

STAKEHOLDER

Stakeholder engagement



BACKGROUND MATERIAL

Stakeholder Engagement

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Authors of this module: Kirsten Schmidt (Aalborg University) and Cristina Rocha (LNEG) with contributions from Elsa Faria (Citeve).

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1. Objectives of the module

- To explain what and who stakeholders are;
- To explain why and how stakeholders should be involved in the design process;
- To present a methodology for stakeholder engagement;
- To give examples of stakeholder engagement;



Keywords: Stakeholder; Stakeholder categories; Stakeholders and design processes; Co-design; Partnership

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2. Introduction

Stakeholder¹ engagement is an ongoing and complex process, involving many different people and organizations. Moreover, it varies during the phases of defining, designing and launching new products and solutions.

Any *organization* has stakeholders, and stakeholder analysis, for example mapping and understanding customer needs, is a common task. The focus on sustainability adds new stakeholders and new interests to the existing picture. To build an understanding of stakeholders' perspectives, one may need to look at both the company level and the product level as customers buy a product, but they deal with a company and may hold expectations on both levels. Therefore, it is recommended to conduct the stakeholder analysis in relation to both levels. A designer will need to do the analysis in cooperation with colleagues and to align the results with management priorities.

¹ All terms and expressions written in *italics* are defined in the glossary <http://sinndesignproject.eu>

Link to tools and other modules

Related to the stakeholder engagement, two *tools* are included in the SInnDesign material: The Stakeholder Analysis Tool enables the user to specify who the stakeholders of a specific organization and design project are; what their sustainability related interests are; how to prioritize the different stakeholders and their interests; and how to develop a plan for engaging with the stakeholders. The Quality Function Deployment Tool enables the user to weigh the sustainability related interests of the stakeholders against other parameters in the product development decision making process.

Moreover, several modules are relevant to consider in relation to stakeholder engagement, for example Design and Sustainability Management, *Design for Sustainability* (DfS) Communication, and DfS Processes.

3. What is a stakeholder

A stakeholder is a holder of a stake, so one needs to find both the stakeholders and their stakes, that is, their interests.

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Such interests can be financially or legally related, but in Design for Sustainability it can also be a question of ethics for example in dealing with social aspects in the supply chain or a wish to develop more environmental friendly products or solutions.

A stakeholder is an “individual or group that has an interest in any decision or activity of an organization”

ISO 26000 guidance standard on Social Responsibility, definition 2.20.

Why engage with stakeholders

Sustainability is a very broad concept that has to be specified and understood from one context to another, among other things through a process of involving relevant stakeholders.

Involving stakeholders in DfS is important:

- To provide ideas and suggestions for improvements of the products and solutions;
- To assist the company in establishing priorities for action and in carrying out proposed changes;
- To contribute with specific knowledge or financial resources to develop more sustainable solutions;
- To get a better understanding of the sustainability challenges stemming from the production and use of the products and solutions – and thereby to develop suitable solutions;
- To improve the company’s goodwill and reputation on the market and among the users.

Thus, the specific purposes of engaging with stakeholders as a part of DfS are to clarify and minimize potential risks related to unsustainable choices of e.g. materials or production processes in a life cycle perspective, and to develop the dialogue and cooperation with other organizations to find the most suitable ethical and

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sustainable solutions. Engaging with stakeholders simply creates a broader knowledge base for the designer.

4. Stakeholder *categories* and interests

From the definition of stakeholders, it can be seen that an organization may have many stakeholders, internal as well as external. Some of them are directly related to the DfS project, while others influence the context that the DfS solution has to be integrated in. This is illustrated in [Figure 1](#). In the core there are the people directly involved in the design process. To produce and market the product, other persons and entities in the organization are involved – including purchasers, production planners, marketing personnel and management. This is shown by the next two layers. The outer layer, covering stakeholders outside the organization, adds complexity to understanding stakeholder interests, be it related to sustainability or to other business aspects. Many different concerns, expectations and trends may come to voice – some of them may present challenges to the organization as the stakeholders may have different priorities.



Figure 1: DfS project situated in a larger context

In relation to sustainability, for example, fashion trendsetters in the habitat sector may launch wood from tropical forests as natural materials and feasible for furniture with long durability. A *NGO*, like The Rainforest Alliance on the other side may claim that this type of wood is unsustainable if it is over-exploited due to deforestation and related risk for eradicating tropical flora and fauna.

The individual designer will probably not have access to information about all the different stakeholders and their

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sustainability related points of view. Still, understanding the broader, social context may be the difference between success and failure when launching the new product on the market. Therefore, the designer should team up with colleagues who have access to this type of knowledge, for example the environmental or sustainability coordinator.

Not all stakeholders are equally important to the organization and they may also represent different types of values. This is illustrated in the *Networks* of external stakeholders model in [Figure 2](#). The four networks each hold different value propositions for the company. The business network is closely linked to the economic performance; the regulation network is about fulfilling existing and upcoming legislation; the knowledge network may offer ideas and opportunities for *innovation* and help with identifying potential sustainability related risks, for example in the supply chain; and finally, the individual network (of key persons or decision makers in the organization) directs the focus to norms for what is regarded as ethical, sustainable solutions.

Each network represents potentials and challenges for the organization. When mapping the stakeholders, a company will normally include the business and the regulation network. However, to understand what is considered as socially responsible behaviour – and thereby locate potential risks and opportunities for innovation – it is relevant to also include significant stakeholders like media, NGOs, consumer organizations or neighbours, related to the other network. For example, potential problems related to poor working conditions in the supply chain, or the use of natural resources that are of traditional or cultural importance to local people may not be located in due time if the company only considers the business and regulation issues.

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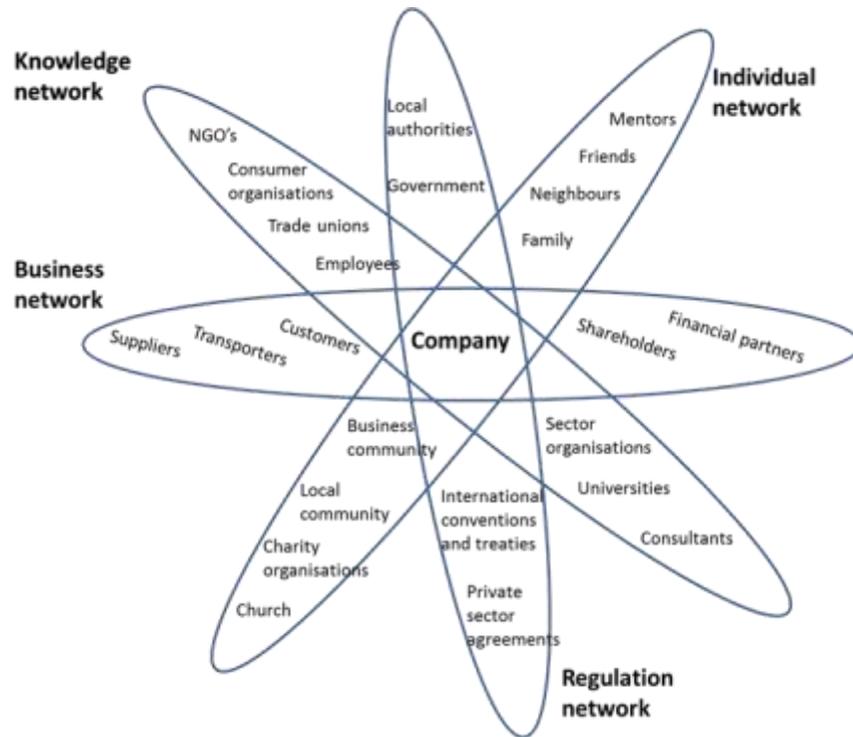


Figure 2: Networks of external stakeholders (Inspired by Søndergaard et al, 1997)

Along with the mapping of the stakeholders, one also has to map their interests. Some types of interests may seem evident on an overall level, but can be more complex when looked at in more detail. For example, customers typically

want a good product to a good price. But what this means in practice may vary from customer to customer in relation to e.g. product quality, functionality, aesthetics and price. The same goes for sustainability issues. Some are, for example, willing to pay for products and solutions with high durability, while others may give priority to products that can be easily *recycled*.

Adding to the complexity, the stakeholders may not only consider sustainability issues that are directly linked to the product or service system – they may also expect that the company takes care of all relevant issues along the life cycle, including how the products, or parts of the products, are produced at the suppliers. Such expectations may not be voiced by the individual consumer, but by special interest groups, NGO's or consumer organizations. Moreover, different stakeholders may have different expectations – some of them may be challenging to deal with. For example, in one country there may be legal *requirements* or infrastructures that support recycling or dismantling of products, while in others there are not.

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Dealing with conflicting interests

While there are good reasons for involving the stakeholders in Design for Sustainability, it can be difficult and challenging. Stakeholders' specific interests may not be in line with the broader expectations of society as regards sustainability, and there may be conflicting interests among stakeholders.

A potential conflict stands between market stakeholders – customers, investors and suppliers – giving priority to short-term economic targets, and longer term social and environmental expectations of non-market stakeholders like NGO's and local communities.

An easy way out is to ignore the conflicting interests and continue with business as usual, not paying attention to sustainability issues. Therefore, a special effort may be needed to keep the sustainability issues on the design agenda, and for this purpose, the company could develop and implement a set of procedures and principles for prioritizing sustainability. (Driessen and Hillebrandt, 2013). The following

examples show how an organization, with active support from the management, can keep the focus and priorities of sustainability as an integrated and established part of the daily practices, as opposed to having to negotiate it against for example economic interests from project to project.

1. By establishing procedures, for example norms or written instructions related to sustainability issues in the formalized design management system, it is assured that sustainability issues defined in the procedures are included in the design process. Procedures are internal rules or guidelines to be followed without having to discuss the purpose in every development project.
2. Moreover, a high level of ongoing sustainability communication with internal and external stakeholders can create a culture that supports maintaining sustainability issues on the product development agenda while also supporting organizational learning processes.
3. The development of a number of guiding principles to support designers in making choices is another way of keeping sustainability issues on the design agenda. Such principles may include setting minimum sustainable

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performance requirements for the new products; setting maximum levels of for example the use of specific resources; developing guidelines of phasing out problematic substances or shifting to suppliers with better sustainability profiles. To help the designers, the management should rank the principles in order of importance for the company.

5. Stakeholder engagement – an ongoing process

Customers buy a product, but deal with a company.

Therefore, stakeholder expectations should be considered at both levels.

In any stakeholder engagement process, it is recommended to be systematic and follow a number of steps. The steps are presented below, and they are also included in the Stakeholder Analysis Tool.

To deal with stakeholder expectations, the designers should cooperate with other people in the organization – the internal stakeholders. Some of them will be directly engaged in

developing, producing and marketing the new, sustainable solution, as shown in [Figure 1](#). Moreover, the internal stakeholders may have valuable information about and contact with external potential stakeholders and can thus help prioritizing the external stakeholders and their interests.

Typically, if one looks at the layered model in Figure 1, the designer will focus on the DfS project in the middle, while understanding the other layers will need input from others.

In many organizations, design no longer takes place only in internal design studios only, but as open processes involving a diversity of people, perspectives and considerations, and thereby a diversity of stakeholders along the design process. Designers therefore also need competences on how to facilitate such processes, for example project management skills² (Vezzoli and Manzini, 2008).

² This subject is not specifically included in the SInnDesign material.

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The designers have to recognize that they can no longer have the monopoly over design; that designing no longer takes place in studios. But they still have a role to play as “project professionals”, as moderators and developers of new strategies.

Vezzoli and Manzini, 2008

The process of identifying stakeholders and their sustainability interests, and relating these to the design project, is called a DfS stakeholder analysis. It follows 4 steps. Before entering the steps, one should start with defining the purpose and scope of the stakeholder engagement as it can be complex to do a comprehensive stakeholder analysis.

Designers may, for example, wish to incorporate specific sustainability improvements in the new product and for that purpose consult with potential users to clarify their priorities.

Alternatively, they may want to have a broader understanding of what is regarded as sustainable quality among trendsetters, NGO's or on the market.

In the first case, they may use the Quality Function Deployment Tool as a support for the following steps. In the latter case, the Stakeholder Analysis Tool is recommended for use.

The 4 steps of a DfS stakeholder analysis are:

Step 1: Identification of stakeholders and their interests

Step 2: Prioritization of the stakeholders' interests according to the organizations business strategy

Step 3: Prioritization of the stakeholders and their interest in relation to the design project

Step 4: Relating the stakeholders to the steps in the DfS process and developing an action plan for involvement of the stakeholders

The steps are presented and discussed below.

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Step 1. Identification of relevant stakeholders and their sustainability interests

Who are the relevant internal and external stakeholders and how do you expect them to contribute? To answer that question, one may start identifying relevant stakeholders based on the Networks model in [Figure 2](#). For example in an internal meeting with people from the organization representing different functions and potential relations with external stakeholders.

It can require a high amount of resources to perform a complete mapping of all stakeholders and their potential interests. Therefore, it is recommended to start with the existing, significant – typically business related – stakeholders.

However, it can be relevant to do a screening of potential issues in the broader social context. In this case, the relevant stakeholder may not be known by the company. For the purpose of screening for potentially relevant issues, one may look into the ISO 26000 guidance standard on Social Responsibility. This standard represent a global consensus on

what is considered as ethical, social responsibility. The standard defines seven principles for ethical business behaviour and seven core subjects and 37 related issues to consider, see [Figure 3](#). The majority of the issues are also relevant in design processes as they point to for example design for inclusivity, protection of natural and cultural values, and information for consumers and users.



Figure 3. ISO 26000, the 7 core subjects and related examples of DfS relevant issues.

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How to integrate such issues in the design process is further discussed in step 4. Read more about the ISO 26000 standard in the SInnDesign background materials on Design and sustainability management.

Step 2. Prioritization of the stakeholders' interests according to the company's sustainability business strategy.

Not all stakeholders and all types of expectations are equally important to the company. Some expectations may deal with fulfilling legal requirements or minimizing risks, while others point at potentials for innovation. The designer will need to be in line with – and may contribute to the further development of – the company's overall business strategies. Considering the stakeholder expectations as a part of the overall business and sustainability strategies is part of the process in developing sustainable solutions.

At Gabriel, a Danish producer of upholstery materials for furniture, wall insulation and other products, sustainability and social responsibility is a core element in the business

strategy. It means, that sustainability is dealt with systematically and continuously from a life cycle perspective, considering both economic, social and environmental aspects. However, it does not mean that everything has to be perfect from the beginning – sustainability is a journey, not a destination.

An important issue is to keep track of the sustainability issues among the stakeholders, and to prioritize the expectations. The Triangle model in [Figure 4](#) illustrates the basic principles used by Gabriel to get an overview of the priorities. At the bottom are the requirements that have to be fulfilled, e.g. legal requirements or requirements related to the company's policies. In the middle is the market situation: what is expected on the market to be regarded as a serious and high quality performing company. For example to have a certified environmental management system or a cradle-to-cradle certificate on the products, to avoid certain chemicals, and to behave responsibly. At the top are the considerations for innovation, this is where the company potentially could make a difference by creating new solutions. For example by

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developing products with a high content of recycled materials.

In practice, the model helps building a bridge between management priorities and development projects related to sustainability. In the design process there are issues that must be dealt with, some issues that could be integrated and issues that can inspire new solutions.



Figure 4: Triangle model: Stakeholder expectations related to business priorities

Step 3. Prioritization of the stakeholders in relation to the design project

As mentioned earlier, not all stakeholders are of equal importance to a company. Therefore, it is feasible to assess their importance based on the interests and the power they have. The Power/Interest grid in [Figure 5](#) illustrates four categories based on such an assessment.

High power may for example relate to:

- Access to strategic resources (materials, financial, technologies, knowledge,...)
- Market access
- License to operate

High interest may for example relate to:

- Social responsibility, including e.g. equality, or access to information
- Protection of environment, cultural heritage, local traditions and know-how, etc.
- Dependency of the company's priorities

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- Trendsetters on a market or societal level
- Ideas for new sustainable solutions

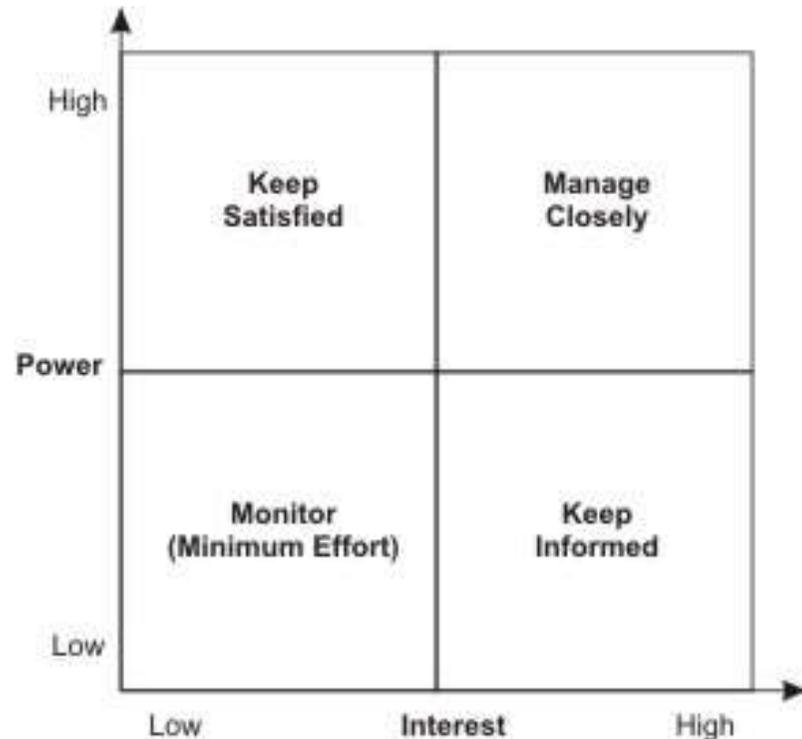


Figure 5. Power/Interest Grid for Stakeholder Prioritization (Thompson, MindTools)

Significant stakeholders, for example key customers and suppliers, have both high power and high interest, and should be closely managed and potentially directly involved in developing new solutions.

Stakeholders with high power, but low interest should be kept satisfied. It could be authorities who grant permissions related to production or use.

NGOs with special interests may have high interests, but low power and should be kept informed. All other stakeholders, those with low power and low interest (as well as all other stakeholders) should be monitored from time to time to follow if their priorities change.

The power/interest grid also draws the designers' attention to different focus areas for involvement of different stakeholders, as shown in [Figure 6](#) - and discussed in step 4.

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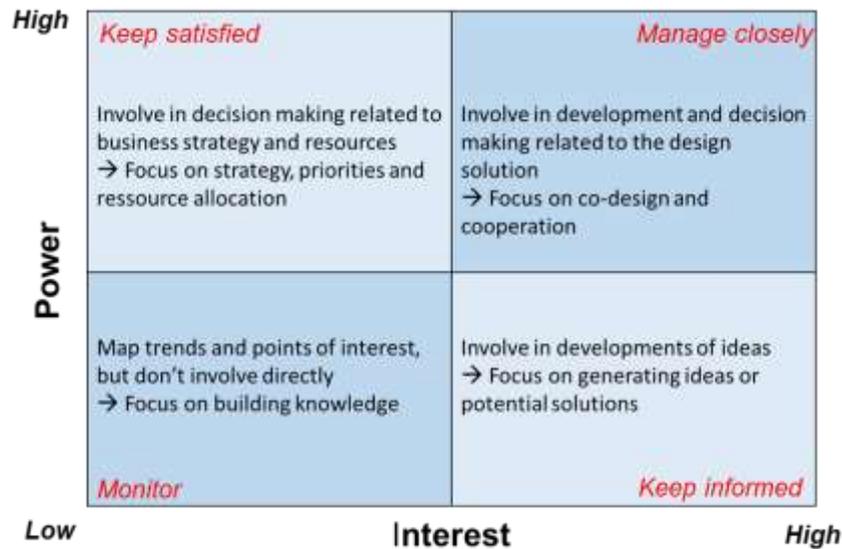


Figure 6. Focus areas related to power/interest (Inspired by Thompson, MindTools)

Step 4. Relating the stakeholders to the phases (steps) in the design process and developing an action plan for involvement of stakeholders

The next step is to consider when in the design process, the different stakeholders should be engaged according to the

purpose of the engagement and the type of interests and inputs, the stakeholders have, as illustrated in [Figure 7](#). Each stakeholder may be involved for one or more purposes as they may have several issues of interest.

In the initial planning and analysis phases, consider stakeholders with issues related to policy and strategy.

The next step, the idea phase, clarifies which DfS principles are of relevance for the development of the new product or service – and includes considerations on, which stakeholders are affected by or have a specific interest in the new product. Arrangements for co-design or partnerships should be considered in this phase, too.

Phase 3 is the strict development phase, where the new solution is specified and detailed. The Quality Function Deployment Tool may be of use in weighing and prioritizing the sustainability issues together with other issues related to e.g. functionality or aesthetics.

The last phase, step 4, is the realization phase and considers the launch and use of the product. For this part, the designer

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should consider aspects like information and documentation to guide the users in how to use and dispose of the product in a sustainable way.



Figure 7. Relating stakeholders to the steps in the DfS process

Finally, the last part of the stakeholder analysis is to develop an action plan for how to involve the stakeholders prioritized for involvement in the design project – that is, the stakeholders with high power and high interest in the DfS project. The action plan is drafted to support a discussion at top management level to approve and decide on which of the prioritized stakeholders should be involved in the DfS project and the business related purpose and challenges in involving the specific stakeholders.

The action plan should give an overview of the following aspects of the involvement:

- Existing relations with the stakeholder;
- How the stakeholder is expected to contribute to the DfS project, e.g. with knowledge, technology, specific competences, access to resources or markets, etc;
- What the business potential of involving the stakeholder is;
- If there are any business challenges in involving the stakeholder, e.g. in relation to competition or creation of dependencies;

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- How the stakeholder should be involved, and the scope of the involvement;
- Who should be responsible for the involvement, and should other people in the organization be involved, including people with existing contacts to the stakeholder.

The company may also want to develop communication and ways of engaging with other stakeholders. In this case, the result from using the power/interest grid in may guide in deciding how to communicate and engage with the stakeholders, as illustrated in [Figure 8](#).

The power/interest grid points to different focus areas for the involvement:

- Building knowledge (*low power and interest*)
- Generating ideas (*high interest, low power*)
- Decisions on strategy and allocation of resources (*high power, low interest*)

- Co-design or other types of cooperation (*high power and interest. These stakeholders are included in the action plan*)

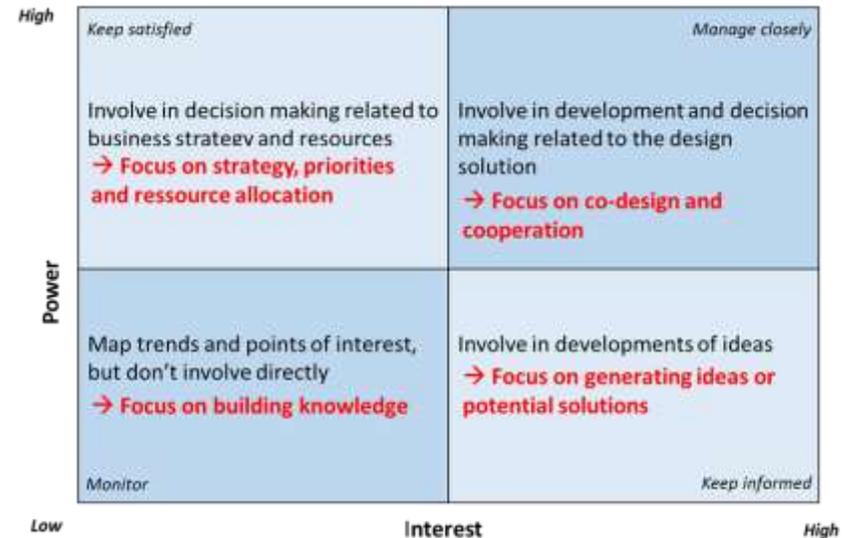


Figure 8. Focus areas for involvement based on power/interest

Building knowledge could take place through relevant media, by joining conferences and seminars on sustainability, or be subscribing to newsletters from e.g. selected NGO's, consumer organizations and others.

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Some of these activities may also involve an active exchange of ideas and proposals, or the company may have a blog on their website to invite ideas, comments etc.

In any design project, it is necessary to have decisions on business strategy and on allocation of and access to resources – financial resources, labor, knowledge, technologies, etc.

Co-design, Networks and partnerships

Co-design is the principle of involving consumers, or others, directly in designing the new solutions. By doing so, the solutions may be more adapted to the user needs and expectations.

From a sustainability perspective, the active involvement of the consumers/users can also support the development of new solutions adapted to more sustainable lifestyles and local communities, as consumption is not just a passive choice of a product. In fact, being able to spot weak signals in diverse communities on how to create well-being using much less

material resources is an important task for designers in the transition towards sustainability (Vezzoli and Manzini, 2008).

The co-design processes can take many forms and may very well take place outside the company's premises. Some companies, like the Japanese furniture company, Muji and the Danish Lego Group, have established internet-based innovation communities where the consumers upload and develop the ideas. If the idea gets a high number of likes in a year, the company will consider bringing it into production. If so, the person with the idea gets a royalty of the sales as a bonus. This user-interactive design concept is known as CUUSOO (www.cuusoo.com).

Developing new sustainable solutions may require more resources and competences than one company can deal with simply because sustainable solutions are complex and their "performance" in terms of eco-efficiency, societal well-being etc. may vary from one context to another. Moreover, some solutions may be easier to develop or more efficiently implemented if they are carried out together with other organizations. Sector based networks may support

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development of take-back and recycling systems as it is seen from the Eco-Mobilier system in France (recycling of furniture).

A company may also enter a partnership, with other companies, for example suppliers and/or customers, simply because it is necessary from a life-cycle perspective. In such cases, technology, knowledge, economic risks and benefits of investing in new solutions may be shared among the companies, or each company contributes with its specific expertise in reaching a commonly defined goal.

In some cases, it may be relevant to establish a public-private partnership where a private organization cooperate closely with a public authority, e.g. on developing the solutions and markets for welfare related products adapted to disabled users.

There might, however, also be conflicting interests and priorities that may hamper the fulfilment of the purpose of a partnership. Before entering a partnership for product development, the company could consider if and how the new solution influences the existing relations, business power,

technology platforms etc. for the participants, and how to handle potential conflicts. This is especially relevant for partnerships targeted towards radical innovation.

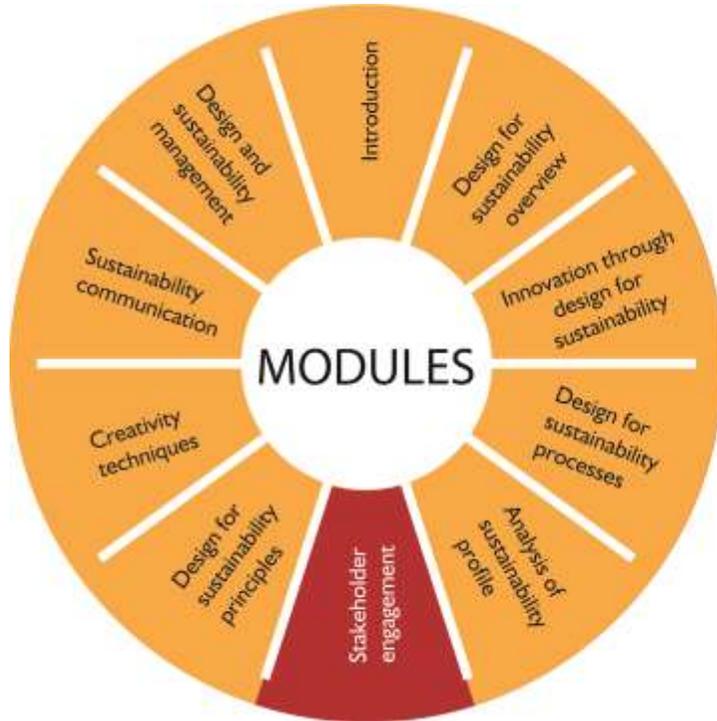
(Munksgaard et al, 2012).

Taking the innovation a step further than optimizing along the value chain to creating new ways of satisfying users needs, for example through Product Service Systems where the user buys access to a product or service from time to time, the design process becomes even more complex, also involving new stakeholders. In this context, the expression strategic design for sustainability stands for the capability to create new stakeholder configurations and develop an integrated system of products, services and communication that is coherent with the medium-long term perspective of sustainability (Manzini and Vezzoli, 2003).

In the SInnDesign Background material on DfS Communication, more knowledge on how to communicate with internal and external stakeholders can be found.

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SInnDesign Modules and Tools



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Further reading:

Sustainable Everyday Project: Cases, videos etc. on co-design and participation for sustainable solutions:

<http://www.sustainable-everyday-project.net/>