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Leveraging Stakeholder Engagement to Develop Sustainability Strategies

Stakeholder alignment is key to any successful execution of a sustainability or ESG strategy. We have seen a number of high-profile stakeholder-initiated cases in the past year, such as *The People v. Arctic Oil*, a landmark climate-change case in protest of new oil drilling in the Arctic, which was heard through all levels of the domestic courts in Norway. The case concerned ten new drilling licenses awarded to thirteen oil companies for oil exploration in the Barents Sea, an area of approximately 77 acres on the Norwegian continental shelf where oil and gas fields have recently been built. It was brought against the Norwegian state by a collective of groups including Nurturing Youth, Greenpeace Nordic, with The Grandparents Climate Campaign and Friends of the Earth Norway as intervenors. The groups were outraged that the Norwegian state was planning to further expand its extraction and production of fossil fuels, despite evidence that already more fossil fuels have been uncovered than can be allowed to be burn if the targets outlined in the Paris Agreement are to be met and argued that approving oil drilling violates human rights conventions as it would increase carbon emissions into the atmosphere.

Another is the agitation led by hedge fund Engine No. 1 against a corporate titan. Its work has led to ExxonMobil to replace three of the twelve directors on its board. Engine No. 1's campaign to push ExxonMobil to invest more aggressively in renewable energy while working to decarbonise its legacy fossil fuel business was accomplished with the hedge fund owning only 0.02 percent of ExxonMobil's equity.

According to Deloitte Global Climate Check 2021 report¹, two forces have emerged as the primary drivers for organisations' sustainability actions: shareholder demands and a marked increase in societal and employee activism.

Another notable survey² recorded nearly half of director respondents expressing a lack of confidence in their company's management team's understanding of the business implications of ESG.

1 <https://www2.deloitte.com/global/en/pages/risk/articles/2021-climate-check-business-views-on-environmental-sustainability.html>

2 <https://chiefexecutive.net/boards-and-management-may-be-misaligned-on-stakeholder-interests/>

Hence, it is imperative to develop a stakeholder engagement plan to encompass the following:

- 01** Identify who the stakeholders are and pay equal attention to them. Firstly, it is important to identify who an organisation's stakeholders are, before proceeding to understand each of their interests. Executives should spend a significant amount of time understanding the full spectrum of stakeholders that belong to their company's ecosystem.
- 02** Know the company's stakeholders; identify every current, primary, and secondary stakeholder groups, and anticipate future or emerging stakeholder groups. To determine the needs of stakeholders, it is important to get close to your stakeholders and create open forums for dialogue with them. As companies scale, it is easy to lose track of the various groups that constitute the stakeholder system of an organisation.
- 03** Create a forum for dialogue with stakeholders rather than attempting to silence them. Building on the notion of empowering stakeholders, giving stakeholders a voice is perhaps one of the most important ways companies can engage with them. While not-for-profit organisations are more attuned to their stakeholders' point of views (POVs), companies are typically already closer to these stakeholders and are ideally positioned to empathise with their needs, but it is not often in the company's financial interests to embrace the differences in POVs.
- 04** Collaborate with stakeholders to achieve social objectives. The pay-what-you-can (PWYC) business model highlights an important distinction between the two types of motivation that organisations can use to engage with stakeholders.



In essence, stakeholder engagement, whether internal and external, should be treated with equal priority. These engagements provide opportunities to align practices with societal needs and expectations, helping to drive long-term sustainability. It also allows the organisation to change pre-conceived mindsets through data and logic. Engaging a stakeholder is a two-way, iterative dialogue to uncover what social and environmental issues matter most to him/her/them that will improve decision-making and accountability and hence produce a more robust sustainability strategy.

Influence Stakeholder Decisions

Dr. Robert Cialdini, a widely respected scholar of a ground-breaking book, *Influence*, gives us six principles that illustrate how stakeholders can be influenced on a daily basis. These principles can help a company package their recommendations or come up with a strategy to effectively deepen its relationships and become a more influential partner in the long run. The principles, their descriptions and an example of how a company could use them are as follows:

| Principle | Description | Example of how you can use it in a presentation. |
|---------------------|--|--|
| Liking | The Stakeholders like others who like them. | <ul style="list-style-type: none"> ■ “Your presentation on X was really impactful for my team, it helped spur our thinking on...” |
| Reciprocity | The Stakeholders repay others in kind. | <ul style="list-style-type: none"> ■ Senior executives signed off on an important initiative and asked immediately if the CSO office could chair the annual fundraiser. ■ Lend a staff member to someone. |
| Social Proof | The Stakeholders are influenced by the actions of those who are similar to them. | <ul style="list-style-type: none"> ■ “The competition is doing this so we need to do it too.” ■ Dress code – “We are business casual, but the executives wear suits.” ■ “8 out of 10 division have already implemented this.” |
| Consistency | The Stakeholders want/need to appear consistent in their views. | <ul style="list-style-type: none"> ■ Performance Improvement Plans ■ Individual Development Plans |
| Authority | The Stakeholders defer to experts or the appearance of authority. | <ul style="list-style-type: none"> ■ “According to the research done by The Ministry of Sustainability and The Environment...” ■ “According to The National University of Singapore’s Centre for Nature-based Climate Solutions...” ■ Share your personal credentials (degrees, certifications, etc.) |
| Scarcity | The Stakeholders value what is scarce. | <ul style="list-style-type: none"> ■ “There are only 20 spots for this conference.” |

There are two key things to keep in mind about these principles:

As you consider your stakeholders, think about cultivating long-term relationships. Think about the stakeholders' best interests when using them to avoid undermining these relationships. These principles work best in combination. For example, liking + social proof both take advantage of the similarities between individuals and work nicely in conjunction.

Below is a practical checklist that could be used to secure buy-in from your stakeholders.

Securing Stakeholder Buy-In Checklist

Stakeholder Name: _____

| Anticipating Objections | | Tailoring Your Approach | Influencing Stakeholder Decisions |
|--|--|--|---|
| Blockers | Obstacles | | |
| <input type="checkbox"/> What blockers can you anticipate? <input type="checkbox"/> How will you connect the proposal to your stakeholder's business need(s)? | <input type="checkbox"/> What obstacles can you anticipate? <input type="checkbox"/> How would you address them with stakeholders? | <input type="checkbox"/> How will your proposal benefit your stakeholder? Features: Benefits: <input type="checkbox"/> How would you describe your stakeholder? <input type="checkbox"/> What actions can you take to tailor your approach? | <input type="checkbox"/> How will you use the six principles of persuasion? |
| <p><i>Anticipate the potential blockers by asking yourself the following questions:</i></p> <ul style="list-style-type: none"> Am I thinking about value for them or value for me? Have I identified and articulated the need of an impact to the business? Have I supported my recommendation with compelling business data? Have I presented a clear and compelling business case? Can I ask additional questions to ensure I understand enough about my stakeholders' goals and how my solution will impact them? What alternative choices are being weighed, or what else is competing for scarce resources? Does the proposal threaten the achievement of specific objectives? | <p><i>Anticipate the potential obstacles regarding concerns about:</i></p> <ul style="list-style-type: none"> Choice Stated Benefits Implementation <p><i>Use the "feel, felt, found" process to practice how you would address these concerns with stakeholders.</i></p> | <p><i>Diagnose and prepare your interactions to help flex your style in the moment. Take the time to identify opportunities to flex to stakeholder communication preferences around:</i></p> <ul style="list-style-type: none"> Slower vs. faster pace Level of detail Relationship vs. task orientation Animated vs. controlled body language | <p><i>Which of the six principles of persuasion could help you develop your influence?</i></p> <ul style="list-style-type: none"> Reciprocity Scarcity Authority Consistency Liking Social Proof (Consensus) <p><i>What do you need from your stakeholders?</i></p> |

About the Author



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Philip is Director and Principal Consultant at RHT Green. Philip has more than 22 years of experience in the energy industry. He worked for Chevron from 1998 to October 2020 in Singapore, London, Hong Kong and Shanghai across M&As, corporate business development, strategy, and sustainability. Philip also served as a start-up founder for Chevron's digital venture in China in 2015 where he built up an B2C ecosystem for fuel and lubricants solutions leveraging eCommerce and technology. In the course of his career, Philip has led the origination and evaluation of investment opportunities, secured strategic partnerships, directed deal teams in due diligence, financial and commercial analysis, complex negotiations and contracting in the energy space.

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