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Together Now: Stakeholders in Government Agencies

Sandra Beach, Queensland University of Technology, Australia
Professor Kerry Brown, Queensland University of Technology, Australia
Dr Robyn Keast, Queensland University of Technology, Australia

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ABSTRACT

Government agencies in Queensland undertake a broad spectrum of policy and service delivery work and operate in different political and organisational contexts. Within this paradigm, each of these organisations will have diverse approaches to stakeholder identification and engagement. This research will show the similarities and differences in approach across nine government agencies.

Given that government agencies interact with a broad range of actors in an effort to satisfy the public interest, this research will reflect on how agencies manage the large and unwieldy task of engaging with stakeholders and what mechanisms they use to achieve this. This study will also provide a snapshot of the developmental trajectory of the stakeholder approach in the agencies by revealing the shifts in how agencies now perceive and deal with stakeholders. Finally this research will provide an indication of whether or not the benefits of engaging with stakeholders outweigh the costs.

INTRODUCTION

The meaningful and effective engagement of citizens and other actors, including stakeholders in public decision-making processes is one of the key issues facing public organisations (Stern and Fineberg, 1996). Determining ways of engaging those who could or should have input into public decision making and action become particularly relevant as governments grapple with the resolution of complex social problems, contracting budgets and increasing demand for services. However, the extent to which actors and groups have been incorporated into policy processes has been strongly influenced by the changes in governance and the approach to service delivery over the past several decades. The shifts from the bureaucratic governance form through to the market approach and to more collaborative network governance have resulted in changing relationships with external actors (Keast and Mandell, 2005). This has been influenced by the changing nature of frameworks in which decision making occurs and the power shifts created in an effort to engage with external actors in problem resolution (Marsh and Smith, 2000).

The major engagement approaches used by public organisations include policy networks, public participation or community engagement programs and more recently stakeholder engagement initiatives. In the broadest sense, policy networks seek to bring together a range of separate but interdependent organisations whose contributions are important to policy problem solving (Hanf and Scharpf, 1978, Heclo, 1978). However membership tends to be restricted due to the hierarchical control maintained over the policy agenda and processes.

The extent to which bureaucratic control is more relaxed within the public participation approach alludes to one of the major issues associated with all forms of external participation, who should be included versus who is included. This is further complicated by the broad spectrum of actors and groups who may have, or believe that they have a legitimate claim to participate in state led public participation including, citizens, service users or consumers, interest groups and stakeholders. A further issue is to understand the intent of public participation initiatives which
range from superficial through to the establishment of partnerships (Rowe and Frewer, 2000, Lowndes and Sullivan, 2004).

Although originating in the private sector, the stakeholder concept has increasingly become a more prominent public management strategy over the past 25 years (Bryson, 2004). From a public management perspective, it could be argued that stakeholder engagement is an evolutionary form of the public participation model.

Generally stakeholders are identified from two perspectives namely: broad and narrow (Freeman and Reed, 1983) and this distinction is very important because it influences which actors or groups are perceived by public managers as stakeholders with a legitimate role. More inclusive definitions expand the scope of the stakeholder group significantly and the broader focus tends to be adopted by public organisations due to a number of factors. Firstly, public organisations have historically, although not always voluntarily, engaged with a broader range of clients, including the nominally powerless, interest and pressure groups in delivering services resulting in a necessity to be inclusive to achieve democratic and socially just outcomes (Bryson, 2004). Secondly, the impact of rapidly changing environmental conditions and the need to resolve complex social problems has forced public organisations to take a broader approach. Finally, tighter stakeholder definitions imply impervious boundaries between the organisation and its environment which runs counter to the philosophies underpinning modern public organisations.

Given the intricacies associated with the management of stakeholders by public organisations and the complex interactions and patterns that occur within these relationships, in this study, a stakeholder is defined as:

- an actor who is affected by or affects a particular problem or issue and
- has perspectives or knowledge needed to develop good solutions or strategies and/or
- the power and resources to block or implement solutions or strategies
  (Hubacek et al., 2007).

Despite the “apparent clarity and generalisability” of the stakeholder concept, (Antonacopoulou and Meric, 2005, p. 22), and the continuing lack of agreement about who is regarded as a stakeholder (Ebrahim, 2005, Freeman, 1994, Mitchell et al., 1997, Freeman, 1984), the identification and management of stakeholders remain vexed and difficult questions (Rowley, 1997, Mitchell et al., 1997).

While it is apparent that government agencies are seeking to engage more fully with stakeholders, identifying and understanding stakeholders in the public context makes this a very complex task. However there has been little research about the complexities of the stakeholder approach, and, as a result, the challenges public organisations confront in connecting with stakeholders. Therefore, several questions were explored in this research:

- Who are the stakeholders of government agencies?
- What has changed in the way these agencies deal with stakeholders?
- What processes are used to engage with stakeholders?
- Whether or not the benefits of stakeholder engagement outweigh the costs?
METHOD

An exploration of the shifting focus of relationships between stakeholders and public organisations was undertaken using a qualitative approach to develop an initial picture of the complexities and intricacies associated with engaging with stakeholders in the public management context. As this was an initial exploratory study a cross sectional research design involving multiple cases was chosen. Data were collected at a single point in time i.e. December 2007, in order to identify themes (Bryman, 2004) and undertake a thematic analysis.

A purposeful sampling approach was selected to obtain “information rich cases” (Patton, 2002, p. 230) to answer the research questions about how agencies deal with stakeholders. A snowball sampling process was selected which involved discussion with key contacts throughout Queensland government agencies to identify of key Queensland public organisations understood to be actively involved in stakeholder engagement. Upon reaching information redundancy, nine organisations across three levels of government in Queensland i.e. federal, state and local government were selected as the sample for this study.

In order to understand of the changing nature of these relationships and the processes associated with these interactions, a series of semi-structured interviews was undertaken to elicit an understanding of the unique experience of the managers involved and the context within these experiences occurred (Marshall and Rossman, 1989). This format allowed a level of flexibility in asking follow up questions specific to each agency.

While ensuring that the “content of the interviews was focused on the issues that are central to the research question” (Minichiello et al., 1995, p. 65) this type of questioning resulted in a discussion of stakeholder issues resulting from the business or sectoral focus of each of the agencies. However, an interview protocol was followed to ensure that all questions were answered by the agencies and all interviews were recorded to reduce the potential for bias during the analysis phase (Patton, 2002, Hughes, 1976). Questions were asked about identification of stakeholders, how the organisational approach to stakeholders had changed, what methods were used to engage with stakeholder and the positive and negative outcomes of the organisation's dealings with stakeholders. In order to preserve the anonymity of the organisations involved, each one was assigned to one of the following categories based on the purpose of the agency i.e. service delivery, economic development agency or central agency. To protect anonymity, the agencies studied were allocated one of the following codes A to I.

The interviews were supplemented with a review of corporate documents to test the level of congruity between the reported experiences and interpretations of the agencies and the messages about stakeholder engagement being communicated via corporate documents.

LIMITATIONS

All research has its strengths and limitations, and by leveraging those strengths and working within the limitations, this study has yielded some rich insights into agency/stakeholder relationships. For this study, a purposeful sample size of n=9, was selected. To ensure adequacy, this sample size was arrived at when information redundancy was reached. However given this, care has been taken not to overgeneralise the findings of this study.
This study has taken an inside out focus i.e. a manager’s perspective. Given that this is an exploratory study and that little information was known about agency/stakeholder relationships, the decision was taken to take an organisation centric approach. The two way organisational stakeholder focus should be considered in future studies.

ISSUES

Stakeholder identification

To identify how each agency approached its stakeholders, the first step was to obtain an understanding of which actors and groups were considered to be stakeholders. It became apparent quickly that this was a very complex and difficult task for agencies for several reasons including a general lack of agreement over who constitutes a stakeholder, the breadth and complexity of the potential stakeholder pool and the existence of stakeholders at all different levels within the agency.

Who is a stakeholder?

The concept of stakeholders was in common usage in all agencies studied. The broad based Hubacek et al (2007) definition was applicable in each agency irrespective of business focus or level of government. Table 1 depicts the categories of stakeholders most often identified by agencies.

Table 1: Stakeholder Categories

<table>
<thead>
<tr>
<th>1. Categories Identified by 6 or more agencies</th>
<th>2. Categories identified by 4 or fewer agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government departments</td>
<td>Central agencies</td>
</tr>
<tr>
<td>Peak bodies and lobby groups</td>
<td>Industry groups</td>
</tr>
<tr>
<td>Staff</td>
<td>Networks</td>
</tr>
<tr>
<td>Community and citizens</td>
<td>Partners and alliances</td>
</tr>
<tr>
<td>Other levels of government</td>
<td>Scrutineers</td>
</tr>
<tr>
<td>Politicians</td>
<td>Unions</td>
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<tr>
<td></td>
<td>Universities</td>
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<tr>
<td></td>
<td>Customers</td>
</tr>
<tr>
<td></td>
<td>Interest groups</td>
</tr>
<tr>
<td></td>
<td>Suppliers</td>
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</tbody>
</table>

This indicates that at an aggregate level, there is high level of agreement among agencies that government departments, peak bodies and lobby groups, staff, community and citizens, politicians, are considered to be stakeholders. It also indicates that there is a high level of stakeholder identification with groups who could potentially exert significant power over the agencies. For example, most of the state level agencies considered Queensland Treasury to be the
major central agency stakeholder. This was due to funding and reporting requirements associated with budget processes.

The lower level of identification of the second grouping of stakeholders could indicate that these types of stakeholders are agency specific. For example, universities would be highly significant to agencies delivering research and development outcomes while the client segment would be very important where welfare services are being delivered. Alternatively, it could mean that agencies have a lower level or no awareness of the second grouping of stakeholders because they exert less influence in the organisation or are not currently making themselves known. However it was unclear how most agencies make these differentiations and how they deal with the different stakeholder groupings.

It was apparent that among agencies there is no shared understanding of the meaning of stakeholders, community and citizens, clients and customers and whether or not they are different concepts. One agency identified an explicit difference between stakeholders and community:

“The difference essentially lies in the stakeholders is one who has an immediate impact on our core mission, that is this profitable***** industries and sustainable***** industries. The community engagement would have had more ways of implementing********* policies”.

This indicates that stakeholders have a higher priority to the agency than community which is cast in the role of policy implementation.

Another agency considered stakeholders and community to be the same concept:

“we identified three types of community, which could be based on your definition of a stakeholder, and that can be your community, your industry and government, so at its broadest level, you’ve got three higher levels of people who can impact or influence your decision making”.

For this agency, community may also encompass industry and government all of whom have a role in decision making.

This disjointed understanding of stakeholders could lengthen decision making time frames while the organisation develops a shared understanding of whether stakeholders and community are one and the same and create difficulties in determining whether to use a community development approach or a stakeholder approach in dealing with different groups. As a result, inappropriate strategy selection could result in a significant wastage of time and resources.

Stakeholder pool

The breadth of the potential stakeholder pool varies between agencies and appears to be related to the size of the agency. Only one small agency with a very clear and specific service charter was easily able to identify and delineate its stakeholder groupings. However for large agencies with multiple service delivery objectives and which have strong industry ties and regulatory roles; the stakeholder pool is potentially very large containing
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“at least 1,500 groups of stakeholders, individual group type stakeholders that we probably have somewhat regular contact. That’s not what we would do with our projects, which is on top of it”

This is supported by another large agency who characterise their stakeholder cohort as a list which

“is very long and varied and makes for a very complex set of stakeholders”

To manage the size and complexity of the stakeholder group, two large agencies, A and G have adopted significantly different approaches. Agency A has opted for a structured organisational wide approach in which stakeholder groups are segmented and managed according to a three tier classification system i.e. key, operational and project stakeholders. Assignment of stakeholders into each of these categories seems to mirror the Three I’s approach (Waterhouse and Keast, 2007) to organisational decision making. This identified a set of relational adjustments which were exhibited by a public organisation moving towards a more collaborative organisational approach. This model which is depicted in Table 2 shows how stakeholders are classified and the underpinning decision focus which drives interactions with stakeholders.

<table>
<thead>
<tr>
<th>Type of stakeholder</th>
<th>Definition</th>
<th>Decision Focus</th>
<th>Interactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Key</td>
<td>Stakeholders who strategically significant and are managed corporately.</td>
<td>Interpersonal</td>
<td>Relational</td>
</tr>
<tr>
<td>2. Operational</td>
<td>Stakeholders who are involved in the day to day activities of the agency</td>
<td>Instrumental</td>
<td>Pragmatic</td>
</tr>
<tr>
<td>3. Project</td>
<td>Stakeholders who are impacted by a project.</td>
<td>Institutional</td>
<td>Mandate</td>
</tr>
</tbody>
</table>

Using these classifications, Agency A has been able to categorise its 1500 stakeholders into a three tiers. The management of stakeholders in each tier is delegated to different parts and levels of the organisation. Although there are overlaps between the tiers because some stakeholders have multiple roles and move between categories, this system has provided agency staff with clarity about the type and level of stakeholder they deal with. This has provided particular clarity at the project level.

In contrast Agency G has addressed the issue of handling large numbers of stakeholders by strategically building intensive relationships between senior managers and key stakeholders. This relational focus then cascades throughout the organisation influencing the development of street level stakeholder relationships. However unlike agency A, stakeholders are not explicitly classified nor the processes documented.

Both agencies have made a strategic decision to adopt a relational approach to the management of their key stakeholders. This is evidenced by a significant investment of resources by senior
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executive staff to the task of better understanding stakeholders and working more closely with them to create better relationships and achieve improved results.

Agency A has mandated that stakeholder processes are an important part of its project management methodology and the application of these processes has been clearly prescribed and is used in projects. This is clear from the project documentation made available by Agency A.

However, this research has not revealed a clear indication of how the operational stakeholder category would work.

The preceding discussion indicates that stakeholder identification is a very complex and agency specific process. It also shows that agencies are at various stages of development in their approach to stakeholder engagement from spontaneous to structured and strategically focused. This has driven the types of stakeholder initiatives and feedback processes that have been implemented by agencies.

Stakeholder Initiatives and Feedback Processes

The agencies undertake a wide range of activities to engage with stakeholders and seek feedback for improvement purposes. Stakeholder initiatives are undertaken for one of the following purposes: strategic, engagement, communication and measurement and are depicted in Table 3.

Table 3: Stakeholder Initiatives

<table>
<thead>
<tr>
<th>Focus of process</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic: to direct organisational action</td>
<td>Three Frames, customer focus strategy, staff engagement strategy</td>
</tr>
<tr>
<td>Engagement: to connect with stakeholders</td>
<td>Dialogue workshops, Director-General’s round tables, achievement planning, networks, public forums, community engagement initiatives, client/liaison officers, neihgbourhood planning initiatives, online consultation</td>
</tr>
<tr>
<td>Communication: to inform stakeholders</td>
<td>Media, advertising, branding, newsletters, websites, stakeholder database, Ministerial responses, Ministerial Advisory Committees, staff training</td>
</tr>
<tr>
<td>Measurement: to measure the satisfaction of stakeholders</td>
<td>Stakeholder/client/community/service tracker surveys, simulation laboratory, project reviews, focus groups, customer clinics</td>
</tr>
</tbody>
</table>

Most agencies undertake stakeholder activities under each of these categories. However two agencies A and G stood out adopting a strategy driven stakeholder approach and this was reflected in both the interviews and their corporate documents.

For Agency A, the organisational vision includes a stakeholder component,

“Connecting with Stakeholders (collaborating with stakeholders to meet the State’s diverse needs”).

~ 8 ~
It is a corporate requirement that this approach be adopted at all levels of the organisation not just at the executive level. This agency also has clearly elaborated strategies for delivery of this vision and uses an extensive array of techniques from focus groups to surveys to measure success. The results are published in the agency’s 2006-07 Annual Report. However Agency A is grappling with the issue of how to more effectively measure the outcomes of stakeholder interventions and is striving to move to an outcome measurement focus.

Agency G has opted for a more organic approach to implementing its stakeholder interventions, rather than the checklist approach to stakeholder engagement in which

“You identify a stakeholder and their certain characteristics and then you tick the checklist as you go and then magically you’ve completed your engagement.”

The approach of this agency is based on strategic methodology which uses performance, relationships and alignment as a focus for engaging with internal and external stakeholders. The associated dialogue based engagement processes are personally championed and managed by the agency’s Director-General, attaching a high level of organisational significance. Unlike Agency A, Agency G does not have specified corporate strategies for stakeholder engagement rather it has opted for an embedded approach where stakeholder interests are an inherent part of organisational activities. Agency G has deliberately cultivated an ethos of continuous learning and growth (Wheatley, 2004, Senge et al., 1999) within the agency to underpin the implementation of the strategic direction and corporate stakeholder engagement initiatives.

The success of the agency’s strategic approach is measured using relational evaluations undertaken through organisational performance evaluations. In 2006-07 the aggregated results from these processes were positively reported annual report. However, it is not clear that this type of reporting would withstand rigorous testing.

The preceding discussion indicates that agencies are investing heavily in engagement with stakeholders using a wide variety of strategies and tools. Most agencies are taking an ad hoc approach to stakeholder engagement however, it is anticipated that would shift to a more strategic and systematic approach as agencies develop a better understanding of their stakeholders and the potential benefits of collaboration.

**Changes in agency stakeholder relationships**

All agencies reported changes in organisational/stakeholder relationships which have resulted in stakeholders being more actively involved in development of solutions:

“Once they didn’t do it, and now it’s part of life. Part of every day, part of business. It’s expected and it’s just got to happen”.

Predictably, the extent of stakeholder involvement varies between and within agencies and in response to specific issues or events. For example in biosecurity emergency situations stakeholder involvement is predominantly industry and the three levels of government. However in social services delivery major stakeholders include clients and their families.
Some of the agencies have gone to considerable lengths to establish and maintain relationships with their stakeholders to ensure that they have a sound basis for problem resolution when difficult situations such as natural disasters arise. This indicates a level of maturity in understanding the dynamics and intricacies of relationships with stakeholders and the investment required to effectively maintain them.

There has also been a discernible shift in stakeholder thinking from an internal expert driven model of engagement to a more externally focused approach

“That involved a major shift in how we looked at the world. We wanted to get the Department to have an outside in look rather than inside out look that’s characterised the previous 150 years, or so”.

The changes were reported as resulting from cost shifting between levels of government, the need to resolve difficult social problems, service delivery improvement, particularly through better coordination, to gain the benefits of collaboration including resource exchange and the threat of organisational extinction. Two agencies reported that acrimonious or disconnected stakeholder relationships played a part in government threatening the existence of the agency. As a result, these agencies have taken a strategic approach to stakeholder relationship development and have invested heavily in developing the capabilities of staff. However, it is not clear that the power of threat by the state could be considered a long term driver of stakeholder engagement.

In assessing the benefits and costs of undertaking stakeholder engagement, several issues were consistently raised by agencies; the extraordinary results that can be achieved by collaborating with stakeholders and the time and cost associated with undertaking stakeholder initiatives. All agencies indicated that the benefits associated with stakeholder engagement outweigh the costs indicating that

“the costs of not doing it would probably be far greater than the investment it takes to do it...”

At this stage, agencies are not clear about what tangible outcomes have been achieved from implementing the stakeholder approach. However Agency A, which has implemented a rigorous approach to measuring stakeholder outcomes is currently developing a reporting regime which will assess relational outcomes.

FINDINGS

This study has revealed that agencies face a high level of complexity and ambiguity in identifying and managing their stakeholders. This is partly due to the very large number of stakeholders that agencies need to be considered in decision making, service delivery and policy processes. However, there is some commonality among agencies that government departments, peak bodies and lobby groups, staff, community and citizens, other levels of government and politicians represent key stakeholders.
There has been a discernible shift in the way that stakeholders are perceived and managed by the agencies involved in this study. The shift has involved a move away from a paternalist controlling approach towards greater equality and achieving outcomes in partnership. Two agencies have embraced the stakeholder approach to a significant degree. However their frameworks for engaging stakeholders are quite different. Agency A has implemented a planned, systematic approach which extends throughout the organisation and incorporates key, operational and project stakeholders. Agency G has a more organic evolutionary approach in which key stakeholders are the major focus.

The agencies use a myriad of engagement processes as outlined in Table 3. However, it remains unclear what benefits are achieved from these interventions. Irrespective of this, the agencies are committed to the stakeholder approach and consider that the benefits outweigh the costs.

**DISCUSSION**

Agencies face a number of key challenges they face in effectively implementing the stakeholder approach. These include effective stakeholder identification and classification, the integrity of stakeholder engagement initiatives, managing the inherent power relationships between agencies, stakeholders and the state and development of capabilities to manage stakeholder relationships.

Given the complexity of the issues being addressed with stakeholders, the level of influence and power stakeholders can exert over government agencies and political context in which this occurs, stakeholder identification and classification will continue to be more of an art than a science. This task requires good knowledge of the organisation and its external environment, high level interpersonal skills and sound judgement. This skill set is in limited availability in a number of agencies.

The perceived integrity of stakeholder engagement initiatives can be problematic for a number of reasons including previous interactions that involved “going through the motions” rather than genuine engagement, unrealistic expectations of stakeholders and unwillingness to communicate with stakeholders, particularly in delivering bad news. However there is a commitment to managing these difficult issues and

“so long as people are up front and honest with you about what you can and can't do, then people might be more likely to go the journey.”

Resolution of these issues can take significant time, energy and skill. However, there is little in the way of training and development that agencies can access to improve organisational capability in effective stakeholder engagement to achieve better service delivery and policy objectives.

Agencies undertake a wide range of activities to connect with stakeholders but there is currently no mechanism for knowledge sharing between agencies and across sectors. Exchange of knowledge would allow some agencies to rapidly increase their strategic stakeholder capability as a result of exposure to knowledge and experiences held in other agencies. It would also provide a mechanism for joint learning about the difficult questions associated with stakeholders e.g. how to move from hostile to collaborative situations, how different agencies manage the same
stakeholders, whether or not community engagement and stakeholder engagement are the same concept and what it means to excel in stakeholder engagement in a public management context.

CONCLUSION

From this study, it is clear that there is no standard approach to stakeholder engagement across the nine government agencies due the broad spectrum of policy and service delivery work undertaken and the political and organisational contexts within which this occurs. Despite a lack of clarity about what defines a stakeholder, there is some agreement about who some of the major stakeholders might be. However stakeholder identification and management in agencies remains complex and unwieldy tasks.

As a way of simplifying stakeholder processes the Stakeholder Classification Model which system that emerged from this research may provide future guidance about how government agencies make stakeholder decisions and how stakeholders agencies might more effectively engage with different types of stakeholders. While rigorous testing of the model was beyond the scope of this study, it should be the subject of future research.

This study also identified that agencies are confused about whether or not stakeholders, community and citizens, customers and clients are different concepts. From this also arises questions about whether or not community engagement and stakeholder engagement initiatives should be different and how these different relationships should be managed. These questions would also warrant further study.

Despite the unanswered questions about stakeholder and community engagement and a shortage of organisational skills in engaging with stakeholders, two agencies have implemented significant stakeholder programs and reported outcomes from their stakeholder initiatives. To arrive at this point, significant learning has taken place in both organisations. To continue this developmental trajectory, agency A has implemented a continuous learning initiative to focusing on stakeholders. Through exposure to the knowledge and learning achieved by these agencies, it is possible that organisational capability in stakeholder engagement could be improved across all agencies in this study.
REFERENCES