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OCTOBER 2008
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SUPPLYCHAIN MANAGEMENT REVIEW®

The 6 Principles of Stakeholder Engagement

By Raj Sharma

Raj Sharma is the founder, president and CEO of Censeo Consulting Group. He can be reached at RSharma@censeoconsulting.com.

Large-scale supply management initiatives can easily fail when they neglect to engage key stakeholders early and often. Too often, project teams spend months gathering data and developing strategies that are never implemented due to insufficient internal and external support. The key is to follow a disciplined process for identifying, wooing and continuing to engage stakeholders both inside and outside your organization.

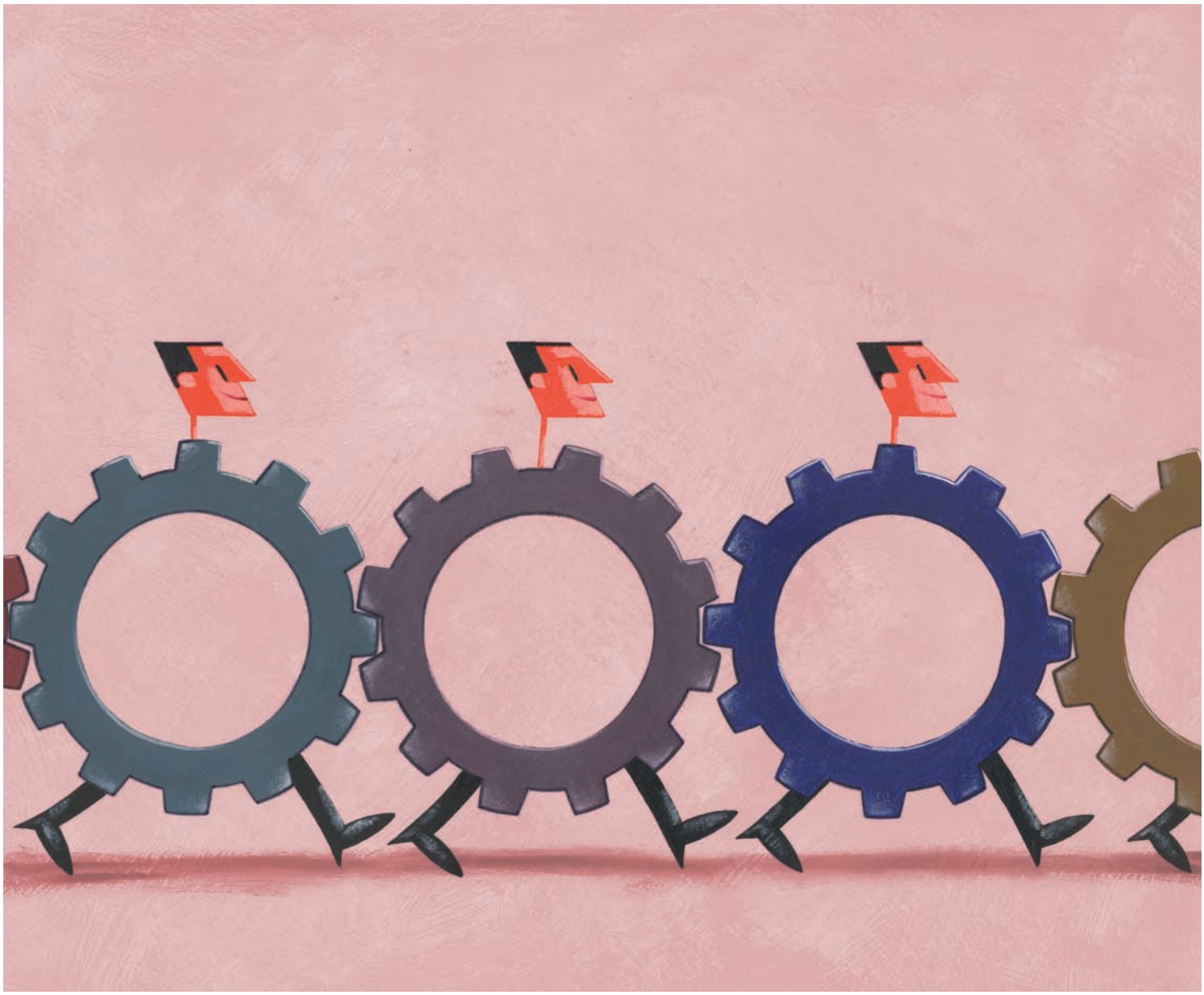
Among supply chain professionals in large, complex organizations, there is very little argument about the value of enterprise-wide supply management initiatives. Nor is there much debate about the benefits of a cohesive approach to using drivers of value like demand management, requirements development, and purchase volume aggregation.

But as anyone who has managed an enterprise-wide program knows, such efforts are fraught with big challenges, not the least of which is how to get real buy-in—and, in some cases, active participation—from key stakeholders.

Compared to more local or narrowly defined supply management efforts, enterprise-wide initiatives are more likely to impact varying groups of stakeholders with disparate perspectives and a broad range of interests. Neglecting to engage key stakeholders early and often—and with genuine intent to address their unique needs and concerns—is one of the most common points of failure of such initiatives. Too often, research teams spend months gathering data and developing strategies that are never implemented due to insufficient internal and external support.

But that doesn't mean that all enterprise-wide supply management programs are destined to fail. Far from it. During Censeo Consulting Group's work supporting complex strategic sourcing initiatives in the U.S. federal government, where single-category spending often exceeds hundreds of millions of dollars, we've seen some remarkable success stories. We have observed that concerted, deliberate stakeholder outreach and management—from the outset—are critical factors that enable programs to gain traction and momentum and realize operational success.

This article discusses six principles for effective stakeholder engagement that organizations from any sector—public or private—should bear in mind when planning or managing a



complex, large-scale supply management program. To illustrate these general principles, we share our firm's experience with numerous federal supply management and sourcing programs. Each example shows how early stakeholder identification and a strategic combination of outreach, communication, and involvement methods will invariably contribute to a program's success.

Principle 1: Get to Know Your Stakeholders

The key idea here is to develop a comprehensive understanding of who your stakeholders are, what they care about, and how they relate to the initiative you're trying to launch.

The idea sounds simple enough, but many big supply management programs either neglect it altogether or limit consideration to the most obvious stakeholders. In fact, due to their scope and complexity, most enterprise-wide programs require a more comprehensive scan to identify the many disparate stakeholders involved and to understand the unique needs and interests of each.

In performing this initial scan, it's useful to view the stakeholder landscape from multiple dimensions: vertically, horizontally, and from outside the organization.

The Vertical Scan. The reach of most large-scale supply management programs extends all the way up to an organization's senior leadership ranks (where major budget and policy decisions are made) and down to individual end users (those directly impacted by the program). Knowing the key players at each level of an organization, and how each relates to the program, is the first step toward crafting an effective outreach strategy.

The Horizontal Scan. Across an organization, there are likely to be many stakeholders whose roles relate to your planned program in different ways. Each "func-

tional" stakeholder represents a different perspective and type of expertise. For example, in the case of an IT-oriented sourcing program, the IT community as well as the procurement community should have a seat at the table throughout the sourcing strategy development process. Similarly, an administrative services sourcing effort would want to include the HR professionals ultimately responsible for fulfilling an organization's staffing needs. While these examples may seem obvious, we've been surprised many times by the large disconnect between sourcing managers and the people within the organization who hold the real subject-matter expertise about the item being sourced. Often, the assumption on the part of the procurement organization is that they understand their customer's needs while the reality is that needs vary and are always changing across groups of customers.

A program's ability to identify key functional stakeholders and to recruit their participation depends largely on the type of commodity involved. For example, direct materials are likely to have distinct "owners" who already play key roles in acquiring and utilizing that commodity. However, indirect materials (that is, goods or services such as office equipment or lighting) may not have such clear "owners," a situation that can make outreach and change management efforts more challenging to execute.

The External Scan. Often, major sourcing programs will apply all their energy and resources to engaging the internal stakeholder community but will neglect the needs and interests of key external constituents. Suppliers, for example, can contribute a valuable market perspective to the sourcing strategy process—usually well in advance of any actual procurement.

Others, such as special interest groups or regulatory bodies, may have significant impact on a program. In the federal government, for example, small business goals weigh heavily in many procurement decisions. If a sourcing initiative is expected to affect opportunities for small business suppliers—either positively or negatively—outreach to small business interests is critical. Depending on the type and scope of the program, such external stakeholders may include the U.S. Small Business Administration, congressional committees on Capitol Hill, and small business industry groups.

Another example that is particularly applicable to the private sector concerns outsourcing production to a low-cost country. In developing such a strategy, sourcing managers must be cognizant of communities that could lose business as a result of the program. Engaging these communities early on can help to offset any potentially negative outcry or backlash that might derail the program. For instance, production of many of the Boeing 787 Dreamliner's main systems has been outsourced to suppliers across the world. The impact on the local communities that previously were involved in the production of those systems has in part led to the current labor upheaval and strikes that have disrupted production recently.

Exhibit 1 illustrates a high-level stakeholder map that our firm has developed for use in federal government supply management programs. In this example, we segmented the different stakeholder groups into six "tiers" to further clarify each group's relationship to the program in question. A stakeholder mapping exercise like this is useful for identifying stakeholder groups at an aggregate level. But a comprehensive stakeholder analysis must also consider the key individual stakeholders within each group because their buy-in and involvement are needed

EXHIBIT 1

Sample Federal Government Stakeholder Map

Internal Stakeholders	**Tier 1** • Executive Program Leadership • Program Management	**Description** Stakeholders most directly involved with setting program vision and goals for overall program leadership and management. Direct involvement is needed to lead, manage and champion the program.
	Tier 2 • Program Customers • Related Programs	Stakeholders most directly impacted by changes resulting from program. Direct involvement and/or buy in is needed for the program to succeed.
	Tier 3 • Other Agency Interests (Senior Agency Leadership, General Workforce, etc.)	Stakeholders not directly related to program buy may have general interest in the program's outcome.
External Stakeholders	**Tier 4** • Other Government Interests (Oversight Groups, Related Programs)	**Description** External government stakeholders with direct interest in the program.
	Tier 5 • Commercial Interests (Suppliers, Special Interest Groups, etc.)	Commercial interests that may be directly impacted by the program or have general interest in the outcomes.
	Tier 6 • Other External Interests (Media, Taxpayers, etc.)	Other stakeholders with general interest in the program.

if the program is to be a success.

Once individual stakeholders have been identified, a useful exercise is to prioritize each based on two criteria: (1) the degree of influence they have on program outcomes and (2) their "attitudes" toward the program, either positive or negative. Highly influential stakeholders can range from senior executives responsible for "green-lighting" a supply management program to members of the acquisition community responsible for overseeing program execution. If a program's success depends on broad customer adoption—for example, purchasing administrative services through a designated supplier—the customer community may also be a highly influential group, and should be addressed as such.

Within each stakeholder community, a broad spectrum of opinions and attitudes about the supply management program will emerge. Most beneficial are the "champions" who understand the benefits of the proposed strategies and wholly embrace the program. But for every champion, there is likely to be a "challenger" whose interests are in some way threatened, or who simply does not see the benefits of the new approach. Strong champions and challengers are usually few in number (most stakeholders fall somewhere in between) But their potential impact on the program's success cannot be underestimated. So it's crucial to identify these "super stakeholders" early on and to develop an appropriate outreach strategy for each.

Exhibit 2 shows a stakeholder prioritization matrix, illustrating how individual stakeholders can be grouped loosely into the following four categories, with outreach strategies that are unique to each:

- *High-Influence Challengers:* Outreach efforts should focus on converting these individuals to champions. Failing that, plan countermeasures that could help to neutralize any actions they might take that could potentially harm or derail the program.
- *High-Influence Champions:* Proactively leverage the positive energy from these individuals to further program objectives and to build a strong foundation of support.
- *Low-Influence Challengers:* Maintain awareness of any actions that could potentially harm the program, but put less energy into converting these challengers to champions.
- *Low-Influence Champions:* Ensure that positive relationships are maintained, but put less energy into further cultivating these champions.

Principle 2: Engage as Early as Possible

It's human nature: Nobody likes to be surprised by change. Yet many large, enterprise-wide supply management programs are planned and developed more or less in a vacuum with the final plan delivered to stakeholders as a "done deal," ready for implementation. Strangely enough, the program's proponents are surprised when key constituents hesitate to jump on board.

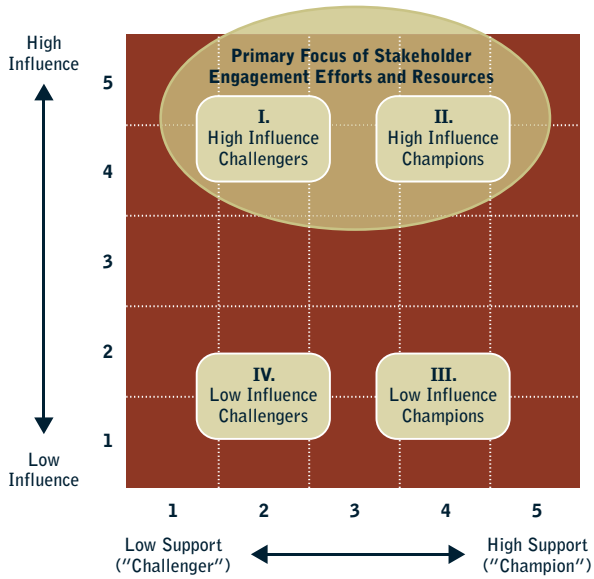
It's not just fear or suspicion of change that drives human behavior. There's the ego factor as well. It's natural for people to take exception when excluded from any relevant decision-making process—even if the objectives are ones that they would ultimately support.

Our second principle calls for reaching out to key stakeholders at the program's inception and continuing to encourage participation, as appropriate, throughout the program's lifecycle. Our subtext is that it is essential to have the right mechanisms for doing so.

One reason organizations fail to engage key stakeholders early in the process is a critical misconception about the role of the program management organization (PMO). Some program managers (for example, commodity managers for sourcing initiatives) may feel solely responsible for defining and implementing best-value strategies, and may therefore feel compelled to drive research and strategy to the exclusion of others. But another, more constructive way to view the PMO is as a facilitator of strategy development. Ideally, the PMO serves as an honest, objective broker who aids key stakeholders in taking ownership of a major, new strategy. By following the six principles outlined in this article, PMOs can ensure that they don't isolate themselves—to the detriment of successful program implementation—

EXHIBIT 2

Stakeholder Prioritization Matrix



during the early planning and research stages.

Let's take a strategic sourcing opportunity analysis as an example. In our first scenario, a dedicated sourcing team spends several weeks gathering and analyzing spend data across an organization to produce a comprehensive report recommending five commodities for strategic sourcing. The team compiles the data to demonstrate why these goods or services offer the greatest potential for delivering value. But what they lack is the support and backing of the procurement community, customers—and even key suppliers—to move their recommendations forward. We give this scenario a 50/50 chance of success.

Neglecting to engage key stakeholders early and often is one of the most common points of failure of supply management initiatives.

But let's say that same sourcing team, once they've narrowed the opportunity analysis to a short-list of eight to 10 commodities, conducts a series of interviews or focus groups with functional experts, contract specialists, customers, and suppliers to gather additional input about the commodities in question. Such an approach achieves three objectives:

- It gives key stakeholders a sense of involvement in the process and lets them know their expertise and opinions are valued.
- It begins to educate stakeholders about the potential benefits of strategic sourcing and why these particular goods and services are being considered.
- It allows the sourcing team to gain additional, potentially valuable information and insight that may (or may not) support the findings compiled through data alone.

This was the approach our firm took when we were brought in to help manage a proposed enterprise-wide wireless sourcing initiative for the U.S. Department of Defense. Before beginning even the earliest research stages of the initiative, we identified and conversed with a range of key stakeholders, in particular chief information officer (CIO) representatives from the U.S. Army, Navy, and Air Force. By the time we launched the kick-off phase of the program, we had already cultivated a sense of program "ownership" among these CIO offices. From that base of support, we were able to extend our outreach to other key stakeholder groups within each of the three military branches.

Early stakeholder engagement can take different forms, depending on the type of stakeholder, his or her relationship to the program, and his or her potential influence on program outcomes. (Remember our earlier stakeholder prioritization matrix.) Some stakeholders may require more active engagement, in the form of direct involvement in analysis and decision-making. For others, particularly senior executives or stakeholders who may be only indirectly impacted by the program, a less intense level of involvement may be more appropriate. Such individuals may desire involvement in major program decisions or milestones, but not in day-to-day program management and execution.

For example, we learned that the leadership council at a large Fortune 500 client, comprised of the most senior executives, had been asked to attend monthly strategic sourcing update meetings. Given their lack of direct involvement or impact, most of the executives ended up delegating attendance to subordinates and eventually even those subordinates stopped attending. The result: The leadership council meetings became meaningless. Instead of monthly meetings, quarterly meetings would have been sufficient and led to more meaningful updates and dialogue.

There's no question that early stakeholder engagement requires more energy and resources—as well as the willingness of the sourcing team to consider additional data and information as part of its strategy development process. But it's been our firm's experience that doing so can significantly increase the chances of program success.

Principle 3: Listen with Both Ears Open

Have you ever been asked to participate in a survey, yet you didn't believe your opinions would actually be considered? People can spot disingenuousness a mile away. And when they do, you can expect one of three possible outcomes—none of which helps bolster a program's chances for success:

- They tell you what you want to hear (but not what they really think) and then dismiss the program as a trivial exercise.
- They tell you what they really think, but they are full of skepticism and mistrust toward the program.
- They simply don't participate.

If you're going to take the time to ask stakeholders for their opinions or to open the doors for participation in a program's development, make sure it counts for something. You've got to be open to receiving and

incorporating stakeholder input—even if it doesn't align with the program's vision and goals. Further, you need to make sure your stakeholders know that their participation counts for something. Real and effective stakeholder engagement must be more than just a compulsory "check" on the list. It must be valued by all parties involved.

Our firm was recently involved with one government-wide supply management initiative that encompassed an array of stakeholder interests and competing agendas. One of the things we learned early on in our stakeholder engagement process was that the organization tasked with execution of the program—while supporting it in theory—did not have sufficient resources available to take on the additional workload that the program would require. The results were mixed signals: active participation during strategy development but a somewhat passive resistance to implementation.

Some supply management programs might have noted these concerns but pushed the program forward as planned. Our approach was to take the time to work with the stakeholder organization to develop a solution that would include an appropriate level of resources without requiring major structural changes. As a result, we've been able to build a community of committed participants that engages regularly and makes positive contributions to the program, such as providing regular input on customer needs and bringing insights into potential best practices at their organizations.

It goes without saying that any solution to address stakeholder needs or concerns should be jointly developed and based on real stakeholder input—not prescribed from above based on preconceived and potentially inaccurate notions of what will work.

Principle 4: Communicate, Communicate, and Communicate Some More

In any major supply management program, regular communications from the program management organization help to ensure that stakeholders are aware of the program's existence and basic purpose. But we also want stakeholders to have a clear understanding of the program's goals and benefits, as well a strong sense of how it may affect them personally in their jobs. At every point of communication, we also want to leave the door open for interactive dialogue—whether in the form of questions, feedback, or discussion.

Of course, every program will have its own unique communication objectives, messages and optimal communication channels. That said, we've found it helpful to bucket stakeholder communications into four categories, each with its own defined set of objectives.

Awareness Communications. The goal here is to build general knowledge and recognition of the program and its benefits across the full spectrum of stakeholders. Examples may include:

- Creating a small Web site or brochure that provides a high-level overview of the program.
- Showing top-level endorsement through regular, positive communications from senior leadership.
- Working with other publications—internal and external—to give positive visibility to the program through articles and announcements.

Program/Performance Communications. This form of communication keeps stakeholders informed of the program's status and performance throughout its lifecycle. These communications tend to be more specific and detailed than awareness communications, and are most appropriate for stakeholders directly involved in program development and implementation. Examples may include:

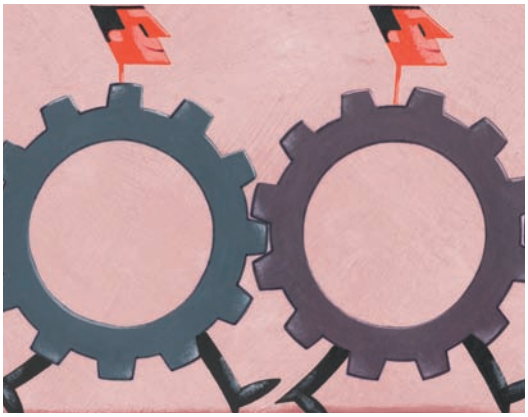
If you're going to take the time to ask stakeholders for their opinions or to open the doors for participation in a program's development, make sure it counts for something.

- Maintaining an intranet Web site that gives select stakeholders access to key program documents as appropriate (for example, budget and schedule documents, governance structure details, program contacts, etc.).
- Producing a periodic e-newsletter or other timely e-mail communications to provide program updates, communicate decisions and report performance.

To be most effective, program/performance communications should incorporate key metrics that are easy to measure and that help quantify program success. For example, the number of personnel trained may be a key metric for measuring change management for a supply management transformation initiative. At one organization, where a key goal was to increase small business participation, we provided regular updates on growth in small business spending to all relevant stakeholders. The small business office, resistant at the inception of the program, quickly became a proponent as it observed the trend and saw how the program helped achieve broader goals.

Change Management Communications. Their purpose is to help ensure a smooth transition from the current to the new environment after the program's implementation. The target audience is any individual whose job, or means of performing a job, will change as a result. For example, if procurement personnel and customers are being asked to follow a new process to purchase a certain category of goods or services, targeted communications are needed to explain the change and offer support. Examples may include:

- Memos outlining change requirements in detail for each relevant stakeholder group, including implementation timelines.
- A poster campaign to remind individuals of any new changes and their benefits.
- An incentive program to motivate participation (for example, cost savings shared with participating organizations).



Knowledge Transfer Communications. These are used to document and share key findings and best practices compiled throughout the program. They support workforce development and extend the value of the immediate program investment. They are important for stakeholders who become involved in the program some time after its launch, as well as for stakeholders who may become involved with similar enterprise-wide initiatives. Examples may include:

- Compiling findings, lessons learned, and best practices in documents that can be shared among appropriate stakeholder groups.
- Training and other learning programs for target stakeholders.

Clearly, not every type of communication is appropriate for every type of stakeholder. And the frequency and level of detail of each communication will vary depending on the relationship of the stakeholder to the program. Some communications may also serve multiple functions—for example, the program e-newsletter that combines program/performance details and change management information.

And, of course, developing and executing communications requires resources. We recommend developing a high-level communication plan at the outset that defines the program's commitment to communications, outlines at a high level the scope of the program's communications and estimates the resources required to execute. Throughout this planning process, program managers can realistically assess the level of effort required and then "right-size" the communication plan as needed based on any resource constraints. This is also a good time to identify the individuals who will manage the various communications.

The U.S. Department of Defense's wireless sourcing effort, mentioned previously, is an example of an enterprise-wide program that has effectively integrated communications to recruit and to reinforce participation. Because the wireless program affects tens of thousands of users across the Department, we spent a lot of time planning our communication strategies—including identifying our key stakeholders, defining their various roles and developing the best methods to reach them. Through the early and ongoing communications and outreach efforts, the PMO was able to prepare personnel for the changes well in advance of actual implementation. As a result, adoption rates for the new wireless sourcing policies exceeded initial expectations and continue, even today, to increase.

It's worth noting that communications are most effective when accompanied by a "branding" effort to create a unique, recognizable and positive identity for the program. At its most basic level, this may consist of creating a distinctive program name, logo and perhaps even a tagline. Embedded in the brand identity and carried through the program's messaging should be the "promise" of the program and the benefits it can deliver.

Principle 5: Use Policy as Carrot, Not Stick

Policy is what many programs fall back on when they've failed to secure stakeholder buy-in and participation along the way. In essence, they default to a "do it because the rules say so" approach—a tendency to mandate change through rules and regulations without more comprehensive change management efforts to encourage and support new behaviors. (That has been particularly true in the federal government, although it is less so now than in past decades.)

For example, one federal agency recently introduced new review requirements for complex service procurements. Any service procurement above a certain spend threshold needed to undergo additional review prior

to approval. To get around the policy, service purchasers began breaking up large service procurements into smaller chunks, thereby avoiding the review process.

That said, policy certainly has a place in supporting major supply management initiatives. But in most cases, it is best used for positive reinforcement of changes that are introduced more organically through change management efforts. The idea should be to develop thoughtful policies that support but don't drive change management and implementation efforts.

On one recent sourcing initiative related to maintenance equipment, our firm engaged stakeholders early in the process to understand the key issues and challenges they faced and the outcomes that would allow them to efficiently execute their functions. After developing and executing a strategy to address these stakeholder needs, we then launched a communication campaign that tied the program's benefits back to the issues and challenges stakeholders had originally shared with us. While policy was definitely one of the supplementary compliance strategies we used, communicating program benefits were the primary means through which we were able to build buy-in and increase stakeholder participation.

Principle 6: Create Communities

One of the challenges that large global organizations face is how to create the kind of "learning environment" that enables best practices developed in one part of the organization to be shared and replicated across the enterprise.

The idea is to build networks across the enterprise to create value that transcends the immediate program objectives. Stakeholder engagement efforts during an enterprise-wide supply management initiative help fulfill this idea. Not only do they support the successful execution of the supply management program but they also help build formal and informal networks of individuals who have related functions, needs, and interests. Such communities can be extremely beneficial for fostering sustainable, long-term program results and for strengthening organizational performance as a whole. Additionally, they help build goodwill for the program that facilitated the process.

Recently, we led a large strategic sourcing program to streamline the way that the U.S. government purchases and manages express parcel delivery services. Through facilitated sessions, we brought together dozens of individuals from more than 10 large federal agencies to help develop the sourcing requirements and strategies. What we didn't anticipate was that these individuals would continue to communicate and share knowledge with one another beyond these early program development exercises. Through this network, people are now talking about other cost savings opportunities such as shipping optimization and process improvement—and creating even more value in the area of delivery service sourcing.

Insuring Success

Organizations that invest in enterprise-wide supply management programs do so because they recognize the significant payoff that can result in terms of efficiency, cost savings and quality improvements. But those organizations that focus exclusively on the technical and strategic aspects of their initiatives—and fail to factor in the importance of stakeholder engagement—put their programs and their investments at risk. Ultimately, program success is contingent upon the participation of people throughout the enterprise who share the program's vision and believe in its benefits.

By following the six principles laid out in this article, managers of complex, large-scale supply management programs can ensure that stakeholder engagement is a conscious and integrated element throughout the program effort. It's an additional investment, to be sure. But it's also the best insurance for implementation success.