



# Stakeholder engagement and social licence in a governance and risk context

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The news dominating the AFR's headlines in August 2018 has been the response to the ASX Corporate Governance Council's Consultation on the Fourth Edition of Corporate Governance Principles and Recommendations.

The change that caused the debate was in relation to principle 3, which the Corporate Governance Council proposed should be reworded as "listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and in a socially responsible manner".

In the consultation paper, the Council stated that it was "proposing in revised principle 3 to recognise the fundamental importance of a listed entity's social licence to operate."

Regardless of the outcome of the consultation on the Corporate Governance Principles and

Recommendations, it is clear that discussion around the importance of social licence and consideration of a corporation's stakeholders (not just its shareholders) will continue.

At Governance Institute Governance and Risk Management Forum in June 2018, Richard Snabel from Building Queensland and Helen Hutchings from Phillips Group presented on community and stakeholder engagement and invited discussion on two main case studies.

## Presentation: key points

- Internationally and nationally, organisations are supporting more effective social engagement practices
- Stakeholder management sits within a risk and governance perspective. All business operations are impacted by or impact on an organisation's stakeholders



- Even from the inception of a project or initiative, social impact and stakeholder engagement is being incorporated into best practice frameworks
- Effective stakeholder engagement involves: detailed analysis, a documented plan, mechanisms for monitoring and recording interactions
- Stakeholder activism is usually triggered by four global issues: environment, human rights, human health and animal cruelty
- Organisations need to evaluate their business practices and decide on the right activist management strategy.

### Presentation: key resources

- Infrastructure Sustainability Council of Australia <http://www.isca.org.au/>
- ASBEC: 'Bang For Buck – Delivering better business cases to realise more value from our infrastructure investments' <http://www.asbec.asn.au/>
- Next Generation Engagement Project - Informing community engagement for Australia's infrastructure sector <https://blogs.unimelb.edu.au/nextgenengagement/>
- Building Queensland Business Case Development Framework <http://buildingqueensland.qld.gov.au/frameworks/>
- UK BEIS (Department for Business, Energy and Industrial Strategy: Corporate Governance Reform Report <https://www.gov.uk/government/consultations/corporate-governance-reform>
- AccountAbility <http://www.accountability.org/standards/>
- Ten tips for engaging activists <https://www.greenbiz.com/blog/2013/06/18/10-tips-engaging-activists>

## CASE STUDIES:

Audience members were invited to consider two case studies during the focus session at Governance Institute Governance and Risk Management Forum. The range of their suggestions and comments are outlined below. The views and opinions expressed by participants do not necessarily represent those of Building Queensland or Phillips Group.

### Banking Royal Commission

#### 1. What do banks need to do to regain trust and social licence?

- Issue a public statement that is open and honest; apologise and take responsibility; be accountable; hold senior members to account
- Admit they have done the wrong thing and take ownership – apologise “we failed to prevent this and we are sorry”
- Remove key executives and directors; ‘start again’
- Review and revise business practices; business strategy and business model
- Identify the drivers that led to the behaviour
- Implement cultural change
- Articulate a plan on how to improve
- Amend remuneration packages; pay back the money – compensate
- Communicate to customers that they have monitoring in place, communicate findings.

#### 2. Who are the key stakeholders and how would you categorise them?

- Customers (current and potential/ future) (Commercial and private) (Retail and Institutional)
- Community
- Capital markets
- Shareholders and investors – Superannuation funds, international investors
- Regulators/politicians/government
- Partners (funds/managers)
- Employees
- Industry reputation generally (other financial institutions)
- Media



- General public
- ASIC
- APRA.

### 3. What process would you recommend for banks to undertake to engage the stakeholders and rebuild their relationship?

#### *Communication*

- Messages need to come down to all levels of the organisation
- Achieve transparency through a media campaign, social campaign, customer forums and AGM
- Communicate with customers “I’m sorry, I’ve changed”
- Conduct Australia-wide forums.

#### *Stakeholder engagement*

- Put a process in place to engage with stakeholder and gather feedback
- Find a way to measure stakeholder satisfaction – employ a consultancy firm, conduct surveys and be genuine; consult on what improvements are required and take on board;
- Visit major stakeholders
- Consumer panels to assist identification of issues.

#### *Internal management*

- Demonstrate a culture change
- Implement legal/organisational change
- Regenerate management
- Review remuneration links to short term financial KPIs
- Banks play a role in society – they need to be beyond reproach
- Say nothing but bring a new product – keep business but not regaining trust.

These examples were people making mistakes and not following procedures.



### **Ball tampering incident in cricket**

#### 1. What does the Australian governing body need to do to regain trust and its social licence?

- Be honest – admit now that there was cheating and admit to the Australian governing body’s failings
- Acknowledge that there is a cultural issue within the Australian governing body - not one thing in isolation can rectify this. There is a historical cultural problem in cricket that condones this behaviour
- Provide full disclosure of who was involved, who knew about it and explain how it happened
- Accountability and transparency – demonstrate that those involved have taken responsibility
- Senior people on the board and the CEO should step down and fresh faces should step in to provide them with a new image
- Tell people how they plan to rebuild an internal culture within the Australian cricket team and the governing body, and demonstrate/prove that the change is working
- Address the way the well-paid young sportspersons are rewarded and mentored. There needs to be a learning framework that helps athletes develop the soft skills such as ethical standards of sport
- Address the mentality that they need to ‘win at all costs’
- Reaffirm the values of the Australian governing body
- Be a good corporate citizen
- The players involved, and those who weren’t, need to express their embarrassment at what has happened to help change the culture; address the underlying issues and culture themselves to regain trust.



## 2. Who are the key stakeholders and how would you categorise them?

- Other cricket players in the Australian team
- Cricket players involved in the tampering
- Players' families
- Coaches and training staff
- Fans and spectators
- Feeder clubs
- Young kids that are hugely impressionable as it is easier to change their perceptions
- Schools
- Corporate sponsors
- International teams
- International cricket fans and cricket community
- Shareholders
- Suppliers
- Regulators/administrators
- Employees
- Media
- Australian public
- Australia's image internationally – tourism, international relations.

Note: different age groups have different loyalties and different expectations of cricket players and the Australian governing body.

## 3. What process would you recommend for the Australian governing body to undertake to engage the stakeholders and rebuild their relationship?

### Grassroots engagement

- Approach this at the grass-roots level and engage with communities and cricket clubs; engage with people about good sportsmanship
- Reach out to schools and junior cricket teams to teach the meaning of sportsmanship through a range of activities to show that the governing body cares about the future of the sport and understands that these will be the players of tomorrow so it's important to teach sportsmanship now
- Increase the Australian governing body's presence and participation at the community level
- Work with schools and feeder clubs to address the notion of 'winning at all costs'
- Address fan base – clubs, schools, community
- Implement grass-roots level communications.

### Integrated communication campaign

- Collaborate and align with other sports clubs that are doing it well
- Work to rebuild bridges with other teams and other nations
- Develop a targeted campaign to 'loyalists' to get them back on board and regain their trust
- Execute a re-engagement strategy across different stakeholder groups
- Conduct face-to-face exchanges where appropriate depending on the stakeholder group
- Target marketing/campaign around the values of the sport, define the values of cricket within Australia and work to get the governing body back in line with this
- Execute a media campaign in the lead up to the new season; create long lasting change.



### Internal management

- Have diversity on the board of the governing body
- Review and analyse the incident to work out why the players chose this behaviour
- Re-educate
- Revise and reset the governance of the Australian governing body change the cultural norm of leadership (start at the top)
- Conduct a full review of governance selection processes and monitor the culture and governance of the Australian governing body.



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