



PRINCIPLE 8

Stakeholder engagement

There is meaningful engagement of stakeholders and their interests are understood and considered by the board

- 8.1 The board understands who the organisation's stakeholders are, their needs and their expectations
- 8.2 The board oversees a framework for the meaningful engagement of stakeholders
- 8.3 Stakeholders are considered in relevant board decision-making
- 8.4 There is a process for gathering and responding to complaints and feedback from stakeholders
- 8.5 The board oversees a framework for how the organisation works with and protects vulnerable people

To govern effectively, boards must have an awareness of the stakeholder environment in which they operate and understand the needs and interests of these stakeholders. In certain circumstances, boards may also have obligations under the law about how they work with stakeholders. At the heart of stakeholder engagement is the acknowledgement that organisations are impacted by, and have an impact on those with whom they interact.

Identifying your stakeholders

All organisations have stakeholders, though who these are will vary based on factors such as the activities an organisation undertakes and its relationships. Boards should develop an understanding of who their stakeholders are, what their relationship to the organisation is, and what responsibilities the organisation has to them, if any. Often, the most important stakeholders for an organisation will be the people that the organisation exists to benefit (its beneficiaries).

Example of stakeholders include:

- Members;
- Suppliers;
- Clients and their families;
- Volunteers;
- Donors;
- Funders;
- Neighbours;
- Staff;
- Government;
- General public;
- Media;
- Carers.

In certain circumstances, directors may have legal obligations to their stakeholders either directly or through the organisation. For example, an organisation has a legal duty to take reasonable care to avoid exposing its workers, including any volunteers, to reasonably foreseeable risks of injury.

Do directors owe a duty to their stakeholders?

Directors' duties are generally owed to the organisation as a whole. That is, directors must act honestly, in good faith and to the best of their ability in the interests of the organisation. In practice, this means that a director owes their duties to the members of the organisation, and not to its other stakeholders.

However, an organisation may be subject to other statutory requirements (such as work health and safety legislation) that give rise to duties that directors owe to other stakeholders.

However, directors should consider the views and interests of stakeholders because they can lead to better and more balanced decisions in pursuing the organisation's purpose. Duties of directors are discussed in greater detail in *Principle 2: Roles and responsibilities*.

Engaging with stakeholders

Effective stakeholder engagement involves building relationships based on mutual trust, respect and understanding. Engagement is not an end in itself, but a means by which to build and develop relationships which help organisations to pursue their purpose.

Stakeholder engagement is beneficial both to organisations and to stakeholders. It provides valuable information to the organisation (such as about how it is perceived, its stakeholders' needs and its broader operational environment), builds goodwill and helps to identify potential issues for resolution.

Stakeholders benefit from these relationships too through helping organisations to better understand their needs and expectations. This engagement also helps stakeholders to develop a more informed understanding of the organisation and how to work with it, and to manage their expectations accordingly.

The board's role in stakeholder engagement

An organisation's relationships with its stakeholders can have a significant impact on its ability to achieve its goals. As such, boards should oversee the process of stakeholder engagement and be satisfied that its stakeholders are identified and understood. Stakeholder engagement is a critical component of good governance.

“Corporate Governance is concerned with holding the balance between economic and social goals and between individual and communal goals.

The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society.”

Sir Adrian Cadbury

There are a several practical ways boards can do this. Boards should consider how stakeholders are impacted by relevant decisions, having regard to their needs and expectations, to maximise the chances that their decisions will lead to the desired outcome. Seen in this way, considering the influence of stakeholders is part of risk management which is discussed in greater detail in *Principle 5: Risk management*.

Some boards may authorise stakeholder engagement frameworks which help guide an organisation's work through identifying relevant stakeholders and setting the parameters for how to engage with them.

In some circumstances, directors themselves may become actively involved in managing relationships. For example, it is sometimes helpful for the chair or other directors to attend meetings with politicians in advocacy settings, or to meet with significant donors on behalf of the organisation. This can help to build personal relationships and to reflect the board's commitment to engaging with important stakeholders.

Responding to feedback

It is important that organisations have a safe and effective method for gathering feedback from stakeholders. This information can be used to inform the delivery of services, to develop an understanding of how the organisation is perceived and to identify and respond to potential concerns. Feedback should be viewed as a positive interaction between organisations and their stakeholders which provide an opportunity to learn and improve.

Feedback can be received in many ways; an individual might make a formal complaint about an organisation using an established complaint handling system or a comment may be made through an informal channel such as social media.

How an organisation gathers and responds to this feedback can have a significant impact on its performance, reputation and culture. For example, if an organisation does not act on feedback or is dismissive of people who raise concerns, this may impact how it is perceived by stakeholders and create a culture in which stakeholders are not valued.

In some circumstances, complaints (especially those which are repeated or serious) may be an indicator of poor performance, misconduct or may in some instances be a breach of the law.

It is a good idea to set out a policy for how the organisation will respond to complaints and other feedback. This policy should apply to all paid and volunteer staff and should include to whom a complaint can be made, how it will be handled, expected timeframes and a process for communicating any resolutions.

Boards should aim to develop a culture of disclosure which recognises that feedback from stakeholders, even complaints or allegations of wrongdoing, is an important source of insight that can help an organisation achieve its mission and avoid misconduct.

Protecting vulnerable people

Many NFPs, because of the nature of their work, will regularly interact with vulnerable people. However, all organisations that operate in the community may interact with vulnerable people and, where they do, it is important that there are systems and processes in place to protect them from harm.

The term 'vulnerable people' refers to people who are susceptible to harm or exploitation by reason of age, illness, trauma, disability or for any other reason.



Many organisations will be subject to additional legal requirements and obligations in relation to the care of vulnerable people.

Boards play an important role in protecting vulnerable people such as through overseeing risk management, compliance with relevant laws and a policy framework that protects vulnerable people. Perhaps most importantly, the board must seek to develop and maintain a culture which prioritises the safety of vulnerable people.



QUESTIONS FOR DIRECTORS



* WHO ARE THE STAKEHOLDERS OF THIS ORGANISATION?



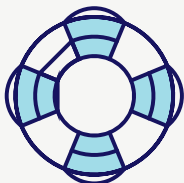
* HOW ARE THE NEEDS OF STAKEHOLDERS CONSIDERED BY THE ORGANISATION?



* HOW DO STAKEHOLDERS PERCEIVE THE ORGANISATION AND WHAT IS THE IMPACT OF THIS?



* HOW DOES THE BOARD ACCESS AND RESPOND TO FEEDBACK FROM STAKEHOLDERS?



* HOW ARE VULNERABLE PEOPLE PROTECTED BY THIS ORGANISATION?



CASE STUDIES

HelpfulCare

HelpfulCare has developed a comprehensive stakeholder engagement framework that identifies who their stakeholders are, as well as how the organisation understands their needs and expectations. The framework sets out a principles-based approach to stakeholder engagement grounded in respect, participation and transparency.

As part of their formal decision-making process, the board considers how their decisions will impact and may be impacted by stakeholders. To maintain an ongoing connection with stakeholders, board meetings begin with a 'client story' which helps directors to focus their minds on how their work impacts stakeholders. Directors also regularly engage with

stakeholders through site visits and by participating in consultative forums.

HelpfulCare actively seeks opportunities to gather feedback from stakeholders and uses mechanisms such as client surveys and market research to develop a more fulsome picture of performance. They have also established policies for responding to compliments and complaints so that feedback is appropriately acted on.

Many of HelpfulCare's clients are considered to be vulnerable people and they have established robust systems and processes which aim to keep their clients safe. Among these are compliance with relevant clinical care standards and the adoption of the 'National principles for child safe organisations.'

The Friendlies

The Friendlies are a democratic, community-controlled organisation and stakeholder engagement is central to what they do. Their regular 'town hall' style meetings provide an opportunity for stakeholders to gather and to develop a shared vision for how the Friendlies should work.

Stakeholders are also regularly surveyed about their priorities and there are regular votes for members to choose between multiple project opportunities. The board use this information to guide their decision-making and are regularly encouraged by the chair to consider what stakeholders would want.

Complaints to the Friendlies are handled in accordance with their complaints management policy which requires that any formal complaint is reviewed by the board.

The Friendlies have a policy on working with vulnerable people. One part of the policy includes a requirement that all of their volunteers maintain a working with children check and undergo an annual police records check. They also make sure all volunteers are trained in the policy, and that is reviewed annually.