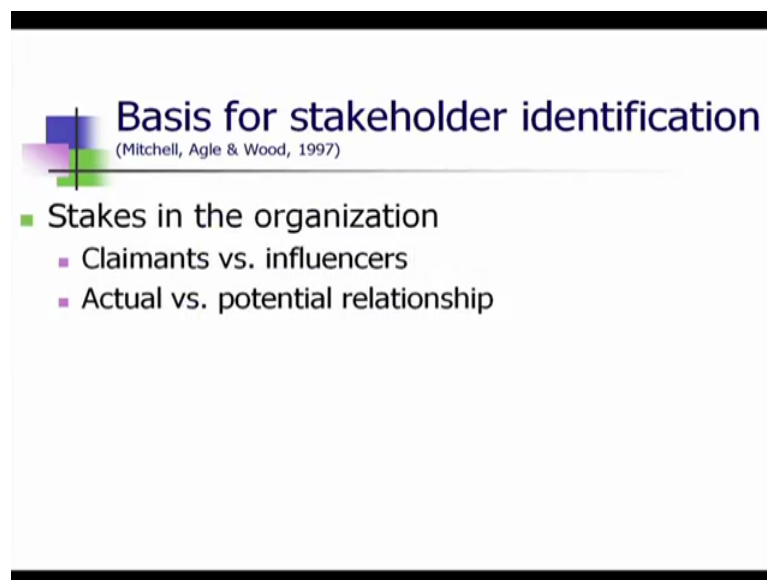


**Corporate Social Responsibility**  
**Prof. Aradhna Malik**  
**Vinod Gupta School of Management**  
**Indian Institute of Technology, Kharagpur**

**Lecture - 18**  
**Stakeholder Identification**

Welcome back to the MOOC course on corporate social responsibility. My name is Aradhna Malik and I am helping with you with this course and we were talking about various aspects related to stakeholders. So, in this what we will do is we will talk about in this particular lecture we are going to talk about stakeholder identification how do we identify stakeholders.

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Now, this is from a paper by Mitchell Agle and wood and it is a very very well known paper and the paper is called toward its theory of stakeholder identification and salience defining the principle of who and what really counts I will give you the reference to this paper it is an amazing paper and it talks about nuts and bolts of stakeholders you know I get goose when I read this paper it is. So, enlightening it is such nice paper about how do we draw the boundary between stakeholders and the rest of the society.

So, what happens in stakeholder identification we first decide the basis for stakeholder identification and when we talk about stakeholders we are talking about people who have stakes in the organizations what do we mean by stakes they have an interest. So, we are

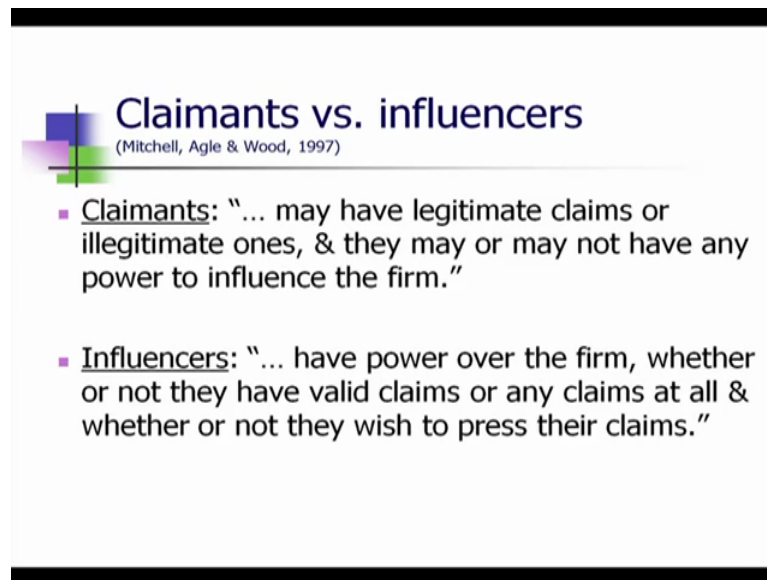
talking about something that can be identified something that can be zeroed in on its not a general concern they are actually being affected by the organization or they can affect the organization. And they can actually pin it down I am concerned about the environment I am concerned about environmental pollution I do not like factories that is not having the stake in the organization or in the environment for that matter you know.

I do not like this particular affluent coming out of the or coming as a part of the waste of this organization because this affluent is damaging such and such area that I am connecting to there is a personal I mean you should be able to identify as a stakeholder what is it that is affecting you or people you are concerned about I am not saying that special interest groups are not really you know they have their own place, but this you know they in the society they have their own place.

So, that is not what we talking about when we are talking about stakeholders special interest groups yes killing animals is bad yes polluting the environment is bad yes taking too much water out of the or lowering the water table by continuously you know by unregulated water drawing from water table is very bad I agree with all of this. Yes it is going to affect all of us global warming is bad using too much of AC is bad you know all of that is bad agreed, but when we talk about stakeholders in the organization we are we need to pin down who is being affected. Because if I am running the organization and I am responsible for the organization being response being responsible to the environment then I needs to know who is stakeholder who is not. So, these are people who are who have stakes in the organization.

Now, there are 2 groups based on the stakes in the organization one is the claimants versus the influencers and then there is a group that has actual versus potential relationship even if I am likely to be affected by the organization in future I am still a stakeholder I will just show you the differences between these 2.

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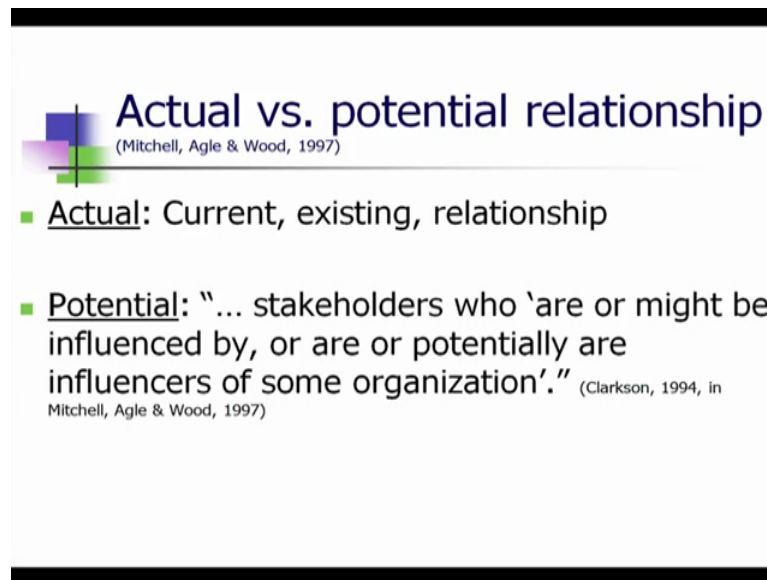
**Claimants vs. influencers**  
(Mitchell, Agle & Wood, 1997)

- **Claimants:** "... may have legitimate claims or illegitimate ones, & they may or may not have any power to influence the firm."
- **Influencers:** "... have power over the firm, whether or not they have valid claims or any claims at all & whether or not they wish to press their claims."

Claimants versus influencers we have all read you know we have all discussed Frooman's paper about influence strategies stakeholder influence. So, who are claimants? Claimants may have legitimate claims or illegitimate ones and they may or may not have any power to influence the firm and we talk about the claimants we are referring to people who make claims of on the organization legitimacy of those claims is still not considered here. But they are the people who stake a claim to what is the organization does they may or may not be able to influence what the organization does.

On the other hand influencers have power over the firm whether or not they have valid claims or any claims at all and whether or not they wish to press their claims many times people have you know they stake a claim to something that the organization does or gives them or whatever but they may not want to press those claims, but they have the power to influence the working of the organization. So, those are the influencers.

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**Actual vs. potential relationship**  
(Mitchell, Agle & Wood, 1997)

- **Actual:** Current, existing, relationship
- **Potential:** "... stakeholders who 'are or might be influenced by, or are or potentially are influencers of some organization'." (Clarkson, 1994, in Mitchell, Agle & Wood, 1997)

Then the next category is actual people with actual or and potential relationship actual relationship is the current existing definable definite relationship that people have or organizations have or groups have or communities have potential relationship is something that could be there in the future these are stakeholders who are or might be influenced by or are potentially influencer are or potentially are influencers of some organization. So, they make a claim to the organization and future they are likely to they are likely to be able to influence the organization in the future.

So, we are all nice to doctors I will just give you a light hearted example here we are all nice to doctors why who knows when we might need them potential benefit that we might get from a doctor in the vicinity. So, we do not want to cross a doctor in the vicinity because if your living in some colony you try and be friends at least to be civil to the doctor even if your angry with them why because tomorrow you may fall sick and the same person may be administering medicine to you very light hearted I know it does not relate here, but this is a potential stakeholder in the organization. So, anyway, so these are the stakeholders or people who can be investing you are say making bicycles hmm and you want to sell those bicycles.

So, all children who are growing up are your potential clients you have a bicycle factory outside of may be Kharagpur and you make sure that you do something all the children in that vicinity are your potential buyers because when they grow up this the place where

a lot of people will use bicycles. So, they may not buy a bicycles they may not buy a bicycles from you, but they are still your potentials stakeholders they are still your customers.

Anybody who is learning the art of the trade of fixing say bicycle tires is a potential stakeholder for your organization.

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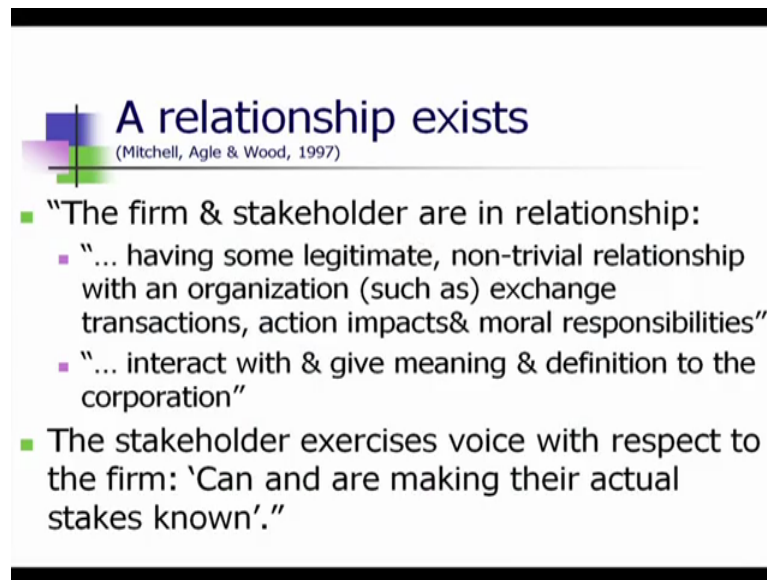


**Sorting of rationales for stakeholder identification**  
(Mitchell, Agle & Wood, 1997)

- "A relationship exists
- Power dependence: Stakeholder dominant
- Power dependence: Firm dominant
- Mutual power dependence relationship
- Basis for legitimacy of relationship
- Stakeholder interests: Legitimacy not implied"

So, that is what potential stakeholders are sorting of rationales for stakeholder identification Mitchell Agle and wood talk about how we sort through rationales for identifying stakeholders we will discuss these in detail one is a relationship exists then there is power dependence stakeholder dominant power dependence firm dominant. Then there is a mutual power dependence relationship then there is a basis for legitimacy of relationship stakeholders interests legitimacy not implied, so, various stages of stakeholder identification.

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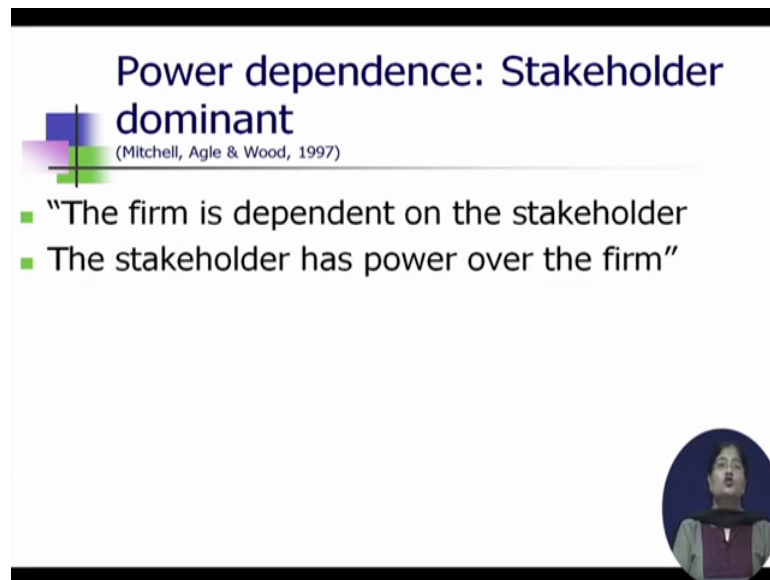
**A relationship exists**  
(Mitchell, Agle & Wood, 1997)

- "The firm & stakeholder are in relationship:
  - "... having some legitimate, non-trivial relationship with an organization (such as) exchange transactions, action impacts & moral responsibilities"
  - "... interact with & give meaning & definition to the corporation"
- The stakeholder exercises voice with respect to the firm: 'Can and are making their actual stakes known'."

The first one is very clear a relationship exist you know who is where the firm and stakeholder are in the relationship having some legitimate non trivial relationship with an organization such as exchange transactions action impacts and moral responsibilities interact with and give meaning and definition to the corporation. So, this is something that actually there the stakeholder exercises voice with respect to the firm can and are making their actual stakes known everything in black and white everything is identifiable its tangible you know who the stakeholders are.

So, the relationship already exists then the power dependence these are the different categories of stakeholders you know when we this I mean how do you rationalize different groups of stakeholders. So, the first group is where the relationships already exists the second group is where the stakeholder is dominant hmm and how do you know the firm is dependent on the stakeholder 2 conditions the firm is dependent on the stakeholder the stakeholder has power over the firm.

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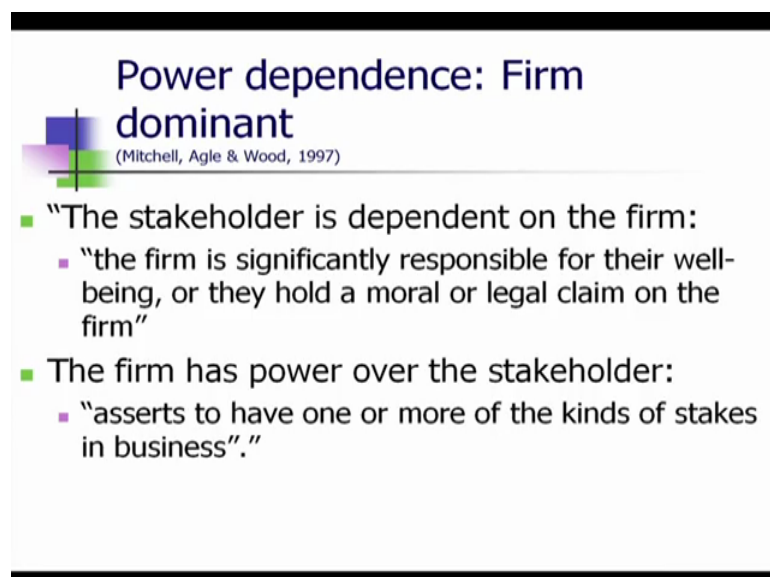


**Power dependence: Stakeholder dominant**  
(Mitchell, Agle & Wood, 1997)

- "The firm is dependent on the stakeholder"
- "The stakeholder has power over the firm"

So, the second is where the firm is dependent on the stakeholder people who give your raw material the stakeholder has power over the firm the person who gives your raw material refuses to give it I will not sell to you what do you do your suppliers they are again you know if you have the fewer suppliers you have the more power they have over you. So, specialized equipment for specialized equipment for supply of specialized raw material the stakeholder has power over the firm.

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**Power dependence: Firm dominant**  
(Mitchell, Agle & Wood, 1997)

- "The stakeholder is dependent on the firm:
  - "the firm is significantly responsible for their well-being, or they hold a moral or legal claim on the firm"
- The firm has power over the stakeholder:
  - "asserts to have one or more of the kinds of stakes in business"."

Then power dependence firm is dominant the stakeholder is dependent on the firm people with specialized skills can be recruited can be hired by very few firms that can used their specialized skills when they take them on they get paid very heavily, but what happens if they lose their job very few options are available. So, what do you do the stakeholder is dependent on the firm the firm is significantly responsible for their well being or they hold a moral or legal claim on the firm the firm has power over the stakeholder asserts to have one or more of the kinds of stakes in business orphanages old age homes facilities for the differently able. So, these are the stakeholders that are and I am talking about non profit the nonprofit sector, but in this situation the stakeholder is completely dependent on the firm.

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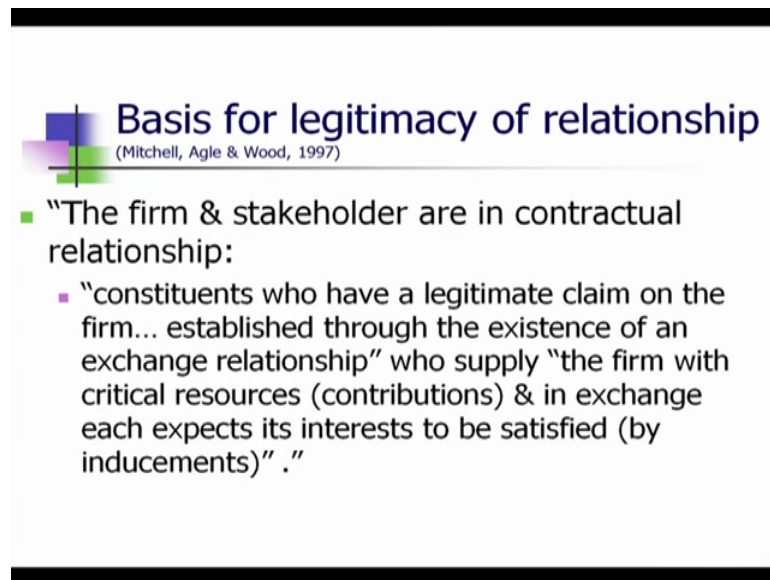
**Mutual power-dependence relationship**  
(Mitchell, Agle & Wood, 1997)

- "The firm & stakeholder are mutually dependent:
  - "are depending on the firm in order to achieve their personal goals & on whom the firm is depending for its existence"
  - "driven by their own interests & goals are participants in a firm, & thus depending on it & on whom for its sake the firm is depending"."

So, the firm has control they do not many many people really work hard for these people mutual power dependence relationship supply of let us take these the example of software engineers large number of software professionals are being trained every day. Large number of organizations are employing software professionals every day both are equally dependent on each other or independent of each other the firm and stakeholder are mutually dependent they are depending on the firm in order to achieve their personal goals and on whom the firm is depending for its existence. They are driven by their own interests and goals are participants in a firm and thus are dependent depending on it on whom for its sake the firm is depending. So, they are looking both are dependent on each other both are trying to pursue their goals because of their relationship with each other.



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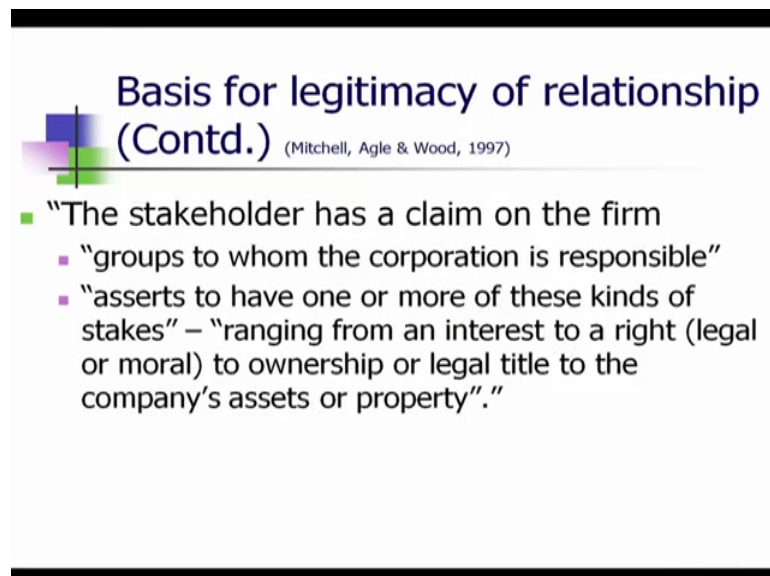


**Basis for legitimacy of relationship**  
(Mitchell, Agle & Wood, 1997)

- "The firm & stakeholder are in contractual relationship:
  - "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) & in exchange each expects its interests to be satisfied (by inducements)"."

The next is the basis for legitimacy of a relationship various places are there first is the firm and stakeholder are in a contractual relationship constituents who have 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. So, there is a contractual relationship between the firm and the stakeholder you scratch my back and I will scratch yours.

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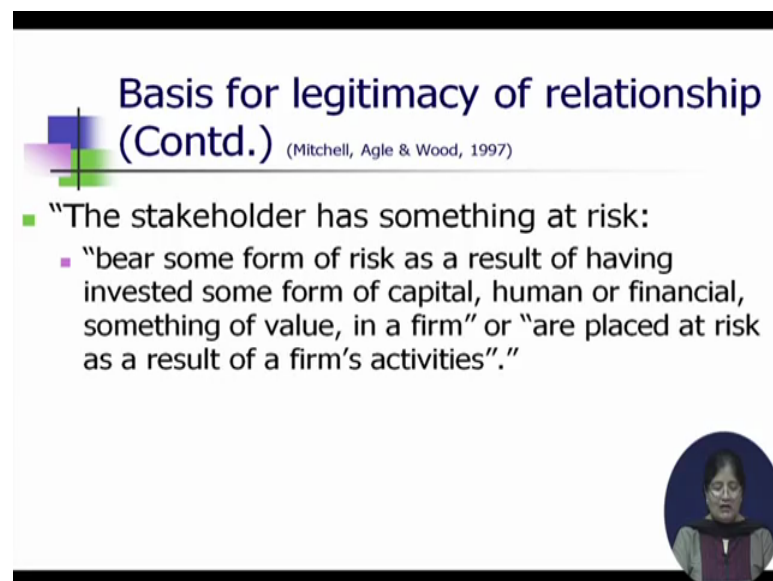


**Basis for legitimacy of relationship  
(Contd.)** (Mitchell, Agle & Wood, 1997)

- "The stakeholder has a claim on the firm
  - "groups to whom the corporation is responsible"
  - "asserts to have one or more of these kinds of stakes" – "ranging from an interest to a right (legal or moral) to ownership or legal title to the company's assets or property"."


The second basis for legitimacy of relationship is the stakeholder has a claim on the firm these are the groups to whom the corporation is responsible asserts to have one or more of these kinds of stakes ranging from an interest to a right legal or more moral to ownership or legal title of the company's assets or property. So, in many cases the dependents the family members of family owned company's stakeholder has a claim on the firm the entire family the family is running the business. So, again you know I am not getting to the details of corporate governance here, but so, that that could be 1.

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**Basis for legitimacy of relationship (Contd.)** (Mitchell, Agle & Wood, 1997)

- "The stakeholder has something at risk:
  - "bear some 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"."



So they have a claim on the firm legal right to the firm the stakeholder has something at risk they bear some 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 the firms activities. So, something is at risk and the stakeholder is bound to the firm because of that risk and that is that then leads to the legitimacy of this relationship.

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## Basis for legitimacy of relationship (Contd.) (Mitchell, Agle & Wood, 1997)

- "The stakeholder has a moral claim on the firm:
  - "benefit from or are harmed by, & whose rights are violated or respected by corporate actions"
  - "identified through the actual or potential harms & benefits they experience or anticipate experiencing as a result of the firm's actions or inactions"."

The stakeholder has a moral claim on the firm they benefit from or are harmed by and whose rights are violated or respected by corporate actions identified through the actual or potential harms and benefits they experience or anticipate experiencing as a result of the firm's actions or inactions. So, they have a moral claim on the firm because of the harm that the firm may do to them or the dangers that the firm may pose to them or the benefits that may come to them because of their relationship with the firm.

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## Stakeholder interests: Legitimacy not implied (Mitchell, Agle & Wood, 1997)

- "The stakeholder has an interest in the firm:
  - "have an interest in the actions of an organization and ... have the ability to influence it"
  - "have, or claim, ownership, rights, or interests in a corporation & its activities"."

Stakeholder interests legitimacy not implied the stakeholder has an interest in the firm they have an interest in the actions of an organization and have the ability to influence it have or claim ownership rights or interests in a corporation and its activities. So, in some cases legitimacy not implied the stakeholder has a genuine interest in the firm they have an interest in the actions of the organization and have the ability to influence it they have or claim ownership rights or interest in a corporation and its activities.

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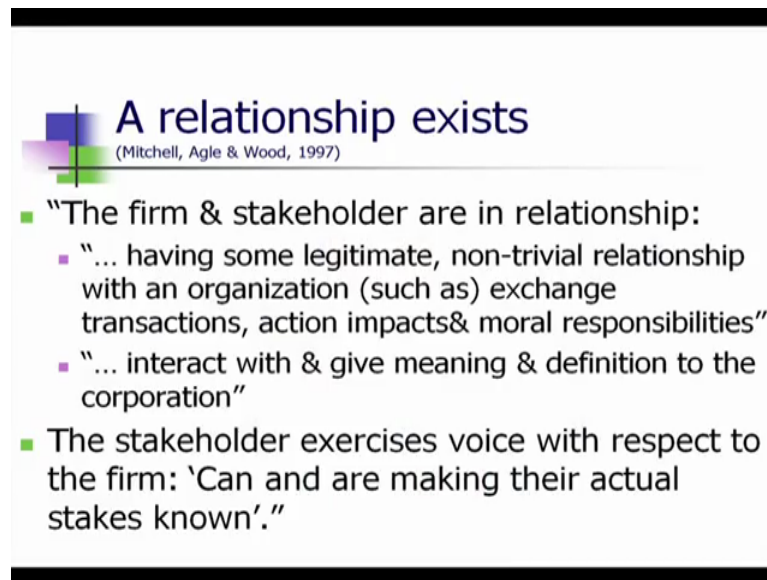


**Sorting of rationales for stakeholder identification**  
(Mitchell, Agle & Wood, 1997)

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Now, these are the different basis for the stakeholder identification where in all of these classifications where in these stages does the stakeholder fit that is what the CSR manager looking after in needs of the stakeholders need to see is this is stakeholder where the relationship exists yes or no, who is dependent on whom is the stakeholder dependent on the firm or is the firm dependent on the stakeholder then or are they dependent on each other what is the basis for the legitimacy of their relationship or does the stakeholder have a genuine interest in the firm is legitimacy implied is it not implied what is going on.

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**A relationship exists**  
(Mitchell, Agle & Wood, 1997)

- "The firm & stakeholder are in relationship:
  - "... having some legitimate, non-trivial relationship with an organization (such as) exchange transactions, action impacts & moral responsibilities"
  - "... interact with & give meaning & definition to the corporation"
- The stakeholder exercises voice with respect to the firm: 'Can and are making their actual stakes known'."

And that then will lead to the CSR manager identifying what needs to be done for the stakeholders.

So, I have a little bit of homework for you at this point I would like you all go through these different rationales and find out or may be list examples of activities where you can see you know these different point in action again these are these things participation in the forum with all of these will help all of you learn more I can give you only. So, many examples, but when you discuss these things as you would in a real classroom if this was happening in a real class this lecture would have in set of being 10 or 15 minutes this would have been you know run into may be couple of hours why because we would have discussed everything with examples if this had been an interactive session.

So, I would like you all to simulate something like that you know thanks to technology we can all discuss things on the forum and I would like you all to go on the forum and take these and find out where what kind of stakeholders may be give examples in which you know this the relationship exists between the organization and the stakeholder some invest the stakeholder is dominant or the firm is dominant or both are interdependent on each other different basis for legitimacy of relationships and in some cases where the stakeholders are there and they are there because of the genuine interest they have in the working of the firm. So, you please continue this discussion on the forum and we will discuss about stakeholders salience in the next class.

Thank you very much for listening.