Practice-Based Case Studies

Sappi's stakeholder engagement approach involves listening to multiple voices for social impact

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INTRODUCTION

Putting theory into practice remains a challenge in the diverse South African context. The authors of this case study seek to present a communication programme that has been implemented by African communication professionals and which illustrates the practical application of business and social impact results to communication theory.

Sappi is an Africa-headquartered multinational company with a global footprint which uses its stakeholder approach as part of its business strategy. Sappi is a leading global provider of everyday materials made from wood-fibre-based renewable resources. The company works with its partners to build a thriving world by acting boldly to support the planet, people and prosperity (Sappi, 2023). This article critically evaluates how Sappi uses stakeholder engagement to achieve this purpose statement.

SAPPI, THE ORGANISATION

Sappi has over 12,400 employees in around 35 countries and manufacturing operations on three continents (10 production facilities in Western Europe, 4 in North America and 5 in Southern Africa), which produce approximately:

- 5.5 million tons of paper per year
- 2.6 million tons of paper pulp per year, and
- 1.5 million tons of dissolving pulp per year

Sappi's market-leading range of products is sold and distributed to a direct and indirect customer base across more than 150 countries (Sappi, 2023).

In Africa, Sappi Southern Africa operates five mills, has 400,000 hectares of owned and leased sustainably managed forests and has a combined production capacity of 99,000 m³ of sawn timber, 690,000 tons of paper, 633,000 tons of paper pulp and over a million tons of dissolving pulp per annum (Sappi, 2023). Sappi Southern Africa has 4,630 employees.

DEFINING THE SAPPI STAKEHOLDER

South African businesses have the benefit of several stakeholder definitions such as those formulated by Prof Mervyn King in the King IV report, defining stakeholders as individuals who influence and who are influenced by the actions of the organisation (King IV, 2016). This definition also aligns with a definition by Falkheimer and Heide (2014), which states that stakeholders are individuals, groups, or organisations that have a stake or interest in an organisation's activities and operations. According to King IV (2016), stakeholder engagement must be based on principles such as inclusivity, responsiveness, accountability and transparency.

Sappi defines broad stakeholder groups at a global level and reports on engagement annually (Sappi AIR 2022: 54-75). The extent and nature of Sappi's forestry and manufacturing operations in South Africa, with a permanent

presence across 60 municipalities, place high priority and importance on active stakeholder engagement and constructive relations. Sappi constantly reviews and develops its approach to stakeholders reflecting its own experiences and learnings as well as available theories and models.

The difference is noted between stakeholders in general and so-called key stakeholders, "stakeholders with legitimate interests in the business – stakeholders that merit and receive consideration in business decisions" (Sappi, 2023). While businesses share the same broad categories of stakeholders, and maintaining relations, at least for Sappi, it is an ongoing long-term commitment, with specific projects or topics often requiring specific focus on a particular set of stakeholders. Although the way Sappi implements its corporate strategy has always considered stakeholders, it has, however, evolved significantly in the past decade to a space where the stakeholder approach is central to the company's business strategy. Factors include the development of the sustainability concept; the need to demonstrate the value that a corporate brings; changes in stakeholder groups; rise of communities; and breakdown of municipal and government structures and services. Added to the changing profiles of stakeholders are the socio-economic and/or socio-political demands and expectations such as the worsening economic situation, increase in unemployment and education crisis. Health-related issues involve HIV/Aids and more recently Covid-19, which affected and still affects both internal and external stakeholders. Other contextual influencers include political unrest; land claims and restitution; and Broad-Based Black Economic Empowerment (B-BBEE), which demands a sound internal understanding of the role of communities. The maturation of corporate social investment (CSI) to the social impact concept and embracing shared value philosophy are some of the strategic adjustments Sappi implemented to address these social issues and its societal contribution. The result of this approach is a more cohesive and broad ranging measured social impact. Although overall responsibility for stakeholder engagement rests with Corporate Affairs, by its nature, stakeholder engagement has to take place at the operational level which requires the alignment of perceptions and practices between management and operations. A clear, measurable and coherent stakeholder engagement strategy ensures alignment with the purpose and business strategy through ensuring that operational activities are better coordinated and focused on driving business success rather than merely mitigating risk. Such an engagement strategy also provides management and operational teams with the framework, tools and measurement instruments to deliver on their stakeholder engagement responsibilities. The 2022 Sappi Group Sustainability Report (SR: 24-66) sets out the shared interests. The links between stakeholder issues, resources, risks and global forces shaping our world are set out in the Annual Integrated Report (2022: 76, 77). To demonstrate its social impact, Sappi joins communities in "identifying and leveraging opportunities, thereby demonstrating our commitment to transparency and collaboration" (Sappi Group Sustainability Report, 2022: 40).

THE EVOLUTION OF SAPPI'S STAKEHOLDER APPROACH OVER THE PAST 10 YEARS

After the appointment of Steve Binnie as Chief Executive Officer (CEO) in 2014, Sappi worked on revamping its values, introducing the One Sappi concept and developing a strategic roadmap for 2015 to 2020 (2020vision). The strategy intentionally refocused the business, setting clear balance sheet and growth plan targets as well as establishing more internal coordination. Stakeholder management was not a highlighted focus area but the foundation was laid to recognise the importance of stakeholders in the achievement of the strategy. This was evident in the mission statement which stated "Through the power of One Sappi committed to collaborating and partnering with stakeholders – we aim to be a trusted and sustainable organisation with an exciting future in wood-fibre" (Sappi Annual Integrated Report, 2015:3). During this time, the vision statement illustrated the focus on rewards for all stakeholders with the 2020Vision stating, "Sappi will be a diversified woodfibre group targeting a substantial increase in EBITDA (earnings before interest, tax, depreciation and amortisation) through an expanded product portfolio with increased margins, providing enhanced rewards to all its stakeholders" (Sappi Annual Integrated Report, 2015:14).

With the adoption of the next iteration of the business strategy (Thrive25), which was launched in 2020, Sappi recognised society in general and in particular the expectation of stakeholders, namely, going

beyond making and selling. This was articulated by Andre Oberholzer, Group Head Corporate Affairs (2023) in the following statement, "Therefore, every action we take is aligned to our ambition to build a thriving world by unlocking the power of renewable resources to benefit people, communities and the planet. To achieve our ambition for a thriving world, we acknowledge the need to invest in a broader set of stakeholder considerations that impact our ability to attract capital, draw top talent, and future-proof our businesses. There are increasing expectations from investors and other stakeholders such as employees, our communities and consumers in our product value chains who want to be part of a sustainability narrative". Sustainability forms the foundation of the Thrive25 strategy as demonstrated in the purpose statement, "Sappi exists to build a thriving world by unlocking the power of renewable resources to benefit people, communities and the planet" (Group Sustainability Report, 2022:4).

When launching the purpose statement internally, the importance of stakeholders was underlined by the way the purpose statement was unpacked for action:

- Collaborating with stakeholders to make all processes and materials more sustainable
- Playing an active role in solving societal challenges
- Using our expertise to help create a sustainable future
- Meeting the needs of a growing and changing society
- Unlocking value for our staff and communities
- Building our business by delivering social impact

The various strategies documented in the past 10 years align with scholars such as Rampersad and Gopaul (2021:65), who stated that strategy within a company context usually links with the positioning or repositioning of the company towards achieving its future state. Decision makers in the strategy process are confronted with a change in the internal and external environment that directly influences the creation and implementation of the strategy. This interaction between stakeholders, the environment and the company creates an environment where the company is susceptible to the influences of social change. In response to developing societal expectations and problems, companies are required to implement strategies and change how they are implemented in situations that are not predictable. In an environment of increasing uncertainty and complexity, and having a top-down approach to strategy formulation may be an unfitting approach to the changing realities (Rampersad & Gopaul, 2021:67).

FROM STAKEHOLDER THEORY TO PRACTICE THROUGH MULTI-VOICED STAKEHOLDER ENGAGEMENT

Sappi operates in a multi-voiced organisational context with its communication professionals facilitating the integration of several internal and external voices into the company's communication processes (Botha & Meintjes, 2021). Several of Sappi's communication strategies, when entered as case studies in the International Association of Business Communicators (IABC) Quill Awards, have received international recognition from professional communicators in the past 10 years. The case studies range from projects that had strategic significance, to communication tools implemented specifically to meet an organisational or stakeholder need, to complex multi-disciplinary long-term processes based on risk and issues management through stakeholder relations. Examples of award-winning case studies include Sappi's **Integrated Community Forum Strategy**, which won a Gold Quill for Excellence in the Community Relations category.

Apart from the peer recognition Sappi has received from the communication industry with its Quill Award winning projects, its internal stakeholders are included in the "Enhance Trust" pillar of the Thrive25 strategy, calling for actions linked to the following key drivers:

Ensure that we understand the needs and circumstances of the communities where we operate.

Through shared value and targeted ESD (Environment, Social, Development) programmes, place a deliberate focus on developing local business.

- Establish and maintain proactive dialogue with all our stakeholders to ensure we build greater understanding and awareness.
- Train and develop staff to have the correct skills for future demands.
- Manage succession and ageing workforce.

- Develop and execute social impact strategy.
- Ensure sustainable woodfibre use through certification and traceability.
- Active reputation management programme.
- Pro-active public affairs programme.

The increased importance of stakeholder management for Sappi in South Africa was recognised and actioned with the appointment of Mpho Lethoko as dedicated Corporate Affairs leader for the region. Mpho was able to establish the social impact strategy, integrate shared value into operations and restructure stakeholder engagement resources and community structures.

DEFINING SOCIAL IMPACT

Literature defines social impact as "something that is experienced or felt in either a perceptual (cognitive) or a corporeal (bodily, physical) sense, at any level, for example at the level of an individual person, an economic unit (family/household), a social group (circle of friends), a workplace (a company or government agency), or by community/society generally" (Vanclay et al., 2015:2). While social impact is grounded in the effects that an action or an activity or a project has on people and communities, societal impact is wider and draws on a shared value approach to have an impact. It is built at the heart of the organisation and forms part of the core business values and strategy.

Sappi (Southern Africa) identified the need for a clear and coherent impact strategy that would drive both business and societal value creation. Sappi cultivates collaborative partnerships to grow its impact wherever it operates, believing that the best ideas and innovations result from coalitions of diverse perspectives. As part of its commitment to ensuring a thriving world, Sappi endeavours to make positive contributions to stakeholders, their environments and society. The Sappi Social Impact Plan provides the overall social impact framework that governs social performance for Sappi in South Africa. The plan has been developed in line with best practice methodologies and benchmarked against industry standards. The societal impact strategy is meant to improve the status quo in three ways, namely, by restructuring disparate current initiatives into a single coherent framework which can be holistically understood and communicated; secondly, by linking the social strategy to the core business strategy; and thirdly, by specifically improving the strategic approach to local communities as well as government stakeholder engagement.

In 2018, the shared value approach was adopted by Sappi Southern Africa, with continued measured social impact as the outcome of stakeholder engagement. In 2020, under Mpho's leadership, Sappi captured all the thinking, practices and business references to social impact in a social impact strategy. The strategy was turned into an internal handbook, and training was given to all divisions in Sappi on how they fit into the delivery of the social impact strategy, confirming Sappi's commitment to external stakeholders through mobilisation of internal stakeholders. Sappi states that this societal impact strategy is its commitment to promoting sustainable development which drives value for all stakeholders.

The social impact strategy drives mutual benefits for the business and society with the social impact plan based on the fact that creating shared value is fundamental to Sappi's business (Sappi, 2020). Sappi's Social Impact Framework is made up of six segments of its business operations and identifies an impact journey for each segment, and highlights that as the company proceeds on its impact journey, it should constantly improve its impact.

A CRITICAL REVIEW OF SOME OF THE CHALLENGES IN STAKEHOLDER RELATIONS MANAGEMENT

Integrating a strategic stakeholder approach into all operational departments is a significant change management task. It requires that people change their understanding of their basic tasks and how those tasks and decisions impact Sappi's credibility when engaging with stakeholders. A new understanding of how value is created for Sappi must be internalised and key performance indicators (KPIs) adjusted. Internal training and support contribute to the process. Current focus is on a project-by-project basis (to build a body of evidence) and as the Thrive25 business strategy is developed and updated, this will provide further impetus.

The use of digital tools and aids to help manage a complex stakeholder landscape is identified but finding cost-effective and simple-to-use solutions remains a difficult task given how quickly this field continues to develop.

Introducing a more focused and comprehensive measurement and evaluation system will enable social impact and shared value initiatives to be tracked against strategic objectives and coherent, objective decisions made on which options deliver better impact and value. The creation of such a system has been launched in 2023.

CONCLUSION

From this critical analysis, it is clear that Sappi has a multi-voice stakeholder relations approach that is embedded strategically in the organisation. The function is set up to deliver not only for the business but measured social impact for all stakeholders. There is room for further development in the integration of stakeholders, the expansion of the stakeholder engagement database with digital tools, and the internal understanding and integration across all disciplines of the value this approach brings to the organisation.

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