INSIGHTS FROM A PEER LEARNING PARTNERSHIP November 2021

BUILDING CAPACITY FOR ENGAGING STAKEHOLDERS TO BETTER UNDERSTAND AND MANAGE SOCIAL IMPACT

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Highlights

his paper captures the learnings from a 6-month dialog about how to achieve meaningful stakeholder engagement. Dialog participants included a cross-sector, 13-nation, 24 member consortium of people¹ skilled at involving stakeholders in decision making within organisations with a social purpose, enterprises, investment firms and beyond. The group was known as a Peer Learning Partnership (PLP). A workgroup of the PLP has produced this paper based on the collective learnings from the full PLP and the specific expertise of its members². The dialog was sponsored by the OECD Global Action Initiative supported by the European Union.

The PLP explored opportunities for stakeholder engagement in the social and solidarity economy (SSE)³, which is driven by social purpose and based on the principles of inclusivity, cooperation, equity, reciprocity and sustainability.⁴

Peer Learning Partnership

• INITIAL QUESTIONS. The PLP identified three critical questions that shaped their thinking and created a shared understanding of how to appraise stakeholder engagement: i) Are we doing the right things? ii) Are we doing them well? iii) How do we improve? The PLP participants exchanged best practices, innovations, challenges and considerations through a series of structured meetings and surveys. Consensus centred around the values of inclusivity, relevance and responsiveness.

• CAPACITY GAPS. Recognizing contextual complexities and barriers, the PLP avoided prescriptions and explored the three areas where capacity gaps hamper meaningful stakeholder engagement, namely: i) governance and decision making; ii) skills; and iii) organisational culture.

Stakeholder engagement

The PLP formed a broad consensus in defining the three main areas in which lack of capacity often impedes meaningful stakeholder engagement: governance and decision making, skills and culture.

 GOVERNANCE AND DECISION MAKING. Impact-driven, evidence-informed decision making, especially in the allocation and management of resources, underlined the PLP's observations of capacity gaps in stakeholder engagement in governance and decision making. This involves a willingness to share power

¹ For more information on the Peer Learning Partnership, including who was involved, see the <u>PLP website</u>.

 $^{^2\;}$ A list of members of the work group and their affiliations can be found at the end of this paper.

³ This work was sponsored by the <u>OECD Global Action</u> to Promote SSE Ecosystems. The Social and Solidarity Economy (SSE), also referred to as the Impact Economy, comprises those for-profit and non-profit organizations that "pursue a social mission, which they prioritize over the maximization of profits." SSE actors include social enterprises, impact investors, incubators and accelerators, public-private partnerships, and knowledge intermediaries like think-tanks, consultancy firms, and media organizations.

⁴ See the Social and Solidarity Economy and the Future of Work <u>report</u> by ITC, and the background <u>paper</u>, The Social and Solidarity Economy: Towards an 'Alternative' Globalisation, by Nancy Neamtan

within and outside organisational structures so that processes for monitoring and reporting, resource management and quality assurance provide stakeholders a meaningful voice in decision-making.

• SKILLS FOR STAKEHOLDER ENGAGEMENT.

While the PLP recognized that data collection and analytical skills are necessary, it also noted they are frequently outsourced to external firms. The PLP recommended firms should develop their internal stakeholder engagement capacity and embed it into the rhythms of the organization. There should also be a shift in perspective from data collectors to data facilitators. As data facilitators, organisational staff and external specialists can bridge the trust deficit between stakeholders and SSE organisations, while embedding engagement into the rhythms of the organisation.

• ORGANISATIONAL CULTURE AND MIND-SETS FOR STAKEHOLDER ENGAGEMENT.

IMM is not standard practice in SSE organisations, and the PLP noted the need to raise awareness of the role of IMM. However, persuading decision-makers to see the value of sharing power through meaningful stakeholder engagement remains a significant task. The PLP explored public policy mandates for stakeholder engagement as a possible nudge to gradually shift behaviours and mindsets.

Introduction

WHO IS THIS PAPER FOR?

We hope that the insights identified in this paper will be used by practitioners, organisations and institutions interested in generating positive impact and reducing harm. Looking ahead, this includes impact practitioners, civil society leaders, impact investors, social enterprises, philanthropies and government agencies.

WHY DID WE WRITE IT?

We are faced with a world of widening racial, gender and economic inequalities, and unprecedented environmental crises. Yet the chances of addressing these issues and meeting global aims – such as the Sustainable Development Goals (SDGs) – are dim unless those who experience these global problems most intensely have a voice in impact measurement and management (IMM) and, therefore, have more influence in decision making.

Owing to their scale and complexity, solving the social and environmental crises that we face can no longer be left to governments and civil society organisations alone. Increasingly, the private sector – businesses and investors – must be involved in the co-creation of inclusive solutions while accounting for the impact they have on people, society and the environment. The social economy will stand on the twin activities of: i) ensuring that operations, products and services contribute to addressing our most pressing problems; and ii) developing innovative, inclusive solutions based on reflexive, responsive partnerships.

To understand, manage and improve their impact, solution designers, investors and

businesses must understand the lived experiences of those who are affected by their actions. This requires virtuous cycles of communicating and learning with stakeholders that are embedded across the organisation(s). As they become embedded, they will bring valuable insights to inform potential solutions, measure progress and performance, and inform management decisions about how to improve programmes, services and products.

While the idea of stakeholder engagement is not new, there are few practical resources that explain how to do it well. We hope this paper contributes to narrowing this gap.

WHAT DOES (AND DOESN'T) THIS PAPER DO?

With this white paper, we share insights gathered during the PLP peer-to-peer learning sessions, surveys, the exploration of ten exemplary use cases, and various on-theground examples from several countries and sectors.

This paper neither claims to be the only answer to "how to support stakeholder engagement" nor a rigorous and exhaustive research study of current practices. It is not a directive, though it does suggest ways in which capacity building can improve the value of engaging stakeholders from the communities in which impacts are experienced.

In the big picture, we focus on what can be done to strengthen capacity-building efforts for stakeholder engagement that welcomes and enables those who are most affected to take their seat at the decision-making table – a seat where they can contribute to the design, implementation and improvement of solutions.

KEY TERMS

The following introduces many terms used throughout this paper. We provide the definitions we used to ensure there is a common understanding.

What is impact measurement and management?

To manage impact, you must first understand it. And that means you must have an effective way of measuring it.

The classic measurement model, often held up as the gold standard, is based on social science research methods and is widely deployed in international development aid and public policy work. It takes the form of a formal scientific experimental design – but is costly, time consuming and rigid. Findings are likely to arrive long after resource and strategy decisions have been made.

However, progress among measurement practitioners has moved towards more focused, flexible, lighter touch, participatory and continuous impact assessment tools and methods that generate close-to-real-time data to inform a more agile and responsive management practice. This emerging impact management practice aims to identify and promote positive impacts, ameliorate negative ones and explore areas of possible improvement, while optimizing social value for all affected people and ecosystems. In both approaches described above – the classic model and new real-time action-learning model – it is important to identify, include and engage with all actors who affect, or are significantly affected by, an activity.

Who are stakeholders?

Stakeholders are those people, communities, and/or entities who are directly involved in, or whose interests are affected by, an organisation's activities, presently or in the future. Internal stakeholders are typically those that make up the organisation, including investors, employees, members and customers. External stakeholders are typically outside the formal structure of the organisation and include the customers and community members affected by investment, development and business activities.

What is stakeholder engagement?

Stakeholder engagement refers to a more or less formal set of activities in which an organisation sets out to: i) understand how stakeholders experience the organisation's activities; and ii) to explore ways of improving that experience. Many organisations apply methods for turning stakeholder experience into data, using surveys as well as key informant interviews, public meetings and customer feedback, which allow them to quantify, compare, analyse and develop insights about their impact.

Stakeholder engagement can take the form of occasional 'extractive' research activities in which the data is used mainly or exclusively by senior management or funders, and the stakeholders do not have access to the data that came from or concerns them. In extractive forms of engagement, all power remains firmly in the hands of the private or public investors, funders and businesses.

Alternatively, stakeholder engagement can enable stakeholders to meaningfully influence what success or positive impact looks like and what actions might improve stakeholders' experience. This kind of stakeholder engagement involves a commitment to dialogue, learning and a degree of power-sharing. It is a generative process, meaning it is one that involves people in decision-making that affects their lives. At its most effective, it facilitates accountability for public and private organisations to mitigate negative impacts and enhances their ability to maximize positive impacts.

KEY TERMS (cont.)

This kind of meaningful stakeholder engagement is a key element of any sustainable effort to address social and environmental problems. We are witnessing growing alignment among global standard-setting and consensus-building organisations – such as <u>The Organisation for Economic Co-Operation and Development</u>, The United Nations Development Program's <u>Sustainable Development Goals Impact Standards</u>, the <u>Impact Management Project</u>, the <u>Global Impact Investors Network</u>, <u>Social Value International</u> and the <u>World Economic Forum</u> – which all guide and benchmark meaningful forms of stakeholder engagement to mitigate social and environmental risk and promote positive change.

What is capacity building?

Capacity building is an improvement strategy, continuously moving toward the creation of a sustainable and effective organisation. In this case, improvement happens through the development and strengthening of skills, instincts, abilities, processes, resources and infrastructure. Capacities can be developed through toolkits, resources, training, volunteers, communities of practice, peer-to-peer exchange, and expert support and advisory.

What is the Social and Solidarity Economy (SSE)?

The Social and Solidarity Economy (SSE), also referred to as the Impact Economy, comprises those for-profit and non-profit organisations that "pursue a social mission, which they prioritize over the maximization of profits."⁵ SSE actors include social enterprises, impact investors, incubators and accelerators, public-private partnerships, and knowledge intermediaries like think-tanks, consultancy firms, and media organisations.

OECD, 2021, Social Impact Measurement for the Social and Solidarity Economy, <u>https://www.oecd.org/cfe/leed/social-economy/social-impact-measurement-for-the-sse.htm</u>

Why engage stakeholders?

If done well, engaging all stakeholders who experience or may experience a significant impact creates a shared understanding of the problems they face and impacts they experience. It also fosters greater involvement in decision making, resulting in better experiences and impacts for more stakeholders.

From a sustainability perspective, an organisation's accountability extends from its shareholders and members to include all actors significantly affected by any phase of its activity. Organisations must therefore report more than just financial results and achievements. They must also account for and report on social and environmental impacts that matter to stakeholders.

Effective engagement processes embed the voices of all stakeholders who are meaningfully affected, ensuring that important impacts are made explicit, well understood and addressed. Moreover, engaged stakeholders ensure that impact claims are genuine and credible.

IN SHORT: meaningfully engaged stakeholders are essential to solving problems.

WHEN ARE STAKEHOLDERS ENGAGED?

To successfully identify, measure and appropriately manage its social and environmental impacts and their associated risks, organisations should proactively engage samples of stakeholders throughout the term of an investment, project or annual business cycle.

The PLP identified three questions organisations must continuously ask themselves as they design and execute their activities, if they are seeking to successfully address social and environmental problems associated with their work:

Are we doing the right things?

Are we doing them well?

How can we improve our results?

The PLP explored what forms of stakeholder engagement will help an initiative know if it is doing the right things, if it is doing them well, and how it can improve.

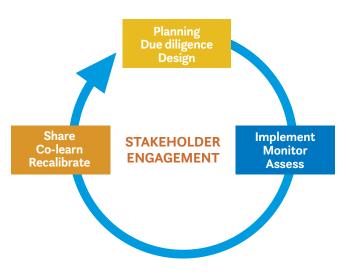


FIGURE 1. Full cycle stakeholder engagement

VOICES FROM THE PEER

Throughout this paper, we have included quotes that represent voices from the PLP members. Some of the quotes come from responses to a set of use cases, including what people liked or were concerned about, what capacities they felt would be needed in order to implement the approaches presented in the use cases, and what policies or political infrastructure would be needed to promote the implementation of the approaches in the use cases.

Those quotes labelled "anonymous" are taken from questionnaires that accompanied the use cases. The "citation" of the anonymous quote identifies the type of organization that made the comment. Any typos are verbatim, and likely the result of informal survey-taking.

The use cases mentioned in the quotes are available in their entirety on the PLP website.

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Key points of consensus about what works

Three key insights or areas of broad consensus emerged from the PLP:

- 1. Stakeholder engagement must be meaningful.
- Capacity building in stakeholder engagement is relevant for multiple roles in an organisation.
- Challenges that impede meaningful stakeholder engagement can be overcome by building relevant individual and organisational capacities.

The following sections dive into the details behind these findings.

Additional resources, case studies and commentary on the topic of stakeholder engagement in impact measurement and management, including capacity building and policy solutions, can be found on the <u>PLP</u> <u>website</u>.

MEANINGFUL STAKEHOLDER ENGAGEMENT IS KEY

The members of our PLP members felt that in order for stakeholder engagement to be meaningful, it must be more than an extractive or tick-box compliance exercise. It must aim to genuinely understand the lived experience of less powerful stakeholders and seriously consider what matters most (from their perspective) in order to inform insights and ideas for improvement.

According to PLP members, meaningful stakeholder engagement that fosters mutual confidence and trust is:

- inclusive it engages representatives of all groups that affect or are significantly affected by an activity
- relevant and complete it engages on all issues and outcomes that matter
- responsive it generates shared insights through dialogue and timely action.

It must transform stakeholders from "those acted upon" to co-creators of shared outcomes and effective solutions. Conducted in this way, stakeholder engagement itself actively contributes to the social impact of an initiative by increasing accountability to and buy-in from those affected.

At the same time, however, the forms of stakeholder engagement must be proportionate to the situation it is supporting, ensuring it is practical and within the capabilities of both the stakeholders and the staff of the organisations. Otherwise, it will not be effective or accurate, or it simply will not happen.

Meaningful Stakeholder Engagement = Inclusive + Relevant and Complete + Responsive

VOICES FROM THE PLP

Responding to the question: What are the key insights that emerge from the feedback that it is important for this initiative to include in the capacity building white paper?

"Responsive data collection methods! And here simplicity, accessibility, and easy navigation would be key."

> - SABEENA MATHAYAS, SAMBODHI RESEARCH AND COMMUNICATION (INDIA)

Comment during the capacity building breakout session during the PLP Launch Meeting:

"The business insights are what keep our clients coming back. They love having the impact data but are really blown away by how actionable it is for improving customer satisfaction, operational improvements, new product or program design, etc."

- LINDSAY SMALLING, 60 DECIBELS (USA)

Responding to the question: What are you seeing from the key capacity building data themes? What is the data telling you?

"Respondents to the use cases were really concerned about a collaborative relationship with stakeholders - not making assumptions, and actually having the stakeholders/community members themselves doing the evaluation work."

> - COURTNEY BOLINSON, SOCIAL IMPACT CONSULTANT (USA)

Responding to the question: What do you like about the Learning Loops, Keystone Accountability use case? Why?

"The focus on being responsive to insights from stakeholders is clear – this means that making improvements is at the forefront of people's thinking."

> - FOR-PROFIT SOCIAL ENTERPRISE, ASSOCIATION/NOT-FOR-PROFIT ORGANISATION, NETWORK (UK)

Responding to the question: What do you like about the Social Value International (SVI) Principles of Social Value use case? Why?

"Explicitly ensuring that enterprises respond to insights from stakeholder engagement means that enterprises are supported to respect stakeholders and be accountable to them by making decisions that increase the value to them."

> - FOR-PROFIT SOCIAL ENTERPRISE, ASSOCIATION/NOT-FOR-PROFIT ORGANISATION/NETWORK (UK)

CAPACITY BUILDING IN STAKEHOLDER ENGAGEMENT IS RELEVANT FOR MULTIPLE ROLES IN AN ORGANISATION

The capacity for meaningful stakeholder engagement should not be siloed into one role in an organisation. It also should not be completely conducted by a third party without internal involvement in design or consideration of the learnings from the engagement. Various organisational role players – such as specialist staff, managers, external consultants or others – can be involved in gathering, making sense of and using the information from stakeholders in different ways.

Who has a role to play? Those who:

- govern and define policies for resource management
- design stakeholder engagement processes
- manage teams conducting stakeholder engagement
- obtain information from stakeholders
- verify information validity with stakeholders



- analyse stakeholder information
- interpret data, develop insights, prioritise input and determine what is actionable
- decide on and implement changes to strategy and activities
- communicate and report about findings, and strategy and activity changes.

BUILDING CAPACITY CAN HELP OVERCOME IMPEDIMENTS TO MEANINGFUL STAKEHOLDER ENGAGEMENT

The PLP found consensus in defining the three main areas where lack of capacity often impedes meaningful stakeholder engagement:

- 1. governance and decision making
- 2. skills
- 3. culture

These are discussed in turn in the following sections.

1. Why is embedding stakeholder data into governance and decision making necessary for meaningful stakeholder engagement?

Impact measurement and management requires data to make changes based on stakeholder experiences and feedback. A key insight that consistently emerged during our PLP meetings was the importance of embedding stakeholder engagement and the resulting data into organisational structures and processes – and then using it to inform the decisions that are made about strategy, implementation and resource allocation. In particular, stakeholder engagement and data utilization should be embedded into:

- impact-driven decision making
- quality assurance
- policies related to managing resources especially for innovation and design.

VOICES FROM THE PLP

Comment during the capacity building breakout session during the PLP Launch Meeting:

"I think there is a big difference between having stakeholder engagement as a specific exercise vs having it embedded into the entire management and decision making (strategy, management, reporting)."

> - BELISSA ROJAS, UNDP IMPACT STANDARDS (USA)

Responding to the question: What do you like about the UNDP SDG Impact Standards use case: Why?

"...the practical actions [that] relate stakeholder engagement to business structures and practice so it's not a standalone but an embedded practice." – CONSULTANT, SOCIAL IMPACT ADVISOR (SOUTH AFRICA)

The PLP members felt that, ultimately, impact performance would be prioritized alongside financial performance in management decision making and performance reporting. This will require accounting for impacts to be embedded within formal and informal governance structures, such as boards, advisory committees or senior management, and would require and support ongoing monitoring and reporting of, and progress toward, goals related to social and environmental impact. To do this effectively, management would put systems in place for gathering and reporting evidence of an organisation's contribution to social and environmental outcomes – whether these are intended or unintended. Further, this evidence would be used to inform the assessment of an organisation's overall performance alongside its financial results and would also be worked into hiring criteria and incentive structures.

VOICES FROM THE PLP

Responding to the question: What capacities would need to be built, if any, in order to incorporate the approach of the Social Value International (SVI) Principles of Social Value use case into your IMM?

"...supportive governance structures and systems as well as other levels of decision making."

> FOR-PROFIT SOCIAL ENTERPRISE, ASSOCIATION/NOT-FOR-PROFIT ORGANISATION/NETWORK (UK)

Responding to the question: What capacities would need to be built, if any, in order to incorporate the SDG Impact Standards use case approach to stakeholder engagement into your IMM?

"Appropriate governance structures ensuring that social impact is afforded the same, or similar, approach that financial impact receives.

> FOR-PROFIT SOCIAL ENTERPRISE, ASSOCIATION/NOT-FOR-PROFIT ORGANISATION/NETWORK (UK)

Responding to the question: What capacities would need to be built, if any, in order to incorporate the Lean Data use case approach to stakeholder engagement into your IMM?

"...working stakeholder engagement into management and governance structures."

- CONSULTANT, SOCIAL IMPACT ADVISOR (US)

MANAGING AND COMMUNICATING RISKS AND IMPACT EFFECTIVELY

Good stakeholder engagement involves transparency and responsiveness to the people and entities that are affected.

It is not always easy for organisations to ensure that their stakeholders can both understand and articulate their tolerance for risks associated with impacts they and others may experience as a result of an initiative. Effectively communicating trade-offs and risks requires organisations to proactively share information of possible impact risks to stakeholders, and assess what tolerance stakeholders have for those risks. This issue was raised by many PLP participants, plus Social Value International, the Impact Management Project and the UN SDG Impact Standards all make this point in their standards and guidance. For example, the issue of risk is one of the Impact Management Project's Five Dimensions of Impact.

VOICE FROM THE PLP

Responding to the question: What concerns do you have about applying the Joint Solutions and District Development use case approach in your context? Why?

"Verification would also address the concern that all material (relevant) stakeholder impacts were effectively considered - reducing risks of making the wrong or a sub-optimal decision that affects the lives of people".

> - FOR-PROFIT SOCIAL ENTERPRISE, ASSOCIATION/NOT-FOR-PROFIT ORGANISATION/NETWORK (UK)

EMBEDDING STAKEHOLDER ENGAGEMENT INTO QUALITY ASSURANCE PROCESSES

An organisation's decision makers must be sure that the information generated and reported about stakeholders' experiences, comfort level and risk tolerance to potential impacts is reliable. This is especially true if the evidence is to be used to influence significant decisions and/or external stakeholders such as investors or donors.

There are two important concepts to consider here:

- 1. Have stakeholders been appropriately engaged in considering the potential impacts and trade-offs that are acceptable to those affected?
- 2. Given the nature of the impacts in question, does the information gleaned from stakeholder engagement have an appropriate level of rigor and is therefore able to provide decision makers with the confidence to make choices?

These two issues relate to assuring the quality of stakeholder engagement. The foundational and simplest way is to be transparent about methods and findings. This would call for publishing an account of the organisation's process and results where those who are affected can find it, decide whether they agree, and communicate their thoughts to the organisation, especially if they do not agree.

The next level of rigor is to additionally seek assurance against published standards such as Social Value International's Social Value

Standards (focused on involving stakeholders to account for value) and the complementary UNDP SDG Impact Standards (focused on embedding within organizational decision-making), which will launch an Assurance Seal in 2022.

Finally, if the level of rigor or specialized expertise required is high, one could even commission an independent audit.

VOICES FROM THE PLP

Responding to the question: use case What do you like about the UNDP SDG Impact Standards use case? Why?

"It offers accountability to stakeholders in highly structural [ways] and with specific practices: through strategy, management approach, transparency and governance. It also ties the engagement of stakeholders to a plan for certification to verify that the target audience: impact investors, social enterprises and bond issuers are actually doing what it takes to collectively achieve SDG goals." - CONSULTANT/SOCIAL IMPACT ADVISOR (US)

There are other simpler and more practical ways of assuring the quality of stakeholder engagement practices. Tracking data such as response rates to surveys, participation rates in meetings, and time series comparisons of responses to standard survey questions, together with sharing results and inviting open conversations about them, can provide useful indicators of the confidence and trust stakeholders have in the engagement practice of the organisation.

EMBEDDING STAKEHOLDER ENGAGEMENT WITHIN ORGANIZATIONAL POLICIES

VOICES FROM THE PLP

Responding to the question: What capacities would need to be built, if any, in order to incorporate the Social Value International (SVI) Principles of Social Value use case approach to stakeholder engagement into your impact measurement and management?

"Stakeholder engagement and materiality policies that manage the necessary resources required to actively and proportionately manage impacts."

> FOR-PROFIT SOCIAL ENTERPRISE, ASSOCIATION/NOT-FOR-PROFIT ORGANISATION/NETWORK (UK)

Stakeholder engagement is particularly valuable to enterprises as they innovate, design and plan for solutions.⁶ Engaging stakeholders to better understand their needs and designing the very solutions to address these not only aligns the organisation within the socio-cultural fabric of its stakeholders, it also prepares the organisation for sustainability and scale.

Organisations need internal policy and protocols that set out how they will:

- identify the material concerns of stakeholders
- manage the scale and frequency of engagements
- select the methods required.

These policies and protocols can provide the blueprint for continuous stakeholder engagement, where resources are effectively managed, and qualitative and quantitative evidence is captured at appropriate times. Doing so enables addressing the perceived and real barriers of associated costs.

An example of this type of policy adopted by a social enterprise is found <u>here</u>.

2. What technical systems and skills are needed for timely, meaningful and productive involvement of stakeholders?

When most people think of capacity building for stakeholder engagement, they think immediately of the practical skills for collecting data from stakeholders. Yet, often these skills are seen as beyond the capacity of most staff, so they are outsourced to an external professional survey or evaluation firm.

Independent stakeholder engagement specialists can help bridge any trust deficit that may exist with audiences that seek a certain degree of statistical validity or with communities that may have more confidence interacting with a third party they already know. IMM professionals, whether in-house or external, can also help SSE companies and organisations comply with complex local regulatory environments and align the organisation's practices with the broader consensus about good IMM practices.

https://www.designkit.org/human-centered-design

However, it must be understood that this expertise does not replace and in fact, it complements, the organisation's own efforts to:

- integrate stakeholder engagement into the systems and culture of the organisation itself
- build stakeholder engagement into the rhythms organisation in order to generate timely impact management data
- share understandings and plans with stakeholders for collective sense-making, and for agreeing on and tracking improvements.

That is why, in addition to traditional external standards and assurance approaches, PLP participants felt it was necessary to build capacity within SSE organisations, rather than having IMM practices rest only with external specialists.

An important part of any capacity-building strategy is to choose tools and approaches for stakeholder engagement that existing staff can easily apply without specialist training. The PLP identified a number of innovative approaches and tools that strengthen the capacity of organisations themselves to become more stakeholder-focused and engaged (a list of such tools can be found on the <u>PLP website</u>).

VOICES FROM THE PLP

Responding to the question: What do you like about the UNDP SDG Impact Standards use case? Why?

"Embedding the necessary skills within the enterprise to gather and make sense of social impact data – based on appropriate principles, such as the SVI Social Value Principles."

> - FOR-PROFIT SOCIAL ENTERPRISE, ASSOCIATION/NOT-FOR-PROFIT ORGANISATION/NETWORK (UK)

Responding to the question: What capacities would need to be built, if any, in order to incorporate the UNDP SDG Impact Standards use case approach to stakeholder engagement into your impact measurement and management?

"Ensuring that decision makers throughout are skilled to make use of evidence to support decision making."

> - FOR-PROFIT SOCIAL ENTERPRISE, ASSOCIATION/NOT-FOR-PROFIT ORGANISATION/NETWORK (UK)USE CASE

Each organisation will have to make choices about the particular methods it employs, levels of rigour applied, appropriateness to context, and management of risks relevant to each stakeholder group. While there is no one-size-fits-all approach to stakeholder engagement, it is especially important to support various actors within organisations and companies to ensure they understand both the basic process of meaningful stakeholder engagement and the consequent trade-offs.

WHAT COMPETENCIES ARE NEEDED FOR MEANINGFUL STAKEHOLDER ENGAGEMENT?

The skills that PLP participants identified fall into two broad categories: practical skills for those who engage with stakeholders and practical skills for those who make decisions based on the insights.

Practical skills for those who engage with stakeholders include knowing:

- what kind of questions to ask
- how to engage effectively with different stakeholder groups in order to: create safe spaces in which people will express themselves honestly, facilitate an inquiry so that people feel heard, bridge cultural differences so that people do not feel diminished, and facilitate conversations among people who speak different languages
- how to turn people's experience into some form of data in order to design and implement a survey that is appropriate to purpose and conditions, and document and quantify evidence generated in conversations
- how to analyse and interpret data
- how to share data with stakeholders and with management so that you can make sense of it together, agree on improvement actions and assess progress
- how to ensure the integrity and validity of the process itself and avoid bias or capture by local elites.

Practical skills for those who make decisions based on the insights from meaningful stakeholder engagement include:

- selecting appropriate approaches and tools
- motivating, supporting and incentivising staff
- understanding how to communicate management responses to stakeholder data and recommendations, and how to respond to possible tensions that may arise
- evaluating the impact risks associated with decision making.

3. How can organisational culture and mindset support meaningful stakeholder engagement?

The mindset of SSE practitioners is significantly influenced by their environment – which is now becoming more receptive to the need for, and value of, insight into stakeholders' experience. Recent developments such as the UNDP SDG Impact Standards is one of a growing body of examples that make explicit the need to embed IMM practices that are shaped by stakeholder engagement into decision making. Such pressures seek to shift practice to a position where stakeholder engagement and IMM are mainstream elements of organisational decision making, even if they are not legally mandated.

IMM is not yet standard practice, even among some of the more forward-thinking organisations, which raises inherent challenges to its embrace by leaders and other decision makers. This reality was supported in the PLP as substantial evidence emerged for the immediate need to raise awareness of the very purpose of stakeholder engagement to support IMM.

VOICES FROM THE PLP

Responding to the question: use case What concerns do you have about applying UNDP SDG Impact Standards use case approach in your context? Why?

"Although people will be interested in learning the standards, their ideas can be limited to "let's learn how to do it" and not expanded to the question of WHY it is needed"

> - ASSOCIATION/NOT-FOR-PROFIT ORGANISATION/NETWORK, CONSULTANCY AND/OR ADVISORY FIRM (JAPAN)

"This is best practice and not mandated therefore organisations will need to buy into this and see how it benefits the organisation."

> - FOR-PROFIT SOCIAL ENTERPRISE, ASSOCIATION/NOT-FOR-PROFIT ORGANISATION/NETWORK (UK)

Retrieved from Data-sharing Workshop 04.08.21

"Buy-in/mindset of those with ability to use stakeholder evidence is crucial for success".

> - FOR-PROFIT SOCIAL ENTERPRISE, ASSOCIATION/NOT-FOR-PROFIT ORGANISATION/NETWORK (UK)

HOW TO CONVINCE THOSE WITH POWER THAT MEANINGFUL STAKEHOLDER ENGAGEMENT IS IMPORTANT?

To gain the necessary commitments from decision makers to recognize the potential of stakeholder engagement, it is fundamental that they understand why they should want to change their current practice. The PLP consistently highlighted this crucial need to highlight the value of meaningful stakeholder engagement to decision makers and their organizations.

Responding to the question: What concerns do you have about applying the Learning Loops, Keystone Accountability use case approach in your context? Why?

"Most likely, there is a lot of discussion and shifting of the mindset needed before the decision-makers for fund allocation in my context truly rely on constituent voice. Normally, it is still construed as a (reputational) risk factor for business decisions as the proxies (i.e. NGOs) make noise. As long as it stays in the risk domain, there won't be a true progress towards the social and solidarity economy".

> - ASSOCIATION/NOT-FOR-PROFIT ORGANISATION/NETWORK, CONSULTANCY AND/OR ADVISORY FIRM (JAPAN)

Responding to the question: use case What concerns do you have about applying the UNDP SDG Impact Standards use case approach in your context? Why?

"It represents systemic changes in how orgs function and this may require strong leadership buy-in and/or incentives."

- CONSULTANT/SOCIAL IMPACT ADVISOR (US)

While evidence from the PLP indicates an awareness of the benefits of meaningful stakeholder engagement, concerns remain about the potential to convince those with power.

Responding to the question: What concerns do you have about applying the UNDP SDG Impact Standards use case in your context? Why?

"The embeddedness of the impact standards related to stakeholder engagement is very attractive. But, I can imagine that this level of commitment will meet resistance within enterprises executive teams and boards. The objective to mainstream the standard then needs to be balanced with pragmatism and acknowledgement of the extent of organisational change management required."

> - CONSULTANT/SOCIAL IMPACT ADVISOR (SOUTH AFRICA)

Persuading decision makers involves raising their awareness of stakeholder engagement's potential to create value from improved organisational decisions. That said, it was evident from the PLP that actors' awareness of potential value alone will not be sufficient to cause them to change their practices. For those charged with making decisions, shifting power dynamics can challenge their core assumptions and value judgements. Thus, capacity building for stakeholder engagement calls for learning strategies and providing support to people as they cede some of their power to those affected. The mindset that ultimately catalyses decision makers to embrace meaningful stakeholder engagement recognizes that social value is co-created.

Responding to the question: What concerns do you have about applying the Participatory Rural Appraisal (PRA) use case approach in your context? Why?

"... a willingness on the part of the powerful (those who control funding and technical expertise) to give up power. This makes it sit uneasily within the dominant 'results-based' approaches to project and impact." – CONSULTANT/SOCIAL IMPACT ADVISOR, (SOUTH AFRICA)

Responding to the question: What capacities would need to be built, if any, in order to incorporate the Social Value International (SVI) Principles of Social Value use case approach to stakeholder engagement into your impact measurement and management?

A willingness to empower stakeholders to better influence decisions that affect them.

> - FOR-PROFIT SOCIAL ENTERPRISE, ASSOCIATION/NOT-FOR-PROFIT ORGANISATION/NETWORK (UK)

Supporting organisations on their journeys to improve stakeholder engagement means ensuring organisations understand the benefits of better decisions. To highlight these benefits, it is necessary to transform the narrative around stakeholder engagement, so that its costs are seen as investments – investments with expected returns. This is crucial for shifting mindsets and organisational readiness, so that stakeholder engagement can fulfil its potential. In other words, there is a need for meaningful stakeholder engagement to get far better PR than it currently has.

Responding to the question: What capacities would need to be built, if any, in order to incorporate the Co-Constructing Social Impact use case approach to stakeholder engagement into your impact measurement and management?

Again it seems like a lot of the success of a project rests on a) intention and b) buy-in to these approaches of those with power (which currently is entirely voluntary).

> FOR-PROFIT SOCIAL ENTERPRISE, ASSOCIATION/NOT-FOR-PROFIT ORGANISATION/NETWORK (US)

Organisational readiness requires those with power to provide stakeholders who have less power a greater say in how decisions are made. This requires a mindset that places greater trust in and has greater respect for the wisdom of stakeholders, so that the benefits of co-creation can be realised. This mindset shift can be precipitated through: i) sharing examples of the benefits to organisations of meaningful stakeholder engagement; ii) relationships, when those who decision makers trust and respect show that they think this way; and iii) shifts that encourage meaningful stakeholder engagement in the broader business environment including the policy context.

Responding to the question: What capacities would need to be built, if any, in order to incorporate the Learning Loops, Keystone Accountability use case approach to stakeholder engagement into your impact measurement and management?

"A mindset that really respects the voice of stakeholders and allows their voices to influence decision making."

> - FOR-PROFIT SOCIAL ENTERPRISE, ASSOCIATION/NOT-FOR-PROFIT ORGANISATION/NETWORK (UK)

WHAT IS THE ROLE OF POLICY IN MAKING THE CASE?

Any shift in the collective mindset and structure within SSE organisations will need to be mirrored and supported by the wider business and economic policy environments in order to truly scale the impacts for stakeholders and create sustainable development. As such, the capacities of decision makers, civil servants, bureaucrats and public-service providers are also relevant, as they are needed to support stakeholder engagement and facilitate joint solutions. This insight from our PLP suggests an important linkage to a responsive regulatory environment that encourages meaningful stakeholder engagement so that the public and private sectors can find synergies, develop strategic partnerships and scale sustainable solutions. The PLP has also produced a complementary white paper that provides more detail from the PLP's discussions concerning policy.

Conclusion

Based on increasing recognition of stakeholder engagement's potential to significantly improve the social and environmental impacts of organizations and contribute to sustainable development, this paper has highlighted the insights gained from the PLP.

Bringing together a diverse group of voices, the PLP highlighted that although the central purpose of stakeholder engagement to improve decision making is widely accepted, agreement of what this means and consistency in practice is not nearly at the same levels required to make sustainable impacts. The contribution of this paper is to highlight where there was clear consensus on what is required to improve the current situation.

This paper has highlighted some critical questions that shaped the PLP discussions and will also help any organization and its decision makers to appraise their approaches to stakeholder engagement.

i) Are we doing the right things? ii) Are we doing them well? iii) How do we improve?

Framed by these questions, this paper has identified three key elements of consensus that will assist organizations to improve their approach to impact measurement and management, so that the needs of stakeholders and society are more effectively addressed. These are:

 Stakeholder engagement must be meaningful - meaning that the voices of stakeholders must improve how decisions are taken. In order to make this a reality and create the necessary trust and confidence between different stakeholders, values of inclusivity, relevance and completeness, and responsiveness were identified.

- 2. Capacity building in stakeholder engagement is relevant for multiple roles in an organisation - it is essential that the responsibility for meaningful stakeholder engagement should not be siloed within a single role within an organization or conducted exclusively by third parties if it is to genuinely influence decision-making and help to improve impacts.
- 3. Challenges that impede meaningful stakeholder engagement can be overcome by building relevant individual and organisational capacities - consensus within the PLP concentrated on three main areas where current capacity challenges can restrict meaningful stakeholder engagement:
 - a. GOVERNANCE AND DECISION MAKING increasing the influence of stakeholder engagement within the structures of organizations requires a willingness to increase the power of those affected by decisions. This can then improve the allocation of resources to where value can be maximised for stakeholders and society.
 - b. SKILLS FOR STAKEHOLDER ENGAGE-MENT - increasing internal capacity to collect and analyze stakeholder evidence is crucial. Equally important is the shifting of perspective from viewing roles as data collectors to data facilitators will allow internal members and external experts to improve the ability to embed such practices into the rhythms of the organization.
 - c. ORGANISATIONAL CULTURE AND MINDSETS FOR STAKEHOLDER EN-GAGEMENT - persuading decision-makers to understand the value of sharing power through meaningful stakeholder

TOWARDS AN ENABLING ENVIRONMENT FOR MEANINGFUL STAKEHOLDER ENGAGEMENT

engagement remains a crucial and significant task to make effective impact measurement and management a genuine reality.

In summary, there remains much more that can be done to amplify the voice of stakeholders, particularly those affected by decisions, to influence and improve decision making. However, along with increasing recognition of the value of such practices, this paper has highlighted key areas of consensus that can support organizational practice that further supports the ambitions of increased impacts and sustainable development.

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What's at the PLP website?

On the <u>PLP website</u>, you can find an opensource list of resources, what they do and who they are for. It also lists what resources they need and how you can help, such as by spreading the word, donating or volunteering. This list is intended to direct attention and resources to efforts to accelerate the quality, practical value-add, and scalability of stakeholder engagement in ways that are open source and that benefit the entire field.

ANNEX A	Stakeholder Engagement PLP Members
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ORGANISATION	TYPE OF ACTOR	COUNTRY	CAPACITY BUILDING WORK STREAM MEMBER
60 Decibels	Solution Provider	USA	
Genesis Analytics	Evaluation Consultant	South Africa	x
Grupo Ecológico Sierra Gorda	Civil Society/NGO	Mexico	
Independent Researcher (at Oxford University)	Academic/Independent Expert	Canada	
JOINC	Civil Society/NGO	Belgium	
Keystone Accountability	Solution Provider	USA	x
Link2007	Civil Society/NGO	Italy	
Monitor-Deloitte	Business	USA	
Rockefeller Foundation	Philanthropy	USA	
Rockefeller Philanthropy Advisors	Philanthropy Advising	USA	
Salesforce	Business	USA	
Sambodhi	Evaluation Consultant	India	x
Slovenian Ministry of Economic Development and Technology	National Government	Slovenia	
Social Impact Management Initiative of Japan	Civil Society/NGO	Japan	
SV Belgium	IMM/Social Value Network	Belgium	
SV Canada	IMM/Social Value Network	Canada	
SV France	IMM/Social Value Network	France	
SV Italy	IMM/Social Value Network	Italy	
SV Korea	IMM/Social Value Network	Korea	
SV Mexico	IMM/Social Value Network	Mexico	x
SV Spain	IMM/Social Value Network	Spain	
SVUK	IMM/Social Value Network	United Kingdom	x
SV US	IMM/Social Value Network	USA	x
SVI	IMM/Social Value Network	International	x
Toniic	Impact Investment Network	USA	
UNDP SDG Impact	Multilateral Governance	International	x



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