

## Stakeholder Identification, Issues, and Relations

### What is a Stakeholder?

- Individuals and groups with a multitude of interests, expectations and demands as to what business should provide to society
- **Managers must identify an array of stakeholders because:**
  - Obtain resources
  - Maintain legitimacy

### Pluralistic Society

- A society in which there is a diffusion of power among many groups and organizations → a wide decentralization and diversity of power concentration
- No one institution is independent of others
- **Diffusion of Power**
  - **Strengths:**
    - Prevents concentration of power
    - Maximizes freedom
    - Disperses individuals' allegiances
    - Creates diversified loyalties
    - Provides safeguards
  - **Weaknesses**
    - Pursuit of self-interest
    - Proliferates organizations with similar goals
    - Forces conflicts
    - Promotes inefficiency

### Shareholder vs. Stakeholder Viewpoint

- **Shareholder Viewpoint**
  - A business exists to make money → greatest efficiency is achieved through profit maximization
  - > profits, > taxes paid to government for use in dealing with social issues
  - Property rights theory (corporation owned by shareholders)
- **Stakeholder Viewpoint**
  - Business has a responsibility to do more than maximize profits
  - Business has caused several problems so it has a responsibility to fix them
  - Society provides the very existence of business through legal frameworks

### Stakeholders (What are the issues?)

- Who are the organization's key stakeholders and how do you determine which ones are key?
- What is the correct balance between profit generation and stakeholder interests?
- **Stakeholder Management: Top 5 Realities**
  1. Stakeholders' interests will not always be clear
  2. Some stakeholders will win, others will lose
  3. Stakeholders watch how the organization treats other stakeholders
  4. Stakeholders management will cost money, but might be cheaper than not managing stakeholders
  5. Stakeholders contributions are essential
- **Identifying Stakeholders**

- o Internal stakeholders
  - Employees, shareholders, managers
- o External stakeholders
  - Customers, suppliers, government, competition, community
- o Primary/Market stakeholders
  - Shareholders
  - Primary stakeholders are those that have a direct interest in the organization and its success
- o Secondary/Non-market stakeholders
  - Secondary stakeholders are those that have a public or special interest in the organization
- **Identifying Key Stakeholders**
  - o A key stakeholder:
    - One who can exert and sustain a positive or negative affect on the organization
    - Those stakeholders having high interest and high power to influence would be perceived as key
    - Salience → priority given to competing stakeholder claims
  - o **Core stakeholders**
    - Essential to the firm's survival
  - o **Strategic stakeholder**
    - Directly affected by threats and opportunities the organization faces
  - o **Environmental stakeholders**
    - All others in the organization's environment
  - o **Legitimacy**
    - Is the perceived validity of the stakeholder's claim to a stake
  - o **Power**
    - Is the ability of a stakeholder to produce an effect
  - o **Urgency**
    - Is the degree a stakeholder's claim demands immediate attention
- **Multistakeholder Dialogue**
  - o Deliberate communication with stakeholders in a proactive approach
  - o Consensus building as the goal
  - o Some challenges:
    - Too much input can stagnate the organization
    - Creation of high expectations on the part of stakeholders that, in the end, can't be met