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Thank you, and welcome to Melbourne. I hope by now you have discovered your very own personal café and excellent coffee. Apparently, there are enough of them in Melbourne to have one each.

My contribution today comes out of my experience of, and thinking about, Consumer Affairs over the last 15 years. You can see my starting point on the title slide: “Why?” stakeholder engagement and community relations? The answer I want to leave with you today is “innovation”, particularly, “social innovation”. Further, to talk about the “How?”, through relationships, and the “Who”, you and me, as brokers or connectors between our companies and our stakeholders.

A few days ago I opened up my copy of the latest edition of the newsletter of the Centre for Corporate Public Affairs (Vol. 21, Nº 1, 2011), and lo-and-behold, someone else is talking about stakeholder engagement and innovation, specifically the lack of it among public affairs teams. The headline reads, “innovation is not a top priority for many corporate public affairs teams”, however, Centre Director Wayne Burns does note that “the application and further development of stakeholder engagement” has been one of the “forward thinking, bold and innovative” areas. This is something I want to reinforce today coming from my work.

So my theme is “Innovation and stakeholder engagement”. I would like to reprise some basic processes and values that I have found I need to promote regularly in a changing corporate commercial environment. These are:

- The meaning of dialogue;
- The importance of relationships;
- The need for brokers or connectors; and
- Embedding these within the organisation.

However, more than processes, what I really want to talk about is outcomes, successful and not so successful, and so I have what I hope will be some interesting case studies.

Much of what we do involves conversations with various people and organisations, and in many cases it is assumed by my colleagues that my job is to “influence” our stakeholders to our way of thinking, or to our position on an issue, or to “manage” those stakeholders so that they do not interrupt what we want to do as a business.

I remember years ago taking one of my very senior managers (no longer with us) along to “engage” with a particularly troublesome stakeholder. They were keen to hear from us, and had made half-an-hour of their Board time available. I remember sitting in silence through
45 minutes of “telling”, from us to them, with about two minutes of “listening” from them to us. For me, the concept of what is stakeholder “dialogue” is really important.

It is my belief that the “influencing” model does not achieve what we are looking for in regard to resolving an issue. We are usually talking at cross-purposes, and the balance of power, knowledge and resources usually sets up a “win-lose” situation.

**Slide 5 – David Bohm, On Dialogue**

What I want to suggest is a proper understanding of dialogue, as articulated by the likes of David Bohm.

“...in a dialogue, each person does not attempt to make common certain ideas or items of information that are already known to them. Rather, it may be said that the two people are making something in common, i.e., creating something new together” (Bohm 1996).

I hope you can see the link to innovation.

**Slide 6 – On Dialogue: A Co-creating Model**

Instead of talking at each other, instead of one seeking to influence the other, both seek to create something new – in the middle as it were. Something that takes ideas from all sides to make something else that solves the problem or creates an opportunity. Neither side has given up anything, neither side has necessarily changed their positions, but out of true dialogue can come a way forward.

I do recommend David Bohm’s little book, entitled *On Dialogue*. It is a short easy read, but incredibly prescient. He proposes the notion of “suspending” our beliefs and our views so that we are able to contribute them in a way that is tentative, not final. It begs the question of the ability of an organisation to listen carefully to its stakeholders and of being willing to change its mind sometimes.

**Slide 7 – On Relationships**

In 1994 Telstra Corporation Ltd commissioned an Australian version of an “archetype” study, which had been started by AT&T in the USA and repeated in other countries, to look at some cultural underpinnings of what is “quality” in the mind of the public. Interestingly, it found that “quality” means different things to different publics.

- In **Germany**: It is an obsession with standards
- In **Japan**: It is the pursuit of perfection
- In **France**: It is about luxury
- In the **United States**: As long as it works
- In **Australia**? It’s the quality of Relationship! First!

The study went on to make recommendations about how this “relationship” aspect could be embedded in how and what Telstra did in its day-to-day operations, and the way it engaged with customers and stakeholders. (I did send a copy of that study to the previously mentioned very senior manager but never heard back.)
Slide 8 – Valuing our Stakeholders

Of course, the important question is what sort of relationship do we have with our stakeholders, including our customers and our community? How do we value them, or to put it another way, what value do we attribute to them?

- Is the relationship simply a means to an end?
- Are we cynical and arrogant, particularly among our colleagues?
- Allan Asher (now Commonwealth Ombudsman) once asked: “Why do companies hate their customers?”
- I ask myself from time to time: “Am I a company man or a customer man?”

There are fundamental values involved here, including integrity and trust, in the way we go about our work. It is not enough to be accepting of the people we deal with, the real test is whether we are also respectful of the stakeholders we deal with.

Slide 9 – Ethics

Last Saturday I was at a training day for treasurers of some community organisations and there was a session on ethical decision making, which I elected to attend. These two quotes from Immanuel Kant were given as part of our discussions about what we do and the way we do it.

- “An action is only right if the agent be willing to be so treated were the positions reversed.”
- “One must always act so as to treat other people as ends in themselves.”

I think these should at least inform what we do in stakeholder engagement, the way we build and maintain our relationships, as well as what our companies do in our communities.

Slide 10 – The Need for Brokers or Connectors

Good news for all of us! Stakeholder engagement and community relations officers are indeed needed as what I call “brokers”, or what Geoff Mulgan calls “connectors”. Often there are different world views, different languages, different priorities and so on at stake between the corporation and the consumer or community.

Sometimes a manager says to me that we should be trying to do ourselves out of a job by encouraging the business units to actually do the engagement with stakeholders themselves, without us, particularly if it involves a travel budget. I say that it will go badly, very badly, unless the brokers, the connectors are intimately involved, doing the translation, valuing the relationships, and so on.

Brokers are people who can go between:

- They understand the ethical, engaged and innovative corporation and can “represent” it;
- They understand the customer, the consumer, the community and can “represent” them;
• They can listen for and understand “what is at stake” (i.e., the “stake” in stakeholder), which is at the core of our work;
• They translate between;
• They look for common ground; and
• They can construct “win-win” scenarios.

Slide 11 – Social Innovation

Geoff Mulgan, in his opus on social innovation, highlights “...the critical role played by the connectors in any innovation system – the people and institutions which link together different people, ideas, money and power. If we stand back and look at the whole system of innovation and change it’s clear that they often play more important roles than the individual entrepreneurs, thinkers, creators, designers, activists and community groups, even if they are often less visible...” (Mulgan 2007).

That’s a quote I use to encourage my staff members, I hope it might also encourage you.

Slide 12 – Re-booting Stakeholder Engagement

These days, there has been a remarkable new focus on customer service and the quality of our stakeholder relationships as part of that. So there has been a greater corporate focus on stakeholder engagement, for example, with a new corporate policy as part of our business principles. That policy starts with: “We respect, consider and respond to the interests of all its stakeholders, and engages in a way that promotes genuine mutuality, trust and innovation.” (That’s my bit!)

We have benchmarked and are now measuring the quality of relationships between the company and key stakeholders, including external perceptions versus internal beliefs about those relationships.

We encourage the use of social media and our policy states the following:

“We embrace social media as an important tool of corporate and business engagement. It also encourages its employees and contractors to use social media in a personal capacity, as a way to reach out and share information and views with friends and communities – both old and new.”

We have a range of ways in which we are engaging with our stakeholders, from customers, businesses, communities impacted by mobile phone tower placement, governments, regulators, to people on a low income and people with disability.

Slide 13 – Case Studies

After dealing with what I consider some fundamental reminders in regard to process I will finish with two types of case studies. The first are a group of social innovations that have arisen out of our stakeholder engagement programs. They may be incremental in nature but include some world-first features that seek to address unmet needs expressed by customers and consumer stakeholders, and which have been sustained over a number of years. I am not going to spend a great deal of time on them as three of them are the subject of published articles by me (Morsillo 2008; Morsillo et al. 2010).
Slide 14 – (i) Access for Everyone

Access for Everyone is a range of Telstra programs for people on a low income. It includes Bill Assistance, a MessageBox service for people who are homeless or don’t have access to a reliable service, a home phone free of monthly access charges and other services.

It was developed by sitting down with community representatives such as Homelessness Australia, Jobs Australia, the Salvation Army and others and listening to what was uppermost on their mind in regard to their constituencies and communications.

The 1st of July 2011 will be the beginning of the tenth year of these programs and the total benefit that Telstra has provided to low income Australians will reach around two billion dollars over that 10 year period.


Slide 15 – (ii) Big Button Phone

This home phone handset was developed in conjunction with our Disability Forum, which provided a number of world-first suggestions to allow people with severe physical impairments to be able to use the phone and communicate. We think it is the best! It has the best volume, clarity, ringer: you name it (Morsillo et al. 2010).

I have even relied on it myself. After having an eye operation just before an important stakeholder meeting, I was not able to travel interstate. However, with the Big Button phone I could see the blurry numbers to dial and hear very well on loud-speak sitting up in bed. Such is the life of a stakeholder manager!

Slide 16 – (iii) Country Calling

This was an attempt to construct a telephone service in a culturally appropriate way for Indigenous communities so that issues of bad debt, disconnection, shared usage of the service and others were helpfully resolved (Morsillo 2008).

Slide 17 – (iv) Accessible Mobile Phone

This handset was the result of a collaboration between our stakeholder engagement area, which since 2002 had been calling for an accessible mobile handset based on feedback from our Disability Forum, and the business unit that also did an enormous amount of consultation with customers on the design (Morsillo et al. 2010).

Again, we think it is the best, with some world-first features. I remember we gave a pre-production version to one of our Disability Forum members who uses a wheel-chair and she put it down on the table and tried to push the buttons. What happened? The phone disappeared as it slid away off the table. So, what did we do? We put a non-slip back on the phone so that one-handed use is possible for people in this sort of situation. That’s just one of the ways in which dialogue led to innovation that benefits both sides.

Slide 18 – Case study 2: A tale of two towns

The second case study is very different. I have called it a tale of two towns and the reason for this will become apparent soon.
It is about the decision a couple of years ago to introduce a monthly fee for customers who did not pay their bill electronically, but, for example, over the counter at a Post Office.

Being an electronic communications company, we wanted to encourage customers to move to more efficient ways of receiving and paying bills. This is common practice in the industry, which allowed better price claims by competitors based on reduced costs. I am sure you understand the logic!

I became involved in the project from the beginning and was successful in arguing that the design of the fee should be tested through consultation with our low income consumer representatives to see what their views were. This resulted, eventually, in a comprehensive range of low income and disability exemptions being agreed to by the business and I thought we had got the best stakeholder engagement outcome that we possibly could.

The public launch date for the fee was decided and that brings me to the first town. I was going to be in Lightning Ridge, in remote outback NSW, on holidays visiting my in-laws! And I was responsible for some of the crucial consumer stakeholder relationships and briefings that our media people were concerned about.

No worries, I thought, I can do it from my trusty lap-top and Next G wireless broadband connection, since Lightning Ridge does have a base station. You can picture the lean-to on the side of the caravan that I occupied as an office at the time of the announcement. My phone and lap-top were plugged into a power-board that was being fed by a couple of small solar panels and a bit of a wind generator. It was all rather surreal, but it worked.

It was even more surreal when I phoned the media person I knew from Choice Magazine who was on a beach on some Queensland island and working from there. He also had a Next G phone, just by-the-way. Even better, his comments to the media were rather supportive in terms of the need to move to more efficient payment methods and so everyone was pleased with my efforts. I even got an internal award, it was called an “Oscar”, for my stakeholder management services not long afterwards.

**Slide 19 – Gulargambone**

Of course that was not the end of this story. And so we come to the tale of the second town. Has anyone ever heard of Gulargambone? I had heard of it from a farmer stakeholder who had lived there but had retired to Sydney. Anyway, on the way to Lightning Ridge we came across it and so decided to call in on the way back.

What do you do in very remote Gulargambone? Well you call in to the very nice café, craft-shop, community hall that they run as a community enterprise to try to maintain economic activity of the town. The other thing you do in Gulargambone, we soon found out, was that you go to the Post Office and pay your bills over the counter, because the Post Office is also run as a community enterprise and employs young Indigenous women, among others, to train them in retailing and other skills. (Can you see where this is going?)

So, we stopped and looked at the craft-shop, chose something for lunch and a coffee and sat down and took in the ambience of the community hall. It was well-patronised for such a little town, we thought. Anyway, one could not but overhear the loudish conversation taking place at the next table with a range of older citizens and the people running the café. They were talking about the bill payment fee! And in rather energetic voices!
Should I reveal myself, I wondered? Perhaps I could explain that due to our extensive stakeholder engagement on this initiative we had built in a whole range of exemptions that meant they should not have to worry about it? I chose valour and gently entered the conversation. Well! The joys of stakeholder engagement! They were very worried that this initiative would torpedo the viability of their community Post Office, and the town, and all that went with it, and the exemptions didn’t really address that issue!

Worse still, the reason there was so many people there that day? The local federal member was dropping by for a bit of stakeholder engagement, and so it was Mr Parliamentarian meet Mr Telstra, who have just introduced this new-fangled payment fee!

My wife said we were lucky to get out alive! But I did manage to leave on reasonable terms promising to tell their story back into the company and to send them some further materials about the exemptions, which I did.

The final part of this story is the ascendancy of a new CEO and the renewed focus on customer service. Interestingly, this CEO actually reads the letters to the CEO, and many of them were about the perceived unfairness of the payment fee. To cut a long story short, we tried to increase the range of exemptions, but that didn’t help much, and so eventually the decision was made to withdraw the fee and refund any that had been paid for the sake of improving customer service.

The reasons for telling this story are various. Even the best stakeholder engagement and innovation around vulnerable consumers won’t necessarily save you from something that is seen as inherently unfair. I suspect the way we introduced it originally was more of the “punish and train” *modus operandi* so common in customer service. Even our consultation had warned, that while it appreciated the protections for people on a low income, “carrots” were much better than “sticks” in trying to bring about a change in consumer preferences. And they were right!

**Slide 20 – Summing up**

My thesis is that stakeholder engagement and community relations needs to focus on innovation if it is to prove its value to the corporation or government agency. It’s one thing to do it because you have to, to comply with an Act of Parliament, or perhaps a company policy, or because the community engagement department says you have to.

It’s another to work on good processes and relationships that might assist your reputation with stakeholders in the short term.

The really good stuff is the innovation results, through good dialogue and relationships, to actually co-produce something valuable and new. That’s really satisfying.

**Slide 21 – Old versus new models**

We need to move engagement:

- From “Conflict of interest” concerns to finding mutual interests
- From user issues/ detriment to user innovation/ opportunities
- From the trenches to finding common ground
- From throwing hand grenades in the media to appreciative inquiry
- From suspicion to trustful relationships
- From regulatory focussed responses to properly working market solutions
• From minority issues only and extra costs for everyone to efficiencies and targeted approaches
• From punishing corporate and customers to helping consumers and communities achieve their goals

**Slide 22 – Not just engagement**

Of course it is not just great stakeholder engagement and community relations that brings about great outcomes. In my experience all of these ingredients:

- Consultation/engagement capability
- Market knowledge
- Business advantage
- Social and/or environmental benefit
- Political/regulatory impetus
- Timeliness
- Champions/brokers
- Passion/values

may be necessary, and they may not all come together at the same time, but when they do there is the possibility of seizing the opportunity to create something really worthwhile. Such is the life of a stakeholder manager. Thank you.

**References**


Morsillo, R; Ciavarra, B; Newton, C; Raimondo, J. 2010. 'Fixed and mobile innovation through user representation: Two case studies'. *Telecommunications Journal of Australia* 60 (1): pp. 10.1–10.11. doi: http://dx.doi.org/10.2104/tja10010.


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