

# *The Stakeholder 360: Measuring The Quality of Stakeholder Relationships*

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## **What Is The Stakeholder 360?**

The Stakeholder 360 is a management tool for assessing and improving the quality of strategically important stakeholder relationships. This tool is part of a comprehensive approach to stakeholder relations offered by the Centre for Innovation in Management (CIM) in the Faculty of Business at Simon Fraser University.

The Stakeholder 360 involves both measurement and facilitated dialogue. Managers and stakeholder 'partners' both complete a '360' questionnaire. The questionnaire is based on leading edge theory and research relating to social capital and the development of successful inter-organizational relationships. Once the data has been collected, CIM facilitates a dialogue between managers and stakeholder representatives to review the results and explore opportunities for improving the relationship.

This tool is ideally suited for use with a company's stakeholders where there are a limited number of critically important people involved. These would include special interest groups (e.g., international environmental and human rights organizations), marketing and distribution chain partners, major suppliers and subcontractors, customers of companies relying on only

a few major accounts, government regulators, and major investors (e.g., mutual or pension fund managers).

### **Benefits and Features**

The Stakeholder 360 has a number of unique features.

The Stakeholder 360 provides independent, credible results that can be easily communicated to both managers and stakeholder partners.

The 360 provides companies with a diagnostic profile for each strategically important relationship. Because these profiles identify strengths and weaknesses in the relationship, the levels of trust, and both the causes and effects of relationship improvement or deterioration, they provide practical guidance for managing the relationship.

The profiles can be combined into a weighted sum that allows comparisons with other companies in the same industry. CIM intends to develop industry norms so that eventually the Stakeholder 360 can become an important part of how investors assess the long-term sustainability of industries and individual corporations within them.

The 360 provides strategically relevant information and a process for mutually beneficial engagement with stakeholders at a reasonable cost.

## The Business Value of Stakeholder Relationships

Research shows that companies with positive stakeholder relations are more profitable.

The explanation is straightforward. In a turbulent, highly competitive environment, the ability to meaningfully engage critical stakeholders allows a company to innovate and respond to changing external demands more quickly and efficiently. This, in turn, reduces costs, creates advantages, and provides the company with strategic insight, or foresight, that allows it to outperform its competitors. The result is value creation.

While there are many benefits of good stakeholder relationships, two of the most important are in the areas of innovation and social license to operate.

### Innovation and Organizational Learning

Building high social capital relationships amongst employees by facilitating communication, fostering trust, and shared understanding has been shown to spur innovation and learning. Conversely, in hostile, low-trust work places employees will hoard information, avoid collaboration, and display very low levels of creativity.

The importance of social capital in relationships with external stakeholders including suppliers, business partners and peers has also been shown to be critical for innovation. A recent study of high tech companies in Silicon Valley found that high trust relationships between scientists facilitated the exchange of vitally important information and ideas. Often high social capital relationships are the cost of entry into such external innovation networks.

### Maintaining Community Support and a Social Licence to Operate

Global corporations like Talisman, Shell and Nike have been targeted by environmental and human rights organizations over concerns about their operations in developing countries. Other companies like Hyundai have been unable to build new facilities in communities due to lack of local support. More and more corporations are coming to the conclusion that in order to maintain their “social licence to operate” they must develop positive long-term relationships with people in local communities and with international environmental and human rights organizations.

The Stakeholder 360 measures the level of social capital in key relationships and gives managers the information they need to prevent problems and to grasp opportunities that competitors do not see.

## What is Social Capital?

In the context of corporate-stakeholder relationships, social capital means:

- a) Talking - how much do the parties talk to each other?
- b) Trusting - how do the parties trust each other?
- c) Thinking - how much do they “see eye-to-eye”?

In more theoretical terms, social capital can be described as having the following three dimensions:

### Structural Dimension (Talking)

Measurements on this dimension deal with the level and pattern of communication with the other organizations. Communication is a prerequisite for progress on the other two dimensions. Moreover, the position that a company or a stakeholder holds in the communication network affects its degree of prestige, power, and influence with other members of the network.

### Relational Dimension (Trusting)

The relational dimension of social capital deals with trust, norms, and reciprocity. These concepts are all linked. This second dimension of social capital reinforces the notion that social capital is not the ‘property’ of an individual or an organization. Individuals and organizations draw on their social capital with others in their networks; who they trust and who share a sense of reciprocity. If a member of the network ceases to follow established norms and if trust and reciprocity are withdrawn, social capital may be depleted or cease to exist.

### Cognitive Dimension (Thinking)

The cognitive dimension focuses on the need for mutual understanding and perspective-taking in goal-oriented relationships. The most appropriate measures for the cognitive dimension include basics like shared language and concepts, or more advanced levels of mutual understanding, like the shared values and visions for the future. Regardless of the level chosen, the cognitive dimension is always about understanding each other goals and means of achieving them.

## Where Has the Stakeholder 360 Been Used?

The 360 questionnaire was developed by CIM in 1999 as part of a multi-year study of the evolution of relationships between a forest company and a coalition of environmental groups in British Columbia. The 360 was also recently pilot tested in Papua New Guinea.

### Background on Pilot Project in PNG

In October, 2000 Placer Dome Inc. (PDI) asked the Centre for Innovation in Management to conduct the Stakeholder 360 as part of a sustainability planning process surrounding the closure of a gold mine on Misima Island in Papua New Guinea (PNG).

PDI and Misima Mines Ltd. (the operators of the mine) wanted to:

- develop and maintain constructive relationships with Misiman stakeholders,
- strengthen the capacity of Misiman stakeholders to initiate their own constructive action in adjusting to the socio-economic effects of the mine closure, and
- meet the social performance expectations of international stakeholders (e.g., social justice and community development NGOs, socially responsible investment organizations).

The first wave of the 360 has been completed. Over the next five years, the 360 will allow all Misiman stakeholders to have input into mine closure processes regardless of political power or influence in the Misiman community, and will bring Misiman organizations together so that they can plan their post-closure future. In addition to measuring the level of social capital, the first round of the 360 also asked stakeholders about their visions for the future of their community, current realities and priorities for action .

In short, the company and its stakeholders are using the Stakeholder 360 findings as a political roadmap towards a sustainable future for the community.

***“The Stakeholder 360 gives managers and stakeholders information they need to prevent problems and to grasp opportunities that benefit both the company and the community.”***

*John Waterhouse, VP,  
Academic, Simon Fraser University*

## Conducting a Stakeholder 360

The Stakeholder 360 is customized to each situation. The following outlines the typical core steps and procedures.

### Questionnaire

Because it focuses on the relationship, the Stakeholder 360 questionnaire collects perceptions from representatives of both the company and the stakeholder organization. Most of the question are asked in a way that obtains a numeric answer (e.g., rating). The mutual perceptions are then merged into a score for the relationship itself.

Most companies also want to know why the relationships are in their current condition and what can be done to improve the ones that need work. For that reason, the “Why and How” option follows each ratings with a request for the reasons behind the rating. Figure 1 shows the overall structure of the core questionnaire.

### Scope and Range

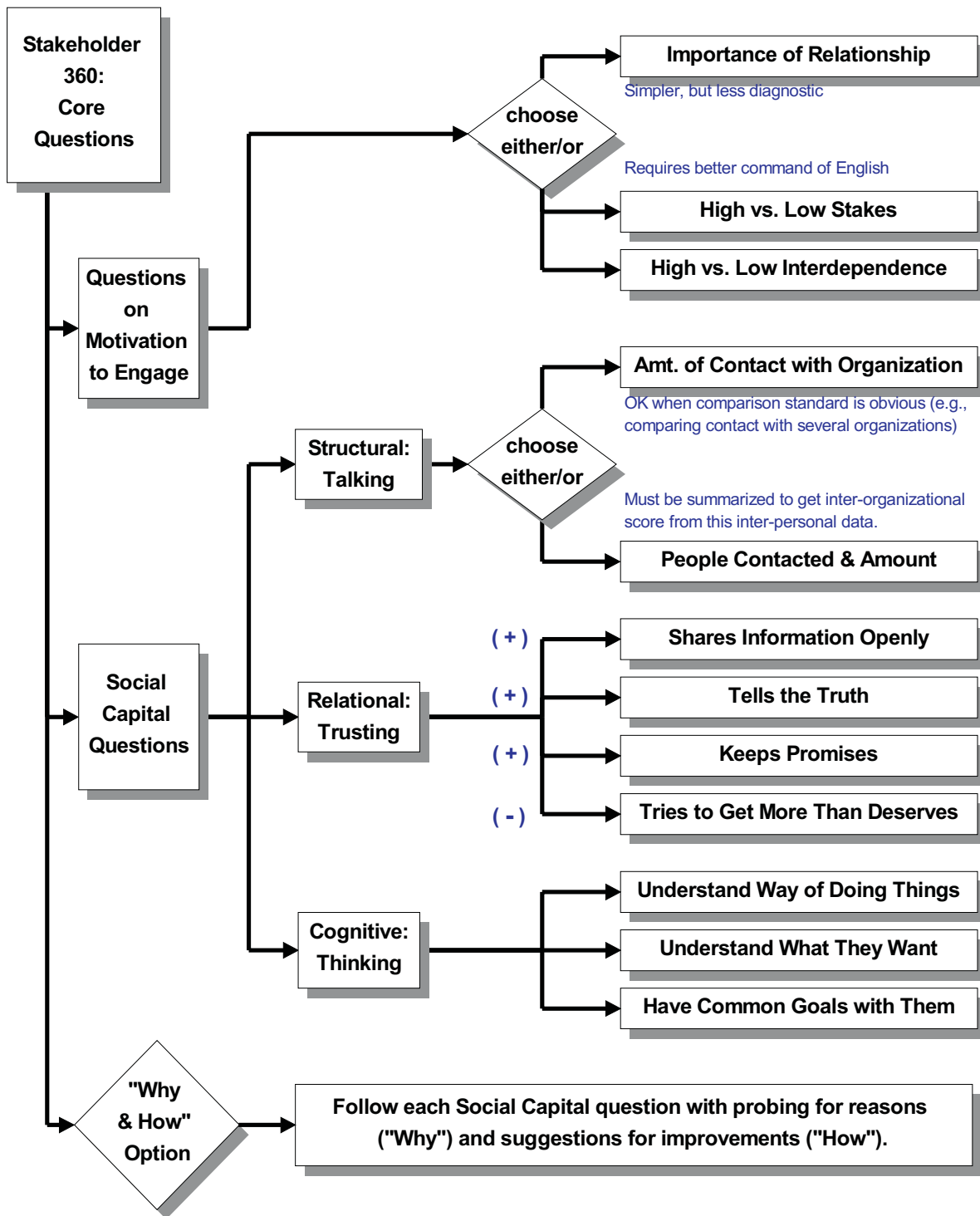
In the first year, most companies choose to focus on one or two key stakeholder groups. However, we suggest that steadily moving towards a fuller 360 by adding more stakeholders will provide the most synergistic, and therefore beneficial, results.

### Implementation Steps

The basic steps involved in conducting a Stakeholder 360 are as follows:

1. Members of the CIM management team work with the senior managers to identify key stakeholder groups and issues.
  2. CIM interviews managers who deal with the stakeholder organizations and gathers names of stakeholder representatives.
  3. Managers and stakeholders complete Stakeholder 360 questionnaire. CIM administers the field work using whatever methods are most appropriate. They might include in-person interviews, toll-free automated telephone interviews, or questionnaires implemented through mail, e-mail, fax, or a password secured website.
  4. CIM analyzes the data and writes a report.
  5. Option: CIM facilitates face-to-face or teleconference follow-up dialogue sessions with stakeholder partners.
- Figure 1: Structure of the Core Stakeholder 360 Questionnaire

Figure 1: Structure of the Core Stakeholder 360 Questionnaire



### Research Partners

In order to build social performance monitoring capacity, especially in developing countries, and to ensure cultural sensitivity in the research process, CIM prefers to conduct the 360 in partnership with a regionally based research institution (e.g., a university or independent research center).

## Analysis

There are two types of quantitative data, the social network data and the ratings or rankings data. The former are treated with the appropriate statistical techniques and translated into social network graphs (see Figure 2 for an example based on hypothetical data). The ratings and rankings data can be presented on line graphs with the lines being extended for each successive tracking wave (see Figure 3 for a hypothetical example).

Figure 2: Hypothetical Graph of Social Capital Linkage Patterns

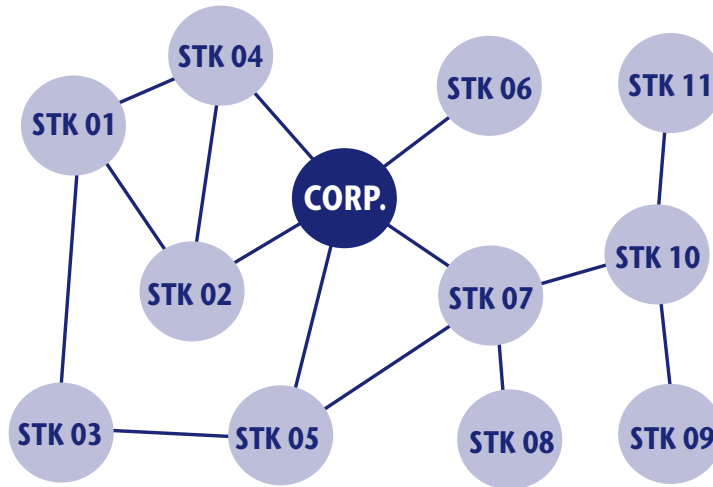
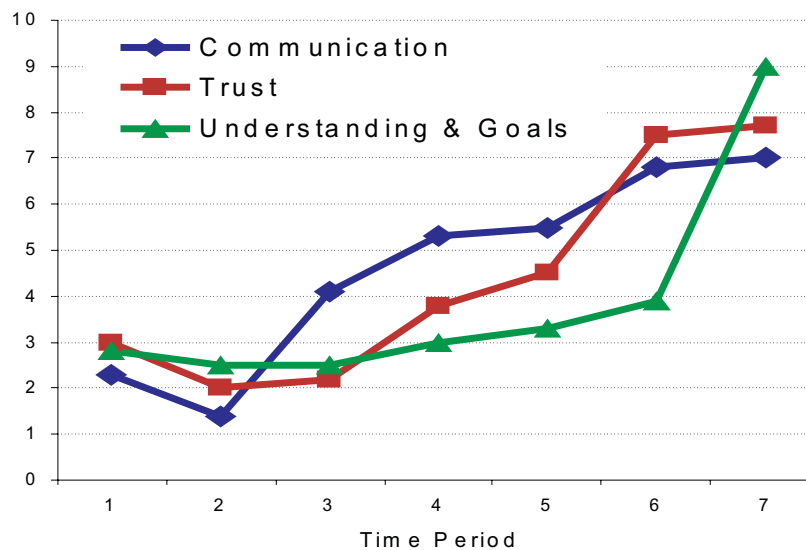


Figure 3: Hypothetical Graph of Social Capital Dimension Scores



## Reporting

CIM provides the company with a detailed report and meets with the company to review recommendations. It is anticipated that many companies will include the Stakeholder 360 results in their annual reports or social/sustainability reports. As more companies use the system, CIM will also be able to report performance norms by industrial sector so that companies can gauge themselves against peers and competitors, as illustrated in the sample graph to the right.

## **The CIM Team**

Ann Svendsen, Executive Director  
Ernie Love, Dean SFU Business  
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Carolyne Smart, entrepreneurship  
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Mark Wexler, business ethics

## **360 Researchers**

### **Ann Svendsen, Executive Director, CIM**

Ann is an Adjunct Professor in the Faculty of Business Administration at SFU and President of CoreRelation Consulting, a firm specializing in social research and stakeholder relations. For over 20 years, Ann has worked with corporations and government agencies to forge stronger, more strategic, and profitable relationships with customers, suppliers, employees, and community stakeholders. She has played a significant role in more than a hundred complex and often contentious projects, bringing together representatives of diverse groups with conflicting interests to develop new solutions and innovative policies and programs.

### **Dr. Robert Boutilier, Research Director, CIM**

Robert is a recognized leader in developing innovative research techniques to bring the perspectives of customers, employees, business partners, and citizens to private and public sector strategy development processes. In 1981 he earned a Ph.D. in psychology from the University of British Columbia for work on the development of human understanding of dynamic systems logic. His current research interests include measuring social capital, mapping the interaction between global and local social networks, and assessing the quality of corporate stakeholder relations. He has studied corporate stakeholder relationships in contexts ranging from the forestry industry in British Columbia to the mining industry in Papua New Guinea.

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