THE RELATIONAL LENS

UNDERSTANDING, MANAGING AND MEASURING STAKEHOLDER RELATIONSHIPS

JOHN ASHCROFT, ROY CHILDS,
ALISON MYERS AND MICHAEL SCHLUTER

"There is widening acceptance that organisations - large and small, public and private, commercial and charitable - may be failing to meet the wider needs of their societal stakeholders. This has, in some cases, caused a rupturing of trust, a loss of social licence. To restore trust, organisations will need to look at themselves through an entirely different lens - a Relational Lens. This book not only provides a compelling rationale for doing so. It equips companies with the tools to begin the slow process of rebuilding trust, relationship by relationship."

Andrew Haldane, Chief Economist, Bank of England

Drawing on the authors' combined years of experience in both private and public-sector organisations, this practical book highlights the importance of relationship-building between individuals, groups and organisations in diverse contexts. It will make a valuable read for business professionals and graduate students in fields as varied as change management, leadership, organisational psychology, and organisational behaviour. Employing the Relational Proximity® framework, it provides tools for informing assessment of the relational impact of policy and management decisions, enabling evaluation of organisational relationships, providing a language for constructive discussion of strained relationships, and integrating a range of models and perspectives within one process. Using real-world case studies and models, the conditions within which people are more likely to form and conduct effective relationships are also examined. This combined approach provides the language and concepts to enable constructive discussion and actionable solutions in building trust and sustainable value.

John Ashcroft is Research Director at the Relationships Foundation and co-author of 'Relationships in the NHS' and 'The Case for Interprofessional Collaboration in Health and Social Care'.

Roy Childs has worked in organisations at senior levels for more than twenty years, focusing on developing capability and building. He is an Associate Fellow of the British Psychological Society and a Chartered Occupational Psychologist.

Alison Myers is an experienced consultant, facilitator and trainer. She has been a senior managing consultant with Accenture's Change Management and Human Performance practice and is now an ordained Anglican minister.

Michael Schluter is a social entrepreneur who has launched ten not-for-profits and was awarded a CBE in the Queen's New Year's honours in 2009. He is also Chairman of Relational Analytics. He co-authored 'The R Factor' and 'The Relational Manager'.

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FOREWORD BY VINCENT NEATE

I was introduced to the work of Michael Schluter, and subsequently to John, Roy and Alison, because of a relationship – in fact two. Two leaders who mentored me at KPMG introduced me to him within days of each other. I never found out if there had been collusion, but I remain grateful to both that they recognised that here was a new set of relationships that I would both enjoy and benefit from.

I have spent much of my career puzzling over what makes for a high performance relationship. Whether that is one of sales, in a supply chain or in a team, the person-to-person elements of business have always fascinated me. As an accountant by profession I would never underestimate the importance of keeping the score and measuring business success, but that doesn't mean I can't see how it is through relationship that creativity, innovation and invention are able to flourish and take hold. If we are to build better businesses, it will be through relationships that we do so.

The Relational Lens is, I think, the best articulation yet of what Relational Thinking is all about. We need a common language to take us beyond the simplicity of the satisfaction survey and to give us a foundation on which we can build future success. What the authors have given us is a robust description of the structure of relationships that can be applied one-to-one, one-to-many and many-to-many without losing any of its relevance. To this they have added real insight into the conditions for success within this structure.

I share their hope for a business paradigm where privileging relationship becomes the norm for leaders and managers. At the very least any leader or manager committed to responsible business should read *The Relational Lens*.

VINCENT NEATE,
PARTNER KPMG UK

FOREWORD BY PAUL DRUCKMAN

Market players around the world are starting to grapple with a fundamental economic truth: that the boundary of financial relevance has expanded. For example, when the *Financial Times* was bought by Nikkei in July 2015 for thirty-five times its operating profit, Nikkei was buying a stake in something more profound than a growing balance sheet: it was buying access to a global marketplace. In the past the stocks of value reported on by an organisation would have included principally the land, buildings, equipment and inventory owned by the business. For the world's largest corporations today – the likes of Google, Mitsubishi and Microsoft – the foundation of their value creation potential lies in their ability to attract talent, articulate ideas and build strong brands that sustain strong relationships with their employees, customers, suppliers and partners.

In order to manage and communicate their processes of value creation, businesses around the world are turning to the International Integrated Reporting (IR) Framework, which introduces the concept of multiple capitals. The framework is used to articulate the broad range of resources and relationships an organisation uses or impacts in its business model to create value over time. This concept enables organisations to articulate the multiple capitals they are using, including relational capital, giving full expression to the expanded boundary of financial relevance. By understanding and explaining the value-creating potential of these multiple capitals, organisations find themselves driven to change their corporate governance, abolish internal silos and manage risks and opportunities that may not have been triggered through an isolated focus on the financial statements alone.

When we started the process of developing the IR Framework it became apparent very quickly that the prominence of relational capital needed to be raised. It was important that it was recognised as part of the key capitals that an organisation uses and affects to create value over time. Subsequent research into relational capital is giving new depth to this previously undervalued capital. That is why the work done by the authors of this book is greatly appreciated. Readers will find here practical steps to help them understand, measure and manage stakeholder relationships inside and outside the boundaries of their organisations. This has not been done in a consistent way until now, but organisations that engage with IR will quickly discover the huge potential benefits of this new approach to measuring relational capital.

I hope that this book, that so effectively unpacks the concept of relational capital, will be widely read and applied, not just in the corporate world but also in public sector organisations, and in the international and national non-governmental organisation (NGO) sectors as well. For strong relationships are vital not just for the delivery of financial results, but for the broader sustainable development of the organisation.

PAUL DRUCKMAN,
CEO, IIRC

ACKNOWLEDGEMENTS

The development and honing of ideas over a long period creates many debts of gratitude to those who contributed new insights, corrected mistakes, encouraged progress, clarified communication, or tested application. With insights into relationships available from so many different academic and professional disciplines, and relevant to every aspect of a society, all that we have written has been shaped by the wisdom of others. There is, of course, much that we still have to learn from others and any weaknesses in the argument are entirely the authors' responsibility.

It is impossible to name and thank all those who have helped and encouraged at different stages of this project but the authors wish to acknowledge the particular contributions of a number of individuals and organisations.

Paul Sandham worked with us on the material for the book over many years, using the material with organisations, urging the deepening of the thinking, and financially supporting the research and writing. Without this constant encouragement we would not have come so far. Three experienced business consultants – Tim Young, Paul Shepanski and John Kay – have provided invaluable advice and guidance in strengthening our account of organisational relationships.

The ideas within this book have also been developed and refined in the context of partnership with KPMG. Tony Powell and Shonaid Jemmett-Page helped with the early application of this material in business. More recently KPMG's sustainability teams in South Africa, Australia and the UK have all tested new applications. We are also grateful for the support of four companies: Ogilvy, John Lewis Partnership, Land Securities, and TourAust. Each in different ways has recognised the vital importance of relationships to their business.

Using the framework in different contexts always offers new learning. The comments of Ncaba Hlophe of Stakeholder Relationship Assessments in South Africa and Peter Lacey of Whole Systems Partnership have been particularly insightful. Writing up the material has been greatly assisted by David Lee in particular, with help also from Guy Brandon, Josh Hemmings, David Wong and Jutta Nedden. We also wish to thank the colleagues, supporters and partners in our respective organisations who have patiently facilitated the work on which this book is based.

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Introduction: The Dark Matter of Organisations

The Deepwater Horizon oil spill is a story about relationships between stakeholders.

It began on 20 April 2010, with the Macondo blowout – effectively an explosion separating the rig from the well. The rig sank and oil flowed from the seafloor gusher into the Mexican Gulf for eighty-seven days. It was the largest accidental marine spill known in the petroleum industry, with total discharge of crude oil estimated at 4.9 million barrels and eleven direct fatalities. The primary stakeholders in the well were BP, rig owners Transocean and rig operators Halliburton. There were millions more, but many didn't realise they were stakeholders until the oil slick began to spread: populations on the Gulf coast; owners and employees in the tourism and fishing industries; and, further out, savers across the world whose pension funds held BP stock.

Subsequent reports on the disaster – of which there were many – pinpointed specific failings in equipment, procedures, training and oversight. These came to some fairly predictable conclusions. For example, a US Government report released on 5 January 2011 stated that 'whether purposeful or not, many of the decisions that BP, Halliburton, and Transocean made that increased the risk of the Macondo blowout clearly saved those companies significant time (and money)'. At the same time, it was noted, government regulators did not have sufficient knowledge or authority to notice these cost-cutting decisions.[1]

In reality this is about more than whether people and companies are being greedy or irresponsible: it is about the ways in which stakeholder groups are connected together, and how those connections incentivise or disincentivise

[1] National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, 'Deep Water: The Gulf Oil Disaster and the Future of Offshore Drilling', January 2011.

certain types of behaviour. The pressure on all three companies involved in the spill to cut costs derived from the importance of good quarterly reports as a key ingredient in the way that public limited companies manage their relationship with investors. But that is not an issue any regulator is likely to act upon. The actual human relationships created between stakeholders by markets and systems of regulation are, for all practical purposes, invisible.

There is a strange parallel here with astrophysics. As far back as Galileo, astronomers have assumed that the universe is something you can see. Yet astrophysicists estimate that visible matter accounts for only 4 per cent of the mass of the universe, and doesn't come close to explaining how galaxies behave. What drives the motion of the universe is dark matter – material which exerts immense gravitational pull but which telescopes are unable to detect. At first this analogy might seem far-fetched. After all, relationships are all around us; no society exists without them; they enable life – personal life, business, communities – to function. And yet they are invisible in the sense of being so pervasive that their influence is often taken for granted. And, like dark matter, their impact is felt far more deeply and far more extensively than most people realise – and it doesn't need a major oil spill to show their effects.

The premise of the book, and of the tools and courses that complement it, is simple. It is that success – in business, in community building, in public service, in life – depends upon getting relationships right; that leadership (in whatever context and at whatever level it is exercised) depends upon the ability to build and sustain relationships; and that real change starts by realising that relationships are both measurable and a basis on which to improve performance. It is possible to create the conditions within which people are more likely to form and conduct effective relationships, and to approach relationships in organisations in ways that enable constructive discussion and actionable solutions.

Overall, that approach could be termed thinking relationally. This is sometimes easier to talk about than do, because effective management of relationships needs, first, a better understanding of the relational dynamic and, second, a better grasp of how to work with and through relationships to make realistic change possible. Most people do not read relationships accurately – partly because they inevitably view their own relationships from their perspective. They sometimes fail to anticipate the consequences of their choices and actions. Perhaps most important, the culture they live in determines their scale of values. People think individually, in terms of their own planning and interests. They think financially, by using currency as a means of comparison. It is