

STAKEHOLDER INFLUENCE ON STRATEGY, A MANAGERIAL VIEW

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Stepping out of the box



Agenda



1. Strategy & Strategic Planning Process
2. Approaches to Strategy
3. Stakeholders
4. Influence on Strategy
5. Stakeholder Mapping
6. Stakeholder Engagement
7. Interactive Session

What is Strategy



Strategy is about *what* and *why*

Strategic Planning Process



- Gaining buy-in from key participants and other stakeholders.
- Conducting an environmental assessment.
- Analysing strengths, weaknesses, opportunities, and threats.
- Developing planning and financial assumptions.
- Establishing the strategic framework .
- Setting strategies.
- Establishing performance measures.

Approaches to Strategy



- Resource-based Theory “.... It is not the environment but the resources of the organization, which form the foundation of the firm’s strategy..”
- “The basis of a competitive advantage of an organization lies in the application of the bundle of valuable resources at the organization’s disposal”.
- Resources include : physical capital, the skills of individual employees, intellectual capital, finances and talented managers”.

- Industry Organisation Theory – “..the industry in which an organization chooses to compete has a stronger influence on the firm’s performance than do the choices managers make inside their organizations
- Porters five forces: – Suppliers bargaining power, Buyers bargaining power, competitive rivalry, products substitutes, potential entrants
- Pressure from the external environment

- Individuals or groups vital to the firm continued survival and continued success (narrow view)



The individuals, communities and organisations that are most affected by, or most likely to influence, our business.



- Investors
- Board of Directors
- Customers
- Employees
- Suppliers
- Communities
- Government/Regulators
- Non-Governmental Organisations

- Driving purpose beyond profitability
- Buy-in leading Achievement of strategic goals and long term viability (Sustainability)
- Helps check if the organisation strategy and operations are consistent with its mission, vision, and values.
- Feedback on how positively or negatively the organisation is perceived in the community.

- Identifying relationships the organization should pursue or strengthen.
- Identifying opportunities to better meet stakeholder needs.
- Assessing and managing risks or threats.
- Recognizing potential areas of disagreement or conflict with stakeholders and how to address them.
- Sharing stakeholder needs and concerns with legislators and policymakers.

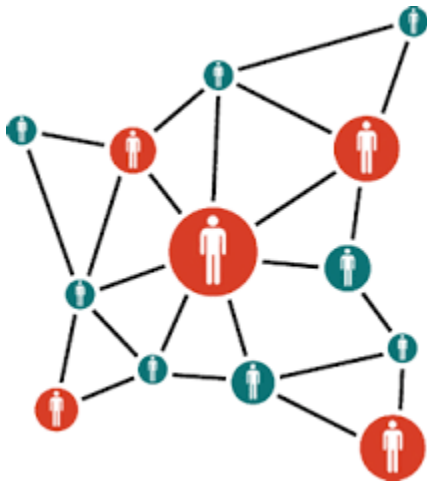
Example



Stakeholder	Stakeholder concerns	Impact on Kumba	Impact on stakeholder	Kumba's response or action
Civil society (impacted communities, farmers, development partners and unions)	Kumba not providing opportunities for employment and skills development	Low relationship satisfaction among these stakeholders affects the company's social licence to operate	Communities not benefitting from the mineral resources mined in their areas	Implement high-impact developmental projects identified
	The impact of mining operations on the environment	Potential for reputational damage	Potential impact on farming livelihood	Ensure responsiveness to stakeholder enquiries and concerns and effectively manage complaints and grievances through existing mechanisms Put mitigations in place
	Benefit sharing Financial compensation for the Dingleton community	Scrutiny by regulators and potential suspension of licences Some homeowners refusing to move Potential litigation	Prolonged exposure to dust, continued stay in a town with no service or municipal infrastructure Miss moving to new modern houses close to amenities Missed opportunities for skills development and employment	Demonstrate the benefit of moving to the new host side, such as new and modern houses, proximity to amenities and job opportunities Demonstrate that they received fair compensation
Business and industry (customers, suppliers, business partners, mining/ steel/ construction industry, local businesses)	Expansion of the Iron Ore Export Channel	Availability of rail to export ore through Saldanha port	Transnet achieving its strategic objectives	Continued engagements on achieving this expansion in an efficient manner
	Lack of procurement opportunities for local suppliers	Not giving local suppliers opportunity causes instability, which affects production	Additional revenue from the expanded rail infrastructure Local businesses not able to thrive Support by multinationals towards local supplier development	Approved BEE and local procurement policy and supplier-development programme

Ref.: Kumba Iron Ore Ltd Integrated Report 2013

Stakeholder Mapping



a collaborative process of research, debate, and discussion that draws from multiple perspectives to determine a key list of stakeholders across the entire stakeholder spectrum

Stakeholder Mapping Phases



- **Identifying:** listing relevant groups, organizations, and people
- **Analyzing:** understanding stakeholder perspectives and interests
- **Mapping:** visualizing relationships to objectives and other stakeholders
- **Prioritizing:** ranking stakeholder relevance and identifying issues

Stakeholder Analysis Criteria



- Contribution (value)
- Legitimacy
- Willingness to engage
- Influence
- Necessity of involvement

Stakeholder Mapping



Expertise

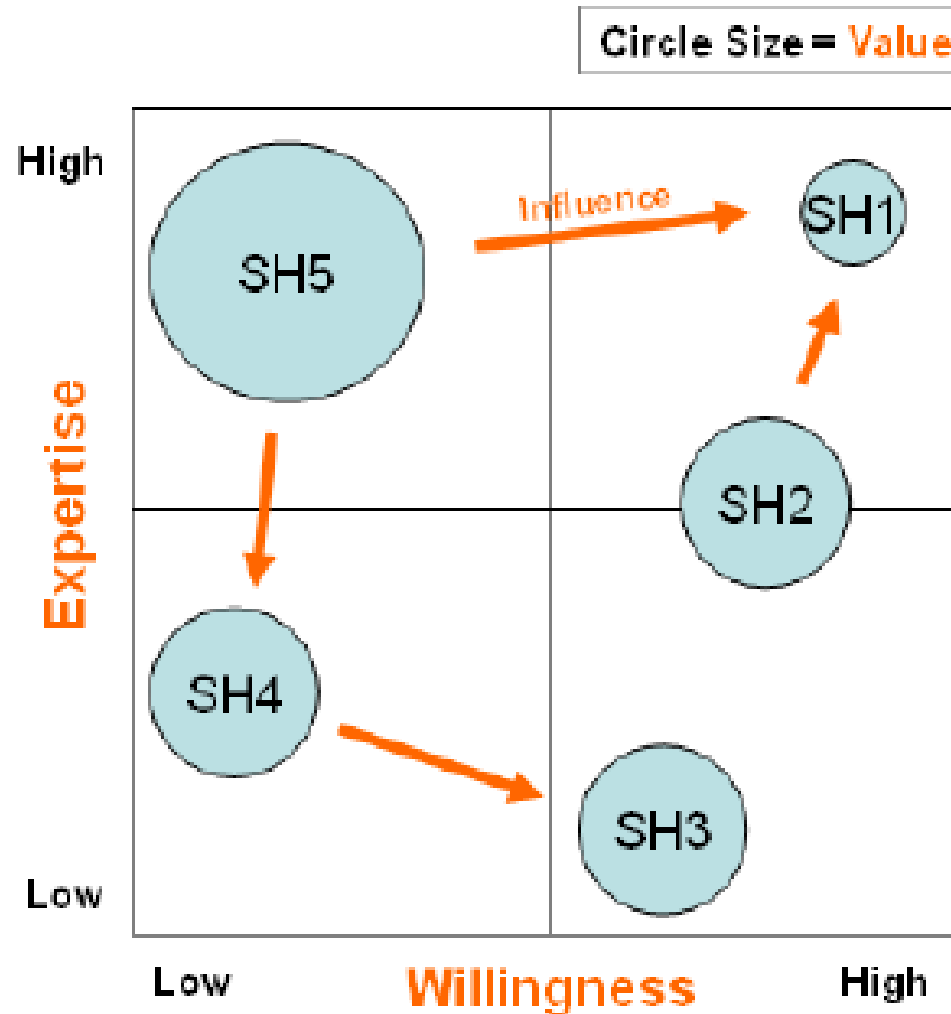
Willingness

Value

Stakeholder	Contribution	Legitimacy	Willingness to Engage	Influence	Necessity of Involvement
SH1	High: Knowledge in X issue is of value to the company	High: Directly affected by our company's activity	High: Proactive group that is already engaging	Low: Relatively unknown group	Low: Not an outspoken stakeholder
SH2	Medium	Medium	High	Medium	Medium
SH3	Low	Low	Medium	Low	Medium
SH4	Low	Medium	Low	Medium	Medium
SH5	High	Medium	Low	High	High

Source: BSR

Sample Mapping



Source: BSR

Stakeholder Engagement



the process through which organisations participate in on-going dialogue with its stakeholders

“To operate successfully in a complex global business environment, forward-looking companies need to open their doors to diverse stakeholders and incorporate these perspectives into strategic decisions ...”

Ray Offenheiser, President, Oxfam America

The background of the slide is a 3D rendering of several orange, stick-like human figures sitting around a large, white, oval conference table. The figures are positioned as if they are in a meeting, with some gesturing with their hands. The scene is brightly lit, and the figures have a smooth, matte finish.

Interactive session