CHARTERED INSTITUTE OF LOAN AND RISK MANAGEMENT OF NIGERIA

PAPER PRESENTATION

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FCILRM

STAKEHOLDER ENGAGEMENT FOR SUSTAINABLE MANAGEMENT INITIATIVES

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INTRODUCTION

Business organizations cannot exist in isolation to its environment. The environment of business consist of elements, factors, or variables that affect the decisions, initiatives, success and survival of any business organization. Infact, the environment can make or mar any business organization. Business organizations cannot operate and exist alone, they must interact, relate and depend on the contributions of the environment. One major element/factor of the environment of business is the stakeholder.

Who is a stakeholder?

Stakeholders are individuals or groups that have an interest/stake in, are affected by, or can influence the activities and decisions of a business, project or investment of an organization. They hold or possess an interest in an organization. In summary, a stakeholder is anyone who has something to gain, lose, contribute or influence in relation to an organization.

<u>Food for Thought</u>

- You cannot shave someone's hair behind him/her
- You cannot cry more than the bereaved
- He that must come to equity, must come with clean hands
- There is no smoke without fire
- No man is an island of knowledge
- Two good heads are better than one
- United we stand divided we fall

<u>Types of Stakeholders</u>

1. **Internal stakeholders**: people within the organization, such as owners, shareholders, managers, and employees.
2. **External stakeholders**: people or groups outside the organization, such as customers, suppliers, distributors, creditors/financial institutions, labour unions, government agencies, local communities, civil society organizations (CSOs) and the general public.

<u>Why stakeholders?</u>

Stakeholders are very important because they can influence or be affected by the decisions, success/ failure, and survival of an organization. Their importance includes but not limited to the following:

1. **Decision making**: They provide ideas and information that help organizations make better informed decisions.
2. **Support**: Stakeholders' cooperation can help a business or project succeed.
3. **Risk reduction**: Stakeholders can help to identify problems early and find solutions.

4. **Accountability**: Governments, communities, customers, and other stakeholders encourage organizations to act responsibility.
5. **Long-term success**: Good relationships with stakeholders build trust and contribute to sustainable growth.

Examples of Stakeholder issues that negatively affected some organizations

1. **Employee dispute –** The ASUU-FGN case of 2009, shows that failure to satisfactorily implement negotiated agreements concerning pay, allowances, working conditions, funding and institutional governance can damage the relationship between an organization/institution/employer and its stakeholders and develop into recurring trade disputes.
2. **Customer safety concerns –** Toyota faced major recalls involving concerns about unintended acceleration. The recalls created significant financial losses and affected customer confidence in the company.
3. **Community and environmental concerns –** Shell petroleum in the Niger-Delta has faced long-running disputes involving oil spills, environmental damage, compensation and relationships with communities in the Niger Delta.
4. **Regulatory issues –** Volkswagen emissions scandal that involved the use of software designed to manipulate emissions testing. This resulted in regulatory penalties, lawsuits, recalls, and serious reputational damaged.
5. **Shareholder and management conflicts –** Management of First Bank and its shareholders concerning a failed deal between FBN and International Investment Limited of London (IILL) in year 2001. This led to the sack of the management team and huge losses to the shareholders.

As a result of these grave consequences due to stakeholder concerns, organizations must decide whether to take the issue of stakeholder engagement as a **PREVENTIVE** or **CORRECTIVE** Measure.

STAKEHOLDER ENGAGEMENT

What is stakeholder engagement?

Stakeholder engagement is the process of identifying, communicating with, and involving individuals, groups, organizations, and communities that are affected by or can influence a sustainable management initiative. In simple terms, stakeholder engagement means **involving the right people, in the right way, and at the right time**.

For a sustainable management initiative to succeed, stakeholders should be involved **from the planning stage through implementation and evaluation stage**.

In short, stakeholder engagement is like **management by objectives (MBO)**

Ways to Engage Stakeholders

- **Consultations and negotiations** – Ask stakeholders for their opinions and concerns before making decisions.
- **Meetings and workshops** – Create opportunities for stakeholders to discuss challenges and solutions.
- **Regular communication** – Provide clear information about sustainable goals, activities, and progress.
- **Partnership** – Work with communities, customers, government, CSOs, NGOs, and other stakeholders to achieve shared sustainable goals.
- **Feedback mechanisms** – Allow stakeholders to make suggestions, complaints, and recommendations.
- **Monitoring and reporting** – Share sustainable results and allow stakeholders to assess progress.

In conclusion, stakeholder engagement is an important part of sustainable management initiatives because it ensures that the interests, knowledge, concerns, and contributions of relevant stakeholders were considered when developing and implementing sustainable initiatives.

SUSTAINABLE MANAGEMENT INITIATIVE (SMI)

What is sustainable management initiative?

A Sustainable Management Initiative (SMI) is a planned set of actions, policies, and strategies adopted by an organization to achieve its goals while protecting the environment, using resources responsibly, supporting people, and maintaining long-term economic viability.

In simple terms, it means managing an organization in a way that meets present needs without compromising the ability of future generations to meet their own needs.

Historical Background of Sustainable Management Initiative (SMI)

The historical development of sustainable management initiative have gone through series of stages in human existence.

- **Early origins** – The idea behind sustainable management can be traced to traditional societies that recognized the importance of conserving natural resources and therefore developed practices/initiatives for protecting and managing these resources. Although the term sustainable management was not commonly used then.
- **Industrial Revolution** – The Industrial Revolution of the 18th and 19th centuries brought major economic and technological development. However, rapid industrialization also resulted in increased exploitation of natural resources, pollution, deforestation, and poor working conditions. These problems gradually created concerns about the long-term effects of economic activities on society and the environment.

- **Emergence of Modern Environmental Awareness** – During the 20th century, environmental concerns became more prominent. A significant milestone was the United Nations Conference on the Human Environment in Stockholm (Sweden) in 1972. The conference placed environmental issues on the international agenda and encouraged governments to consider environmental protection as part of development planning. (In Nigeria, we have FEPA, SEPA and LEPA).
- **The Brundtland (Former Prime Minister of Norway) report, 1987** – The report, **our common future**, helped popularize the concept of sustainable development, defining it as development that meets present needs without compromising the ability of future generations to meet their own needs.
- **The Rio Earth Summit, 1992** – The United Nations Conference on Environment and Development, commonly called the Rio Earth Summit was held in Rio de Janeiro, Brazil. The summit strengthened the idea that organizations should consider environmental and social consequences alongside financial performance.
- **Sustainable Management in Organisations** – From the 1990s onward, sustainable management became increasingly important in businesses and other organizations. The focus gradually moved from simply complying with environmental regulations to incorporating sustainability into strategic planning and management decisions.
- **Sustainable Development Goals (SDGs)** – In 2016, the United Nations adopted the 2030 Agenda for Sustainable Development, containing 17 Sustainable Development Goals (SDGs). The SDGs further encouraged governments, educational institutions, businesses, and other organizations to integrate sustainability into their operations and long-term planning.
- **Sustainable Management Today** – Today, sustainable management is regarded as an important approach to organizational and resource management. It emphasizes the integration of economic viability, environmental responsibility and social well-being.

Today, modern organizations increasingly use sustainability reporting, renewable energy, circular-economy practices, responsible procurement, stakeholder engagement, climate-risk management, and sustainable resource utilization to achieve long-term goals and objectives.

Examples of Sustainable Management Initiatives

1. **Energy Conservation**
    - Organizations can reduce energy consumption by using LED bulbs, energy-efficient equipment, and renewable energy such as solar power.
    - Example: A school installs solar panels to reduce dependence on electricity from the national grid.

2. Waste Management and Recycling

- Organizations can reduce waste by reusing materials and separating recyclable items from general waste.
- Example: A university provides separate bins for plastic, paper, and other waste and sends recyclable materials to recycling companies.

3. Water Conservation

- Organizations can reduce unnecessary water consumption through efficient plumbing systems and water-reuse programmes.
- Example: A school installs water-saving taps and collects rainwater for gardening and cleaning.

4. Sustainable Procurement

- Organizations can purchase products and services from suppliers that follow environmentally and socially responsible practices.
- Example: An organization purchases recycled paper and environmentally friendly cleaning products.

5. Employee Development

- Sustainable management also involves investing in employees through training, fair working conditions, and opportunities for career development.
- Example: A company regularly trains employees on new technologies and provides opportunities for professional advancement.

6. Environmental Awareness Programmes

- Organizations can educate employees, students, and other stakeholders about environmental responsibility.
- Example: A university organizes an annual environmental awareness campaign on waste reduction and tree planting.

7. Sustainable Transportation

- Organizations can reduce transportation-related environmental impacts by encouraging public transport, carpooling, cycling, or the use of electric vehicles.
- Example: A company provides a staff bus to reduce the number of individual vehicles travelling to work.

In conclusion, sustainable management initiatives help organizations use resources efficiently, reduce environmental impact, improve social well-being, and maintain long-term organizational performance.