Management Functions

What's in this section?

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Management Functions

Increasingly, good practice points to incorporating stakeholder engagement activities into a company's environmental and social management system. In practice this means making its management systematic by **integrating it with core business activities**. To achieve this, managers will need to identify critical points in the life of the project where stakeholder engagement will be needed, and determine who will deliver these actions and how they can be integrated with core business functions. This involves trying to work out how best to deliver and integrate a number of different aspects of engagement discussed in the previous sections, including:

- ongoing stakeholder analysis and the assessment of stakeholder concerns from a **"risk" perspective**
- the hiring and training of **community liaison officers**
- consultation processes designed to meet the **company's own policies** and/or compliance **requirements of lenders and regulators**
- **input and suggestions** received from stakeholders on project design and proposed mitigation measures
- **grievance mechanisms** that capture and respond to stakeholder concerns
- the involvement of local stakeholders in **project monitoring**
- **reporting** information to stakeholders

(Part Two of this handbook identifies some of the key management tasks for each phase of the project cycle.)

Most importantly, stakeholder engagement should be managed as one would manage any other business function — with **clearly defined objectives and targets, professional, dedicated staff, established timelines and budget, and senior management responsibility and oversight**. Some good practice principles for managing stakeholder engagement processes are given below.

Consistency of information conveyed to stakeholders by different teams or business units within the company is important.

✔ Coordinate activities and assign overall responsibility

Over the life of the project, affected communities and other interested parties will likely interact with a variety of representatives from within the project company. It is essential that this diverse set of engagement activities be coordinated. **Consistency of information**

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conveyed to stakeholders by different teams or business units within the company is important, as is keeping track of such activities in order to reduce inefficiencies, confusion, and conflicting messages or commitments. This is usually best achieved by giving a senior manager overall responsibility for stakeholder engagement. This **high-level oversight** not only helps to underscore the importance of the function, but is needed in order to effectively implement the strategy and coordinate the various activities across the company.

✔ Hire, train, and deploy the right personnel

Initial stakeholder analysis will provide you with a sense of the type of stakeholder groups the project will need to engage during different phases of the project cycle. Engaging different types of stakeholders requires different skills and staffing considerations. For example, engaging with local communities might require one or more field-based community liaison officers, whereas engagement with government officials or local, national, and international organizations will likely require different skill sets and more direct involvement of senior managers. For projects where the stakeholder engagement process is likely to be complex or sensitive, consider bringing in social advisors or other expert staff to help design and facilitate the process and assist with participatory methodologies and other specialized techniques.

When hiring community liaison staff, consider people who will be able to develop and maintain good working relationships with the local communities. Since their job will involve listening and responding to local concerns and suggestions, qualities to look for include:

- good people and communication skills
- a good understanding of the local language and community/cultural dynamics
- open-mindedness and respect for the views of others
- a solution-oriented approach
- a high integrity/degree of trustworthiness
- a genuine commitment to the position and its goals

✔ Create clear reporting lines between the community liaison function and senior management

In order to be effective, community liaison officers need to have the authority to negotiate on behalf of the company. This requires a clear reporting structure and clarification as to which decisions they can take unilaterally, and which are to be passed on to higher levels within the company. Direct reporting lines also enable senior managers to more effectively control risks by being kept informed of this type of field-level information in a timely manner. The more likely it is that the concerns of local stakeholders might pose a risk or reputational issue for the project, the more important it is for community liaison officers to have a direct channel to senior managers.

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✔ Communicate the strategy internally

If stakeholder engagement is to be truly integrated into day-to-day business operations, the concept needs to be "owned" by all staff. Every business unit needs to be aware of the strategy and understand why the company is committing time and resources to this endeavor. Too often, stakeholder engagement programs are compartmentalized within the company and regarded as a "soft concept" that is the domain of a few community liaison staff. Avoiding this fate means taking the time to communicate the message internally. By clarifying the links between stakeholder engagement and environmental and social performance – as well as its potential to impact on reputation and project outcomes – you can raise awareness that **stakeholder relations is a collective responsibility** and give staff across the company an incentive to serve as "ambassadors" in helping to cultivate and maintain good working relationships with external stakeholders.

✔ Develop and maintain a stakeholder database

A current and regularly updated stakeholder engagement database can be a useful management tool. Ideally, it should contain details of the various stakeholder groups (their representatives, interests and concerns); details of any consultations held (including when these took place, the topics discussed and results); any commitments made by the project company, both those outstanding and those already delivered; and a record of specific grievances lodged and the status of their resolution. Maintaining such a database is important for **continuity purposes**, especially in the transitions between project phases where personnel changes are common. It can also come in handy for **reporting** purposes or when a company might need to demonstrate the adequacy of its consultation process.

SASOL, MOZAMBIQUE: ESTABLISHMENT OF A STAKEHOLDER DATABASE FOR THE EIA PROCESS

In conjunction with gaining rights to off-shore hydrocarbon exploration in **Mozambique, Sasol** developed an initial list of stakeholders and discussed it with key government agencies. Based on the feedback received, an expanded stakeholder list was developed and contacted by the company. This became an iterative process, with additional contacts being either supplied by existing contacts or joining the process in response to media advertisements or public meetings. The expanded list was converted into a database containing names, affiliations, contact numbers, and e-mail addresses (where applicable). The stakeholder database became a very useful company tool, used throughout the public engagement process to ensure ongoing communication with all interested and affected parties.

✔ Develop and maintain a commitments register

Doing what you say you will do is essential when it comes to building trust and establishing good working relationships with stakeholders. Timely follow-through requires keeping track of all the various commitments made to stakeholder groups (affected communities, local government, lenders, NGOs, or other organizations) over the life of the project. Typically, the number of commitments made to stakeholders is highest in the early phases of the project around the scoping and environmental and social assessment processes, and relating to grievances and monitoring of impacts during construction. A "commitments register" has emerged as a good practice management tool to record and follow up on a company's many environmental and social commitments made

BAKU-TBLISI-CEYHAN PIPELINE: KEEPING TRACK OF COMMITMENTS MADE IN THE ESIA

For the **Baku-Tblisi-Ceyhan Pipeline** project, the Environmental and Social Impact Assessment (ESIA) documents contained hundreds of management and mitigation measures that the company had committed to implement. Because these commitments were scattered across various sections of the documentation, the company initially experienced difficulty organizing these commitments into actions, so that the environmental and social management program for the project could be developed. To overcome this, a comprehensive list of all of the commitments was developed in a **"Commitments Register."** The register clearly laid out each commitment, its original source, and where in the management program the commitment would be covered.

Once established, the commitments register was a valuable tool in the development of the environmental and social management system. It served as a link between the ESIA documentation and management system and provided a mechanism whereby commitments made could be followed through to actions on the ground. However, extracting the commitments into a register for the BTC project after the fact was a time-consuming process. It was also found that once extracted from the original documentation, the commitments were often vague, responsibility for implementation was not always clear, and there was significant duplication of commitments.

A lesson learned from the project is that clear and concise language should be used when making commitments and a register of commitments is recommended as part of the overall ESIA documentation deliverable. Ideally, commitments registers could then be organized into a structure that is in line with the project phases (e.g. construction or operations) and sorted by issue (e.g. waste management) to provide greater clarity for both the company and the contractor as to responsibilities for implementation.

during the consultation process and contained in the various environmental and social assessment documentation and action plans. It should contain timeframes for action and, importantly, assign responsibility to the appropriate individuals, business units or implementing third party (which in some cases may be the contractor, an NGO or local government agency).

Part of managing stakeholder relationships is keeping track of who is speaking on the project's behalf and what is being said by third parties.

✔ Stay in control of "third-party" engagement

Part of managing stakeholder relationships is keeping track of **who is speaking on the project's behalf** and what is being said by third parties. External specialists and consultants, as well as government regulators, and NGOs and contractors working with the project company, may be required to interact with project stakeholders. There are times when such third-party engagement involves risks that will need to be actively managed. These include disclosure of project information that is inconsistent with that disseminated by the company; consultation activities that are culturally inappropriate or that exclude certain stakeholder groups; the raising of false expectations about project benefits (e.g., compensation levels and employment opportunities); the making of commitments on behalf of the company without having obtained prior agreement; and the failure to implement impact mitigation measures or community development projects to the satisfaction of the intended beneficiaries.

One way to reduce such risks is to have **project staff present during these interactions**, at least initially, and on a periodic basis thereafter. Where feasible, written terms of reference or contractual agreements can be helpful in clarifying the roles of third parties up front, while regular monitoring by project staff once activities are underway is an important means of **oversight and quality assurance**.

✔ Manage contractor risk

Perhaps more than other third parties, contractors have the potential to directly impact stakeholder relations through their behavior and day-to-day interactions with the local population. During the construction phase, contractors and their sub-contractors can have more frequent contact with local stakeholders than do project staff, and **affected communities often do not make a distinction between contractors and the company** – both are viewed as part of the "project." Contractor actions can therefore pose a risk for companies that should be managed from the outset. This involves selecting contractors that have the capability to deal effectively with stakeholders and putting such requirements into their contract. Contractual requirements might include having their own mechanism for managing grievances, their own manager of community relations, and providing training for their staff and sub-contractors on how to interact with the local population. Company staff should be deployed to monitor contractor actions on the ground and to assist in resolving any complaints from project stakeholders about contractors.

✔ Track changes in the quality of stakeholder relationships

Because the quality of relationships can change over time and the frequency or intensity of engagement varies during different phases of a project, it might be useful to periodically "test the temperature" of your key stakeholder groups and their level of satisfaction with the project in general and the engagement process in particular. An annual or semi-annual **"perception" survey**, independently administered, which uses the same set of questions over time to achieve continuity, is a tool some companies use to help them manage the stakeholder engagement process. By gauging changes in satisfaction levels and identifying the underlying causes, the survey information enables staff and managers to make adjustments to the process or take actions where necessary to get communications and relationships back on track.

COSAN SAIC: ESTABLISHING A COMMUNITY CONSULTATION PLAN AS PART OF AN ENVIRONMENTAL MANAGEMENT SYSTEM

Cosan SAIC, the leading sugar and fuel ethanol producer in **Brazil**, undertook an expansion of its facilities that involves a range of environmental issues, including waste water management, energy consumption, and production waste, among others. The particular region of Brazil in which the company is operating has more stringent environmental regulation than in other parts of the country. Along with providing corporate financing to the company, IFC advised Cosan SAIC in establishing its first-ever integrated Social and Environmental Management System for its facilities. In addition, the company's senior management also committed to integrating community consultation into its management systems and appointed full-time staff to manage their implementation. Because the company is receiving a corporate loan, its commitment to prepare and implement community consultation plans as an integral part of its social and environmental management systems will apply to all future greenfield facilities of Cosan SAIC.

LONMIN, SOUTH AFRICA: STRENGTHENING COMPANY MANAGEMENT OF STAKEHOLDER RELATIONS

Lonmin, a large platinum mining company based in **South Africa** has had an historically poor relationship with its key stakeholders. However, since 2004 the company has taken active steps to try to transform these relationships and strengthen the company's management of stakeholder issues. Key elements of Lonmin's strategy include:

- Contracting an experienced international consultancy to facilitate the establishment and operation of a Stakeholder Engagement Forum
- Providing Lonmin staff and community members with the necessary capacity-building to effectively participate in this Forum
- Commissioning independent "Community Perception Surveys" annually to gauge satisfaction among key stakeholder subgroupings in respect to Lonmin's activities
- Publicly disclosing and disseminating the results of these perception surveys
- Publishing a monthly newspaper focusing on tangible progress and results emanating from the stakeholder engagement process

These efforts have led to significant improvements in community support for Lonmin's activities to date. In addition, the company has made a concerted effort to improve its internal capacity to engage with key stakeholders and to more clearly define and focus these interactions to ensure consistent communication. This has entailed appointing an additional Relationship Manager, clarifying lines of communication both internally and externally, and identifying responsible managers within the company to manage community engagement activities.