MASARYKOVA UNIVERZITA
EKONOMICKO-SPRÁVNÍ FAKULTA

Stakeholder approach and stakeholder analysis

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Shareholder approach

A business is an organization, which is supposed to create value for owners.

Stakeholder approach

A business is a place where interests of stakeholders meet – interests of those, who are involved in or affected by the business operations. The business is then supposed to create value not only for shareholders, but should be responsible for all stakeholders.

The corporation and its stakeholders

Post, Preston, Sachs, 2002

A move between the shareholder and the stakeholder approach

Who is a stakeholder

	Authors, year	Definitions (Stakeholders are...)
[1]	Stanford Research Institute 1963	those groups without whose support the organization would cease to exist
[2]	Rhenmnan 1964	are depending on the firm in order to achieve their personal goals and on whom the firm is depending for its existence
[3]	Thompson 1967	anything influencing or influenced by the firm
[4]	Ahlstedt & Jahnukainen 1971	driven by their own interests and goals are participants in a firm, and thus depending on it and whom for its sake the firm is depending (cited in Näsi, 1995)
[5]	Einshoff & Freeman 1978	any group where collective behaviour can directly affect the organisation s future, but which is not under the organization s direct control
[6]	Ackoff 1981	anyone inside or outside te organization who are directly or primarily affected by the actions of a corporation.
[7]	Freeman & Reed 1983	Wide: can affect the achievement of an organization s objectives or who is affected by the achievement of an organization s objective. Narrow: on which the organization is dependent for its continued survival.

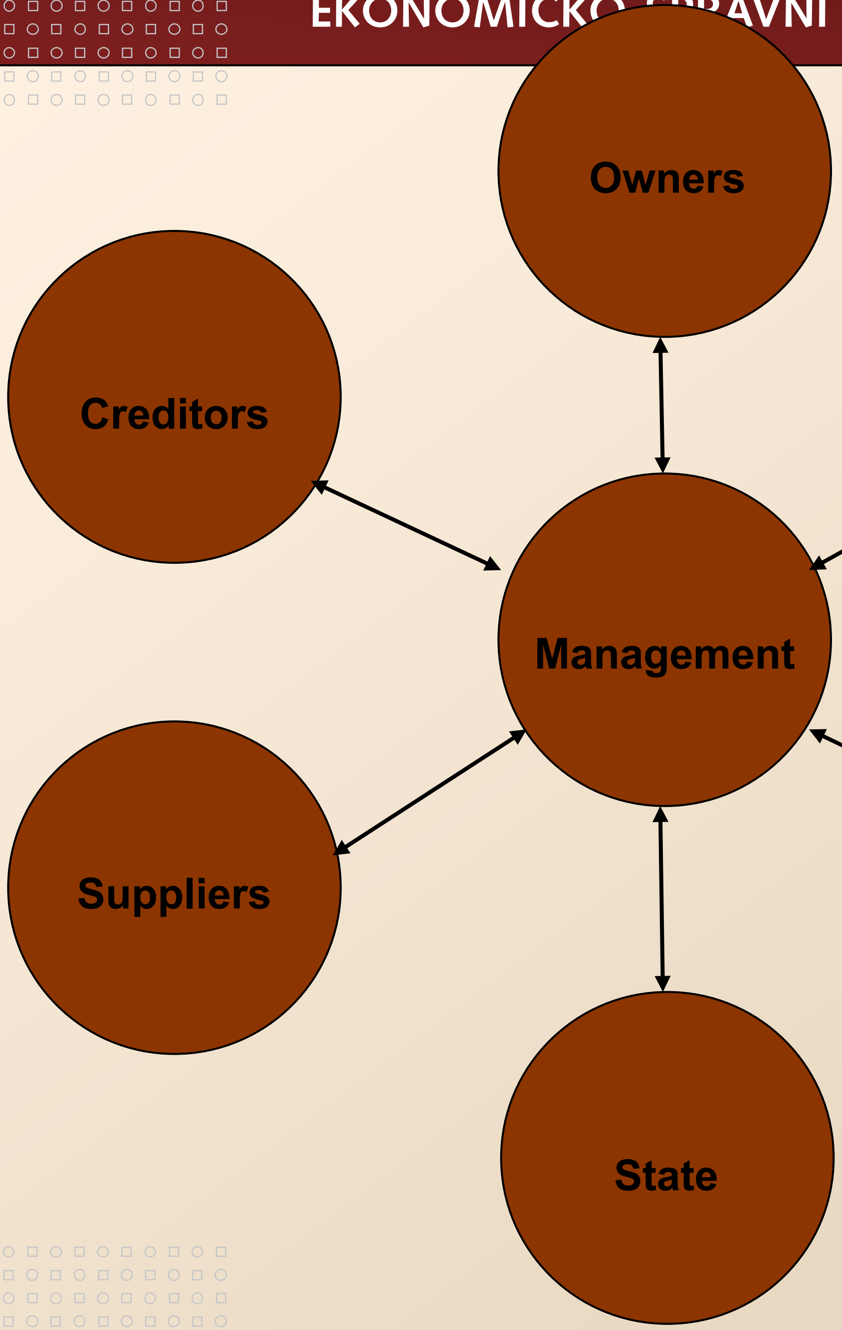
	Authors, year	Definitions (Stakeholders are...)
[8]	Freeman 1984	can affect or is affected by the achievement of the organization s objectives
[9]	Freeman & Gilbert 1987	can affect or is affected by a business
[10]	Cornel & Shapiro 1987	“claimants” who have “contracts”
[11]	Evan & Freeman 1988	have a stake in or claim on the firm benefit from or are harmed by, and whose rights are violated or respected by, corporate actions
[12]	Bowie 1988	without whose support the organization would cease to exist
[13]	Alkhafaji 1989	groups to whom the corporation is responsible
[14]	Caroll 1989	asserts to have one or more of these kinds of stakes – ranging form an interest to a right (legal r moral) to ownership or legal title to the company s assets or property

	Authors, year	Definitions (Stakeholders are...)
[15]	Freeman & Evan 1990	contract holders
[16]	Thompson et al. 1991	in relationship with an organization
[17]	Savage et al. 1991	have an interest in the actions of an organization and … the ability to influence it
[18]	Hill & Jones 1992	constituents who have a legitimate claim on the firm … established through the existence of an exchange relationship [who supply] the firm with critical resources (contributions) and in exchange each expects its interests to be satisfied (by inducements)
[19]	Brenner 1993	having some legitimate, non-trivial relationship with an organization [such as] exchange transactions, action impacts, and moral responsibilities
[20]	Caroll 1993	asserts to have one or more of the kinds of stakes in business – may be affected or affect
[21]	Freeman 1994	participants in "the human process of joint value creation"

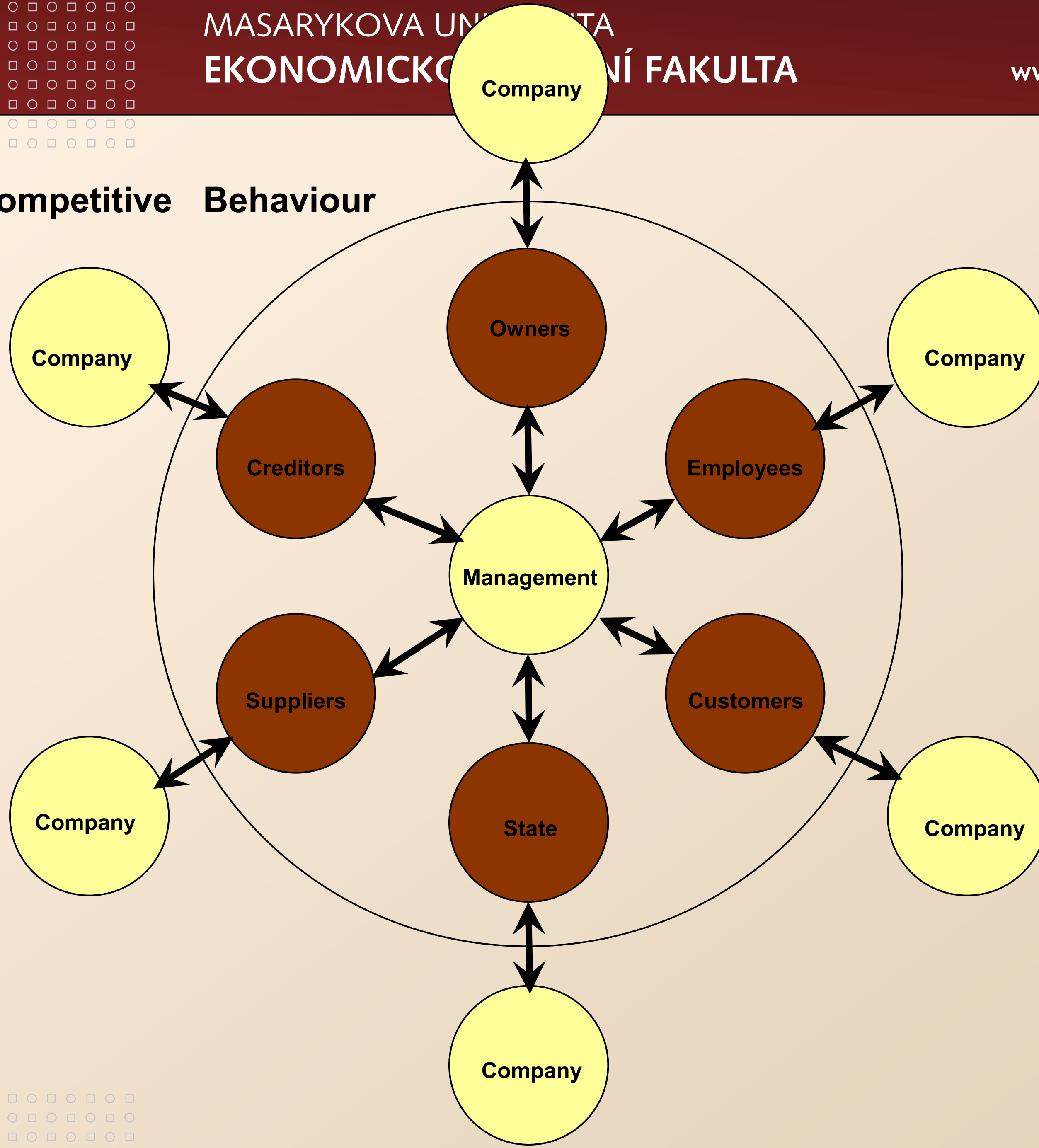
	Authors, year	Definitions (Stakeholders are...)
[22]	Wicks et al. 1994	interact with and give meaning and definition to the corporation
[23]	Langtry 1994	the firm is significantly responsible for their well-being, or ghey hold a moral or legal claim on the firm
[24]	Starik 1994	can and are making their actual stakes known – are or might be influenced by, or are or potentially are influencers of, some organization
[25]	Clarkson 1994	bear som form of risk as a result of having invested some form of capital, human or financial, something of value, in a firm [or] are placed at risk as a result of a firm s activities
[26]	Clarkson 1995	have, or claim, ownership, rights, or interests in a corporation and its activities
[27]	Näsi 1995	interact with the firm and thus make its operation possible
[28]	Brenner 1995	are or which could impact or be impacted by the firm/organization
[29]	Donaldson & Preston 1995	persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity

Criteria used to narrow the definition of a stakeholder

- **A relationship exists**
  - The firm and stakeholder are in relationship [15], [18], [20], [21]
  - The stakeholder exercises voice with respect to the firm [23]
- **Power dependence: stakeholder is dominant**
  - The firm is dependent on the stakeholder [1], [6], [11], [26]
  - The stakeholder has power over the firm [7], [8], [16], [19], [23], [27]
- **Power depecence: Firm dominant**
  - The stakeholder is dependent on the firm [22]
  - The firm has power over the stakeholder [6], [7], [8], [19], [23], [27]
- **Mutual power-depecence relationship**
  - The firm and stakeholder are mutually dependent [2], [4]
- **Basis for legitimacy of relationship**
  - The firm and stakeholder are in contractual relationship [9], [13], [14], [17]
  - The stakeholder has a claim on the firm [10], [12], [13], [17], [22], [25]
  - The stakeholder has something at risk [24]
  - The stakeholder has a moral claim on the firm [10], [13], [22], [25], [28]
- **Stakeholder interests - legitimacy not implied**
  - The stakeholder has an interest in the firm [13], [16], [19], [25]


Owners
Creditors
Employees
Management
Suppliers
Customers
State

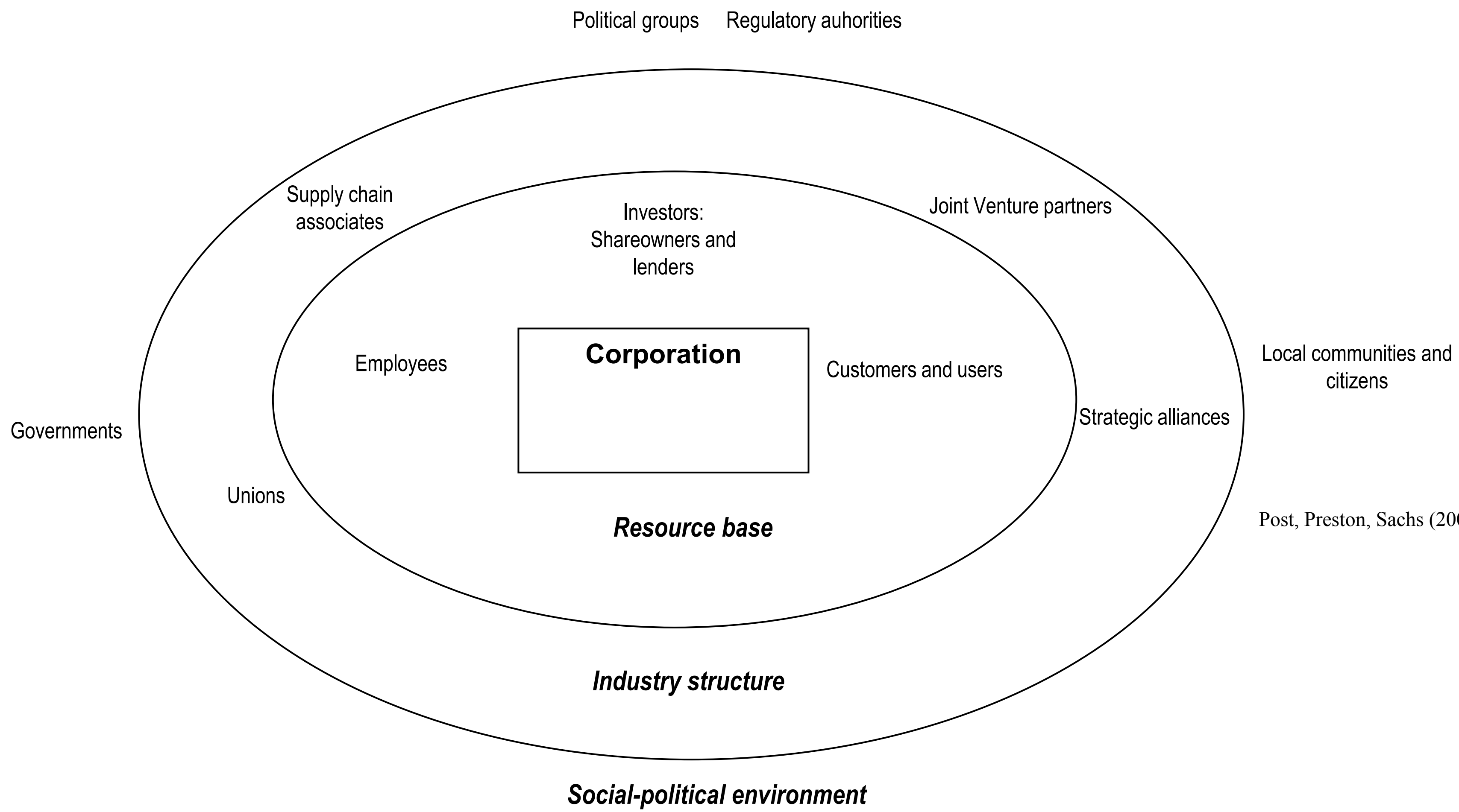
Competitive Behaviour



Stakeholder classification

- Voluntary vs. involuntary stakeholder
- Actual vs. potential stakeholder
- Classification according to proximity to the firm

Classification according to proximity to the firm



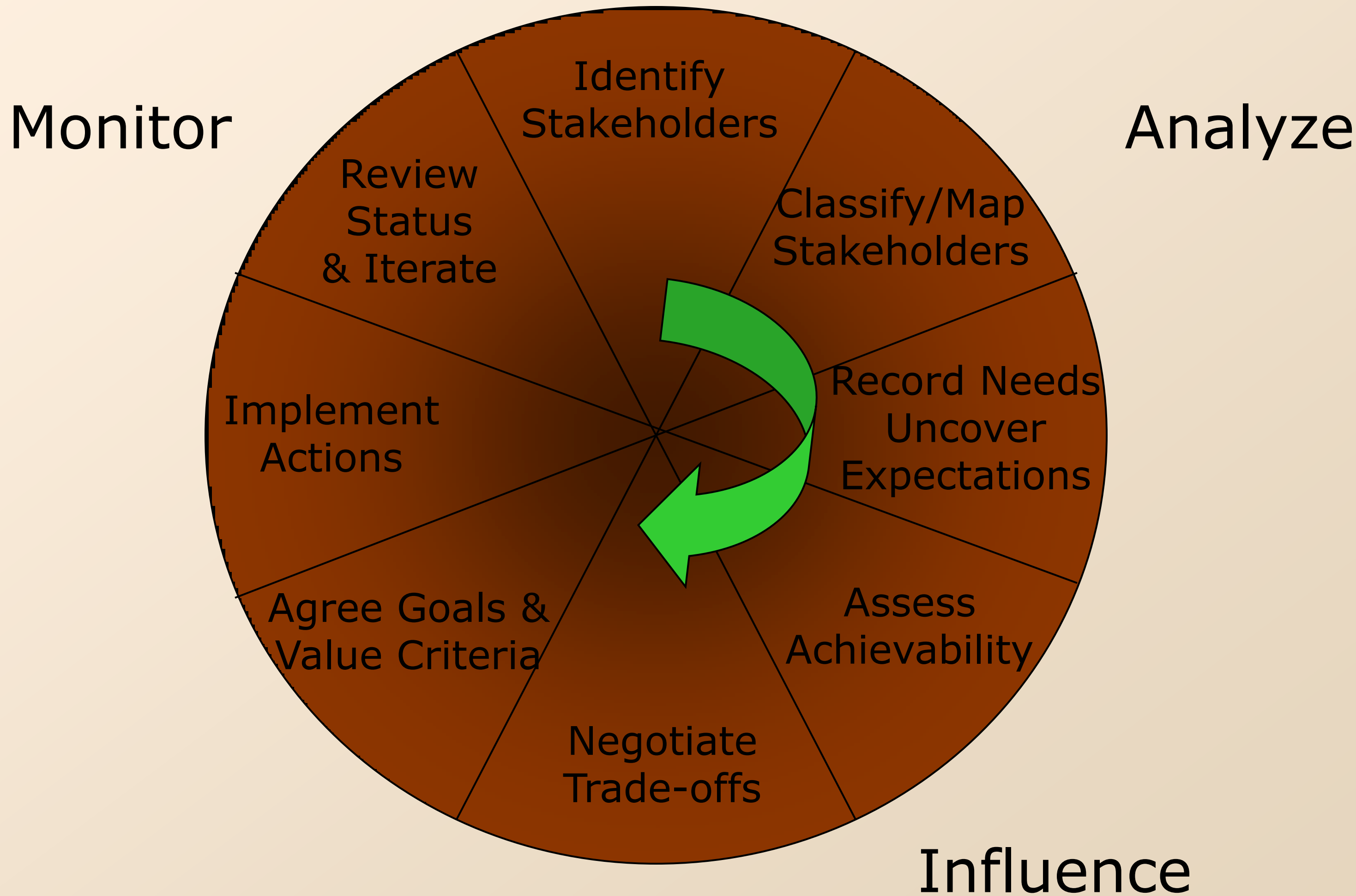
Post, Preston, Sachs (2002)

Other used classifications

- Primary and secondary stakeholders according to Clarkson [1]
- Primary and secondary stakeholders according to Näsi[2]
- Environmental and process according to Atkinson et al. [3]

[1] CLARKSON, M. B. E. A Stakeholder Framework for Analyzing and Evaluating corporate Social Performance. *Academy of Management Review*, 1995, vol. 20, no. 1, s. 92 - 117. s. 106.
[2] NASI, J. What Is Stakeholder Thinking? A Snapshot of the Social Theory of the Firm. In *Understanding Stakeholder Thinking*. Helsinki : 1995. LSR Publications.
[3] ATKINSON, A. A., WATERHOUSE, J. H., WELLS, R. B. A Stakeholder Approach to Strategic Performance Measurement. In *Sloan Management Review*. 1997, 3/38. s. 25 – 37.

Stakeholder management



Stakeholder analysis

A technique used to identify key people/subjects, which will be subsequently focused by the firm.

The advantage is the better balance of power and influence of stakeholders, early risk identification and formulation of a better fit strategy.

Stakeholder analysis

1. set the goal of the analysis,
2. identify stakeholders,
3. analyze values and segment stakeholders,
4. analyze attributes,
5. analyze possible development of values and attributes,
6. draw a stakeholders map,
7. adopt corresponing measures,
8. analyze effects of these measures and act accordingly.

Stakeholder segmentation

1. WHAT

- - types of benefits does the customer seek?
- - factors affect the demand?
- - functions does the product represent for the customer?
- - criteria are important while purchasing?
- - is compared to the other products?
- - risks are perceived by the customer?
- - services does the customer expect?

2. HOW

- - do the customers shop?
- - long does the purchasing process také?
- - do the customers use the product?
- - does the product fit the customers´ life style?
- - much are the customers willing to spend?
- - often do they buy?

Stakeholder segmentation

3. WHERE

- - is the decision to buy or not to buy taken?
- - do the customers seek information needed for the purchase?
- - do the customers purchase the product?

4. WHEN

- - is the first decision to buy taken?
- - is the decision to buy again taken?

5. WHY

- - do customers buy this product?
- - do the customers choose this brand?

6. WHO

- - are the customers in specific segments?
- - buys our products and why?
- - buys our competition products and why?

Stakeholder attributes

Savage et al.[1] propose two attributes:

- Interest
- Potential to influence the firm

Often used in project management

- How much is the stakeholder affected (weakly-strongly)
- Assumed reaction of the stakeholder (positive, neutral, negative)

or:

- How much is the stakeholder affected (weakly-strongly)
- Power of the stakeholder

[1] SAVAGE, G. T., NIX, T. H., WHITEHEAD, C. J., BLAIR, J. D. Strategies for assessing and managing organizational stakeholders. In *Academy of Management Executive*. 5/1991, s. 61 – 75.

Stakeholder attributes

More elaborated three-dimensional approach is:

- Power of the stakeholder
- Interest of the stakeholder
- Attitude of the stakeholder (supportive/disruptive, positive/negative)

Strategic management textbooks mention:

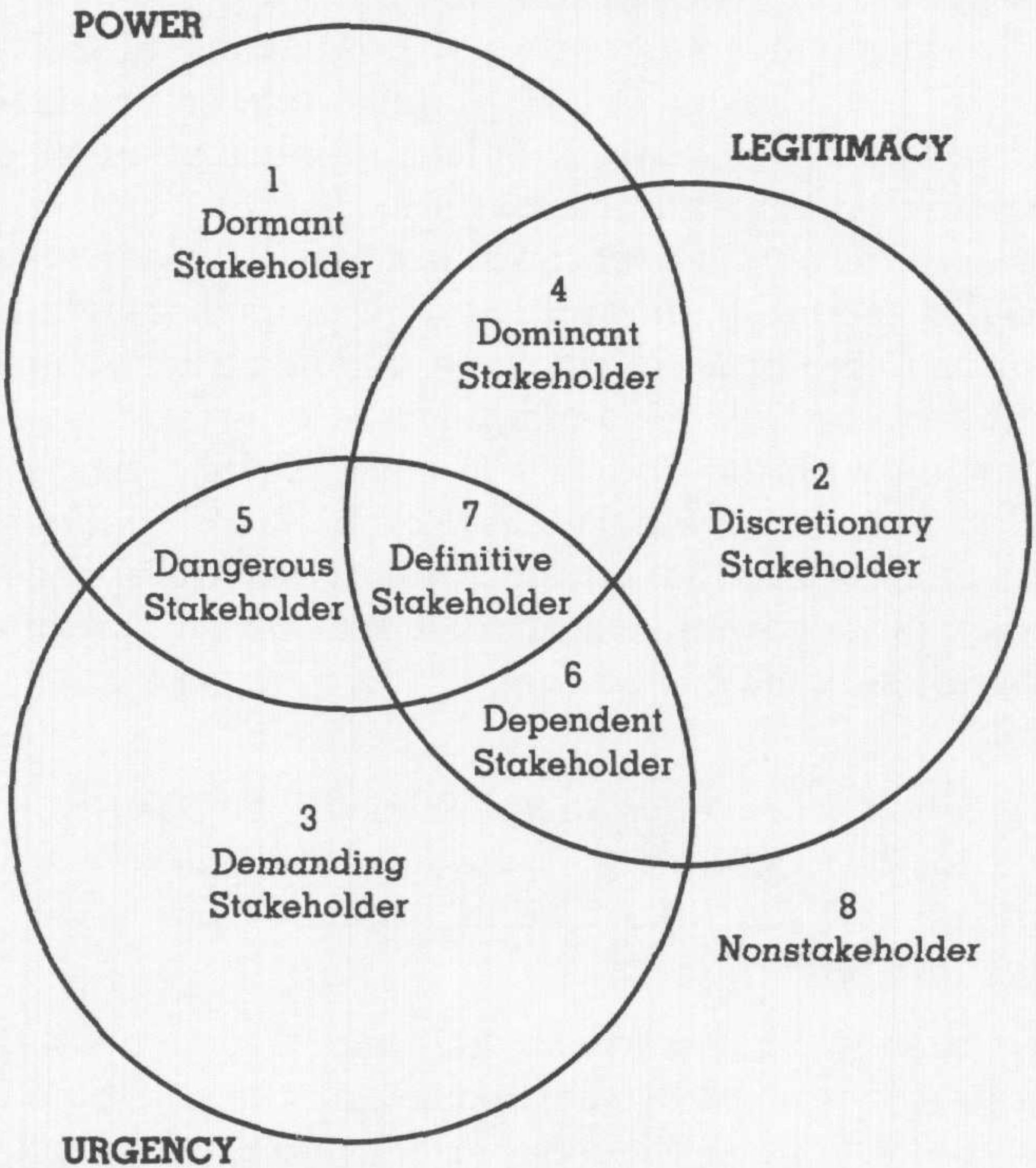
- Power
- Attitude or interest

Mitchell et al.[1] propose three attributes:

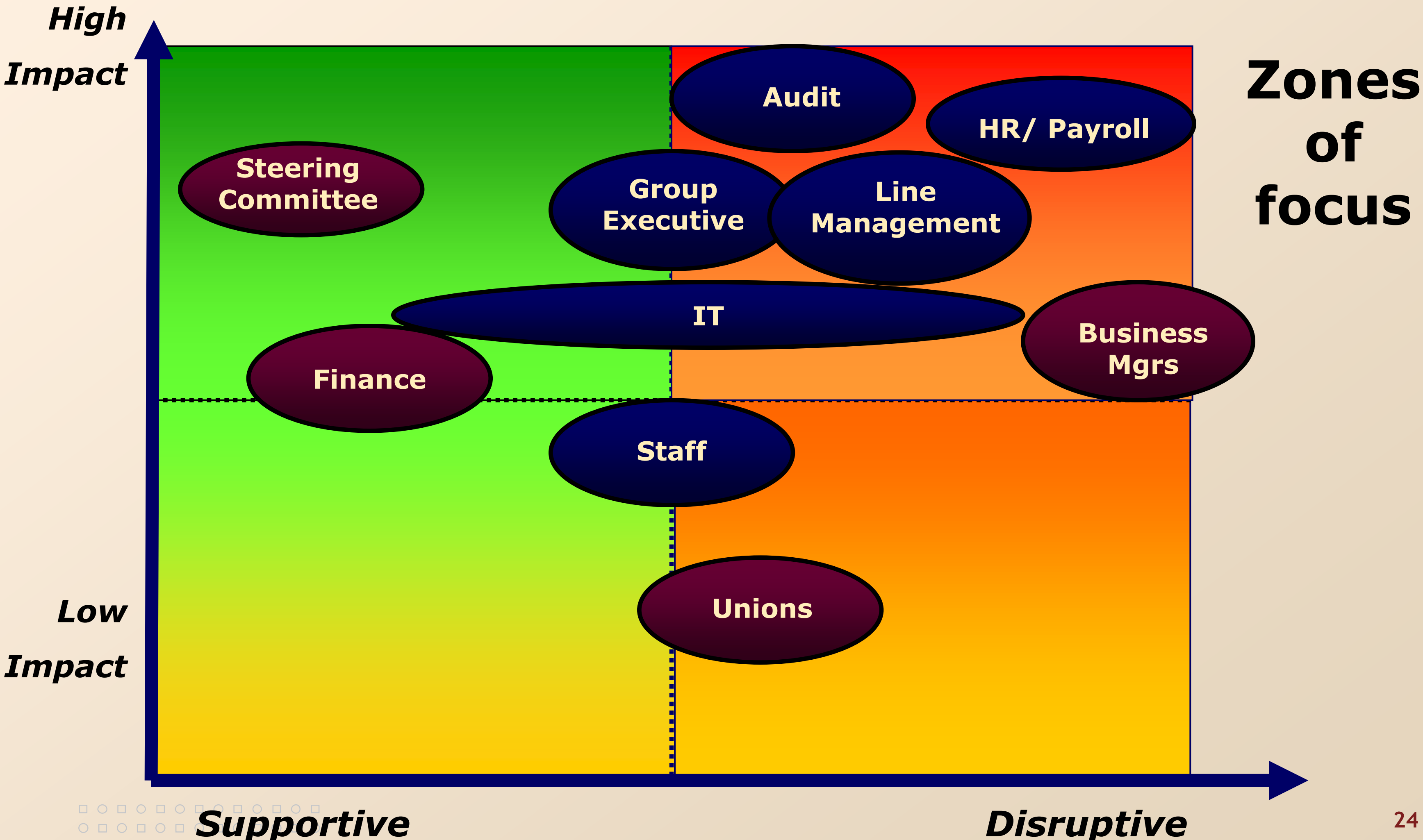
- Power
- Legitimacy
- Urgency

[1] MITCHELL, R. K., AGLE, B. R., WOOD, D. J. Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts.

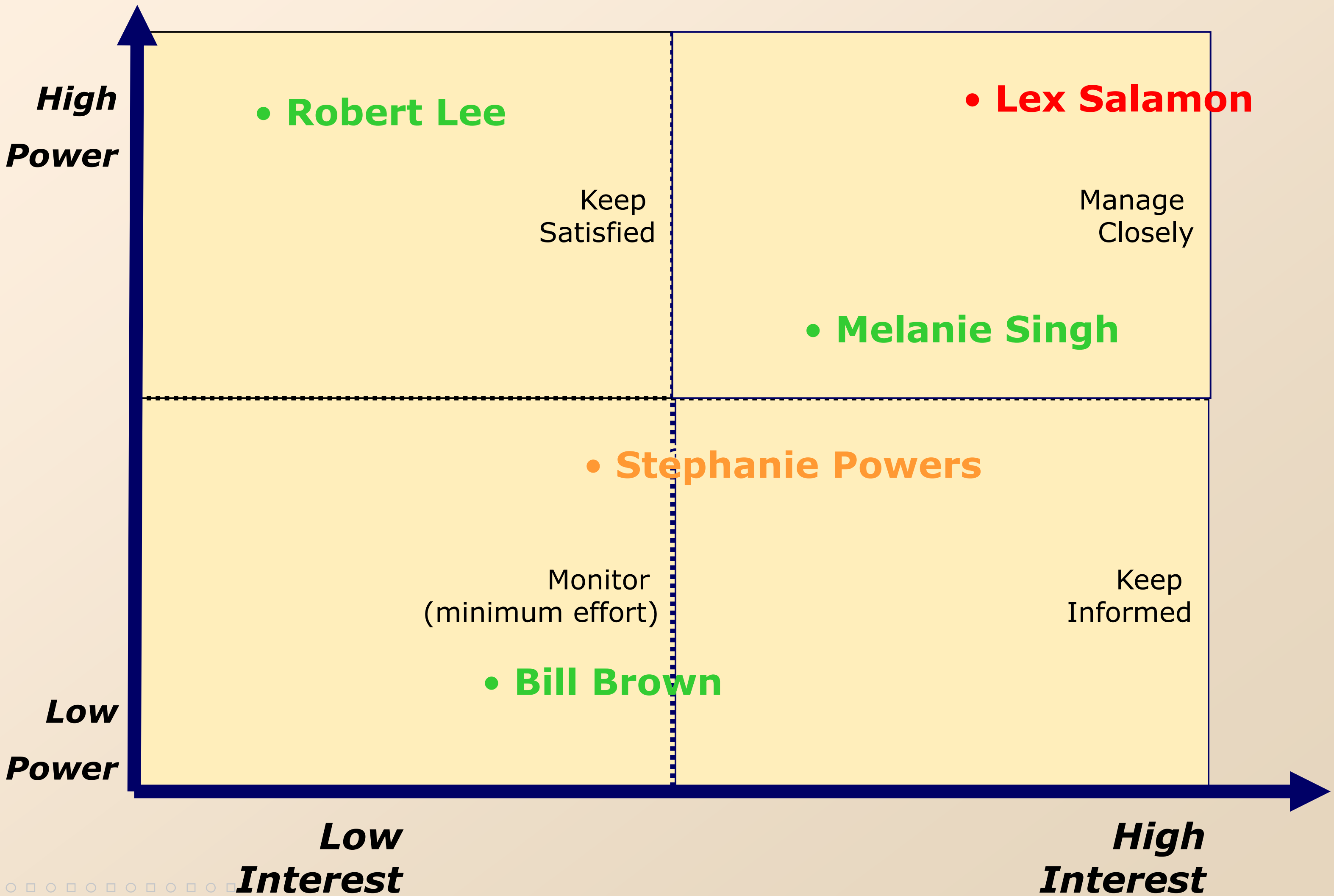
FIGURE 2
Stakeholder Typology:
One, Two, or Three Attributes Present



Stakeholder mapping: 4 Quadrant Analysis

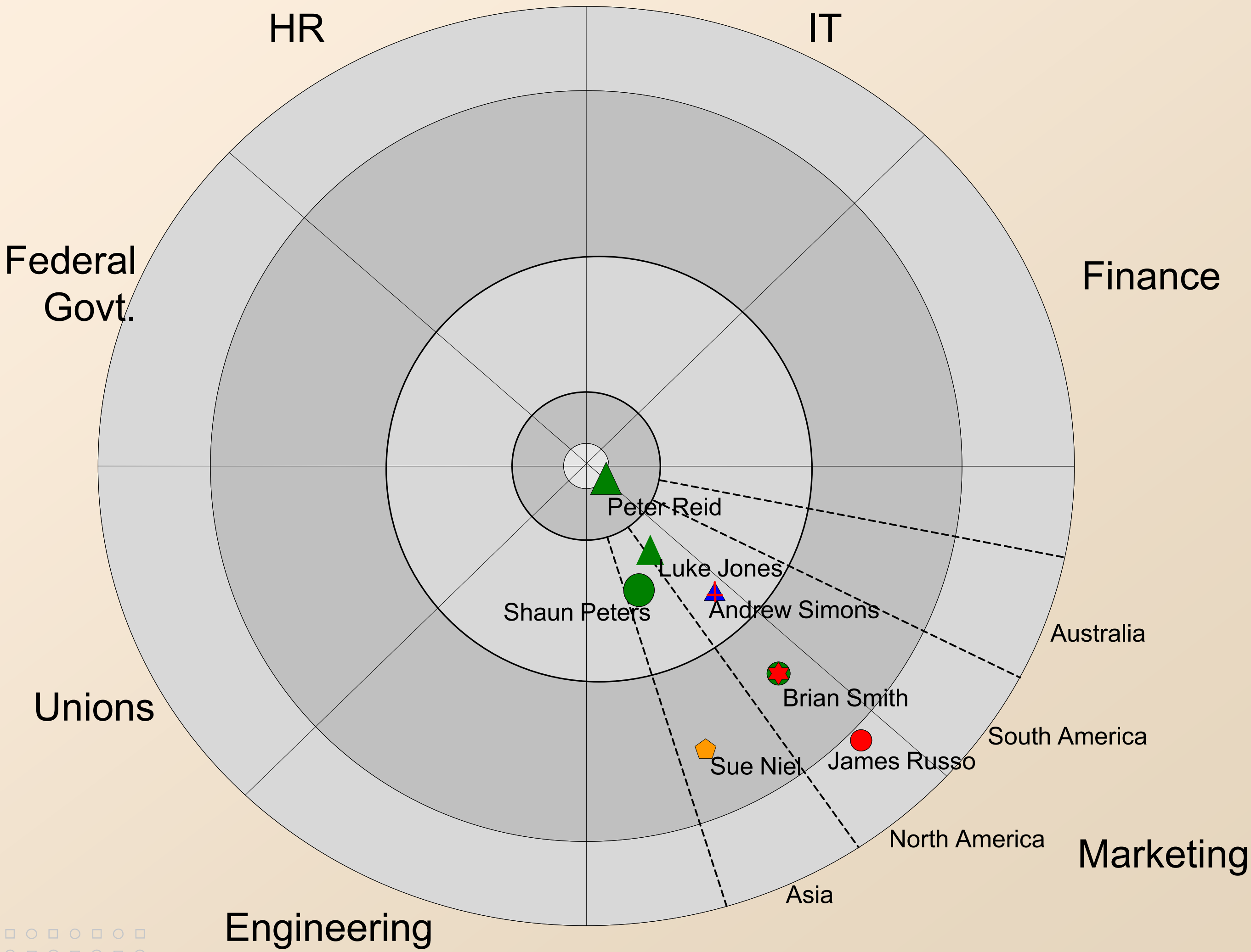


Power / Interest Grid Example



Reference: Rachel Manktelow,

Stakeholder Map



Stakeholder Map Legend

Behaviour

Green: Staunch / Trusted Support

Blue: Fairweathered Friend

Red: Public Pain

Orange: Not Yet Tested

Role based power is inferred by relative position from the center (godlike) to the outside edge (serf)

Leadership

Force Leader

Opinion Leader

Future Leader

Shadow

Stakeholders that need to be carefully managed

Active Sniper

Potential Sniper

Key Questions In Stakeholder Management

Types of Stakeholders

Stakeholder's Potential for Threat to Organization

Stakeholder's Potential for Cooperation With Organization	High	Low
High	Stakeholder Type 4 *Mixed Blessing* Strategy: *Collaborate*	Stakeholder Type 1 *Supportive* Strategy: *Involve*
Low	Stakeholder Type 3 *Nonsupportive* Strategy: *Defend*	Stakeholder Type 2 *Marginal* Strategy: *Monitor*

?

Stakeholder \ Interest Area	Strategic	Financial	Programme Activities	Business as Usual	Impact on Patient Care
Scottish Executive	●	●			
NSS	●		●	●	
Health Boards	●		●	●	
Dental Practices				●	●
BDA/SDPC	●		●		
Dental Action Plan Lead Officers	●		●	●	
NES	●		●	●	
Patients/Consumer Council				●	●
Suppliers				●	

Stakeholder chart

Stakeholder	Group	Generic group	Power	- development	Legitimacy	- development	Urgency	- development	Stakeholder size	- development	Impact on the stakeholder	- development	Stakeholder attitude	- development	Stakeholder interest	- development	Leadership	- development	Values
Users	U	C	3	+2	4	+1	2	0	0,3	+	N	0	P	0	P	0	0	0	List values
...																			

Legend:
U – Users
C – Customers
P – Positive (Impact, attitude, interest)
N – Negative
0 – Not present, not available, not applicable

Stakeholder Matrix

Stakeholder	What they Gain from the company	How are they impacted by the company	What does the company need from them ?	What do they know/ think about the company

Significance of stakeholders for the firms success

Stakeholders	Average	SD
Customers	9.7	0.9
Employees	9.1	1.2
Management	8.8	1.6
Owners	8.3	2.4
Suppliers	7.9	2.1
Financial institutions	5.9	3.0
Competition	5.8	2.3
Academic centers	5.8	3.4
Municipalities	5.4	2.8
State authorities	5.3	3.0
Consulting companies	4.8	3.1
Citizens	4.7	2.3
Chamber of commerce	4.5	2.4
Innovation centers	3.0	-

Source: ŠIMBEROVÁ, I. Řízení vztahů se stakeholdry na průmyslových trzích v kontextu současných marketingových koncepcí. In *Vědecké spisy vysokého učení technického v Brně*. Sv. 251. 38 s. ISSN 1213-418X. s. 17.

Importance of the stakeholder groups

1. Customers (4.65)
2. Owners (4.47)
3. Employees (4.03)
4. Suppliers (3.78)
5. Creditors (2.75)
6. Communities (2.61)
7. State (2.39)

Importance of the stakeholder groups

- Lower response rate for the group of creditors
- Negative relationship between the firm size and the importance of creditors, employees and state
- Positive relationship between the firm size and the importance of customers and communities
- Importance of state and creditors depends on industry

Thank you for your attention