



CONNECTING THE DOTS WITH IMPACT PATHWAYS

# Effective stakeholder engagement



Impact Pathways



# Table of contents



"When history is written about business in the 2020s, it will record a decisive steepening of the change curve, as companies take part in a transformation from high to low carbon and inequitable to socially just business models."

- Reuters

## Effective stakeholder engagement

Customers, suppliers, regulators, employees, citizens, and other stakeholders are expecting more from companies each year. An intentional, integrated stakeholder engagement strategy provides value for companies beyond just checking the box on minimum requirements. When done well, it can position your business to grow top-line revenue, reduce risks, identify cost-reduction opportunities, and improve financial resilience— in short, it creates value for your business.

In this "Connecting the dots," we share our observations on market trends and drivers behind the increased corporate focus on stakeholder engagement. We also provide a three-step framework for companies looking to build their stakeholder engagement strategy. Lastly, we explore common questions and challenges that companies may encounter during stakeholder engagement and suggest best practices to help address them.

## CONTENTS

Introduction and market trends: [3–4](#)

Putting best practice into action: [5–9](#)

Charting your own stakeholder engagement path: [10](#)

About IPA and IPA's ESG and Impact Team: [11 - 12](#)

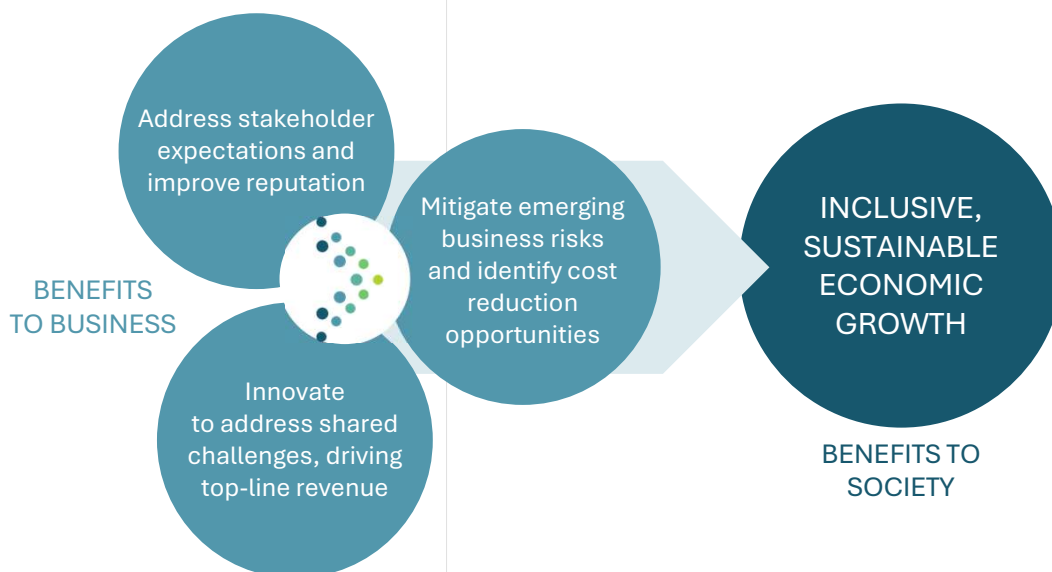
# Stakeholder engagement helps create value for business and society



In 2019, the Business Roundtable (BRT) announced its [modernized principles](#) of a corporation's purpose, declaring that [businesses must move beyond a shareholder primacy model and instead look to serve all their stakeholders](#), whose interests are inseparable from one another: customers, employees, suppliers, communities, and shareholders. Over 300 CEOs of leading US companies signed onto this commitment, recognizing that [the best-run companies don't just create value for shareholders: they drive shared, sustainable prosperity for both business and society](#).

At Impact Pathways, we believe that [this has always been true](#). And since 2019, political sentiment may have shifted, but stakeholder sentiment hasn't. A [recent study](#) by Penn State and Rokk Solutions shows that the U.S. population is more aligned with ESG and DEI than we've been led to believe. With the emergence of new regulatory standards and evolving demands from investors, customers, suppliers, citizens, and society at large, the need to understand stakeholder expectations may be even more acute today.

There are significant opportunities for businesses transforming their stakeholder engagement processes. They may discover new areas to mitigate risk, innovate and address shared challenges, enhance commercial success and drive long-term value. According to [McKinsey](#), [over half of CEOs treat stakeholder engagement as a top or top-three priority](#) on their agendas and a quarter of businesses that excel at stakeholder engagement believe that it can [increase their operating income by 10% or more](#).



# Market trends driving the need to advance stakeholder engagement



## Eight in ten Americans

believe that companies “talk the talk” with public declarations of stakeholder support, but they don’t “walk the walk.”

## As sustainability reporting shifts from voluntary to regulatory, stakeholder engagement increases in importance.

### INVESTORS ARE BECOMING MORE SOPHISTICATED ON ESG

85% of chief investment officers say ESG is an important factor in their investment decisions, and 70% of investors believe that companies should embed ESG directly into their corporate strategy. However, 94% of investors believe that corporate sustainability reporting contains some level of greenwashing. Robust stakeholder engagement can add credibility and boost investor confidence.

### NEW REGULATIONS ARE REQUIRING STAKEHOLDER ENGAGEMENT

The EU’s Corporate Sustainability Reporting Directive (CSRD) will require 50,000+ companies to report on ESG topics based on double materiality, requiring stakeholder engagement to understand both how companies face sustainability-related risks and opportunities, and how they impact society and the planet. Even if you are not subject to CSRD, your customers, suppliers, and investors might be, and they will want your input.

### STAKEHOLDER CAPITALISM IS A TOP PRIORITY FOR MILLENNIALS AND GEN ZS

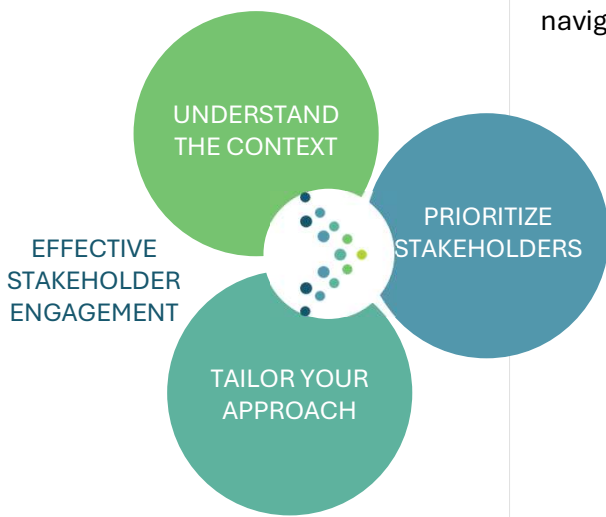
Millennials and Gen Zs are increasingly holding businesses accountable for their impacts on society and the environment, expecting progress in areas like diversity, equity and inclusion; health and wellbeing; and climate change. 39% of Gen Zs and 34% of millennials have turned down employers that do not align with their values and 60% of Gen Zs and millennials are willing to pay more for sustainable products.

### CORPORATES ARE SHIFTING FROM COMPLIANCE TO VALUE CREATION

Companies are accelerating their sustainability strategies, driven not only by reporting requirements but also by value creation and improved financial performance. 60% of large corporate leaders are willing to invest to use ESG as a competitive advantage, and products with ESG-related claims grow at a faster pace (6.4% CAGR) than products without such claims (4.7% CAGR).



# Designing an effective stakeholder engagement approach



## What does good look like?

Stakeholder engagement can be a complex process, and without an effective strategy, it can turn into an irrelevant, costly exercise that doesn't add value for your business or your stakeholders. That doesn't have to be the case.

To make the most from stakeholder engagement, position it like any other business function: start with a well-defined strategy and set of objectives, equip your team with executive buy-in and oversight and invest the time and resources needed to execute.

We've developed a three-step, no-nonsense methodology to help businesses navigate stakeholder engagement, regardless of their size or sector.

### UNDERSTAND THE CONTEXT

#### Identify the drivers

Build the business case for stakeholder engagement. Assess whether your business is subject to the EU's CSRD or other global standards. If so, evaluate where you can streamline the process and harmonize with competing expectations.

#### Define your level of ambition

How will stakeholder feedback be used (e.g., integrated into business strategy, reporting readiness)? Will you engage regularly or on an ad-hoc basis? Document your decisions and level of ambition.

#### Inventory current stakeholder engagement channels

Review learnings from past engagement efforts and identify where additional resources and support are needed.

### PRIORITIZE THE STAKEHOLDERS

#### Identify your stakeholders

Develop a comprehensive list of stakeholders relevant to your business. Consider both affected stakeholders, who may be positively or negatively impacted by your value chain, and user stakeholders, who may take an interest in your reporting. Keep in mind that regulations may require you to engage certain groups.

#### Evaluate each stakeholder group

You may identify thousands of stakeholders in your analysis- be strategic about who you prioritize. Assess factors like level of influence, urgency, relevancy and impact potential to help determine the right level of engagement and support efficiency during outreach.

### TAILOR YOUR APPROACH

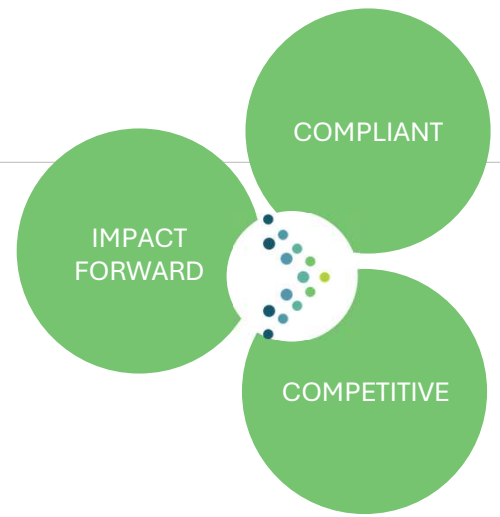
#### Develop an engagement plan

Identify an actionable, realistic plan for each stakeholder group and be clear about your rationale. Generally, high-priority stakeholders might warrant more direct, in-depth engagement, but also consider what resources are available, your level of ambition and external drivers.

#### Prepare and launch engagement

Review and refine your plan to confirm it is comprehensive and appropriately prioritized to reflect your current and future business needs. Don't stress over perfection; expect that your plan will change over time. Successful stakeholder engagement requires a dynamic, agile process that evolves with your business as it grows.

# Step 1: Understand the context



## Understanding the drivers

Effective stakeholder engagement will require organizational support and executive buy-in. Whether your goals are to meet external pressures or drive long-term value creation, start by understanding the drivers behind stakeholder engagement and building the business case. Consider where you fall on the below spectrum.

### COMPLIANT

- Engagement is the minimum response to external pressures (e.g., regulations, investors)
- Ad-hoc engagement; may be reactive to specific challenges or incidents

### COMPETITIVE

- Engagement is focused on maintaining social license to operate, enhancing reputation and mitigating risk
- Consistent, repeatable engagement mechanisms

### IMPACT-FORWARD

- Engagement is integrated into strategy and positioned for innovation
- Engagement function is clearly defined, tech-enabled, and integrated across business



## Identify commonalities

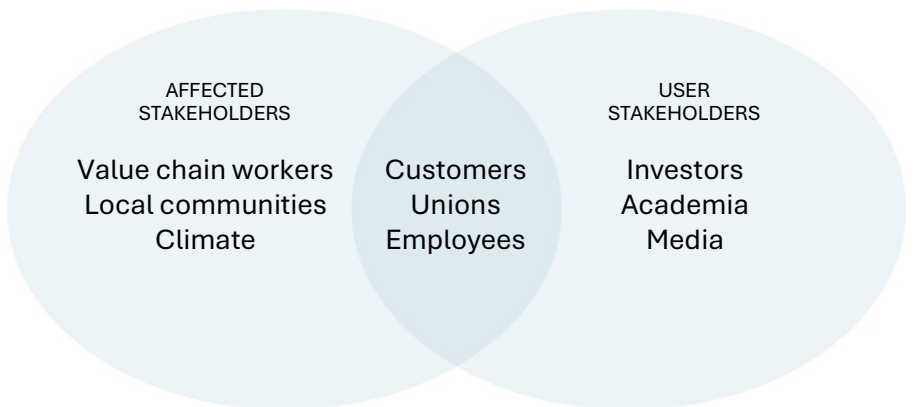
If your business aims to align with regulatory requirements (e.g., CSRD), global standards (e.g., AA1000, OECD) or other expectations, map them out as you develop your approach. Identify commonalities and create a plan to address differences so you aren't pulled in different directions unexpectedly.

**ILLUSTRATIVE MAPPING:** CSRD expands the scope of stakeholders beyond “affected” stakeholders to include “user” stakeholders: groups with an interest in the company’s sustainability reporting.

### AA1000-ALIGNED STAKEHOLDERS



### CSRD-ALIGNED STAKEHOLDERS



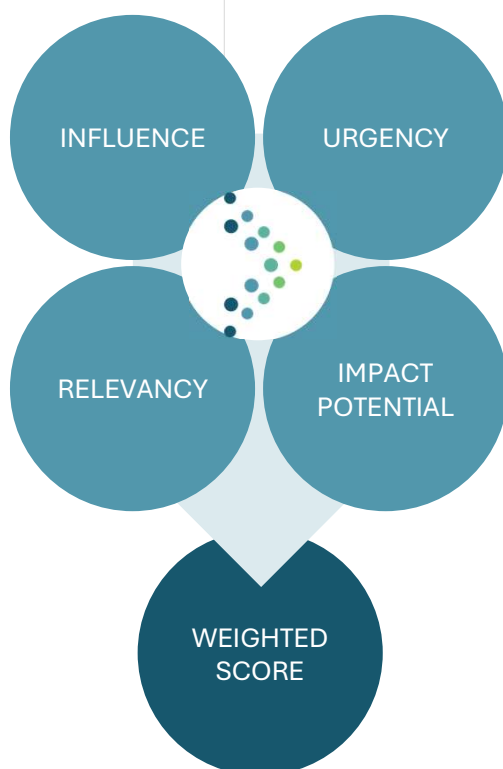


## Step 2: Prioritize the stakeholders

Take the time to assess the right depth of stakeholder engagement for your business, and expect that this might look different for customers, suppliers, shareholders, communities, and others.

We use four factors to help prioritize stakeholders and determine the appropriate engagement method for each group: influence, urgency, relevancy, and impact potential.

There are countless ways to measure each of these dimensions, but the simplest method is to assign a 1 - 4 score and aggregate them.



### INFLUENCE

What level of control does the stakeholder have over the company?

### URGENCY

How critical and time-bound are the stakeholder's needs?

### RELEVANCY

How much benefit does the stakeholder's perspective contribute to the business?

### IMPACT POTENTIAL

To what extent could the company positively or negatively affect the stakeholder?

### WEIGHTED SCORE

What is the right depth of engagement for the stakeholder?  
*See the next page for how to use weighted scores.*



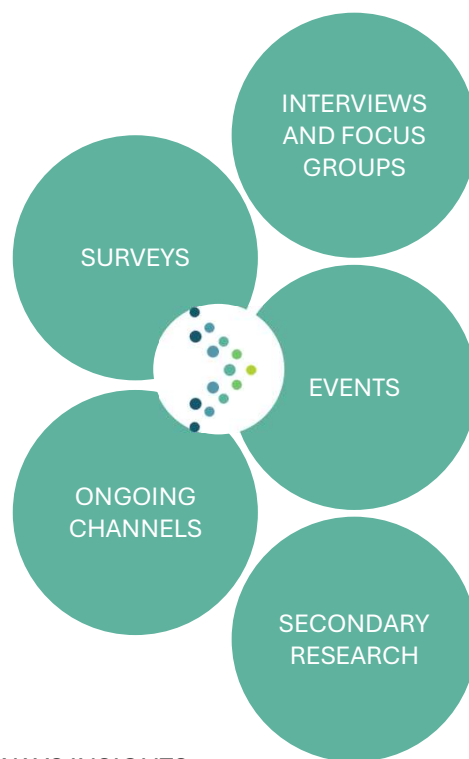
The loudest voices in the room are not necessarily your priority stakeholders. Casting a wide net that captures diverse perspectives will enable stronger buy-in, better ideas on the table, and ultimately, a more valuable and effective process for your business.



# Step 3: Tailor your approach

It is generally not practical (or necessary) to engage every stakeholder with the same level of intensity.

Once you have prioritized your stakeholders, identify an actionable, realistic plan for each group. There are a range of engagement tools available, each with its pros and cons. Select an approach that makes the most sense for your business and your stakeholders.



## COMMON STAKEHOLDER ENGAGEMENT STRATEGIES AND KEY CONSIDERATIONS

### METHOD

### EXAMPLES

### PATHWAYS INSIGHTS

#### INTERVIEWS AND FOCUS GROUPS

- One-on-one interview with supplier contacts
- Focus group with union representatives

Interviews and focus groups help capture important nuances and context, with more flexibility to follow up on topics of interest. However, they are time-consuming and limited to small sample sizes. Some individuals may also be reluctant to speak up in group settings.

For some groups, you may interview liaisons or proxies who can speak on behalf of large numbers of stakeholders. This can help streamline engagement but could create bias. If using this approach, confirm that they fairly represent the target stakeholders.

#### SURVEYS

- Customer feedback questionnaire
- Employee engagement surveys

Surveys are a resource-effective way to directly reach a large sample size and can provide quantitative data that is easier to analyze. However, you may miss out on important nuances.

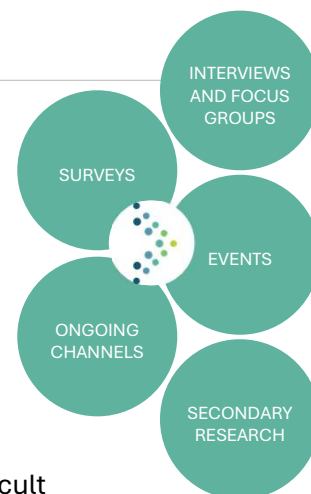
Like interviews and focus groups, verify you have a representative sample. If surveying employees, for example, review to make sure your respondents reflect differences in region, business function, level, gender, ethnicity and other characteristics.





# Step 3: Tailor your approach

(CONTINUED)



## COMMON STAKEHOLDER ENGAGEMENT STRATEGIES AND KEY CONSIDERATIONS

### METHOD

### EXAMPLES

### PATHWAYS INSIGHTS

#### EVENTS

- Customer or supplier summit
- Investor day

Events can enable you to identify overarching themes but can be costly to coordinate and difficult to analyze. You may be able to leverage existing events to promote efficiency.

Additionally, vocal minorities could disproportionately influence your findings.

#### ONGOING CHANNELS

- Grievance mechanisms (e.g., hotlines)
- Ad-hoc customer feedback
- Social media monitoring

Ongoing channels can be a cost-effective way to collect direct feedback as they do not require the creation of new engagement methods. They also enable stakeholders to initiate the outreach. However, they may not be specific to your needs and may not enable targeted follow-up.

#### SECONDARY RESEARCH

- Review of investor stewardship reports
- Marketing campaigns

Secondary research is often much easier to conduct, as it relies on a review of publicly available data and does not require direct outreach. However, data could be incomplete, outdated, or irrelevant to your purposes. After completing secondary research, review your findings to determine if you should conduct primary research.



# Charting your own stakeholder engagement path



Interested in learning more about stakeholder engagement?

Reach out directly to the authors with your questions.

## Ask yourself these questions to help determine the right stakeholder engagement approach for your business.

### Q1: HOW WILL WE DEMONSTRATE TRANSPARENCY AND ACCOUNTABILITY?

Stakeholder engagement is not just one-way feedback – messaging about your intentions is critical in building trust. Before you engage, prepare a strong narrative that defines your corporate purpose and strategy. Be transparent about your interests and how you will use data. Maintain open channels for stakeholders to initiate outreach and monitor how relationships evolve over time.

### Q2: DO WE HAVE THE ORGANIZATIONAL SUPPORT NEEDED TO EFFECTIVELY EXECUTE OUR STRATEGY?

Stakeholder engagement is nothing new, and it occurs constantly through formal and informal channels, but the term may be unfamiliar to some businesses. Evaluate your company's current state and build capacity where needed. Start by upskilling your executive team to make sure you have the buy-in you need.

### Q3: COULD DIGITAL TOOLS OFFER USEFUL INSIGHTS?

New technologies, like social media listening, sentiment tracking and predictive legislative analysis, can help broaden the reach of your stakeholder engagement while boosting efficiency and reducing cost. Keep in mind, however, that digital tools (particularly when AI-enabled) can be subject to bias, and it can be difficult to assess data quality.

### Q4: HOW WILL WE MANAGE COMPETING INTERESTS?

As you conduct outreach, you may identify interests that directly compete with one another. Your investors might focus on climate action and unions might prioritize living wages. It won't be possible to get everyone on the same page. At a minimum, be clear about what follow-up stakeholders can expect, even if their priorities don't end up at the top of the agenda.

### Q5: ARE WE MISSING VALUABLE INSIGHTS BY OVER-AGGREGATING DATA?

During stakeholder engagement, you will likely encounter a highly diverse range of people, even within a single stakeholder group. Remember that employees, for example, are not homogenous and will likely have conflicting interests. Consider where you can disaggregate data to glean additional insight using factors like region, age, gender, ethnicity or others.

# Impact Pathways' collaborative approach creates value for clients



## Pathways' perspective

### START EARLY

Take a proactive approach, even if there are still many uncertainties. It takes time to build stakeholder trust, and you can use early learnings to improve your process.

### ENGAGE THE ORGANIZATION

Stakeholder engagement is not a small undertaking, and you may find internal champions across other business functions (e.g., communications, investor relations) who are well positioned to assist.

### TAILOR YOUR APPROACH

Scale your engagement plan to meet the needs of your business. You might start small in year one and look to improve over time. Revisit the original purpose and intent of your strategy to ensure you remain aligned, particularly if regulatory requirements are a key driver.



## Impact Pathways' stakeholder engagement projects

At Impact Pathways, stakeholder engagement is a core principle of our work as both standalone projects and as a part of most every project we do:

### SUSTANABLE ACTIONS...

- Double materiality assessment
- Responsible supply chain strategy
- Climate, water and biodiversity risk assessments and strategy
- Operational improvements and sustainable outcomes

### ...COMMUNICATED WELL...

- Disclosure gap assessment
- ESG rater and rankers assessment
- Social impact measurement and communications
- CSRD and other sustainability reporting

### PAY OFF IN THE CAPITAL MARKETS...

- Action plans to achieve operational and financial returns
- Institutional investor engagement
- Impact capital targeting
- Stakeholder sentiment monitoring



# About Impact Pathways

Impact Pathways is helping accelerate the transition to a regenerative future.

We attract purpose-driven talent, provide authentic, evidence-based advice and invest in impact solutions.

Our global, impact-led consulting firm empowers organizations to create value for society while creating value for their business.



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**IT'S JUST GOOD BUSINESS**

Value for business. Value for society.

