Communication for Governance
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52621

MULTI-STAKEHOLDER DIALOGUE

Defining Stakeholding

Stakeholding is a *process* by which stakeholders are actively involved in the design, delivery, review and improvement of products and services (including political and social services). Stakeholders are involved to ensure gains over the long term.[1] Stakeholder theory describes organizational connections to stakeholders addressing how stakeholders can enhance an organization and become more engaged.[2]

Types of Stakeholders

A stakeholder is a person, or group of persons, with who has an interest or concern in a particular process due to direct or indirect involvement. Marsh (1998) proposes four major types of stakeholders (p. 27).[1]

1. **Core Stakeholders** – people essential to the organization or process
2. **Customers** – people who receive the product or service (community members, interest groups)
3. **Controllers** – people who define, regulate, and influence the organization or process (legislators, regulators, providers of capital, government services, media, trustees)
4. **Partners** – people through whom part or all of the service is provided (suppliers, temporary staff, distributors, agents, consultants)

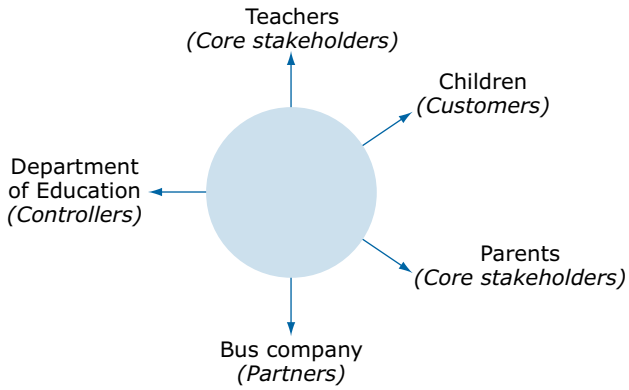


Figure 1. Vector diagram showing example stakeholder requirements for a school (Marsh, 1998)

What Is Stakeholder Dialogue?[3]

- An interactive, working communication process that involves *all types* of stakeholders in decision-making and implementation efforts.
- Involves *all* interest groups with a concern in a two-way communication process.
- Focuses on increasing understanding and relations among stakeholders through the use of communication that enable participants to move forward with implementation plans.
- Stakeholder dialogue is generative – discourages blaming for the past and creates a shared future.

1 Marsh, J. (1998). *A Stake in Tomorrow: World Class Lessons in Business Partnerships.* London: B.T. Batsford Limited.

2 Freidman, A. L., & Miles, S. (2006). *Stakeholders: Theory and Practice*. New York: Oxford University Press.

3 The Environmental Council (2006). *Principles of Stakeholder Engagement*. Retrieved May 21, 2007 from http://www.the-environment-council.org.uk/principles-of-stakeholder-engagement.html.

Dimensions of Stakeholder Dialogue[4]

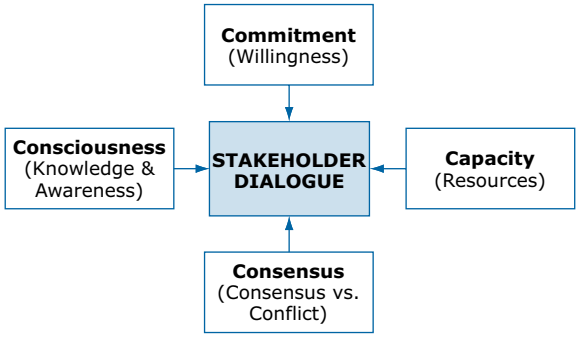
Pederson (2006) has identified five dimensions of stakeholder dialogue and engagement. These five dimensions define the extent to which a stakeholder dialogue is truly participatory. For a dialogue to be productive and participatory all these dimensions should be considered.

1. **Inclusion** – If important stakeholders are left out of decision-making the benefits of dialogue can be limited. Dialogue should include important groups and individuals affected by the issues.
2. **Openness** – Dialogue should be open so that all stakeholders have a chance to voice their opinions. Organizations should not have a predetermined agenda or plan.
3. **Tolerance** – One opinion should not take precedence over others, no arguments should be considered more legitimate. Stakeholders and organizations must be open minded.
4. **Empowerment** – Stakeholders should feel that they have the ability to affect the structure, process, and outcomes of dialogue (p. 142). Stakeholders will be less committed if they sense an imbalance of power.
5. **Transparency** – All stakeholders involved in the dialogue should be given information needed to make decisions and implement outcomes.

Factors that Affect the Quality of Stakeholder Dialogue[3]

Despite the desire for a productive and participative process, there may still be factors that influence the quality of stakeholder dialogue. The following four features determine the outcome of stakeholder dialogues:

1. **Commitment –** There must be a willingness to give priority and resources to the issue at the heart of the dialogue. Additionally, key persons must be committed to planning and implementation of decisions.
2. **Capacity –** Refers to the physical, organizational, and human resource available for stakeholder dialogue. Organizations with more resources may have more capacity for dialogue. However, even when organizations have capacity it does not mean they are willing to use them.
3. **Consensus –** A precondition for dialogue is that there be some degree of goal congruence and shared values or preferences. There must be consensus between participants in the dialogue and implementing agents.
4. **Consciousness –** Organizational leaders must assist in the implementation of stakeholder dialogue. Dialogues must become integrated into the organizational system as opposed to something extraneous. People must be conscious of how they translate stakeholder dialogue into action.



Source: Pedersen (2006) inspired by Discussion-Orientated Organizational Self-Assessment (www.edc.org)

4 Pederson, E. R. (2006). Making corporate social responsibility (CSR) operable. How companies translate stakeholder dialogue into practice. *Business and Society Review*, *111:2*, 137–163.

Stakeholder Types and Strategies for Dialogue[5]

While multiple stakeholder dialogues present an opportunity for participative and integrated decision-making, these dialogues can be challenging. Savage, Nix, Whitehead, and Blair (1991) suggest that organizations learn to manage their stakeholders and present a typology of stakeholders and strategies for managing each type.

		Potential for threat	
		High	Low
Potential for cooperation	High	Stakeholder Type 4 (Mixed blessing) Strategy: Collaborate	Stakeholder Type 1 (Supportive) Strategy: Involve
	Low	Stakeholder Type 3 (Non-supportive) Strategy: Defend	Stakeholder Type 2 (Marginal) Strategy: Monitor

STAKEHOLDER TYPE 1: THE SUPPORTIVE STAKEHOLDER

The supportive stakeholder is the "ideal" stakeholder that supports organizational goals and actions.
Strategy: Involve supportive stakeholders to maximize their cooperative potential.

STAKEHOLDER TYPE 2: THE MARGINAL STAKEHOLDER

This type of stakeholder is neither highly threatening nor cooperative. These types of stakeholders are generally not concerned about issues (although they may have "hot button" issues).
Strategy: Monitor these individuals and recognize their interests are specific. Activate these stakeholders when issues are salient to them.

STAKEHOLDER TYPE 3: THE NONSUPPORTIVE STAKEHOLDER

These stakeholders have high threat potential and are low on cooperation. Therefore, these individuals are most threatening to an organization.
Strategy: Defend against a nonsupportive stakeholder. Reduce dependence that is the basis for the stakeholders' interest in the organization or issue.

STAKEHOLDER TYPE 4: THE MIXED BLESSING STAKEHOLDER.

These stakeholders are individuals who could potentially threaten or cooperate (Savage et al. (1991) describe these as people who are in short supply).
Strategy: These individuals must be managed with collaboration that seeks to maximize stakeholder cooperation (making threatening stakeholders less likely to oppose the organization).

Stakeholder Involvement Strategies[6]

By engaging in dialogue or symmetrical communication both the organization and stakeholders may change. Organizations can seek to be influenced and influence other stakeholders by the following:

- Engage frequently and systematically with stakeholders to determine mutually beneficial action.
- Remember communication *must* be two-way. The aim of dialogue should be to achieve mutual understanding and rational agreement or consent.
- Organizations that set policies which dictate transactions with stakeholders will not be successful.

5 Savage, G. T., Nix, T. W., Whitehead, C. J., and Blair, J. D. (1991). Strategies for assessing and managing organizational stakeholders. *Academy of Management Executive, 5:2*, 61–75.

6 Morsing, M. and Schultz, M. (2006). Corporate social responsibility communication: Stakeholder information, response and involvement strategies. *Business Ethics, 15:4,* 323–338.

- Rather than imposing initiatives on stakeholders, invite stakeholders to become involved in negotiations to explore their concerns about initiatives (making changes along the way).
- If there are not channels for communicating with stakeholders – create them! Try to reach silent stakeholders and form partnerships with stakeholders early.[7]

Stakeholder Management Strategies

The Clarkson Principles of Stakeholder Management are "highly respected in the literature as a model of best practice" (p. 152) and acknowledge a commitment to dialogue with stakeholders.[2] These principles are directed specifically at managers who are responsible for the performance of an organization, making them aware of diverse constituencies and the use of stakeholder management to increase success.[8] They believe that managers must recognize their obligation to deal openly and honestly with stakeholders and emphasize interdependence among stakeholders. The following are seven principles of Stakeholder Management.

Clarkson Center for Business Ethics (1999) Principles of Stakeholder Management	
Principle 1	Managers should acknowledge and actively monitor concerns of all legitimate stakeholders, and should take their interests appropriately into account in decision-making and operations.
Principle 2	Managers should listen to and openly communicate with stakeholders about their respective concerns and contributions, and about the risks they assume because of their involvement with the organization.
Principle 3	Manager should adopt processes and modes of behavior that are sensitive to the concerns and capabilities of each stakeholder constituency.
Principle 4	Managers should recognize the interdependence of efforts and rewards among stakeholders, and should attempt to achieve a fair distribution of the benefits and burdens of organizational activity among them, taking into account their respective risks and vulnerabilities.
Principle 5	Managers should work cooperatively with other entities both public and private, to insure that risks and harms arising from organizational activities are minimized and, where they cannot be avoided, appropriately compensated.
Principle 6	Managers should avoid altogether activities that might jeopardize inalienable human rights or give rise to risks that, if clearly understood, would be patently unacceptable to relevant stakeholders.
Principle 7	Mangers should acknowledge the potential conflicts between (a) their own role as organizational stakeholders, and (b) their legal and moral responsibilities for the interests of stakeholders, and should address such conflicts through open communication, appropriate reporting and incentive systems, and where necessary, third party review.

7 Forstner, G., and Bales, J. (*1992).* Building dialogue into the public consultation process: Part one. *Public Relations Quarterly. Fall 1992,* 31–35.

8 Clarkson Center for Business Ethics (1999/2001). *Principles of Stakeholder Management.* Toronto: University of Toronto. Reproduced 2002, *Business Ethics Quarterly, 12,* 257–264.

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The **Communication for Governance and Accountability Program (CommGAP)**, a global program at the World Bank, seeks to confront the challenges inherent in the political economy of development. By applying innovative communication approaches that improve the quality of the public sphere – by amplifying citizen voice; promoting free, independent, and plural media systems; and helping government institutions communicate better with their citizens – the program aims to demonstrate the power of communication principles, processes and structures in promoting good and accountable governance, and hence better development results.

CommGAP is funded through a multi-donor trust fund. The founding donor of this trust fund is the UK's Department for International Development (DFID).

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