STRATEGIC STAKEHOLDER ENGAGEMENT

CHRIS ANASTASI

‘Chris Anastasi has written an invaluable practical guide to strategic stakeholder engagement. It combines a comprehensive explanation of the decision-making landscape in the public sector with a wealth of insights, born of long (and sometimes challenging) experience, into how to establish, organise and manage the resources within businesses to interact effectively with a broad range of counterparties in the public sector. There’s no magic formula to engagement with government; it’s a long, hard road that requires and repays the establishment and maintenance of trusted relationships with a broad range of interlocutors. Absorbing and acting on Chris’ practical guidance would be a great start for any business intending to create or enhance a public affairs function.’

Sir Adrian Montague CBE, Chairman of Aviva plc

‘Many CEOs and Finance Directors struggle to appreciate the real value of stakeholder engagement. They should read this book to understand how crucial a focused campaign can be to commercial success. The case studies are illuminating on what works and what not to do. They depend on building trust and relationships based on strong ethical standards. Most importantly, there’s an understanding of the hands-on role of a Company’s leaders in the stakeholder dialogue and building credibility. This is a team effort.

The other key audience for this book is Government Affairs professionals. Those running, or setting up, these departments will find the step-by-step guide to a targeted programme invaluable. Chris Anastasi describes audiences to target, the many tiers of influencers that shape policy, the importance of galvanising wider support, and above all a focused approach to securing opportunities and managing risks. The case studies show how tangible value can be measured and delivered. Government relations professionals can use this unique book as a benchmarking resource or a template for success. It plugs a gap in the field of stakeholder relations.’

Robert Armour OBE, Former Deputy Chair of NuGeneration

‘Society today has given voice to many diverse views. People and institutions expect to have a voice in issues that affect their government, their society and their lives. Successful institutions, both public and private, need to find ways to speak to these diverse and (sometimes) competing views such that all stakeholders feel their positions and opinions have been fairly and fully considered. This book gives excellent guidance based examples of successful stakeholder engagement programs and the experience of leaders who have been successful in effective stakeholder engagement.’

Bill Coley CBE, Former President of Duke Power and CEO of British Energy

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Strategic Stakeholder Engagement

New Government policy and regulation affect the environments in which organisations operate, bringing both risks that need to be mitigated and potential opportunities to exploit. A key question is whether organisations are engaging with decision-makers and other key actors as effectively as they could. Are they managing to influence the policy and regulatory regime that shapes the markets in which they operate? Even more fundamentally, do they know who they should be interacting with or understand the formal and informal processes whereby they can present their concerns, views and ideas?

Strategic Stakeholder Engagement addresses these important questions. The content of this book is wide-ranging, presenting much useful information, ideas and approaches, and provides concrete examples to demonstrate important aspects of strategic stakeholder engagement. The approach needed to deliver an effective programme and the role of internal stakeholders are discussed in detail. Many of the ideas and approaches presented in this book are drawn from experience in the energy sector, but their consideration leads to generic lessons that can be applied more widely across different sectors and stakeholders, and in different countries.

This book is a standard reference book for the area, one that will challenge existing practices and stimulate new innovative activity. It is essential reading for public affairs practitioners.

Chris Anastasi is one of the UK's leading corporate experts on Stakeholder Engagement and Government Affairs. He has also been an academic and an advisor to national and international institutions, and held a number of executive and non-executive roles for various organisations.

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To my mother and father

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Foreword

Energy policy has never been far from the front pages since Margaret Thatcher's Government embarked on the privatisation of the electricity supply industry in England and Wales in the late 1980s. Energy, perhaps above all other sectors, necessitates a close interaction between, on the one hand, Government and other public authorities and, on the other, the participants in the chain of activities required to bring power to consumers: generation, transmission, distribution and supply. That's because, as in other sectors, Government sets the rules of energy policy and defines the regulatory framework that creates the parameters within which the companies provide power to millions of consumers, both business and household, around the country. But energy, more than any other sector, involves a flow of particularly sensitive political issues as bills are a considerable cost in the household economies of many families, and the fitness of purpose of regulation to balance the need for continued investment with the delivery of power to consumers at reasonable prices is of keen interest to politicians.

Government is also looking to industry as its vehicle to meet the challenges of climate change, and stimulating investment in renewable energy has necessitated changes to the structure of the industry to provide incentives for the development of the young technologies that are expected to deliver the transition to a carbon-free economy. The resulting 'trilemma', how to balance the competing and sometimes conflicting demands of the security of supply, climate change and the supply of affordable energy to consumers, is a continual preoccupation of Government, and so all participants in the energy sector find it extremely valuable to engage closely with Government and a broad range of influential stakeholders to monitor emerging thinking in this important area.

If close engagement with Government is a clear priority for the energy sector, it is nonetheless also at the heart of managing business in many other sectors where the government has an important role to play: the automotive sector, the other utilities and financial services, to name just three. And changes in the perception of business have made stakeholder engagement all the more relevant for business. In the old laissez-faire days before the global financial crisis, businesses were able to maintain more of an arm's-length relationship with Government. No longer, as continued pressure on living standards and the erosion of public confidence in business have incited governments everywhere to scrutinise business

more closely and prompted an increasing level of intervention. Never before has it been so vital for business to ensure that its side of the story is properly told and understood.

Against this background, Chris Anastasi has written an invaluable practical guide to strategic stakeholder engagement. It combines a comprehensive explanation of the decision-making landscape in the public sector with a wealth of insights, born of long (and sometimes challenging) experience, into how to establish, organise and manage the resources within businesses to interact effectively with a broad range of counterparties in the public sector. There's no magic formula to engagement with Government; it's a long, hard road that requires and repays the establishment and maintenance of trusted relationships with a broad range of interlocutors, but it's a worthwhile process because, as a distinguished Permanent Secretary once remarked to me, 'there are no closed minds in Whitehall'. Absorbing and acting on Chris's practical guidance would be a great start for any business intending to create or enhance a public affairs function.

Sir Adrian Montague CBE,
Chairman of Aviva plc

Preface

Markets of all kinds are changing rapidly, driven by the pace of technological change and new consumer needs. Organisations usually have the capability and tools to be able to respond to these drivers to survive in an increasingly competitive world. They can measure their success or otherwise by, for example, the profit and shareholder value they generate, their ability to invest in the future, the continued well-being of their employees, and the respect of the communities they serve.

What is less obvious is the influence of Government policy. The prime purpose of this book is to help those in public relations across the stakeholder spectrum as they engage with decision-makers in Government, Parliament and beyond to the Civil Service, regulators and other independent public bodies.

The idea for *Strategic Stakeholder Engagement* came about because there is remarkable ignorance in organisations about how best to engage with decision-makers and key influencers in the policy and regulatory arena. This is partly because lobbying by commercial organisations is still frowned upon, although this is changing as governments increasingly consult stakeholders and organisations are encouraged to express their views and ideas. This book, then, is timely and highly relevant.

New government policy and regulation affect the markets in which organisations operate, bringing both risks that need to be mitigated and potential opportunities to exploit. There are many developments that also have an impact; for example, the way in which policy is implemented is increasingly devolved to the regional and even local community level, while Brexit will largely remove policy and regulatory development at the European level from the UK. It is important, then, that organisations understand that they can influence policy outcomes, and that they need to engage at all levels of decision-making if they are to protect their interests.

A key question is whether organisations are engaging with decision-makers and other key actors as effectively as they could. Are they managing to influence the policy and regulatory regime that shapes the markets in which they operate? Even more fundamentally, do they know who they should be interacting with or understand the formal and informal processes whereby they are able to present

their concerns, views and ideas? This book provides basic information and potential approaches that will help public affairs practitioners address these important questions.

A holistic engagement programme will involve decision-makers in Government and its executive, and a large and varied group of stakeholders that influence policy development. Getting organised internally is an essential requirement. It needs a strong in-house capability, one that draws on all the talents and expertise in the organisation, working in a coordinated and concerted manner. It must also draw on the considerable advice and support available in the external domain if it is to make the most of its position in the market. The approach needed to deliver an effective programme, and the role of the internal stakeholders, are discussed in detail.

This book draws on almost 20 years of experience in the energy sector and the detailed practices of four major companies at a time of considerable change for the industry, much of which had been brought about by major Government interventions at the national and EU level. Some companies in the sector prospered while others did not, and the critical observation is that those in the former group engaged more effectively with decision-makers than those in the latter. The generic lessons learned and the approaches highlighted are applicable to organisations across the economy, commercial and otherwise, small and large; the issues that concern them and their objectives may differ but the decision-makers in the form of Ministers, officials, regulators and so on, and the formal and informal engagement processes involved, are broadly the same for all.

The content of this book is wide-ranging, presenting much useful information and many ideas and approaches, and provides concrete examples to demonstrate important aspects of strategic stakeholder engagement; the focus is on decision-makers and those who influence them. The many institutions that serve society, and the formal and informal processes they are engaged in, are described in sufficient detail to help provide the bedrock on which a stakeholder engagement programme can be effective. But it is also essential that practitioners in the policy arena become as well-informed about their stakeholders as they can be and to develop relationships with them; and practitioners must also be innovative in their thinking in this important area.

Chapter 1 explains why strategic stakeholder engagement is increasingly important around the world. It uses an influential case study and the views of experts to establish what needs to be covered by practitioners in this area. Chapters 2, 3 and 4 explain what is meant by stakeholders and focus on decision-makers and key influencers and their institutions, at the national, Devolved Administration and local levels; the formal and informal processes available to organisations to engage with these key stakeholders are also discussed in detail.

Chapters 5 and 6 explain how companies should organise themselves, and how the nature and scope of the engagement programme is defined by the internal resources available; several tools to aid the programme are discussed, as are the metrics for success. The elements of a successful strategic stakeholder engagement programme are highlighted and each of these elements is discussed.

Chapter 7 highlights the fact that the policy arena is rich in new initiatives across economies and that there are opportunities to engage with strategic stakeholders in many countries around the world. Finally, the need for reflection on all aspects of the engagement programme by key internal stakeholders is discussed and a process presented to help with this activity.

Although many of the ideas and approaches highlighted in this book are drawn from experience in the energy sector, their consideration leads to generic lessons that can be applied more widely across different sectors and stakeholders, and in different countries. The book has many illustrations and case studies that are free-standing and complement the material in the main text.

The book will be helpful to those who are already active in the general field of public relations and to those responsible for government affairs, policy and regulation in their organisations. For these practitioners, it is possible that some of the ideas and approaches are already familiar but it is also likely that some have not been adopted, or that seen afresh and in a different context may stimulate new activity that would be helpful to their programmes. For those organisations with limited resources and capability, this book is an essential aid, providing basic information on key stakeholder groups, some ideas and approaches to help develop an effective programme of activities, and helpful insights on how to use resources effectively. This is equally true for companies that have been attracted into new markets and who are on a steep learning curve on how best to engage with decision-makers.

This book will also be essential reading for those in political and public administration circles, helping to inform them on how organisations, commercial and otherwise, go about the business of engaging with them. It will also help them develop their own stakeholder engagement programmes and encourage them to consider new ideas and approaches as they go about developing their own capability in this important area.

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I have been privileged to work with and learn from Bill Coley, Steve Riley and Robert Armour, excellent leaders in our organisations. They encouraged, supported and participated in the external engagement programmes, and I am very grateful to them for providing the right environment for us to make a genuine contribution in this important area.

I am also very grateful to the members of the Expert Panel who very willingly provided their views and helped frame the content of this book; their contributions have enriched the text with their wise words. My thanks also to Sir Adrian Montague for writing the Foreword to the book and by doing so contributing his experience and keen insights on strategic stakeholder engagement.

Writing this book was a very enjoyable adventure, made more so by the wonderful encouragement and support by all members of my family. They really are special, and made the discipline, commitment and hard work needed to deliver a fair manuscript to the publishers so much easier.

Selected acronyms

AM	Assembly Member
BEIS	[Department for] Business, Energy and Industrial Strategy
BIS	[Department for] Business Innovation and Science
CBE	Commander of the Order of the British Empire
CBI	Confederation of Business and Industry
CCC	Committee on Climate Change
CCL	Climate Change Levy
CEO	Chief Executive Officer
CHP	Combined Heat and Power
CJEU	Court of Justice of the European Union
CMA	Competition and Markets Authority
CPS	Carbon Price Support
CR	Corporate Responsibility
CSR	Corporate Social Responsibility
DCLG	Department for Communities and Local Government
DECC	Department of Energy and Climate Change
DEFRA	Department for Environment, Food and Rural Affairs
DExEU	Department for Exiting the European Union
DH	Department of Health
DIT	Department for International Trade
DTI	Department of Trade and Industry
EA	Environment Agency
EC	European Commission
ECB	European Central Bank
ECC	Energy and Climate Change Committee
ECO	Energy Companies Obligation
EEAS	European External Action Service
EESC	European Economic and Social Committee
EIB	European Investment Bank
EMR	Electricity Market Reform
EU	European Union
EU ETS	European Union Emissions Trading Scheme
FOI	Freedom of Information
FTSE	Financial Times Stock Exchange