

# **Pathways to Management and Leadership**

**Level 3: Principles of  
Management and Leadership**

**Unit 305**

**Building Stakeholder Relationships using  
Effective Communication**

## **Pathways to Management and Leadership**

### **Unit 305: Building Stakeholder Relationships using Effective Communication**

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# About this workbook

## The unit

The main purpose of this workbook is to support you as you study for the Chartered Management Institute Level 3 qualification — Principles of Management and Leadership, so it specifically focuses on the content of the syllabus for Unit 305, Building Stakeholder Relationships using Effective Communication. Stakeholders can have a positive or negative impact on the success of an organisation. The aim of this unit is to develop an understanding of how to develop effective relationships with internal and external stakeholders. It will enable managers to identify and understand stakeholder's needs and the benefits of building relationships with different stakeholder groups. Communication is an essential management skill and different methods of communicating will be introduced and considered to identify the optimum method to achieve results.

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 the Level 3 qualification, then you will be assessed by your approved centre on 'your knowledge and understanding of' the following learning outcomes:

1. Know the purpose of building stakeholder relationships
2. Understand the different channels and types of communication used to build relationships with stakeholders
3. Know how to respond to barriers when communicating with stakeholders
4. Know how to use stakeholder communication

## The aims of this workbook

This workbook aims to help you learn how to:

- identify your main stakeholders, their needs and expectations
- develop and maintain stakeholder relationship through effective communication
- gather and use stakeholder feedback to meet and exceed expectations.
- This workbook then is about how you can build stakeholder relationships and manage these effectively to positively impact on your performance.

## Syllabus coverage

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

<b>Unit 305 Building Stakeholder Relationships Using Effective Communication Syllabus coverage</b>		<b>Addressed within section</b>
1.1	Identify a range of stakeholder groups relevant to the manager	1
1.2	Explain how to assess the needs and expectations of stakeholder groups	1
1.3	Assess the benefits of building relationships with stakeholders	1
2.1	Compare the channels of communication used to build stakeholder relationships	2
2.2	Discuss the types of verbal communication used with stakeholders	2
2.3	Explain how active listening is used to build stakeholder relationships	2
2.4	Discuss the types of written communication used with stakeholders	2
2.5	Discuss how meetings can be led to develop and build effective stakeholder relationships	2
3.1	Explain the barriers to effective communication with stakeholders	3
3.2	Discuss the ways of responding to barriers when communicating with stakeholders	3
4.1	Discuss the importance of stakeholder feedback	4
4.2	Compare methods of gathering feedback from stakeholders	4
4.3	Discuss the use of stakeholder feedback	4

## Getting started

Developing relationships with internal and external stakeholders is an essential management skill. Stakeholders can have a positive or negative impact on the success of an organisation.

In this workbook you will learn how to identify and understand stakeholder's needs and be able to explain the purpose and benefits of building relationships with different stakeholder groups. A key aspect of stakeholder management is communication. You will be introduced to different methods of communicating and will be able to assess which one is the most appropriate to use to achieve results. To ensure communication is effective, possible barriers will be identified with ways to respond considered. Any relationship needs to be constantly nurtured and the final part of the workbook will discuss the importance of seeking stakeholder feedback and acting on it to ensure that you meet (and exceed) stakeholder expectations.

## 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 the Level 3 Principles of 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 Supporting Resources at the end of each section and Further Reading at the end of the workbook.

# Section 1 Purpose of building stakeholder relationships

## Learning outcomes and assessment criteria (about 2 hours)

By the end of this section you will know the purpose of building stakeholder relationships. In this section you will be able to:

1.1	Identify a range of stakeholder groups relevant to the manager
1.2	Explain how to assess the needs and expectations of stakeholder groups
1.3	Assess the benefits of building relationships with stakeholders.

### What is a stakeholder?

A stakeholder is any group or individual with an interest or a stake in the operations of a company or organisation i.e. anyone who can affect or be affected by its activities.

The most important stakeholders to many organisations are their customers (often referred to as clients) and these are considered to be external stakeholders. However, there are a range of other stakeholder groups and this section will introduce those most relevant to a manager, specifically external and internal, direct and indirect.

Stakeholders have a positive impact on the success of an organisation (and a negative one if not managed well). Therefore, developing relationships with your main internal and external stakeholders is an essential management skill.

To be successful, you need to pro-actively manage key relationships on a continuous basis. This section will explain the first step, which is to identify who your major stakeholders are. You will then learn about how to identify and assess their needs and expectations so that you can meet (and exceed) them. To help you to do this, you will learn about stakeholder analysis, which is a process of identifying an organisation's stakeholders, their interests and influence and using this information to formulate strategies to pro-actively manage each relationship.

### Who is a stakeholder?

Almost anyone can be a stakeholder. In your management role, it is essential that you identify the key people who are influenced by, or who influence you and your work. In general terms, these can be anyone:

- for whom you provide goods or services e.g. a customer

- who provides you with goods or services e.g. a supplier
- that directly affects the operation of your team, section, department, or organisation e.g. a regulatory body
- who is affected by the operation of your team, section, department, or organisation e.g. other departments.

Stakeholders can be external to the organisation as well as those who are internal.

## External stakeholders

External stakeholders are usually considered to be those who are outside of your organisation.

### Activity

#### Activity 1.1

(about 10 minutes)

In the space below, list or mind map the external stakeholders of your organisation.

### Feedback

*You probably listed several types of individuals and organisations that use your services, buy what you produce or influence or are influenced by your organisation. Examples might include:*

- *customers and clients*
- *potential employees*
- *general public*
- *suppliers (of raw materials, goods and services)*
- *regulatory bodies (that set the regulations for your industry or*

- profession)*
- *institutes and trade associations (who perhaps have professional standards or codes of practice that you should adhere to)*
  - *pressure groups*
  - *shareholders or trustees*
  - *recruitment agencies and potential employees*
  - *government agencies.*

Depending on your role, it may be that you never meet your organisation’s external stakeholders. This is common for managers who work inside an organisation, especially in sections that provide services in support of others, for example finance, payroll and IT. Regardless of your role, it is still important for you to be aware of these stakeholders because it is likely that you will indirectly impact on the relationship. For example, if you manage a production line making pizzas, you probably won’t meet the customers buying your products e.g. supermarket chains. However, the work that you do will impact on the quality of the pizza, which in turn will directly influence the relationship. In this example, the supermarket chain would be considered your indirect stakeholder, however a direct stakeholder of your organisation.

All organisations have external stakeholders and these usually include a wide range of individuals and other organisations.

**Activity**

**Activity 1.2**

**(about 15 minutes)**

**Scenario:** Imagine that you work for an organisation that manufactures detergents e.g. washing liquid, gel and softeners.

Who do you consider to be the major external stakeholders of this organisation?

**Feedback**

*It is likely that you identified some of the following:*

- *individual customers (members of the public) buying washing products for their own use*
- *large contract buyers e.g. laundry companies buying in bulk*
- *wholesalers or distributors buying at bulk discounts and then supplying smaller outlets*
- *shops and store chains, buying in bulk and reselling washing liquid, gel and softeners in individual packs to their customers*
- *shareholders of the manufacturing company*
- *suppliers of the raw materials from which the detergents are made*
- *suppliers of the containers that the detergents are stored in*
- *firms that supply and service the machines within the manufacturing plant*
- *recruitment agencies and potential employees*
- *the logistics company managing the distribution fleet that delivers the products to outlets*
- *regulatory bodies that ensure the plant is not polluting the environment*
- *trade associations*
- *and so on .....*

From this example, you will now understand that an external stakeholder is any individual external to the organisation that is in some way involved with the organisation and its activities. They may not have direct contact with the company themselves, but may:

- be affected by the company's activities indirectly e.g. smaller retail units not receiving deliveries on time due to an issue with distribution
- affect the company's activities indirectly e.g. individual customers choosing to purchase an alternative brand of detergent due to competitor advertising.

### **Internal stakeholders**

As well as external stakeholders, there are of course internal stakeholders too. An internal stakeholder is defined as anyone within the organisation who:

- receives information, goods, or services from you or from your department
- influences your department
- in some way is affected by the activities in your department.

Therefore, everyone you work with, and many other people in the organisation, could all be considered your internal stakeholders.

### Activity

#### Activity 1.3

(about 10 minutes)

In the space below, list or mind map your internal stakeholders.

### Feedback

*You may have quite a long list and it is likely that you will have identified some of the following as major internal stakeholders:*

- *my manager*
- *my team*
- *other departmental managers*
- *senior managers*
- *board members*
- *HR department*
- *payroll manager*
- *receptionist*

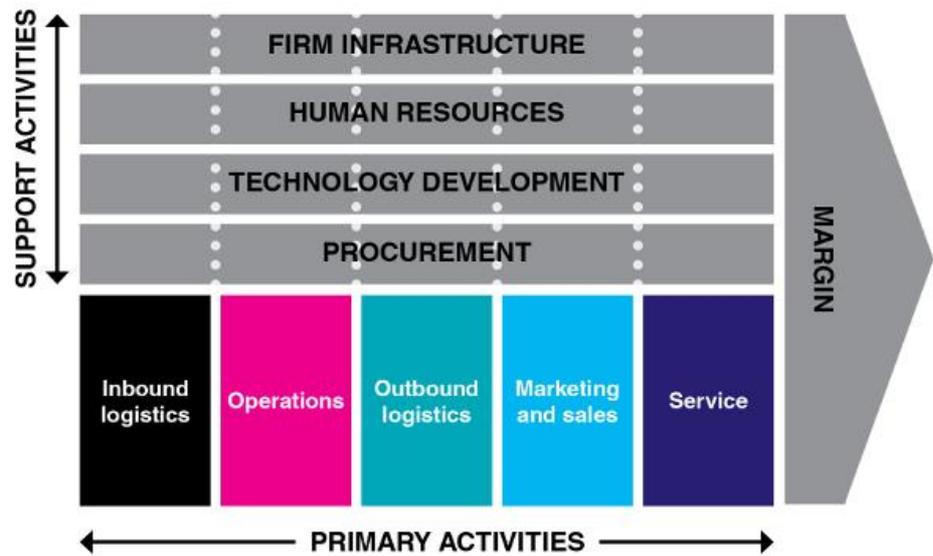
*A sound approach is to work on the principle that 'everyone is a stakeholder' and treat them appropriately.*

### Direct v connected stakeholders

In the earlier pizza manufacturing example, we referred to the term indirect stakeholders i.e. ones that you may influence through your actions however not directly. These are often called 'connected stakeholders' and examples of these include shareholders, suppliers, partners and contractors.

If your organisation is like most organisations, then one department supplies another, and so on. A chain of activities extends right through the organisation, with each department, section and function affecting every other as they play their own parts in the overall work of the organisation i.e. you are all connected either directly or indirectly.

You are in a supply chain that should add value and will impact on stakeholder relationships. Michael Porter (in his book *Competitive advantage: creating and sustaining superior performance*) calls this a 'value chain'.



Source: CMI Models - Value Chain Analysis

Where you are within this chain will help you identify your direct and connected stakeholders. Information is one of the products or services that you receive from colleagues and pass on to others. Within a value chain you may be supplying part-finished goods to another department or you may be providing a service that is one stage in a complex service provision.

If any department or section supplying you with services, goods or information fails to get it completely right, it means that whatever you do is based on sub-standard inputs, and your outputs may then not be as good as they could be. This outcome will directly impact on relationships with your major stakeholders and very likely the organisation's stakeholders.

Similarly, whatever you pass on to someone else (goods, services or information) has to be exactly right, or it affects their ability to complete their work perfectly and will impact on their stakeholders.

**Activity**

**Activity 1.4**

**(about 15 minutes)**

Recreate the value chain, starting with your department and then plotting the value chain going forwards and backwards. Who are your direct and connected (indirect) stakeholders?

**Feedback**

If you are working in the call centre department in a company selling blinds (roller, venetian, french etc.) your value chain might include the following stakeholders:

- **Inbound logistics:** the purchasing department placing orders with different suppliers i.e. fabric, aluminium, who then arrange for their products to be delivered via a logistics firm



- **Operations:** goods in checking stock delivery before delivering to production who are responsible for making up the different types of blinds



- **Marketing and Sales:** the marketing team who are responsible for advertising and promoting the products and the call centre who are responsible for taking the orders and processing them



- **Outbound logistics:** the warehouse department who are responsible for picking the orders and the distribution department who are responsible for delivering to the orders to the customers



- **Service:** the customer service department who are responsible for after sales service e.g. handling returns, resolving complaints and feeding back key points to the appropriate departments to facilitate continuous improvement.

**Assessing stakeholder needs and expectations**

In the previous sections you identified your main external and internal stakeholders, who are numerous and varied and will have different needs and expectations. Therefore, to effectively build stakeholder relationships it is essential to identify and assess their needs and their expectations so that you can meet (and exceed) them.

Take a moment to consider how a need differs from an expectation?

A need is something that your stakeholder considers to be essential. For example, your manager needs you to produce work that meets the agreed standard and is delivered within the agreed time framework.

With regards to expectations, these are often not written down and tend to be subjective i.e. each stakeholder will have certain things that they expect or want from you. For example, an external customer will expect you to be polite, courteous and interested in

their needs. A fellow colleague will want you to be supportive, give advice freely and pass on information in a timely manner.

## Identifying needs and expectations

Managing your operations effectively means providing your stakeholders (internal and external) with what they require, rather than what you want to provide or think that they need. Each stakeholder will have a unique perspective and will value aspects differently; therefore, you need to identify what is important to them.

### Activity

#### Activity 1.5

(about 15 minutes)

**Scenario:** The detergent manufacturer introduced in Activity 1.2 identified three major stakeholders:

- *regulatory bodies*
- *members of the public*
- *wholesalers and distributors*

What do you think each stakeholder needs and expects?

### Feedback

*It is likely that your answer related to some of the following aspects:*

- *quantity*
- *quality*
- *frequency*
- *timeliness*
- *cost*

*For example:*

- *regulatory bodies will need the manufacturer to operate within the law and may expect continuous improvement measures to be in place to reduce environmental waste*
- *suppliers of raw materials will need the manufacturer to order specific quantities in accordance with the timelines of the service level agreement and may expect forecasts to be shared*
- *wholesalers and distributors will need the manufacturer to offer the produce at a reduced cost compared to a retail outlet and may expect to agree a bulk discount.*