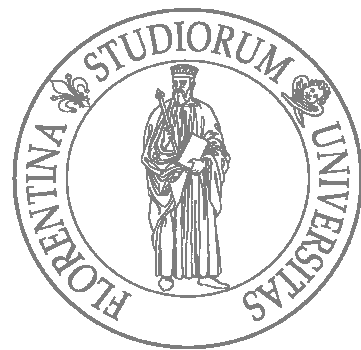


Stakeholder engagement policies and practices: empirical evidence and critical points

Giacomo Manetti (PhD)
Assistant Professor
Department of Business Administration
University of Florence (Italy)
E-mail: giacomo.manetti@unifi.it



Stakeholder engagement vs Stakeholder management

- From the traditional “spoke and wheel” model of stakeholder interaction promulgated in Freeman’s (1984) approach, stakeholder engagement has evolved into the study of interactive, mutually engaged and responsive relationships (Andriof et al., 2002)
- The emphasis is moved from a focus on stakeholders being managed by companies to a focus on the interaction that companies have with their stakeholders based on a relational and process-oriented view (Andriof & Waddock, 2002).
- The stakeholder relationship is assumed to consist of ‘interactive, mutually engaged and responsive relationships that establish the very context of doing modern business, and create the groundwork for transparency and accountability’ (Andriof et al. 2002, p. 9).
- This brings the notion of participation, dialogue and involvement to the centre of stakeholder theory

Stakeholder engagement and international standards

Materiality

Relevance

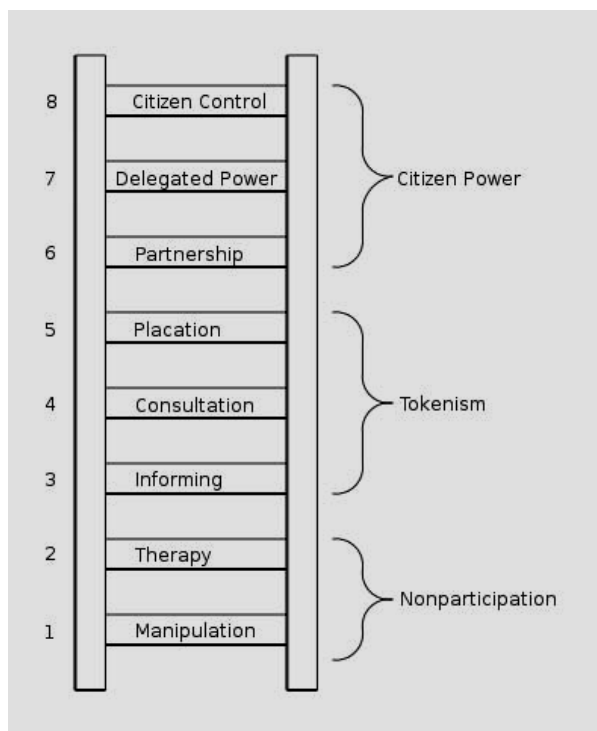


More than giving a general framework of the corporation activities carried out by managers, sustainability reports should communicate really useful information for stakeholders



Stakeholder engagement (compulsory stage in social and environmental accounting and reporting) should determine which information and data should be included in the report

SE and the Arnstein's ladder of citizen participation



Unerman (2007)

- *Identifying the range of stakeholders to be considered*
- *Impossibility of direct dialogue with some stakeholders*
- *Addressing heterogeneous stakeholders expectations*
- *Prioritizing stakeholders needs on the basis of maximum negative consequences*
- *Negotiating an universally accepted consensus regarding the priority stakeholders needs*

Research design

- Inclusion criteria (1): Level A+ of the GRI guidelines (G3)
- Inclusion criteria (2): in the database at the date of 31st December 2009
- Sample of 174 sustainability reports
- The majority of companies are from Europe (74%), are medium or large (57% over 5000 employees), are quoted at the Stock Exchange (67%) and operate in the financial services (29%) or in the energy sector (26%)
- Content Analysis (widely adopted in corporate disclosure studies according to the accounting literature)

Findings from the sample: aims of engagement

1.GENERAL INFORMATION		
1.1. Has a proper section been devoted to the SE in the report?		
Yes	149	85.6%
No	25	14.7%
1.2. Aims and objectives of SE		
-setting or reviewing strategic objectives	66	37.9%
-setting the content of the report (defining what information are relevant)	18	10.3%
-both of the previous elements	17	9.8%
-no reference to the previous elements	73	41.9%
2.DEGREE OF REPRESENTATION OF STAKEHOLDER		
2.1. Have all the stakeholders identified in the report been engaged?		
Yes	149	85.6%
No	25	14.4%
2.2. Among the groups engaged, have representatives been appointed?		
Yes	39	22.4%
No	135	77.6%

Findings from the sample: stakeholder involvement

3.DEGREE OF STAKEHOLDER INVOLVEMENT		
3.1. Simple consultation, monitoring, and information gathering?		
Yes	128	73.6%
No	46	26.4%
3.2. Direct involvement in the reporting process?		
Yes	55	31.6%
No	119	68.4%
3.3. Proactive role and appointment of representatives in the governing bodies?		
Yes	27	15.5%
No	147	84.5%
3.4. Preventive engagement accomplished in the earlier stages of planning and accounting (information gathering) or stakeholders are addressed to review the final document ready to be released?		
-only preventive	68	39.1%
-only final	53	30.5%
-both	35	20.1%
-not declared	18	10.3%
3.5. Is there stakeholders' perception on the previous edition of the sustainability report?		
Yes	103	59.2%
No	70	40.2%
first report	1	0.6%
3.6. If so, are stakeholders required to express their opinion on the materiality and reliability of the information displayed?		
Yes	35	20.1%
No	68	39.1%
There is no perception of previous report	71	40.8%

Findings from the sample: other elements

4.ENGAGEMENT CHANNELS AND METHODS		
<i>4.1. Are the channels and methods used to reach the stakeholders identified?</i>		
Yes	161	92.5%
No	13	7.5%
5.ADDITIONAL ELEMENTS		
<i>5.1. Are difficulties met in SE stated?</i>		
Yes	51	29.3%
No	123	70.7%
<i>5.2. Are the commitment and objectives to report continuous improvement declared?</i>		
Yes	106	60.9%
No	68	39.1%
<i>5.3 Are specific guidelines used in SE?</i>		
Yes	59	33.9%
No	115	66.1%

Conclusions and criticism

- With reference to the Arnstein's ladder of citizen participation, it could be stated that the degree of power given to stakeholders in corporate decisions is relevant but not decisive in the majority of the cases (first five level of the ladder)
- In a minority of the cases we noticed the delegation of power to stakeholders and an important representation of stakeholders in the decision-making process through multi-way dialogue such as board representation. (e.g. German Companies)
- Only in very few cases, a "stakeholders' control" on the corporation (level 8 of Arnstein's ladder) is evident, with stakeholders obtaining the majority of decision-making seats or full managerial power in the organization (e.g. Spanish Savings Banks)
- Have been recurrently excluded: suppliers, NGOs and public administration
- In many cases it is not clear if the engagement is effective (with the exception of organizations with a multi-stakeholders' governance) or it is only declared in the report to placate the stakeholders' requests and to build the corporate trust through "blue-washing" policies.
- Limit of the present study: no Likert scale for data collection or interview

Thank you for your attention

Giacomo Manetti - giacomo.manetti@unifi.it
Department of Business Administration
University of Florence (Italy)