Pathways to Management and Leadership

Level 5: Management and Leadership

Unit 509

Managing Stakeholder Relationships

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Contents

About this workbook

The unit

The main purpose of this workbook is to support you as you study for the Chartered Management Institute Level 5 Qualification — Management and Leadership, so it specifically focuses on the content of the syllabus for Unit 509, Managing Stakeholder Relationships. This unit is about building good relationships, whether they are with customers, suppliers, partners or staff, and understanding how this is a key contributor to an organisation's success.

This workbook provides underpinning knowledge and develops understanding to improve your skills as well as to prepare for future assessment. If you are studying towards Level 5 in Management and Leadership, then you will be assessed by your approved centre on 'your knowledge and understanding of' the following learning outcomes:

1. Understand the different types and value of stakeholder relationships

2. Understand the frameworks for stakeholder management

3. Know how to manage stakeholder relationships

4. Know methods for measuring the impact of stakeholder engagement on organisational performance.

The aims of this workbook

This workbook aims to help you learn about:

- How to analyse the types of stakeholder relationships within organisations

- The challenges working with different stakeholders, contractual frameworks and how to engage and manage effectively

- How you can analyse your role managing stakeholder relationship, evaluate working techniques, deal with conflict and measure the impact of your stakeholder engagement.

Syllabus coverage

The table below shows which sections of the workbook address the assessment criteria of the qualification syllabus.

Unit 509:Managing Stakeholder Relationships Syllabus coverage		Addressed within section
1.1	Analyse the types of stakeholder relationships within organisations	1
1.2	Examine the benefits and challenges for organisations working with different stakeholder groups	1
2.1	Examine the contractual framework for stakeholder engagement and management	2
2.2	Specify a process for planning stakeholder engagement	2
3.1	Analyse the role of the manager in managing stakeholder relationships	3
3.2	Evaluate the use of collaborative working techniques to manage stakeholder relationships	3
3.3	Discuss methods of managing conflict in stakeholder engagement	3
4.1	Examine methods for measuring the impact of stakeholder engagement on organisational performance	4

Getting started

Stakeholders are individuals who are affected by or can influence an organisation, product or service. These individuals can be customers, clients, suppliers, investors and employees. Meeting the needs of stakeholder relationships is critical to the success of every business. Without the ongoing participation of stakeholders, it is hard for a company to survive.

How to use the workbook

The workbooks provide ideas from writers and thinkers in the management and leadership field. They offer opportunities for you to investigate and apply these ideas within your working environment and job-role.

Structure

Each workbook is divided into sections that together cover the knowledge and understanding required for that unit of Level 5 Management and Leadership. Each section starts with a clear set of objectives that identify the background knowledge to be covered, and the management skills in the workplace that enable you to demonstrate this knowledge. You do not have to complete the sections in the order they appear in the workbook, but you should try to cover them all to make sure that your work on the unit is complete. There are self-assessment questions at the end of each section that allow you to check your progress. You may want to discuss your answers to the self-assessment questions with your line manager or a colleague.

Activities

Throughout the workbooks there are activities for you to complete. These activities are designed to help you to develop yourself as a manager. Space is provided within the activities for you to enter your own thoughts or findings. Feedback is then provided to confirm your input or to offer more ideas for you to consider.

To get the best from the workbooks, you should try to complete each activity fully before moving on. However, if the answer is obvious to you because the issue is one you have encountered previously, then you might just note some bullet points that you can then compare quickly against the feedback. You may sometimes find it difficult to write your complete response to an activity in the space provided. Don't worry about this — just keep a separate notebook handy, which you can use and refer to as needed.

Try not to look at the feedback section before completing an activity. You might like to try covering up the feedback with a postcard or piece of paper while you are working through an activity.

Timings

Timings are suggested for each section and activity, although it is important that **you** decide how much time to spend on an activity. Some activities may occupy only a few moments' thought, while others may be of particular interest and so you might decide to spend half an hour or more exploring the issues. This is fine — the purpose of the activities is to help you reflect on what you are doing, and to help you identify ways of enhancing your effectiveness. It is always worth writing something though, even if it's brief — the act of writing will reinforce your learning much more effectively than just referring to the feedback.

Scenarios

There are scenarios and examples throughout each workbook to illustrate key points in real workplace settings. The scenarios cover a wide range of employment sectors. As you work through you might like to think of similar examples from your own experience.

Planning your work

The reading and reflection, scenarios and activities in each section of the workbooks are designed to take around two hours to complete (although some may take longer). This is a useful indicator of the minimum length of time that you should aim to set aside for a study session. Try to find a quiet place where you will not be interrupted, and where you can keep your workbooks, notes and papers reasonably tidy. You may also like to think about the time of day when you work best — are you a 'morning person' who likes to get things done at the start of the day, or do you work better in the evening when there may be fewer disturbances?

Preparing for assessment

Further information on assessment is available in the Qualification Support section of ManagementDirect, CMI's online resource portal. If you have any further questions about assessment procedures, it is important that you resolve these with your tutor or centre co-ordinator as soon as possible.

Further reading

Suggestions for further reading and links to management information are available via ManagementDirect. You will also find titles for further reading in the Further Resources at the end of this workbook.

Section 1 Understand the different types and value of stakeholder relationships

Learning outcomes and assessment criteria (about 2 hours)

By the end of this section you will understand the different types and value of stakeholder relationships in your organisation. In this section you will be able to:

1.1	Analyse the types of stakeholder relationships within organisations
1.2	Examine the benefits and challenges of organisations working with different stakeholder groups

Analyse the types of stakeholder relationships within organisations

CMI define a stakeholder as:

> "*Any person or organisation, with a vested interest in the successful operation of a company, or organisation. A stakeholder may be an employee, customer, supplier, partner, or even the local community within which an organisation operates. Although differentiation is often made between shareholders and stakeholders, shareholders should also be included as stakeholders in an organisation.*"

A shareholder is an owner of shares in a company.

Stakeholder theory argues that the interests of all stakeholders - not just those with a financial stake in the business - should be taken into consideration. The needs of each stakeholder should be understood, respected and incorporated into company thinking and plans. To achieve this, managers need to identify their key stakeholders, and understand their interest in, contribution to, or effect on the organisation and its ability to meet its objectives.

The stakeholder concept has its origins in the study of corporations and how they make decisions. R. Edward Freeman's Strategic Management: A Stakeholder Approach (1984) is regarded as a seminal work of stakeholder theory.

The aim of stakeholder analysis is to provide decision makers with information about the individuals and groups that may affect the achievement or otherwise of their goals. This makes it easier to anticipate problems, gain the support of the most influential stakeholders, and improve what the organisation offers to different groups and individuals and how it communicates with them.

Stakeholders can be internal - employees, managers, trade union members or departments for example, or external such as

customers or suppliers. A distinction can also be drawn between primary and secondary stakeholders. Primary stakeholders define the business and are vital to its continued existence. For example, the following are normally considered primary stakeholder groups:

- employees
- shareholders and/or investors
- customers
- suppliers.

Secondary stakeholders are those who may affect relationships with primary stakeholders. For example, an environmental pressure group may influence customers by suggesting that your products fail to meet eco-standards. Secondary stakeholders could include:

- government - central, local government bodies
- legal authorities, inspectors and regulators
- the media - press, broadcasters, online media
- social groups - consumer groups, pressure groups, community groups
- commercial organisations, landlords, business partners, competitors.

Identify your stakeholders

1. Identify your stakeholders
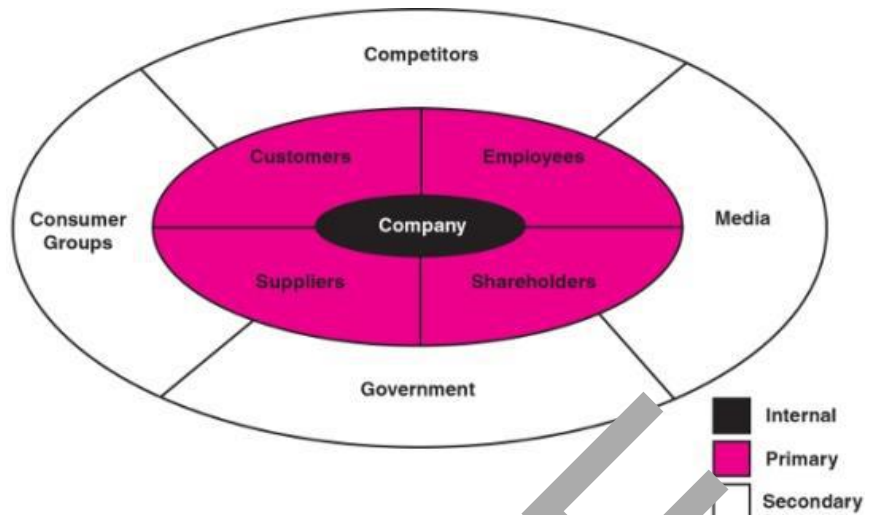
(about 30 minutes)

The first step in your Stakeholder Analysis is to brainstorm who your stakeholders are. As part of this list all of the people who are affected by your work, who have influence or power over it, or have an interest in its successful or unsuccessful conclusion.

Primary	Secondary

SAMPLE

Feedback	◥ *Stakeholders may be both people and businesses. However, you need to identify the individual stakeholders within each business. 'People buy from people and they always buy from people they trust.'*
	◥ *Your stakeholder list may include Board Members, CEO, Finance Officer, Manager, Team Members, Family, Friends, Insurance Company, Auditors, Caterers, Suppliers, Customer Services, Designers, Media, Marketers, Bank, Customers, Distributors, Facilities, HR, Local Interests Groups, Community Interest Groups, Logistics, Local People, Legal Specialists, Government Bodies, Education Providers and Competitors.*

A stakeholder map by Doyle (1995) provides a graphic representation of the individuals, groups and organisations which influence the achievement of the organisation's goals. (CMI Checklist 234, Stakeholder Analysis and Management)
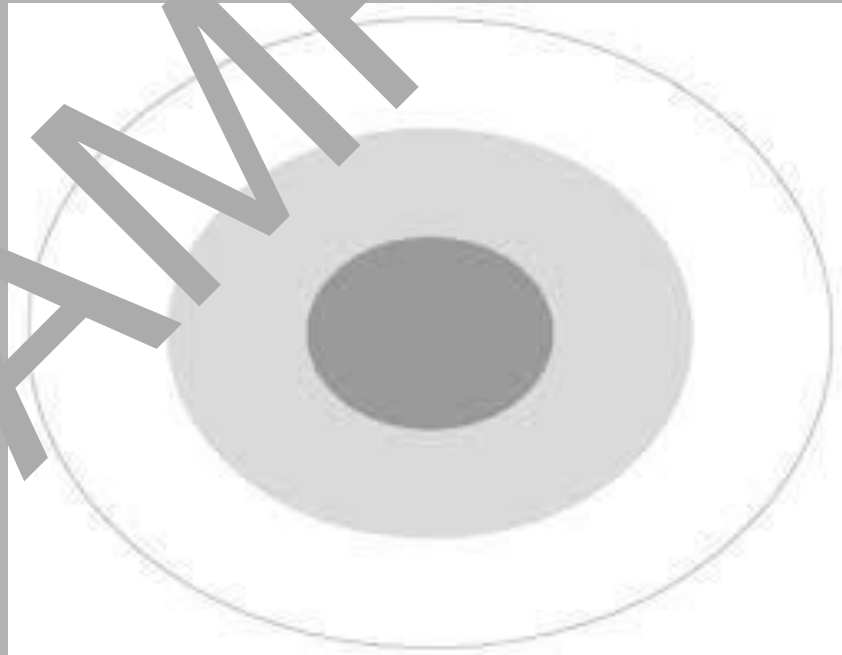
Activity

1.2 Stakeholder map

(about 20 minutes)

Using the table of stakeholder identified activity 1.1 draw a stakeholder map to provide graphic representation of your stakeholders

Feedback

Stakeholder management is the process by which you identify your key stakeholders and win their support. Stakeholder analysis is the first stage of this, where you identify and start to understand your most important stakeholders.

Managers should avoid:

- *assuming they know what their stakeholders are thinking*

- *seeing stakeholder management as a one-way process*

- *trading the interests of one group off against those of another*

- *ignoring and failing to engage with stakeholder groups that are critical of the organisation*

- *neglecting the interests of important stakeholders.*

Put yourself in the place of each stakeholder and ask yourself what their perspective of your business may be.

What are their needs and concerns?

What affects or influences them?

What do they believe?

What do they value?

What motivates them?

What potential threats or opportunities do they represent?

Consider what you know about their actual and previous behaviour and what underlies it. It may be helpful to draw up a table listing each stakeholder and showing the level of priority you have assigned to them, the relationship you have with them and how they are impacted by your organisation.

Stakeholder Power Interest Grid

A common approach is to map the interest and power or influence of each stakeholder group on a quadrant (Bryson 1995: 71-75).

The power interest grid can be used to map the level of interest different stakeholders have in the operations of your organisation and their power to affect or be affected by it. This will help you to decide where you need to invest your stakeholder management efforts. (See below)

Clearly, you will need to engage fully with those who have both a high level of interest and a high level of power and take great care over relationships with these groups. You will want to keep those who have power but less interest satisfied, but not overwhelm them with too much information.

Those with high interest but little power should be kept informed, but you won't need to pay so much attention to those with little interest and little influence.

The next step is to prioritize your stakeholders by power and interest, and to plot this on a Power/Interest grid. This will help you to prioritise stakeholders by making decisions about how much effort to invest in attending to their needs and communicating with them.