Stakeholder Engagement in Environmentally Sensitive Economic Development Projects

Leighton Lord  
_Nexsen Pruet, LLC_

Heather Matthews  
_NP Strategy, LLC_

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STAKEHOLDER ENGAGEMENT IN ENVIRONMENTALLY SENSITIVE ECONOMIC DEVELOPMENT PROJECTS

Leighton Lord*
Heather Matthews**

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Abstract

Stakeholder engagement is an increasingly common and important exercise of modern corporate social responsibility.1 Nowhere is stakeholder engagement more important than in economic development projects which, by their nature, typically involve a new facility or operational change in a community, thereby impacting stakeholders. The impacted stakeholders increase greatly in number and intensity of interest when the project has environmental or

* Leighton Lord is a Partner at Nexsen Pruet, LLC, where he practices in the areas of economic development, corporate, partnership, and real estate law. Lord received his law degree from Vanderbilt University School of Law and is licensed to practice in both Delaware and South Carolina.

** Heather Matthews is a Director at NP Strategy, LLC.

1. Stakeholders being individuals or organizations, who, in the broadest sense, are impacted by or have an interest in a corporation’s actions.
resource use implications. This paper will outline the key aspects of stakeholder engagement planning and implementation and will suggest some best practices.

I. INTRODUCTION

If the reader remembers nothing else from this paper, the author hope you will remember that no matter how good your stakeholder engagement plan is, and how well that plan is implemented, it may fail to reach the objectives for which it was put into place. Stakeholders can and will surprise you. That said, stakeholder engagement not only likely fails, but could also prove counterproductive, without a plan. If you do not have a plan, your opponents will certainly have one for you. This paper will set forth how to develop a plan, how to implement that plan, and how to evaluate that plan. But first, some key definitions.

A. Stakeholder

A stakeholder is generally defined as “one who is involved in or affected by a course of action.”2 The concept traces its roots to work by the Stanford Research Institute, which defined stakeholders as “those groups without whose support the organization would cease to exist.”3 “Stakeholder theory” was further developed by a group of academics that included R. Edward Freeman, who wrote A Stakeholder Theory of the Modern Corporation.4 While the scope and implications of what Freeman and others wrote is beyond this paper, a key takeaway is that the modern corporation is more than just an investment vehicle beholden to its owners.5 In Freeman’s words, “the corporate form has acquired a larger significance” and thereby impacts a greater community than its owners.6 While limited for the purposes of this paper, Freeman’s illustration below7 of the corporate model is a helpful starting point.

5. See R. Edward Freeman et al., Stakeholder Theory and ‘The Corporate Objective Revisited,” ORG. SCI., May–June 2004, at 364, 364 (arguing that the economic value of a corporation is created when managers and stakeholders “voluntarily come together and cooperate to improve everyone’s circumstance”).
6. Freeman, supra note 4, at 56.
7. Id. at 59 fig.1.
The “Local Community” circle on Freeman’s model in most examples of modern stakeholder engagement will actually consist of a group of sub-communities. These sub-communities are key stakeholder groups in environmentally sensitive economic development projects. In addition, while employees, management, and suppliers are also stakeholders in environmentally sensitive projects, they are typically strong supporters and do not require the attention of other groups.9

The Merriam-Webster definition of stakeholder is helpful and worthy of some analysis. It essentially describes two classes of stakeholders. First are those stakeholders who are involved in a course of action. An example would be public officials who would have to approve an action or a permit at the heart of a project. Another example would be the employees of the company sponsoring the project. Second are those stakeholders who are affected by a course of action. An example would be the neighborhood near the planned project or the river keeper for the river downstream from project. Each class of stakeholder is equally important to a stakeholder engagement plan, yet each class likely has vastly different concerns and objectives.12


10. See generally Freeman, supra note 4, at 59–62 (drawing attention to the reciprocal nature of each stakeholder community’s stakes and describing the different concerns and objectives of these communities).
B. Stakeholder Engagement

How one defines stakeholder engagement is critically important. In fact, how one defines stakeholder engagement is a threshold question that must be asked and answered before developing a plan. In addition, the professionals charged with planning and executing the stakeholder engagement need to be prepared to push back if their client defines stakeholder engagement as “convincing our opponents to not oppose our project.” That is nothing more than targeted public relations.

The definition used by Account Ability is a good starting point, defining stakeholder engagement as “the process used by an organization to engage relevant stakeholders for a clear purpose to achieve accepted outcomes.”

Account Ability’s definition is a good starting point because of the use of two words: “process” and “engage.” This paper has noted the importance of a plan. The plan is really a roadmap for a process, a process that needs respect and has steps that need not be skipped. Stakeholder engagement must also involve the stakeholders. In other words, it must give stakeholders a seat and a voice at the table. A seat without a voice is not stakeholder engagement and is often insulting and counterproductive.

C. Economic Development

While any business growth that produces jobs and capital investment is economic development—such as the opening of a new pizza shop—for purposes of this paper, economic development will be understood as situations where a company decides to construct a large, costly facility, such as a manufacturing plant, distribution center, data center, or even an electric generation facility in a new location. BMW’s decision to locate an automotive manufacturing facility in the Upstate of South Carolina is a classic example.

15. See id.
16. See supra Part I.
D. Environmentally Sensitive

Generally, any project that requires environmental permits for water discharge or air discharge, involves wetlands or other protected areas, or is highly dependent on natural resources such as water or trees can be labeled environmentally sensitive.\(^{20}\) The question, of course, is a matter of degree. Take power generation, for example. Biomass generating plants and coal-powered generating plants both require similar air and water permits.\(^{21}\) However, coal-powered generating plants are generally more environmentally sensitive because they normally produce higher levels of pollution, produce more waste, require the use of more natural resources like water for production, and are often located in sensitive areas “near natural open water” subjecting them to additional regulations.\(^{22}\)

II. THE PLAN

A. The Team

Before there is a plan, there must be a team to develop and implement the plan. Like most projects—and games—picking the right team is half, maybe even seventy percent, of the battle. Most stakeholder engagement teams are a mix of communications professionals with the subject company and outside communication professionals coupled with public affairs professionals who have specific subject matter or geographic expertise.\(^{23}\) Because in-house professionals often have subject matter expertise, the outside professionals’ geographic expertise is typically their most important strength.\(^{24}\) These individuals actively work in the state or region where the project is planned and know the local media, policy leaders, business leaders, and local contacts for the

\(^{20}\) See, e.g., Applying for a Permit, License, Certification or Registration from DHEC, S.C. DEP’T HEALTH & ENVTL. CONTROL, http://www.scdhec.gov/PermitCentral/Intro-PermitCentral/ (last visited Mar. 4, 2015) (explaining that any new business or expansion that impacts the environment in South Carolina will likely require a permit from DHEC).

\(^{21}\) See, e.g., 33 U.S.C. § 1344 (2012) (regarding permits for the disposal of materials into navigable waters under the Clean Water Act); 42 U.S.C. § 7661c (discussing permit requirements and conditions under the Clean Air Act).


\(^{23}\) See generally AUSTL. DEP’T OF IMMIGRATION & CITIZENSHIP, STAKEHOLDER ENGAGEMENT: PRACTITIONER HANDBOOK 17 (2008) (noting that stakeholder engagement team members typically have diverse skills and backgrounds).

\(^{24}\) See, e.g., Community and Economic Development, DELTA DEV. GROUP, http://www.deltaone.com/Solutions/Planning/Community-and-Economic-Development/ (last visited Mar. 4, 2015) (noting that the company’s economic development team consists of individuals who have expertise and experience with local governments and their economic needs).
environmental groups, commonly referred to as NGOs for non-governmental. They also have a deep understanding of the area’s history, culture, and tolerance for change.

The team members must be a mix of those with substantive subject matter expertise and deep knowledge of, and relationships with, the key stakeholders and target community. For either category, this is likely to be a group of individuals. For example, one person may understand the water issues while another understands the air issues. Additionally, one team member may have media relationships while another has a working history with environmental NGOs. The team leader should be the person who has the deepest understanding of the project and knowledge of existing or potential objections to the project, and someone who can authoritatively speak for the project. The team leader must also have the respect of the company leaders directing the project given that their buy-in and positive support of the plan is crucial.

B. Situational Research

Once the team is identified, a sub-group should be assigned to research the situation and prepare a report for the team. This report, or assessment, will cover a variety of topics, including the history of the area, general facts like population and geography, a list of the reasons stakeholders would support the project, and an analysis on why they may not support the project.

Often the communication professionals on the team lead the development of this report. Because this step is early in the stakeholder engagement process, the bulk of their research should be conducted online or via interviews with other team members who have knowledge of the area and issues. The objective is to be careful not to alert stakeholders and be forced into the engagement process before you are ready.

25. See, e.g., Stakeholder Engagement, OXY, http://www.oxy.com/SocialResponsibility/Economic-and-Social-Development/Pages/Stakeholder-Engagement.aspx (last visited Mar. 4, 2015) (noting that as part of the stakeholder engagement process, the company “communicates frequently with neighbors, local governments, partners[,] and other stakeholders near our operations to understand their interests and objectives”).

26. See, e.g., id. (noting that the company partners with other organizations that promote education and cultural life in the particular area).

27. See, e.g., id. (noting that team members communicate with local citizens and neighbors as a means of “pursuing positive interactions and outcomes.”)

28. See, e.g., Community and Economic Development, supra note 24 (providing an example of a team that consists of a group of individuals with a range of skills).

29. See AUSTL. DEP’T OF IMMIGRATION & CITIZENSHIP, supra note 23, at 20 (discussing the importance of reporting and reviewing to the stakeholder engagement process).

30. See, e.g., Stakeholder Engagement, supra note 25 (discussing various reporting procedures and topics of interest, including stakeholder interests, stakeholder positions, and cultural and economic institutions of the community).
The research sub-group may also choose to create a calendar for events that may impact the project. This calendar could include local government meetings, application deadlines for required permits, and even community events that may benefit the project or draw attention to the project in a negative way. The calendar will be useful when determining how and when to contact some stakeholders.

Like with all projects, the better the research and planning, the better the chances for success. Therefore, this research step should not be overlooked, nor should it given an unreasonably short timeframe. Ideally, the final report will be presented to the project team for review and discussion.

C. Stakeholder Identification

The next step after assembling a team is to identify the stakeholders. To do this, the team should develop a “process within the process” to identify every conceivable stakeholder without worry of importance or priority.

Again, cast your net wide at this stage. While the team should lead the identification process, which often includes traditional brainstorming sessions, it is important to bring non-team members into the process, including stakeholders. For example, consider environmental NGOs. The team will know all the usual suspects, but the environmental lawyers and consultants supporting the project will likely have additional insights. In addition, taking timing and confidentiality into consideration, some of the actual usual suspect environmental NGOs may have insight.

The list of stakeholders is never complete and should be added to and subtracted from throughout the process. Do not ever literally subtract stakeholders from the list because there is a reason they were put on the list in the first place. The better practice is to maintain stakeholders on an inactive list that the team reviews throughout the process. Often during early stages of engagement it is helpful to ask the actual stakeholders, “Who else might be interested in this project?”

31. See INT’L FIN. CORP., STAKEHOLDER ENGAGEMENT: A GOOD PRACTICE HANDBOOK FOR COMPANIES DOING BUSINESS IN EMERGING MARKETS 45-46 (2007) (noting that seasonal calendars can be effective tools in the stakeholder engagement process, especially “where the engagement process is complicated or special attention to cultural appropriateness is needed”).
32. Cf. AUSTL. DEP’T OF IMMIGRATION & CITIZENSHIP, supra note 23, at 10 (noting that stakeholder identification is the first element of the stakeholder engagement process).
33. Importance and priority will be addressed in the next step of stakeholder mapping.
34. See INT’L FIN. CORP., supra note 31, at 4-5 (noting that it is important to involve stakeholders early in the engagement process).
35. See AUSTL. DEP’T OF IMMIGRATION & CITIZENSHIP, supra note 23, at 10 (noting that stakeholder identification lists are not exhaustive and are reviewed periodically).
D. Stakeholder Mapping

Stakeholder mapping should be a three-step process.36

- First, stakeholders should be grouped by their respective categories, such as neighbors, local politicians, or environmental activists.
- Second, stakeholders should be ranked by their perceived importance to the stakeholder engagement process. The author suggests three tiers, which are discussed below.
- Third, stakeholders should be identified as being “pro,” “con,” or “neutral” to the project.

Steps two and three are highly subjective and often not static. In regards to step number two, determining the perceived importance of a stakeholder, it is helpful to go back to the Merriam-Webster definition of stakeholder as “one who is involved in or affected by a course of action.”37 Determining importance is a product of the level at which the project affects a stakeholder or the level in which the stakeholder is involved in the project.

The farmer downstream from the planned industrial facility that will discharge into the stream that the farmer uses for irrigation is affected at a very high level, as is the state senator whose district includes the farm as well as the planned industrial facility. The farmers in the next watershed will also be interested, but they are not affected at the same level as the downstream farmers and will not rank as high on the mapping. The same goes for the state senator from the other side of the state who sits on the Senate Agriculture Committee. That senator is a stakeholder, but not at the level of the senator in whose district the action takes place. That of course changes once the state senator from across the state becomes the de facto leader of the opposition to the project.

Whatever system the team chooses to map stakeholders, the mapping should not be static.38 There should be constant collaboration among team members, especially as the project proceeds.39 Whatever system the team employs to map stakeholders, the goal is to group the stakeholders as first, second, and third priority.40 The higher priority groups are those the team feels are the most involved or affected by the project and thereby deserve a higher level of attention and resources than lower priority groups.41 Because most projects have limited

37. Merriam-Webster, supra note 2.
38. See Partridge et al., supra note 17, at 12.
39. See Austl. Dep’t of Immigration & Citizenship, supra note 23, at 20 (noting the importance of periodically reviewing findings and revising the team’s strategy if necessary).
40. See, e.g., Krick et al., supra note 36, at 40–46 (discussing prioritization of stakeholders).
41. See id. at 43.
time and resources, dividing stakeholders by priority allows the team to better allocate these resources.

Like step number two, ranking stakeholders as “pro,” “con,” or “neutral” can be highly subjective and should never be static. One should only be listed as “pro” or “con” if the project team feels confident about the ranking. Otherwise they should be listed as “neutral” until a determination can be made. As the team works to move stakeholders from the “con” category to “neutral” or “pro,” these rankings can serve as a means to evaluate the plan.

E. Engagement

Now that the team is in place and the stakeholders have been identified and mapped, the plan must lay out how, when, and where the engagement will happen. Flexibility is important. The actual engagement, or interactions with stakeholders, can take on a variety of forms, from e-mail communication to in-person meetings. But the most effective engagements are usually one-on-one meetings, small group meetings, site visits, and large public events.

Certain high-priority stakeholders will warrant individual or small group meetings early in the process. This is especially true of public officials who are expected to be knowledgeable about the happenings in their district. For this reason, it is important to establish a line of communication with priority public officials early in the process, even if the details of the project are not final and ready for disclosure. Early meetings with public officials can often be in small groups but only if the team is sure that the small group dynamics are conducive to the process.

After individual meetings comes a common form of engagement—the small group meeting or presentation. Small groups are more efficient than individual meetings and have the potential to produce valuable feedback from stakeholders.

42. See Kammi Schmeer, Stakeholder Analysis Guidelines, in POLICY TOOLKIT FOR STRENGTHENING HEALTH SECTOR REFORM 2-29 (2000) (discussing the strategy of converting opponents and neutral stakeholders into supporters).
43. See id. at 35 annex 2-B(E) (explaining that to label a stakeholder as a “supporter,” information should be gained directly from the stakeholder and indirectly through other stakeholders or secondary sources).
44. See id. (defining “neutral” stakeholders as “those who do not have a clear opinion[] or whose opinion could not be discerned”).
45. See KRICK ET AL., supra note 36, at 96 (discussing how to identify the most effective engagement methods).
46. See id. at 100 (listing common stakeholder engagement approaches).
47. See id. at 101, 103, 104 (discussing the benefits of one-on-one meetings, focus groups, and public meetings).
48. See id. at 101 (noting the importance of one-on-one meetings with regulators, politicians, and government officials).
49. See id. at 103 (discussing focus groups).
if the right small group is assembled under the right conditions. In addition, the small group meeting has the advantage of being a private meeting, which lessens the potential for the participants to “play to the audience” of a public meeting or hearing.

The public meeting or hearing is necessary—sometimes even required by governmental regulators—but is often the least helpful for eliciting true, valuable feedback from stakeholders. As mentioned above, there is a tendency to “play to the audience” in a public forum because audiences include the press and the more extreme factions of stakeholders. The size and structure of public meetings also make it more difficult to address issues with any level of depth. That said, the public forum can be an effective way to give the lower priority stakeholder a voice in the process.

The form of the public meeting must strike a balance between presenting useful information and soliciting stakeholder input in a meaningful way. The event should not be a lecture and should not be a free-for-all town meeting. While it is important that representatives of the project take part, third parties, including regulators, are often the more helpful presenters. Meaningful stakeholder feedback is the tricky part. The event must have processes and rules that will inevitably limit the time stakeholders can speak. The key is to impose processes and rules that enhance and do not hinder meaningful stakeholder feedback and engagement.

Small group and larger public meetings can also be entirely live and in person or be entirely web-based. It is not unusual to have stakeholders and the experts hired by the stakeholders to be scattered across the country. A webinar is a way to provide high-level information and obtain equally high-level input in a less costly manner.

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50. See id. (noting that small focus groups are an “[e]ffective and flexible means to obtain feedback” and “learn about the breadth of stakeholders’ viewpoints”).

51. See id. at 104 (noting that public meetings are not necessarily conducive to constructive discussions).

52. See id.

53. See id. (noting that public meetings are not especially suitable for decision making or having a deeper dialogue).

54. See id. (stating that public meetings are “[p]articularly useful for dissemination of information, the sharing of opinions, and the discussion of non-controversial issues”).


56. See id. (including flexibility and the ability to “[l]isten and be respectful” as success factors for effective engagement).

57. See AUSTL., DEP’T OF IMMIGRATION & CITIZENSHIP, supra note 23, at 18 (listing several methods of engagement, such as regular public meetings or forums, as well as online forums).

While a webinar is generally an active real time interactive process, stakeholder engagement should include informational websites and social media updates that may or may not be open to comments.59

F. Stakeholder Logging

Once engagement commences, it is important to outline how the team will log and keep a record of every contact.60 This is a time-consuming, but vital, part of the process. Every team member plays a role here, but only one should be lead. That person should be responsible for maintaining one master document of all contacts.61 The team can decide how to design the master contact document, but some of the information gathered and logged should include date of contact, individuals present, nature of the contact, stakeholder feedback, and any follow-up needed.

The log should be an active document reviewed and discussed often by the team.62 Contacts via social media should also be logged. Someone on the team must be responsible for this log.

III. PLAN IMPLEMENTATION

The most important aspect of plan implementation is timing and sequencing of the engagement.63 The plan cannot begin until the project has some level of certainty and some level of specificity or else it will not seem “real” enough to garner interest and meaningful engagement.64 On the other extreme, the plan cannot begin until the project is certain, all the approvals are obtained, and changes to the project are unlikely.65 Otherwise stakeholders will know the engagement is only “lip service.”

Generally, it is always best for a stakeholder to learn about the project from a project supporter and in an organized fashion. Important stakeholders must always be engaged before a project is in the media.66 That said, you must always

59. See, e.g., id. (limiting the presentation portion of the webinar to thirty minutes to maximize the listener’s ability to comment and ask questions).
60. See INT’L FIN. CORP., supra note 31, at 40.
61. See AUSTL. DEP’T OF IMMIGRATION & CITIZENSHIP, supra note 23, at 20 (suggesting one team member compile the information gathered by the team in a formal evaluation).
62. See id.
63. See, e.g., INT’L FIN. CORP., supra note 31, pt. 2, at 110–58 (outlining stakeholder engagement throughout the different stages of a project).
64. See id. at 112 (noting the drawbacks of engaging stakeholders at an early stage).
65. See id. (recognizing that projects that are in the early planning stages are subject to change and suggesting this can be used to the planners’ advantage in some situations).
66. See generally AUSTL. DEP’T OF IMMIGRATION & CITIZENSHIP, supra note 23, at 7 (listing “[a]voiding negative press by engaging positively and proactively” as one of the benefits of stakeholder engagement).
be mindful of the “sleeping dog” problem—some stakeholders who might naturally oppose the project will be alerted by your engagement.

IV. PLAN EVALUATION

Evaluating the plan implementation begins on day one of implementing the plan.67 This may sound extreme, but given the fluid nature of the process and the people with whom you are dealing, largely highly interested stakeholders, it is vital to constantly evaluate the plan and remain open to changes.

For instance, you may find that certain team member personalities do not work well with certain stakeholders after they spend time together. Or, you may learn about a group of people who should have been included in your plan, but who were initially missed. Or, your project may change slightly and you may need to shift your plan focus geographically or topically.

All of these findings, and more, will likely happen. So plan on revising your engagement plan several times during the engagement process. A good way to prepare for the evaluation process is to schedule routine team discussions.68 Depending on the level of stakeholder engagement and the status of the project, this may need to take place daily or weekly, but the time between team discussions over stakeholder engagement should not be more than two weeks if there is any engagement at all taking place.

V. ETHICAL CONSIDERATIONS

The most important ethical consideration is to simply tell the truth—honesty with stakeholders is everything.69 As Albert Einstein said, “[w]hoever is careless with the truth in small matters cannot be trusted in important affairs.”70 This means getting the facts right and being consistent, and if the facts change, informing stakeholders before they learn about the change from others.

VI. CONCLUSION

John Knox, a Scottish clergymen born in the 1500s, said, “You cannot antagonize and influence at the same time.”71 Stakeholder engagement at its

67. See id. at 13.
68. See id. at 20; Int’l Fin. Corp., supra note 31, at 81.
core is listening, adapting, and influencing—listening to each stakeholder’s questions, opinions, and suggestions. After considering the input and adapting as you can, you will work to influence each stakeholder to either join you in supporting your project goal or remain neutral so the project can proceed.

Though the project team will “engage” on behalf of a corporation, and stakeholders can represent an organization, all are individuals. Their ability, or lack of ability, to communicate and relate to one another will drive the level of success for stakeholder engagement and usually the entire project’s success.

Corporations and organizations would do well to recognize the importance of stakeholder engagement, and do so well before an engagement plan is ever needed. Then, when the need arises, corporations and organizations should invest time and resources in stakeholder planning, engagement, and evaluation. That requires the right team committed in the right way to a unified goal. The right team is key. The team must understand the issues and the players and have the relationships to facilitate the engagement. Executed well, stakeholder engagement will always enhance your likelihood for success and will definitely increase the standing of your company or organization.

72. See, e.g., Austl. Dep’t of Immigration & Citizenship, supra note 23, at 4 (listing open communication and collaboration as two of the important aspects of stakeholder engagement).
73. See Int’l Fin. Corp., supra note 31, at 34.
74. See id. at 41.