7 Strategies for Effective Stakeholder Engagement

Guide to level-up your approach to stakeholder management

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*Key takeaways

- **Stakeholder engagement is critical to organizational success and sustainability.** It can help organizations create "win-win" scenarios in which they're able to accelerate their impact by ensuring that their work is aligned with the interests of key stakeholders.

- **Stakeholders have high expectations of organizations.** In addition to expecting companies to be competent, they also expect them to be ethical and responsible.

- **The way that organizations interact with stakeholders is changing.** No longer a one-way process, stakeholder management has evolved into a more sophisticated (and continual) practice that requires two-way communication and dialogue.

- **There are a number of stakeholder engagement strategies that can be used to build and maintain relationships with stakeholde**rs, such as proactively addressing criticism and building a Stakeholder Engagement Plan.

- While many organizations rely on spreadsheets and CRMs to manage their stakeholder relationships, **dedicated Stakeholder Relationship Management tools can make the process easier and more efficient — leading to better outcomes for organizations and stakeholders alike.**

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1. Introduction

What is stakeholder engagement? Why does it matter?

In today's business environment, effective stakeholder engagement is critical to an organization's impact and sustainability. Healthy relationships with stakeholders can help organizations build social capital, mitigate social risk, help to create shared value, and establish your organization as a responsible actor in society.

Stakeholders are individuals and groups who have an interest in one or more of an organization's critical initiatives. Some common stakeholders include employees, customers, suppliers, shareholders, government agencies, interest groups, and the community in which a company operates.

Stakeholder engagement is the process of interacting with people who have a vested interest in your organization or work. It includes activities such as:

- Constant communication
- Building relationships
- Listening to feedback

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Stakeholder engagement is important because it helps ensure that your organization's actions are aligned with the needs and expectations of the people who matter most to its success.

1.2 Who should care about stakeholder engagement?

While most organizations benefit from stakeholder engagement, those seeking to create social capital will find it especially critical to establish an effective stakeholder engagement strategy. These organizations often come from fields such as:

- Renewable energy
- Mining
- Oil & Gas
- Energy
- Government
- Consulting
- Healthcare

Building productive relationships with stakeholders involve understanding and managing the expectations of people from diverse groups, including shareholders, employees, customers, and suppliers, as well as federal, state and local government and community organizations.

Stakeholder engagement in action: Tesla

Tesla, the electric vehicle manufacturer, is an example of an organization that effectively engages stakeholders. Tesla's success is due in part to its effective engagement with key stakeholders, including government agencies, suppliers, customers, and shareholders. Tesla's CEO, Elon Musk, has said that the company would not exist without the engagement of its stakeholders.

1.3 The challenges of stakeholder management

Despite the importance of managing stakeholders, many organizations do a poor job of nurturing relationships with them.
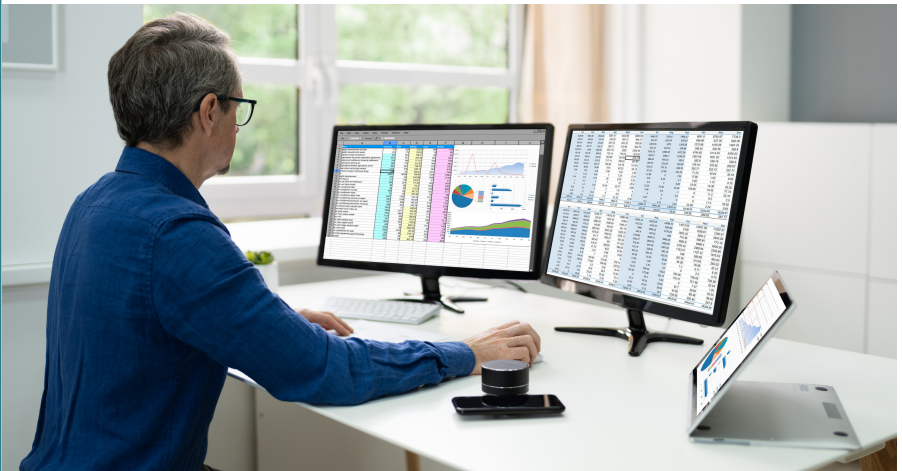
An organization may struggle to effectively manage stakeholders due to a variety of factors.

1.Awareness: Organizations that don't fully grasp the potential benefits and risks of stakeholder sentiment are less likely to communicate and engage with stakeholders effectively.

2.Resources: By not investing in the right people, processes and tools — such as Stakeholder Relationship Management software — organizations are not only limiting their ability to manage their interactions with stakeholders, they're also exposing their work to unnecessary risk.

1.4 The risks of relying on spreadsheets and CRMs to manage stakeholders

As a result of the situations described above, organizations often rely on CRM (customer relationship management) tools and spreadsheets like Google Sheets or Microsoft Excel to manage stakeholder relationships because they don't see a need for a dedicated solution, or don't know that one exists. Both types of tools come with significant drawbacks when used to manage relationships with stakeholders.

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The risks of relying on...

	CRMs	SPREADSHEETS
What they're built for	Managing a prospect through the sales funnel to become a customer	Keeping track of data and making calculations
Best use cases	Oversight of sales productivity, centralizing contact information, sales performance data, and sales communication outreach	Modeling, accounting, budgeting
Why they fall short when used for stakeholder engagement	Treat stakeholders as potential customers, assuming that they are moving on a fixed, predictable path toward an end point — in most cases, a sale Fail to acknowledge that an organization's relationship with a given stakeholder might vary across teams, and might ebb and flow as conditions change	Do not account for the fact that an organization's relationships with stakeholders may evolve over time — and across initiatives Make it difficult to track interactions across teams, as they're cumbersome to update and access may be limited across the organization Storing stakeholder contact information in spreadsheets often runs counter to privacy legislation

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1.5 The benefits of a dedicated SRM solution

Stakeholder relationship management software (SRM) is a dedicated tool that helps companies track their relationships with stakeholders across teams and initiatives. With an SRM, companies can centralize critical contact information, keep track of all the interactions they have with stakeholders, gauge stakeholder sentiment, and measure the outcomes of those interactions.

Organizations that invest in a dedicated SRM solution can enjoy a number of benefits, including:

- Avoiding chaos and frustration of repeated contacts or missed communication
- Coordinating communications efforts across teams talking to the same stakeholders
- Gaining the approvals needed to move forward
- Increasing understanding to inform and speed up critical decisions

Assuring the organization that stakeholders are being actively managed

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2. Who can benefit from this guide?

In this guide, we present an overview of key trends in stakeholder engagement that we've observed in 2021-2022. We also detail seven strategies that organizations can follow to engage with stakeholders more effectively.

This guide is designed for anyone who is responsible for managing relationships with stakeholders. Whether you are active in day-to-day stakeholder engagement, organizational leader, or a C-level officer, this guide will give you the tools you need to effectively engage with your stakeholders.

3.
Top trends in stakeholder engagement 2022

These are some of the top trends in stakeholder engagement that our team has observed in 2022 and heading into 2023.

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Trend 1

The raise of stakeholder capitalism

A vital part of running a successful project is to develop and maintain good relationships with those communities that will be affected and other stakeholders.

In recent years, many organizations have been trying to promote "stakeholder capitalism" by making decisions that are good for both their shareholders, their stakeholders, and the community at large.

As a result of stakeholder capitalism's growing prevalence, we've seen a rise in the number of organizations that are looking to build better relationships with their stakeholders. We've also seen an increase in what stakeholders expect from organizations trying to create social capital — a trend that will cause more organizations to see the value of stakeholder capitalism and work to engage with stakeholders.

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Trend 2

Shifting power dynamics between organizations and stakeholders

Power dynamics are shifting as a result of the free flow of information — because information is no longer held centrally, organizations no longer can "control the narrative." Instead, stakeholders can use social media and other channels to share their own version of events.

As a result, organizations can no longer rely on top-down communication; they must now engage in two-way dialogue with their stakeholders. They also need to be proactive in communicating with stakeholders, rather than waiting for stakeholders to come to them.

Trend 3

Stakeholder engagement is now a 24x7x365 job

In past years, organizations might hold town hall meetings to provide updates on their work and listen to feedback from stakeholders. However, we're now seeing a shift away from this model of communication.

Stakeholder engagement is now an around-the-clock job, with discussions happening across channels. Organizations need to be prepared to engage with stakeholders at any time, in any place, any digital channel. They also need to have a plan for how they will respond to stakeholder inquiries and concerns.

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Trend 4

Organizations that respond to critics get their rewards

Some companies are trying a novel strategy: they are reaching out to their most vocal critics and trying to engage with them. By reaching out to their most vocal critics, organizations can start a dialogue that gives them a better understanding of their critics and their concerns — and ultimately help them improve their product or service and its potential for impact.

This strategy can help to turn critics into allies by showing that the organization is willing to engage meaningfully and give proper consideration of the concerns and needs of stakeholders. As a result, this can help to build trust between the company and its stakeholders.

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Trend 5

Stakeholder engagement is a top-3 priority for CEOs and Directors

The rapid advance of ESG and DEI, has already made a material impact on how an organization's leaders define success. According to a 2020 McKinsey report, CEOs and Directors understand the value of stakeholder engagement, listing it among their top three priorities(*).

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4.
7 Strategies for Effective Stakeholder Engagement

Here are seven strategies that any organization can use to build better relationships with their stakeholders and keep their work moving forward.

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Strategy 1:
Listen to the warning signs

There are several signs that can tell you that your organization isn't engaging with stakeholders effectively. These signs may include:

- Consistently slow responses to stakeholder inquiries
- Stakeholder input not being part of critical decision making
- Frustration from constantly having to explain your organization's actions to stakeholders, or if you're getting pushback from stakeholders on a regular basis
- Meeting with stakeholders, only to find that another team at your organization has recently met with them
- A lack of visibility into stakeholder relationships, particularly among an organization's senior leaders

Tip: With stakeholder relationship management software, you can visualize stakeholder sentiment and the status of key issues in real-time.

Strategy 2:
View stakeholder engagement as a structural challenge

While it's tempting to chalk up frustrations with stakeholder engagement to simple operational hurdles, it's important to take a step back and see if there are larger structural issues at play. Often, better stakeholder communication requires improvements on both fronts.

Tip: Stakeholder engagement is now a new critical function in your organization and it needs the right level of investment, both people, training, and dedicated software.

Strategy 3:
Recognize the difference between prospects, customers and stakeholders

While customers, prospects and stakeholders are all important external audiences, they have distinct characteristics and interests.

An organization's relationships with its prospects and customers centers around the same event: a sale. Sales pipelines and CRMs provide organizations with great tools to measure and manage these types of relationships.

Stakeholder relationships follow a different, more complex path. A stakeholder relationship doesn't culminate in a transaction; instead, it may take different forms over time — and across different initiatives. As a result of this complexity, stakeholder engagement requires a different set of tools and processes.

Tip: Customer and stakeholder relationships are different — and thus require a different solution. While CRMs are great for customer relationships, use a dedicated SRM to guide your interactions with stakeholders.

Strategy 4:
# Learn to embrace opposition criticism

Criticism is hard to accept, but organizations that deal with it effectively are often successful. While organizations might be inclined to get defensive, or to write off its critics as uninformed or "just not getting it," the better strategy is to engage with them.

Tip: Be proactive about criticism. Use an SRM tool to monitor stakeholder sentiment, track key issues in order to address negative opposition before it becomes a problem.

Case study: Walmart

One example of a company that has responded to stakeholder criticism effectively is Walmart. After years of negative publicity, the company made a concerted effort to improve its relationship with stakeholders, including employees, customers and suppliers. As part of this effort, Walmart created the position of Chief Stakeholder Officer and began publishing an annual sustainability report. Since implementing these initiatives, Walmart has seen a significant improvement in its reputation.
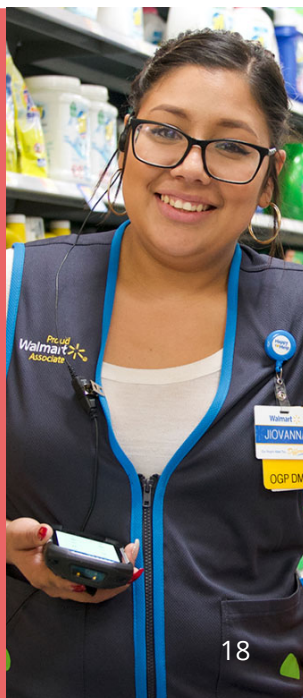
Strategy 5:
Identify your stakeholders

One of the most important steps toward effective stakeholder management may seem like the simplest: Identifying and mapping your stakeholders by importance, interest, and impact.

There are two types of stakeholders: primary and secondary.

- **Primary stakeholders** are people who are directly affected by your organization's actions. They include customers, employees, shareholders, and suppliers.
- **Secondary stakeholders** are people who are indirectly affected by your organization's actions. They include the media, NGOs, and local communities. While secondary stakeholder relationships present an opportunity to build a coalition of support, they may also lead to opposition that prevents your work from moving forward.

Tip: Use a stakeholder mapping tool to identify and map your organization's stakeholders by importance, interest and impact.

Strategy 6:
Develop a stakeholder engagement plan

Once you've identified your stakeholders, it's time to develop a stakeholder engagement plan.

A Stakeholder Engagement Plan is a document that outlines appropriate management strategies to effectively engage and manage stakeholders throughout the lifecycle of the project, based on the analysis of their needs, importance, interests and, crucially, their potential impact on the success of your work

Tip: Being strategic and clear up-front will not only save time and money, it will also help you manage expectations and gain trust.

Our template for building your own Stakeholder Engagement Plan can get you started on the right foot.

Strategy 7: Select the right Stakeholder Relationship Management software

Making the decision to invest in a dedicated tool to manage stakeholder relationships is critical to achieving your organization's goals. SRM tools were created to make it easier to manage stakeholders and issues that range from political approval to compliance and audit requests.

Tip: While we're certainly far from an unbiased observer, we believe that the following are important criteria to look for when evaluating a potential solution.

- Deep experience in the field of stakeholder engagement
- A built-in methodology for stakeholder engagement
- AI-enabled capability to track stakeholder sentiment
- Integrations with popular communications and business intelligence tools
- Insightful and easy to use dashboards, reporting and analytics
- Simple pricing that allows all of your team members to benefit from the software

5.
Introducing
Simply Stakeholders

Simply Stakeholders is the smarter way to engage with stakeholders.

Our dedicated SRM software helps you stay connected with the issues and stakeholders so that you can minimize social risk and accelerate impact.

With Simply Stakeholders, you can:

- All your contacts, communication and information organized in one place.
- Map stakeholder relationships and track issues
- Engage with stakeholders across teams and multiple projects
- Gain AI-driven insights into stakeholder sentiment to help you be a step ahead
- Share visibility with leadership — including the C-suite
- Easy to set up & easy to use by everyone on your team

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Benefits of
Simply Stakeholders

By keeping you connected with the issues and stakeholders who matter most, Simply Stakeholders makes it easier for you to do your best work.

- All of your stakeholder contact information in one place
- Be confident you are engaging stakeholders the right way, by importance-interest-impact
- Make timely decisions, and/or gain timely approvals, all informed by stakeholder insight
- Create a coordinated and orchestrated stakeholder experience across multiple teams
- Demonstrate assurance that you're on top of key issues, actively managing key relationships and building social capital

Ready to simplify your approach to stakeholder engagement?

Reach out to us to learn how you can implement the strategies discussed in this guide using the Simply Stakeholders SRM software tool.

🌐 www.simplystakeholders.com
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6. Looking ahead

The importance of stakeholder engagement will only continue to grow in the years ahead. As organizations become more complex, the need for effective stakeholder management will become even more critical.

Thank you for reading our guide on stakeholder engagement. We hope you found it helpful. If you have any questions or would like more information, please don't hesitate to contact us at

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