

Stakeholder Involvement and Risk Management

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The Corporation

- In the movie, The Corporation, we learn:
- That corporations are persons that can be diagnosed as “psychotic”. Their interests are opposed to the interests of citizens.
- That corporations are self-serving.
- That Corporate Social Responsibility won’t work because it is (a) voluntary, and (b) “not what these guys are good at”.

We're All Self-Serving

- Corporate Social Responsibility is a tacit recognition that corporations will be self-serving (and that stakeholders will be also).
- CSR is based upon the same premise as community life. We impose ethics and behavioural constraints on ourselves for the common good.

Corporate Social Responsibility

- “Operating a business in a manner that takes responsibility for the social and environmental impact of the business.”
- “Companies have developed social responsibility strategies as a result of concerns received from stakeholders including customers, employees, investors and activists.”

Stakeholder Involvement Benefits

- Minimize external risks associated with development and operations
- Improve reputation (trust and support)
- Gain competitive advantage
- Improve plans and processes

No Conflict With Profit Motive

- “CSR is certainly not about abdicating the rights of shareholders to make a profit on their investments. Rather, it entails recognition that shareholders are not the only group that has a stake in the operations of a corporation.”
(Anne Golden, CEO, Conference Board of Canada)

Stakeholder Involvement is Action

- CSR is a framework that includes principles, rules, reporting and action.
- Stakeholder Involvement is the primary action.
- Stakeholder Involvement is also an action that contributes significantly to risk management.

Stakeholders Help Reveal Risks

- The dialogue between corporations and stakeholders is often portrayed as a conflict, but it can be mutually beneficial.
- Stakeholders represent their self-interest, but they also help companies identify external risks early in the assessment process.

Impact Assessment

- Impact assessment has changed in the past ten years: there is more attention to risk assessment and risk management.
- Correspondingly, there is also more attention to stakeholder involvement---but it is often too late or too little.

Regulation is Necessary

- CSR and stakeholder involvement are effective in a regulated environment. Voluntary action and regulation are complementary tools.
- In a regulated environment, stakeholder involvement clearly results in lower costs related to approvals and delays in implementation.

Words are Easy, Actions are Not

- Critics of the benefits of stakeholder involvement point out that implementation is difficult:
 - “different stakeholders have differing stakes and balancing the needs of competing stakeholders is not an easy task”
- Two great challenges for the corporation: building internal commitment, and delivering the required action effectively.

Internal Commitment

- Brian Plesuk (Manager of Stakeholder and Aboriginal Relations, Conoco-Phillips) is building internal commitment in a company of 48,000 employees while the company is merging different corporate cultures (after M. and A.)
- He is succeeding in gaining global commitment in the company. Step one was to create clear rules and accountability. Brian notes: “this has to be as rigorous as the commitment to safety.”

Good Process, Good Delivery

- Profile and Contact (who are the stakeholders, who are we contacting?)
- Sharing problems; sharing benefits
- Credible decisions
- Follow Through

More Attention to Fundamentals

- Communication Skills and Consistency Among Personnel
- Improved Tolerance and Understanding
- Recognize stakeholder costs and contributions
- Improve effort to involve marginalized communities
- Audit trail