Managing Stakeholder

Engagement

A guide to help you maximise the strategic returns generated from your relationships with your stakeholders

Stakeholder engagement is an important management function, particularly in relation to leading your organisation. Of course, you cannot run any business without engaging with your key stakeholders and no doubt you already interact with them on a frequent, if not daily basis. However, stakeholder engagement in this context is about far more than dealing with them at the day to day level. It is a strategic concern and means truly putting your stakeholders at the heart of your business and ensuring that everything you do across the business is designed to meet and exceed their needs and expectations.

Managing Stakeholder Engagement

This short guide is intended to refocus your thinking about how you currently engage with your key stakeholders so that you maximise the strategic returns generated from your relationships with them. It addresses the following content:

1. Introduction

Stakeholder engagement should be at the heart of your strategic management process and an underlying principle in any stakeholder engagement strategy is that you are genuinely interested in listening to their concerns and addressing their needs as part of the decision-making process. Some organisatio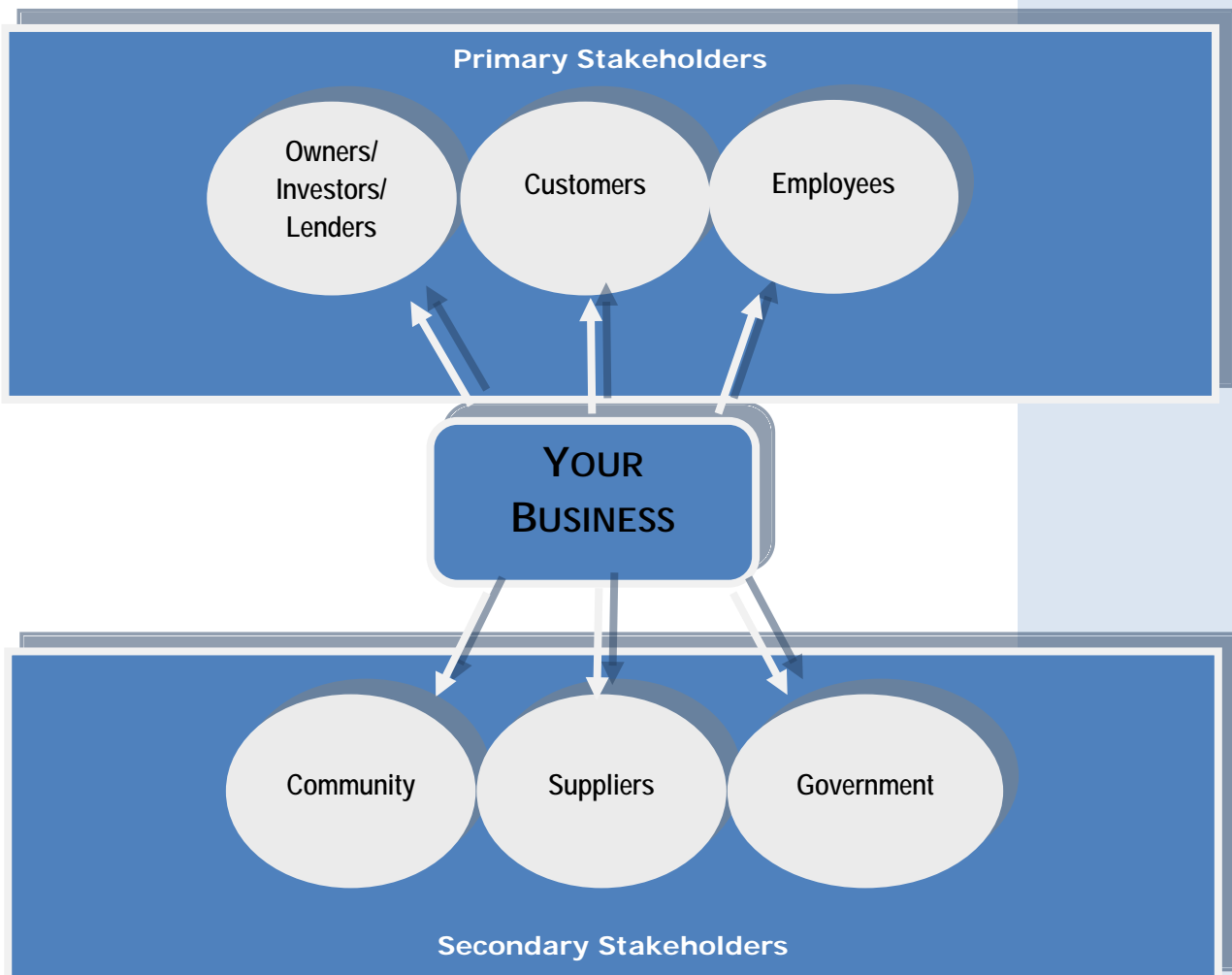ns undertake stakeholder engagement because it is seen to be the 'thing to do' these days and are really only participating in a cosmetic, or box ticking exercise.

Stakeholders see through this of course, and managers who don't approach stakeholder engagement in a genuine and meaningful way do themselves more harm than good.

2. Knowing your Stakeholders

In seeking to maximise the benefits you get from engaging fully with your stakeholders, it is of course essential in the first place to be very clear as to who they are. Every business has what could be deemed Primary and Secondary stakeholders:

Primary Stakeholders

Owners/ Investors/ Lenders

Customers

Employees

YOUR BUSINESS

Community

Suppliers

Government

Secondary Stakeholders

How you differentiate between primary or secondary stakeholders is in the degree to which they exert *influence* over, or have an *impact* on how you run your business.

Those who have significant influence and/or impact are seen as primary stakeholders and as such require most of your attention. Secondary stakeholders are not unimportant, just that they are unlikely to have the same degree of power over the choices you make; however, you do need to consider their needs and address them where appropriate.

True stakeholder engagement means developing meaningful relationships which serve to ensure that you understand and consistently deliver upon their needs and expectations. This may seem like an obvious concern, but many managers and business owners fail to develop the type of relationships required and as such can, on occasion, even be working at odds with stakeholders as opposed to being in unison with them.

The following sections provide a synopsis of what is important in terms of relationships with your stakeholders, beginning with the key primary stakeholders.

2.1 Owners/Investors/Lenders

Of course, the requirements here will depend upon the exact structure of your business and how it is funded, but it is not unusual for managers within an enterprise to have strained relationships with those who own/invest, or indeed fund it. This can occur for a variety of reasons and frequently results from the absence of a shared vision for how the business is to be operated.

" highest returns " possible

Investors and funders naturally want to protect their investment, and get the highest returns possible, so they generally view the business from that limited perspective. Managers also have to be focused on the finance side of things, but they have to consider related concerns such as employee welfare and customer service, the pressures of which are not always well understood by those external to the business.

The obvious solution here is for both parties to come together to develop a shared vision for the future of the business and you would imagine that this would happen as a matter of course. But it doesn't, and often the sides grow further apart and become more and more adversarial over time, a situation which usually ends in acrimony.

This is why it is important to involve this stakeholder grouping in the development/revision of the Vision and Mission for your business and the related strategic goals that arise from that. By doing so, this will bring the differing perspectives to the surface at an early stage in the business life-cycle which allows them to be discussed and resolved.

In addition, as part of regular meetings with these stakeholders it is also useful to make a short presentation on how the business is doing, beyond the financials, which can serve to give them a greater insight into the ongoing challenges and achievements within the business which will not be evident from solely exploring the financial reports.

A final word here about dealing with lenders. Sometimes managers develop a way of dealing with their bankers which is akin to a teacher-student or a parent-child relationship whereby the banker is seen as some form of menacing ogre waiting to pounce.

There is no doubt that some bankers can be difficult to deal with but in general it can be said that all bankers hate surprises, so rather than keeping the bad news from them, it's always best to keep them regularly updated and informed. By proactively communicating with your banker, by forwarding plans and proposals to them without having to be asked, by seeking their advice on important financial decisions you can both change the dynamic of the relationship as well as give them confidence that you are in control of your finances – and their money.

2.2 Customers

It goes without saying that you need to interact with your customers on a regular basis and no manager in tourism could survive for very long without doing so. However, the real consideration here is how meaningful those relationships are in terms of really understanding your customers' needs and continuously developing and enhancing your service offering in response. Anyone with a modicum of experience in this industry can fairly easily define the common expectations of customers across the service journey. However, when you begin to hone in on specific customer segments, it can be harder to fully understand what their changing needs and expectations are. Therefore, you need to actively seek to develop your understanding in this regard, a goal which can be achieved by activities such as:

Focus Groups

Focus groups are common across many sectors but, beyond the large operators in tourism, they are still not frequently utilised in our industry. This is partially due to the fact that they are often seen to be overly complicated to organise and manage, and they do take time and effort, but that effort is worthwhile because focus groups are one of the best ways to really develop your understanding of specific customer needs by segment.

Surveys & Questionnaires

Of course, surveys can be useful in helping to get a better understanding of segment specific customer needs, but the difficulty here is that most business people, and even private individuals, are constantly bombarded by surveys of various kinds so there is a bit of survey-fatigue out there.

Feedback Mechanisms

Naturally, you can learn a lot about your customers from the feedback you get from them, but only if you address the following issues:

❑ Do your feedback mechanisms give you the information you need, when you need it?
❑ Do they allow you to hear from a sufficient proportion of your customer base?

Take comment cards for example here. Many managers in tourism enterprises believe that because they have a comment card system in place that they are 'in touch' with their customers.

But comment cards have significant limitations; you only hear from a very small proportion of your customers, and usually only when they are either very happy or unhappy. So, it's about the scope and breadth of your feedback system to make sure you are hearing the right things from the right amount of customers.

Of course, your daily interactions with customers remain vital and they form part of your engagement efforts, but truly getting closer to your customers requires a planned and holistic approach – continuously applied - which allows you to better understand the needs of existing and potential customers.

2.3 Employees

You will already know that employee engagement is a vital success factor for your business and you no doubt have a variety of ways in which you interact with them. The key issue again here is the quality of those interactions; for example, employees in many businesses complain that there are too many meetings which are unproductive so you should reflect upon the quality of your interactions, and not just the quantity. In addition think about the following:

❑ How effective is your recruitment and induction process in helping new employees to understand what you are about as a business and how they can contribute?
❑ How effective are ongoing communications such as Daily Briefings in terms of allowing for quick but structured transfer of information between managers and employees?

❑ Is there a monthly meeting held between each manager and his or her team to discuss work-related matters in detail and to allow for meaningful dialogue?
❑ Do you use team-based approaches to problem solving, or in areas like quality management?
❑ Are regular job chats held with each employee and a more formal appraisal conducted annually?
❑ Do you have an annual employee satisfaction survey?

By considering these key questions, you can get a sense of how well you really engage with your employees on an ongoing basis.

As stated, your primary stakeholders should naturally get most of your attention, but that doesn't mean you should ignore your secondary stakeholders.

2.4 Community

Depending upon the location of your business, the local community will have a greater or lesser impact on how you run it – if you are located in a small rural area they will probably have more influence on the decision you take than if you are based in a large city. Regardless of location, most tourism businesses seek to work closely with the local community and this can form part of wider corporate social responsibility – or CSR, efforts.

Again, you should be thinking here about what formal platforms are in place to allow you to interact with the local community in a meaningful way and how you communicate your intentions to them through tools such as an environmental management, or health and safety policy.

Consider how you currently make a difference to the locally community within which you operate:

- ❑ How much local employment do you provide?
- ❑ Do you support or contribute to the running of any local community groups or charities?
- ❑ Do you offer sponsorship for local groups or teams?
- ❑ Are you minimising wastage and water use and other possible environmental issues?
- ❑ How are your business activities impacting on daily life for locals? For example, do you generate noise late at night, or bring large volumes of traffic into the area?
- ❑ How is your company viewed in the local community?

Building better relationships with the local community is always good for business and as a result worth any and all the effort you put into it.

2.5 Suppliers

Traditionally, the relationship between businesses and their suppliers has been somewhat at "arm's length", and in the past there was often a general air of mistrust within the relationship. The expectation was that the supplier's aim was to maximise profits at the expense of service standards and quality, with the purchaser challenging the supplier on quality, weight and price and always threatening to take their business elsewhere. The result of this relationship was that both parties lost out in terms of profit, quality and a long-term and reliable trading relationship. That dynamic has very much changed in recent years and it is now accepted that it is far more preferable to develop a working relationship where the needs of both parties are met and are transparent: a 'win, win' situation. Applying best practice principles to supplier relationships will enable your organisation to develop a true partnership, ensuring that your customers are delighted by the products and services offered. When there is a true partnership approach, you and your management team will spend less time dealing with unnecessary problems, leaving you more time to devote to other business issues. In addition, many suppliers today offer a range of consulting and support services which can benefit your business at low, or even no cost.

2.6 Government

Often the government is overlooked as a stakeholder in your business, but as you are well aware the national government can directly impact on how you operate your business without you having too much say in the matter. In terms of the engagement issue, we are really focusing here on the local arm of government and those agencies that directly support the tourism industry.

By building strong relationships with these bodies, it is often surprising the variety of services and supports that are available to assist you which can often go unnoticed.

3. Conclusion

The purpose of this guide has been to emphasise the importance of building strong relationships with the key stakeholders in your business. Undoubtedly, what has been presented here was not entirely new to you, but very often the day to day pressures of running your operation can cause you to lose focus on important issues such as stakeholder engagement. As a consequence, you should take some time now to review the current state of your relationships with each of your key stakeholder groups and identify ways in which you might build upon what you have in place, or remove existing blockages.

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