



STAKEHOLDER ANALYSIS



OBJECTIVES FOR THIS SESSION:

By the end of this session, you should be able to describe:

- ✓ A definition of 'stakeholders' for your organisation
- ✓ How the concept of 'stakeholders' relates to concepts of the organisation
- ✓ The purpose of Stakeholder Analysis
- ✓ Some common forms of Stakeholder Analysis
- ✓ Stakeholder Mapping techniques

A 'STAKEHOLDER' IS:

Any person or organisation who can be positively or negatively impacted by, or cause an impact on the actions of a company. (Freeman, 1984)

The individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and are therefore its potential beneficiaries and / or risk bearers. (Post, Preston & Sachs, 2002)

Stakeholder theory in the context of the organisation:

1: The objective of a business is to make profits for its shareholders. (The Shareholder Value Perspective)

... or ...

2: Companies are networks of parties working towards a shared goal. Employees, suppliers, shareholders, external interest groups and customers co-operate to create mutually beneficial results. (The Stakeholder Value Perspective)

WHY USE STAKEHOLDER ANALYSIS?

Identify the stakeholders likely to be affected by or influence the activities of the organisation

Assess how those stakeholders could be impacted or impact upon the organisation

Anticipate the consequences of any change in the organisation's activities

Identify stakeholders' 'success criteria'

Assure a successful outcome for the organisation by developing co-operation with stakeholders (see: Customer Focus)

MEETING STAKEHOLDER NEEDS:

Where does your organisation create stakeholder value?

How can you do that better?

Can you eliminate or reduce focus on processes which do not add stakeholder value?

How do you communicate with stakeholders?

Do your communications encourage stakeholder exchange?

Do you communicate the stakeholder value?

Who are the
Stakeholders?

A TYPICAL LIST OF STAKEHOLDERS WOULD INCLUDE:

Owners, stockholders & investors

Banks and creditors

Partners & suppliers

Buyers, customers & prospects

Management

Employees, unions, works councils

Competitors

Government & regulators: local, national, international

Professional and industry associations

Media: local, national, trade, financial

NGOs

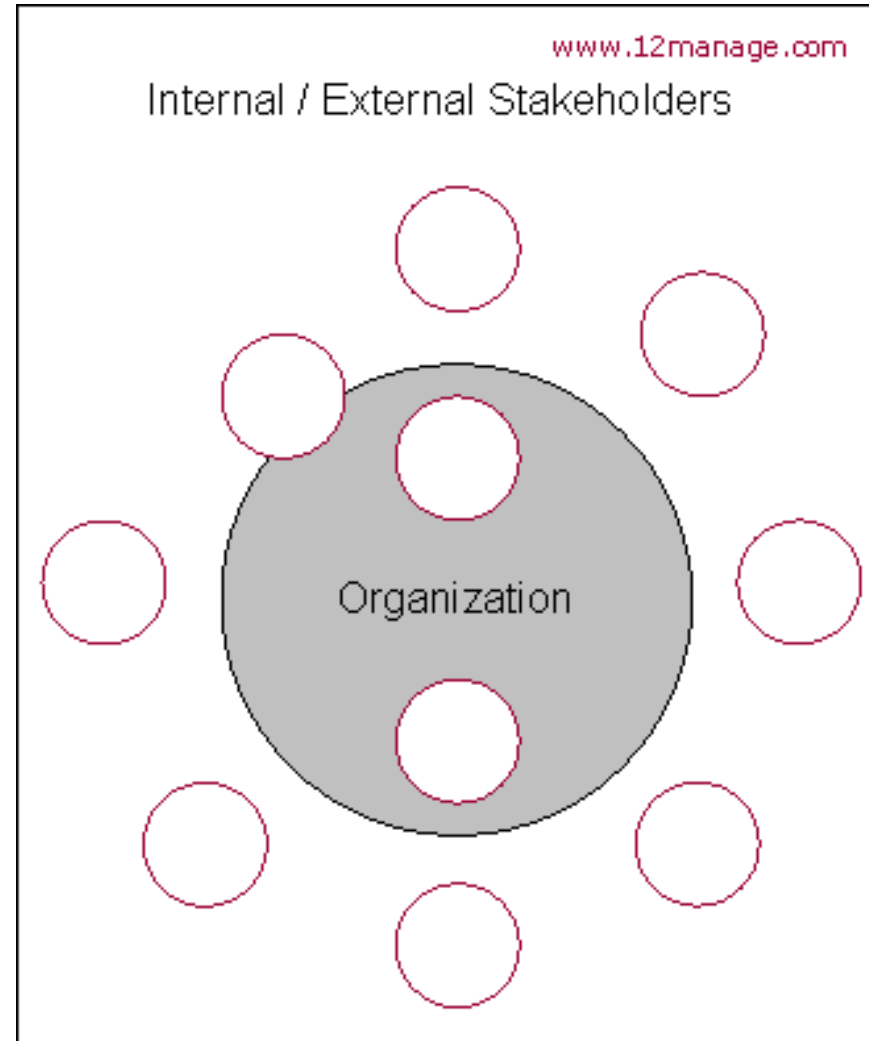
Communities & other interest groups

CATEGORISING STAKEHOLDERS:

Internal and External Stakeholders

Within the organisation:
e.g. employees &
management

Outside the organisation:
e.g. government & trade
associations



CATEGORISING STAKEHOLDERS:

Primary, Secondary & Key Stakeholders

Directly affected: e.g. employees & stockholders

Indirectly affected: e.g. government & media

Most significantly affected: those with the most influence from either group



THE STAKEHOLDER ANALYSIS PROCESS:

1. Identify all stakeholders (Brainstorming)
2. Identify stakeholder needs & interests
3. Classify groups of interests (Stakeholder Mapping)
4. Identify areas of conflict: Organisation v Stakeholder, Stakeholder v Stakeholder
5. Prioritise, reconcile and balance stakeholders
6. Align significant stakeholder needs with organisation's strategies and actions

STAKEHOLDER ANALYSIS MATRIX

Stakeholder	Stakeholder Interests	Assessment of Impact	Potential Strategies

ADVANTAGES OF STAKEHOLDER ANALYSIS

Get to know stakeholders better:

- Relative importance, power and interests
- Better managed relationships
- Risks identified

Make better strategies and decisions

Greater acceptance of organisation actions by stakeholders

DISADVANTAGES OF STAKEHOLDER ANALYSIS

Best done on continuous basis

Assessment of analysis may be subjective

Maybe not all stakeholder interests can be met at the same time

- Focus on most important stakeholder
- Balance & reconcile all interests according to importance or urgency

STAKEHOLDER MAPPING

Several techniques for categorising stakeholders

Helps identify which stakeholders may support or oppose change / organisation's actions

Which stakeholders are the most powerful, have most influence

Help decision makers formalise / prioritise strategies

THE POWER / DYNAMISM MATRIX

Classifies stakeholders in relation to the power they hold and their aptitude for action (dynamism)

Can be used to indicate where political effort should be made before instigating change

Power / Dynamism Matrix (Gardner et al. (1986))

		Dynamism	
		Low	High
Power	Low	A Fewer problems	B Unpredictable but manageable
	High	C Powerful but predictable	D Greatest danger or opportunities

Power / Dynamism Matrix:

Stakeholders in groups A & B: are the easiest to deal with.

Stakeholders in group C: are important because they are powerful. But low dynamism means their reaction is predictable and expectations can be managed.

Stakeholders in section D: Need most management attention because they are powerful and reaction is difficult to predict. May need to 'trial' new strategies with them.

THE POWER / INTEREST MATRIX

Classifies stakeholders in relation to their power and the extent to which they are likely to show interest in the actions of the organisation.

Can be used to indicate the nature of the relationship which should be adopted with each group

Power / Interest Matrix (Gardner et al. (1986))

		Level of Interest	
		Low	High
Power	Low	A Minimal effort	B Keep informed
	High	C Keep satisfied	D Key players

Power / Interest Matrix:

Stakeholders in group A: Need only minimum effort and monitoring

Stakeholders in group B: Should be kept informed as they may be able to influence more powerful stakeholders

Stakeholders in group C: Are powerful, but level of interest is low. Generally expected to be passive, but may move into group D on an issue of particular interest

Stakeholders in group D: Are both powerful and interested. Their co-operation is of key importance for new strategies

THE POWER, LEGITIMACY AND URGENCY MODEL

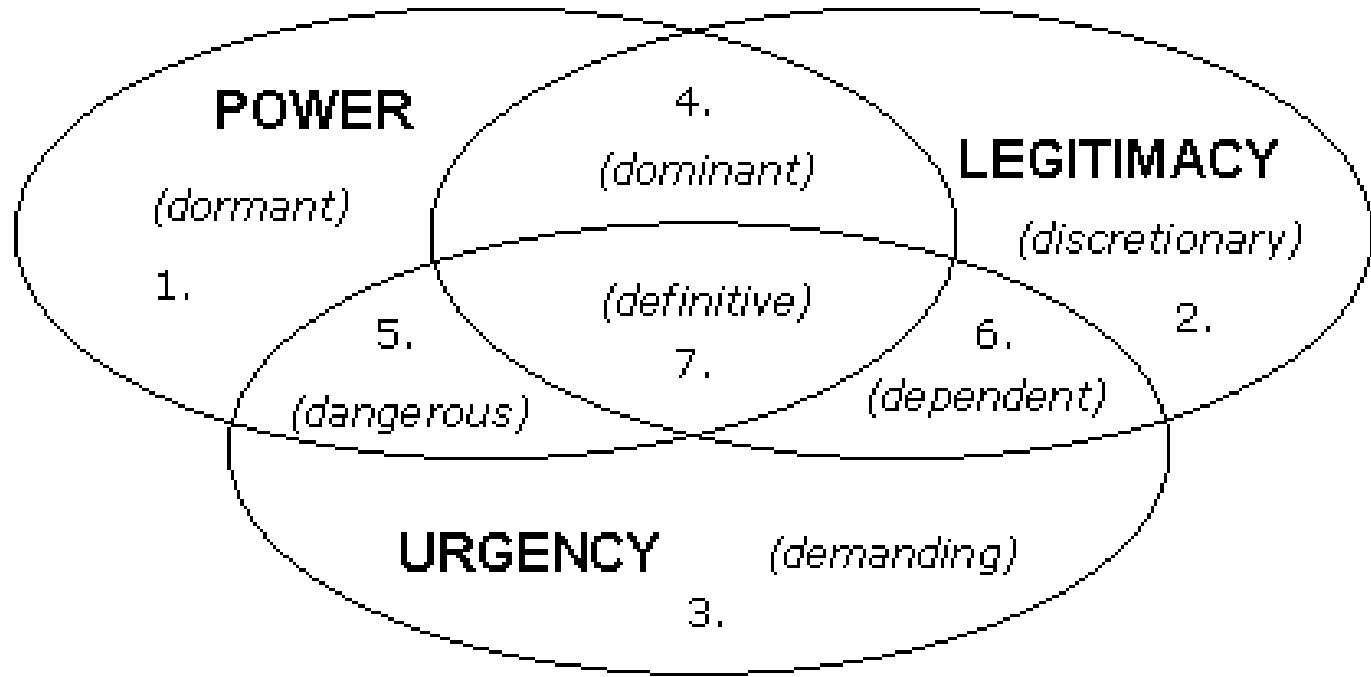
Maps stakeholder behaviour according to its balance of three characteristics:

Power: Of the stakeholder to influence the organisation

Legitimacy: of the relationship in terms of desirability or appropriateness

Urgency: The expectations of the stakeholder in terms of criticality and time-sensitivity

Power, Legitimacy, Urgency
(Mitchell, Agle, Wood (1997))



Stakeholder behaviour is mapped into 7 types

Power, Legitimacy & Urgency Model

Latent Stakeholders (Groups 1, 2 & 3): Sub-divided into 'dormant', 'discretionary', or 'demanding' stakeholders

Expectant Stakeholders (Groups 4, 5 & 6): Sub-divided into 'dominant', 'dangerous', or 'dependent' stakeholders

Definitive Stakeholders (Group 7): have all three characteristics and should command a high level of management attention

Note: management's assessment of each stakeholder's position is still subjective!

IN CONCLUSION:

You should now be able to describe:

What is meant by a 'stakeholder'.

Who your organisation's stakeholders are

How Stakeholder Analysis can help you prioritise stakeholders for management attention

How you can categorise stakeholders

How Stakeholder Mapping can help identify key stakeholder groups