focus groups, surveys, reports and other communications, etc. A second set of issues of technique relate to the tone and context of the technique's application.
- *Accountable organisations ensure that the techniques used in the engagement do not exclude stakeholders or restrict them in voicing opinions or making decisions.*

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## About the SIGMA Project

The SIGMA Project - *Sustainability Integrated Guidelines for Management* was launched in 1999 with the support of the UK Department of Trade and Industry (DTI) and is led by:

- British Standards Institution - the leading standards organisation
- Forum for the Future - a leading sustainability charity and think-tank
- AccountAbility - the international professional body for accountability.

The SIGMA project has developed the SIGMA Guidelines and a series of tools to provide clear, practical advice to organisations to enable them to make a meaningful contribution to sustainable development.

The SIGMA Guidelines consist of:

- a set of **Guiding Principles** that help organisations to understand sustainability and their contribution to it.
- a **Management Framework** that integrates sustainability issues into core processes and mainstream decision-making. It is structured into phases and sub-phases.

The SIGMA **Toolkit**, consists of targeted tools and approaches to help with specific management challenges, and case studies explaining how organisations have used the SIGMA Guidelines and Toolkit to tackle real issues.

More information including the full SIGMA Guidelines and the accompanying SIGMA Toolkit are available at: [www.projectsigma.com](http://www.projectsigma.com).

