

Improving stakeholder governance

Aligning corporate purpose and the business model

To create long-term sustainable growth, businesses need to re-focus on their purpose, resilience, and operate regeneratively. Sustainable business models depend on the quality of relationships between a company and its material stakeholders. It is not an adjunct to running a successful business, but an essential element.

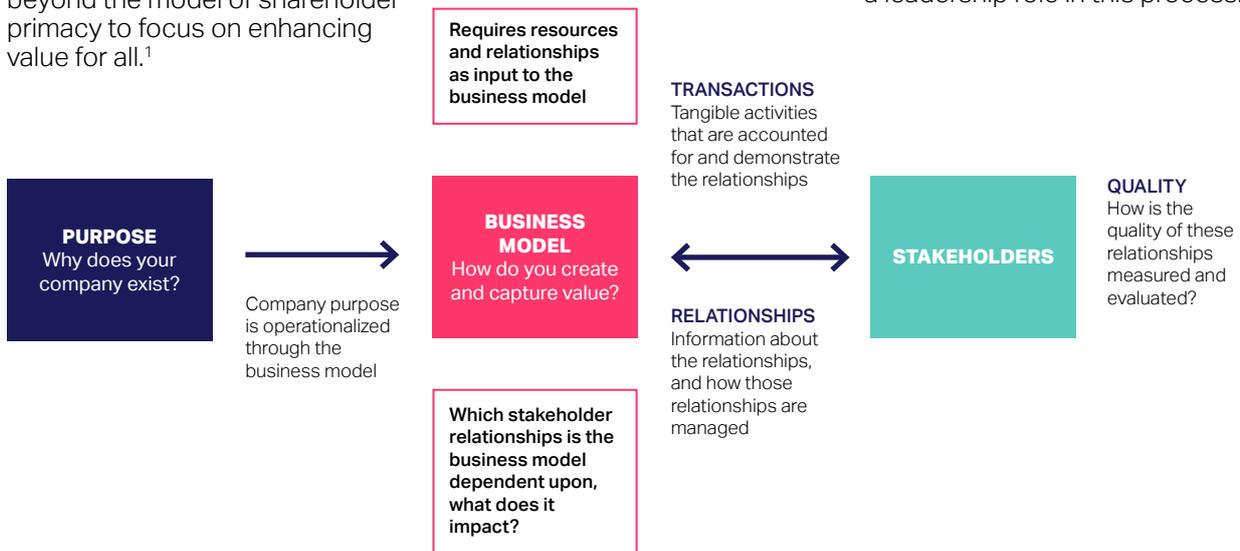
Creating, capturing and protecting value relies on good relationships with employees, customers, suppliers, capital providers, governments and civil society. We must move beyond the model of shareholder primacy to focus on enhancing value for all.¹

The purpose of a business is the core of why a company exists. Purpose is defined as 'profitably solving the problems of people and planet, and not profiting from creating problems.'² It is operationalized through the business model.

A business model that is not consistent with a company's purpose is unlikely to be sustainable in the long-term for its stakeholders, and undermines the viability of the business.

A business needs to recognize the interconnectedness of its operations with material stakeholders in order to understand the impacts and dependencies it has on both nature and society. This is where stakeholder engagement is critical.

The value created by an organisation's transactions depend upon the quality of its relationships with its material stakeholders. As such, businesses need to understand and measure these relationships and it is vital for the board to take a leadership role in this process.



WBCSD's research in collaboration with DNV highlighted that at board level, while engaging with stakeholders is critical, practice is still in its infancy.³

This self-evaluation has been developed by WBCSD and DNV as an output of the research conducted, which is available [here](https://bit.ly/3DKMTdt). Many respondents to the research requested a simple way to help assess and improve their approach.

We have outlined key activities that the company can consider in order to improve engagement.

¹ Freeman, Martin & Parmar (2020). The Power of AND: Responsible Business without Trade-offs, New York: Columbia University Press

² Professor Colin Mayer, The British Academy – Future of the Corporation, (2021), available at: <https://bit.ly/3DKMTdt>

³ WBCSD & DNV, (2021), Boards and their stakeholders: The state of play, available at: <https://bit.ly/3lGoXSk>

Self-evaluation

The table below presents a simple way for corporate boards and management to understand the extent to which they are engaged with their material stakeholders and how that engagement supports decision-making. Companies can assess themselves against three levels (beginning, progressing and leading), and the framework indicates what companies can do to move towards the next level.

			① BEGINNING	② PROGRESSING	③ LEADING
Identify who your material stakeholders are	1	Have you identified which stakeholder groups are essential to value creation that drive and deliver your business model?	Limited identification of material stakeholders and their relationship to your business and/or stakeholders are identified, but not mapped to your business model.	Some stakeholders are mapped to the business model, or all stakeholders are identified but only partially mapped to the business model.	All stakeholders are identified and their relationships mapped to relevant parts of the business model.
	2	How well do you understand the expectations of and impacts on your material stakeholders?	Limited understanding of the needs and expectations of a limited number of stakeholders in relation to your business.	Some understanding of the needs and expectations of most stakeholders, or good understanding of some stakeholders.	Good understanding of the needs and expectations of all stakeholders.
Understand & Engage with those that impact and influence your business model	3	To what extent do you consult with your stakeholders to understand their views and to ensure good quality information?	The board rarely consult stakeholders to understand their views, and no measures in place to ensure quality of information.	The board is engaged with or is provided with reliable information that may be incomplete on most stakeholders or at irregular intervals.	The board is regularly engaged with or provided with high-quality granular information on material stakeholders.
	4	How formalized is stakeholder engagement in your governance systems and processes?	Informal and ad hoc stakeholder engagement with no existing engagement plan.	A formalized stakeholder engagement plan or approach exists for some levels of the governance structure (from board to site level), but not all.	Stakeholder engagement and feedback is formalized from the board level and cascades throughout the organizations for all material stakeholders.
Evaluate & Embed those stakeholder views and opinions in decision-making and other business processes	5	How well embedded are stakeholder discussions into the board agenda?	Stakeholders are rarely/ never discussed at board level, or only discussed on an ad hoc basis when major issues arise.	There is at least one formal review of stakeholder feedback on ESG issues a year or occasionally for all stakeholders or regularly for some stakeholders.	All material stakeholders' views and feedback are included on the agenda and reviewed on a regular basis at relevant board meetings throughout the year.
	6	Are you confident that you are getting a fully representative view of your stakeholders' opinions?	Limited knowledge of stakeholders and their opinion or only a very limited number of stakeholders' views are represented.	Good confidence in understanding of some stakeholders' opinions, or some confidence in the understanding of all stakeholders' opinions.	The board are confident in their understanding of all material stakeholders' relevant opinions and that these are representative of the stakeholder groups.
	7	Do the views of stakeholders materially influence the board's strategic long-term decisions?	Stakeholder views have limited material influence on long-term objectives, planning and decision-making at board level.	Stakeholder views materially influence some long-term objectives, planning and decision-making at board level.	Stakeholder views always materially influence the development of long-term objectives, planning and decision-making at board level.
	8	To what extent is stakeholder engagement integrated into existing business practices or decision-making activities, for example materiality and risk management assessments?	Stakeholder engagement is separate from existing business activities and is only used by those who conduct the engagement activities.	The board is incorporating some stakeholder views and opinions into existing business activities and boardroom decisions, including materiality and risk management.	The board is incorporating all material stakeholder views into existing business practices, including strategic development, risk management, materiality and opportunity mapping.

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