

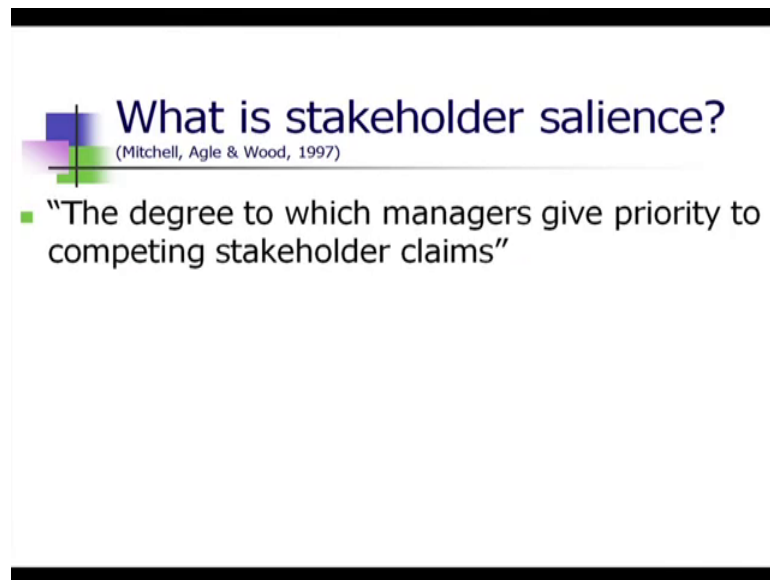
Corporate Social Responsibility
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Lecture – 19
Stakeholder Salience

Welcome back to the MOOC course on corporate social responsibility. My name is Aradhna Malik and I am helping you with this course and we have been talking about different issues related to stakeholders now stakeholders are a very very important element of a CSR. So, stakeholders are very very important element of corporate social responsibility because companies needs to be responsible when we talk about corporate social responsibility we are essentially talking about profit making organizations being responsible to the society and the society is a stakeholder in the organization you cannot be responsible to all in sundry in society we talked about drawing boundaries and in the last class we talked about identifying stakeholders.

Today we are going to discuss another very important element of the role of stakeholder and that is stakeholder salience. So, let us see what this is stakeholder salience this is from the same paper by Mitchell Agle and wood and I told you that I give you the complete reference beautiful paper very very comprehensive paper on identifying stakeholders drawing the boundaries and understanding how stakeholder make a difference to the organization. So, the previous lecture was based on the paper this lecture is also based on the same paper.

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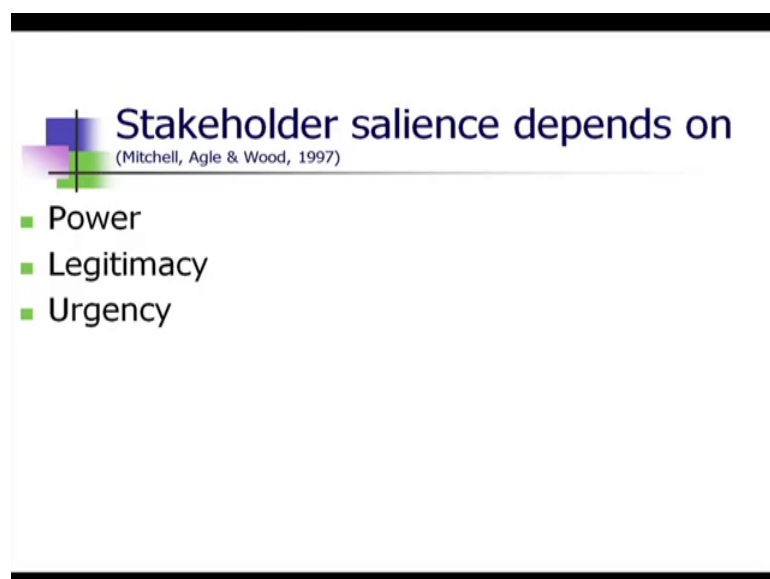


What is stakeholder salience?
(Mitchell, Agle & Wood, 1997)

- "The degree to which managers give priority to competing stakeholder claims"

What is stakeholder salience stakeholder salience is the degree to which managers give priority to competing stakeholder claims it is the degree to which managers give priority to competing stakeholders claims what does this means a simple language in simple language it means the in an over simplified ways salience is the perceived strength of a stakeholder in the eyes of the organization perceived importance of the stakeholder in the eyes of the organization that the stakeholder has stakes in. So, how important does the organization think that the stakeholder is that is stakeholder salience?

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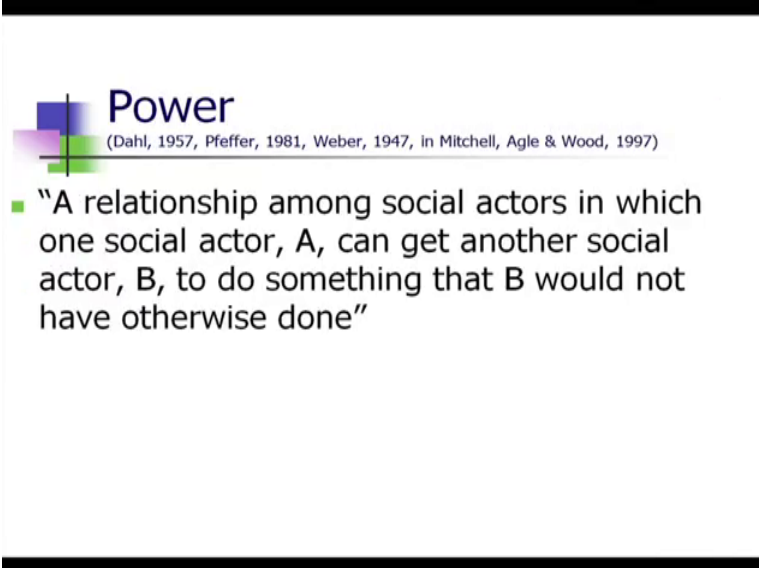


Stakeholder salience depends on
(Mitchell, Agle & Wood, 1997)

- Power
- Legitimacy
- Urgency

Now, stakeholder salience depends on power of the stakeholder legitimacy of the stakeholder and the urgency of the issue that the stakeholder is pushing. So, it is a power legitimacy and urgency and we are going to use these 3 concepts in great detail in this lecture and in the next lecture.

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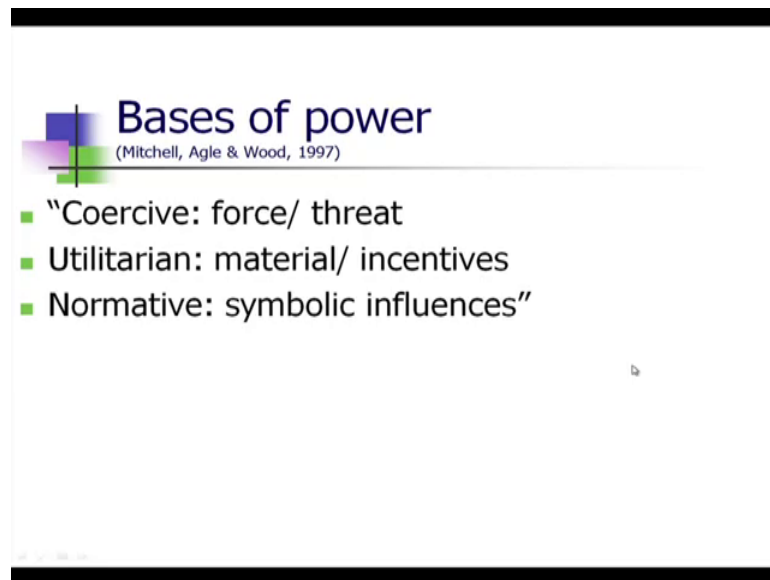
Power
(Dahl, 1957, Pfeffer, 1981, Weber, 1947, in Mitchell, Agle & Wood, 1997)

- "A relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would not have otherwise done"

What is power? Power is a relationship among social actors in which one social actor a can get another social actor b to do something that b would not have otherwise done. So, power is something when we say social actor we are talking about an element of society a relationship among social actors a relationship among the elements of the society could be one person could be groups could be an issue. So, it is the power that one social one element of society has over the other which means that it is you know the relationship in which one social actor one element of society can get another social actor.

Another element of society to do something that the second element of society would not have done if this relationship had not been there that is power when we say somebody has power over us what do we mean they ask us to do something we do it we conformed to their needs we conformed to their wants they have power over us.

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Basis of power coercive somebody can force you somebody can threaten you utilitarian somebody can give you incentives they say if you do, I will give you this much tangible benefit money resources you know non monetary benefits, but it is tangible. So, there is a utility in doing what the person with the power is asking you to do or normative symbolic influences hmm which means they say if you do this you are a good person you will be in this class called good people normative. So, what is right if you do the right thing you will become a good person you will be popular you will be acceptable in this group. So, those are symbolic influences.

So, somebody has the power or by virtue of that relationship we agree to doing something that we would not have done earlier and in this relationship there are 3 ways than that is relationship can work now they are not mutually exclusive which means that somebody who is coercive or who is using threats can also give us incentives. So, there could be a two pronged approach somebody who is giving us incentives can also support those incentives with normative influences. So, that is power alright.

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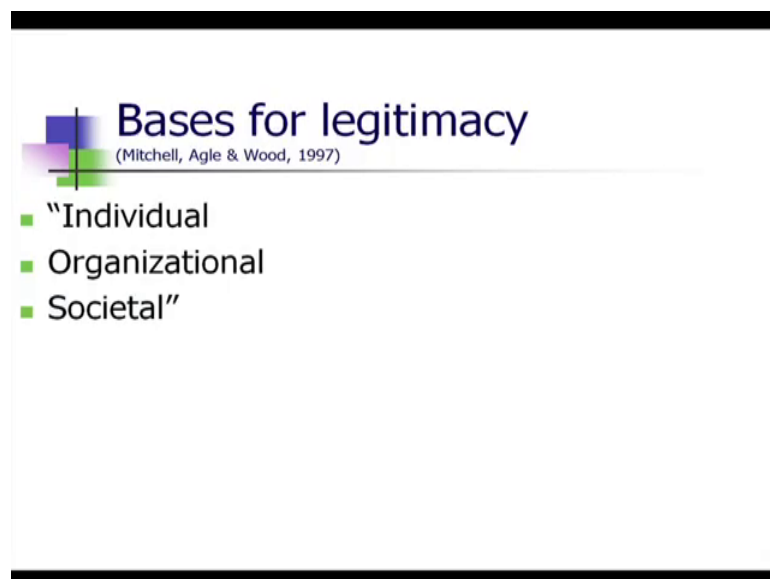


Legitimacy
(Suchman, 1995; Weber, 1947, in Mitchell, Agle & Wood, 1997)

- "A generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, definitions"

Legitimacy a generalized perception or assumption that the actions of an entity are desirable proper or appropriate within some socially constructed system of norms values beliefs or definitions. So, a an understanding that whatever somebody thus is appropriate it is desirable it is proper within the system of norms or values or beliefs or definition according to some social contextual understanding what you are doing is ok when we say appropriateness we say it is alright to do something within that social context. So, that is legitimacy.

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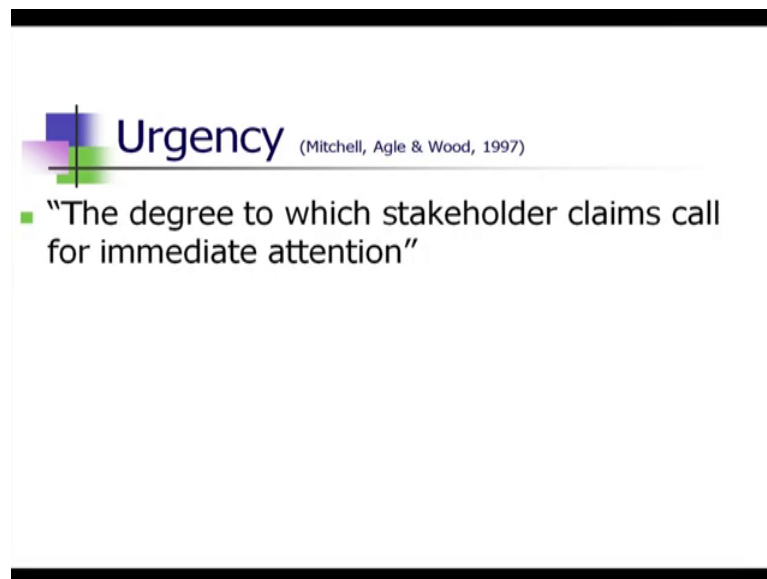
Bases for legitimacy
(Mitchell, Agle & Wood, 1997)

- "Individual
- Organizational
- Societal"

Basis for legitimacy could be on an individual level or organizational level or societal level within a group of team members you know we have a team in your offices. So, according to that team whatever you are doing is in line with what the team wants you to do a small group of people in your office people who sit in the same office room that you sit in may be organizational the group of people that you sit with or share that room with may not subscribe to your ideas.

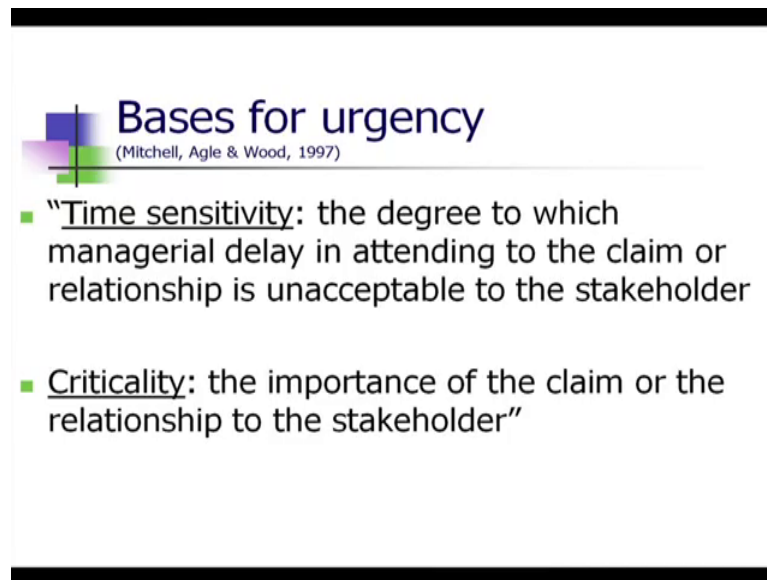
But the organization supports them fair enough it is a legitimate or the society in general what you are doing is acceptable to some groups in the society may not be the people you collaborate with may not be appears may not be your organization. But somebody outside it does not mean that these 3 are again mutually exclusive something that is acceptable legitimate on an individual level can also be legitimate on an organizational level it may not be it can be and something that is or appropriate on an organizational level can also be appropriate on a societal level and it may not be.

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So, these things make whatever your doing legitimate urgency the degree to which stakeholder claims call for immediate attention very very important it needs to be done and it needs to be done now there is an earthquake we all need to run for cover it there is an earthquake we all need to as soon as the earthquake stops we need to be safe and then we need to help people who are trying who are hurt. So, immediate I mean that that is an exaggerated example, but that is one example.

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Bases for urgency
(Mitchell, Agle & Wood, 1997)

- **Time sensitivity**: the degree to which managerial delay in attending to the claim or relationship is unacceptable to the stakeholder
- **Criticality**: the importance of the claim or the relationship to the stakeholder"

Basis for urgency time sensitivity the degree to which managerial delay in attending to the claim or relationship is unacceptable to the stakeholder there is a fire in your factory it is a time sensitive issue if you do not call for fire attander your factory will burned on its a time sensitive issue. So, there is an urgency criticality the importance of the claim or relationship to the stakeholder somebody has accused you in the office of indulging in illegal behavior may be somebody has accused you of taking a bribe that is not as time sensitive as a fire is, but it is a critical issue if you do not defend yourself you will run the risk of legal action.

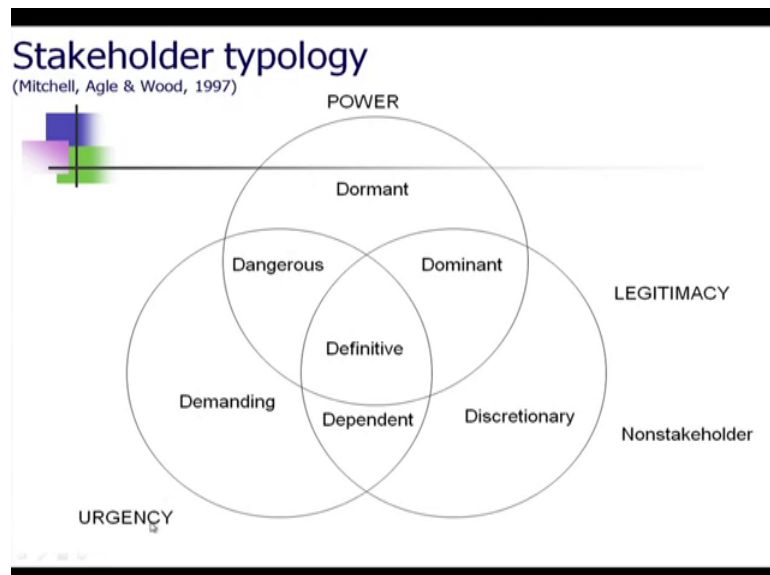
So, it is a critical issue you need to be prepared and you need to defend yourself. So, these are basis for urgency it needs to be done it needs to be done well or when we say time sensitivity what the stakeholder needs to be attended to immediately. Some employee in your factory gets hurts on the shop floor his hand is caught in the machine that he is operating time sensitivity immediately the person has to be taken to the hospital your arrange for something some means of transport and person taken to the hospital criticality after the person taken to the hospital you find out how much compensation needs to be paid to the person that person is the stakeholder he is an employee. So, you deal with things as they come, but it is critical and urgent.

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Now, these are the basis these are the ways in which salience is determined what happens is we sort we also sort stakeholder basis on salience. I am giving you category after category of stakeholders we have been discussing different categories of stakeholders since the class started, but it is very very important to know what you are dealing with.

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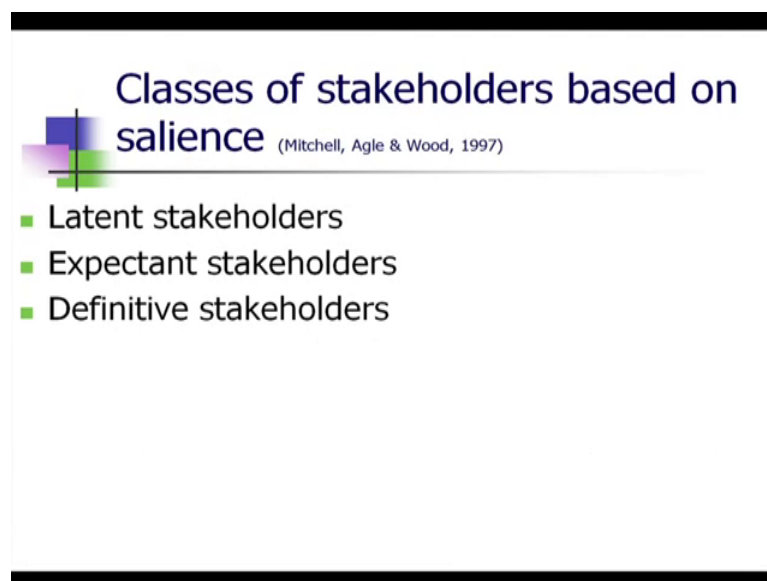


So, sorting of stakeholders based on salience now this stakeholder typology developed o have taken this figure from the paper by Mitchell Agle and wood and this is the exact figure these lines are the slide design. So, now, the first the top circle represents power it

does not have to be at top they are all 3 are equally important power legitimacy and urgency that is what the circles represent non stakeholder is somebody who is out completely outside now these people you say when they are not stakeholders how will they influence organization they could be potential stakeholders they could be influencing the stakeholders that are there. So, non stakeholders are also important it is necessary to know who does not fall into the category of stakeholders that you dealing with.

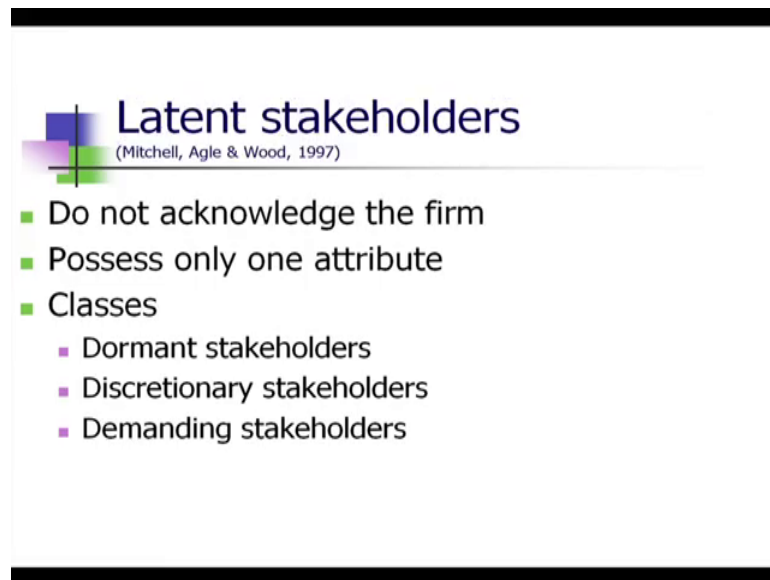
Let us see the intersection a stakeholder with power and urgency could be dangerous a stakeholder with power and legitimacy could be dominant a stakeholder with legitimacy and urgency, but no power could be dependent on somebody who has the power and a who as all 3 is the one who need to prioritize the definitive stakeholder.

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I will just explain these now there are broader categories classes on stakeholders based on salience we have the latent stakeholders we have the expectant stakeholders and we have the definitive stakeholders let us see what all of these are.

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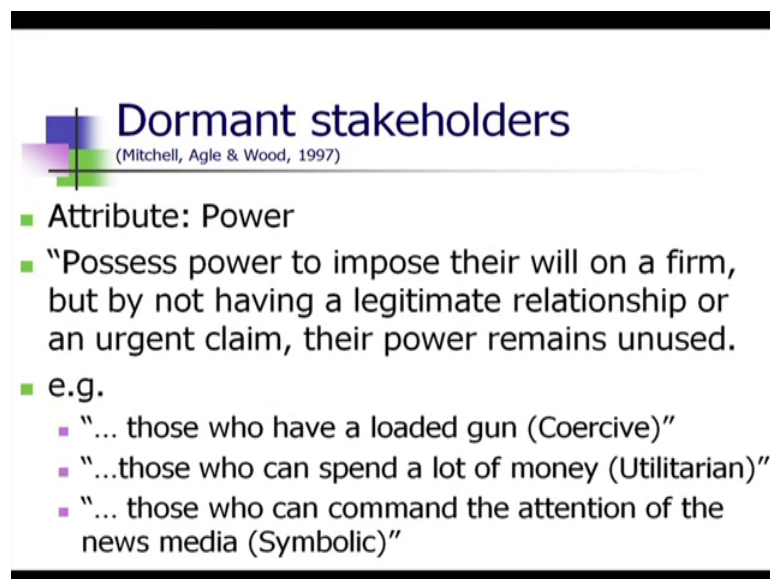
Latent stakeholders

(Mitchell, Agle & Wood, 1997)

- Do not acknowledge the firm
- Possess only one attribute
- Classes
 - Dormant stakeholders
 - Discretionary stakeholders
 - Demanding stakeholders

Latent stakeholders do not acknowledge the firm they possess only one attribute yeah. So, they possess either only power urgency or legitimacy and they fall into these 3 classes the dormant stakeholders discretionary stakeholders. And the demanding stakeholders dormant stakeholders are the ones with power discretionary stakeholders are the ones with legitimacy, but no power or urgency demanding stakeholders are the ones that have only urgency and no power or legitimacy I will just show you all of these in greater details.

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Dormant stakeholders

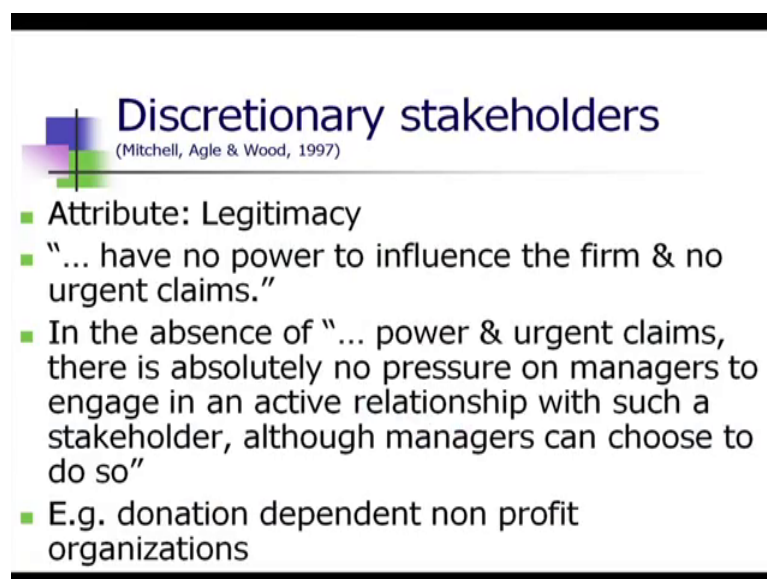
(Mitchell, Agle & Wood, 1997)

- Attribute: Power
- "Possess power to impose their will on a firm, but by not having a legitimate relationship or an urgent claim, their power remains unused."
- e.g.
 - "... those who have a loaded gun (Coercive)"
 - "...those who can spend a lot of money (Utilitarian)"
 - "... those who can command the attention of the news media (Symbolic)"

Dormant stakeholders the only attribute they have is power they possess power to impose their will on a firm, but by not having a legitimate relationship or an urgent claim their power remains unused for example, you have somebody who has a loaded gun at gun point they can things done those who can spend a lot of money utilitarian. So, they have tones of money they do not know how to spend it there are people like that they want to do something, but they are latent they have only one attribute they have the power of money and people in the finance area will say well money is power money can get everything done money the world runs on money I agree with you. But when we talk about stakeholders to some extent I agree with you I will not say I agree with you a hundred percent, but it is an important determining factor in this in any profit making organization those who can command the attention of the news media symbolic these are the people with a high influence on public impressions of the organization so that I the symbolic power right.

So, they possess power to impose their will on a firm, but by not having a legitimate relationship or an urgent claim somebody sitting with money yes we want to use their money, but they want their money to be used by wisely and you say well it is difficult to bring your and our vision together they say, but we have tones of money great fantastic we will ask for it when we need it.

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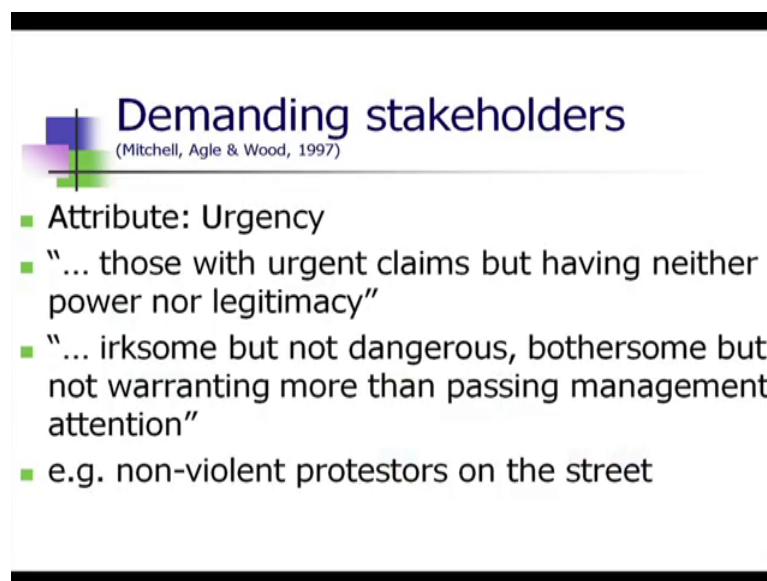
Discretionary stakeholders
(Mitchell, Agle & Wood, 1997)

- Attribute: Legitimacy
- "... have no power to influence the firm & no urgent claims."
- In the absence of "... power & urgent claims, there is absolutely no pressure on managers to engage in an active relationship with such a stakeholder, although managers can choose to do so"
- E.g. donation dependent non profit organizations

Discretionary stakeholders have the only attribute they have is legitimacy they have no power to influence the firm and no urgent claims in the absence of power and urgent claims there is absolutely no pressure on managers to engage in an active relationship with such a stakeholder although managers can choose to do. So, so they have their legitimate, but do not have the power to influence anyone and they do not have the any urgent claim you know whatever they are asking for is not time sensitive it is not critical.

So, they are legitimate, but in the absence of these two they still remain in the latent category for example, donation dependent nonprofit organizations you have schools you have homes for the elderly you have homes for taking care of sick animals all of these places are dependent on donations many of these places dependent on donations and their claim on legitimate. However, there is no urgency the organizations says we will help you when we can they have no power they have serving the society they are honestly genuinely serving the society. So, these are discretionary stakeholders and they are not given a very high priority by the organization.

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Demanding stakeholders
(Mitchell, Agle & Wood, 1997)

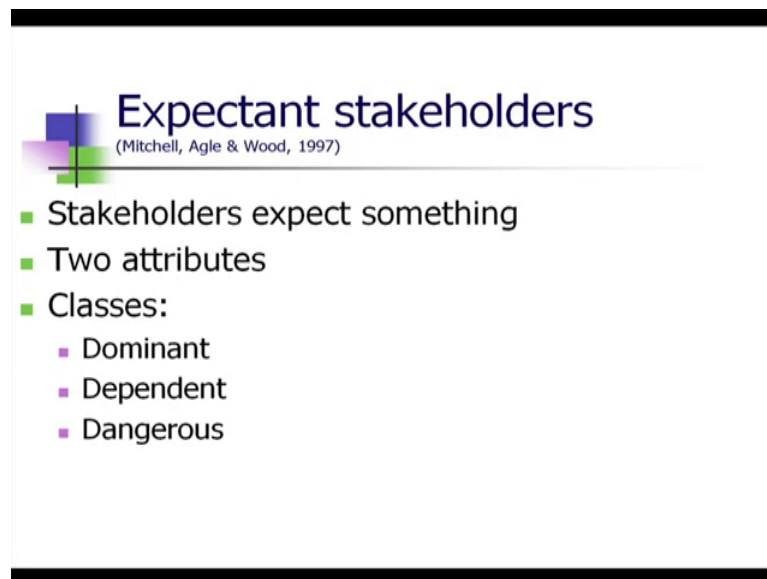
- Attribute: Urgency
- "... those with urgent claims but having neither power nor legitimacy"
- "... irksome but not dangerous, bothersome but not warranting more than passing management attention"
- e.g. non-violent protestors on the street

Demanding stakeholders their only attributes is urgency those with urgent claims, but having neither power nor legitimacy they are irritating they are irksome, but they are not dangerous they are bothersome, but not warranting more than passing management attention non violent. For example, non violent protestors on the street somebody sitting in front of your door and saying down with so and so organization you are hurting these

people the world will come to an end you are hurting polluting the environment let us all Boycott your organization.

So, get a group of people who protest outside very peacefully they protest outside the gates of your factory and every time you try somebody tries to enter your factory they see these people its irksome it is it bothers you, but at the same time they have no power to influence what goes on behind those iron doors they have no urgent claim yes your factory may be polluting the environment. But you are taking whatever measures you need to take as per the law to cut down on pollutants and it is unfortunate that this pollution is disturbing them it is unfortunate that the amount of pollution that is being caused by your work is damaging the environment; however, you are not in the position to do very much about it. So, it becomes these people are demanding stakeholders from the perspective of the stakeholders they are making demands, but unfortunately they are not getting too much attention from the management.

(Refer Slide Time: 19:36)



Expectant stakeholders
(Mitchell, Agle & Wood, 1997)

- Stakeholders expect something
- Two attributes
- Classes:
 - Dominant
 - Dependent
 - Dangerous

Now, expectant stakeholders these stakeholders expect something they have two attributes let us see here expectant stakeholders are these 3 they have two of the 3 attributes of stakeholders. So, they could have power and legitimacy or legitimacy and urgency or urgency and power which means that their importance in the eyes of the organization goes up.

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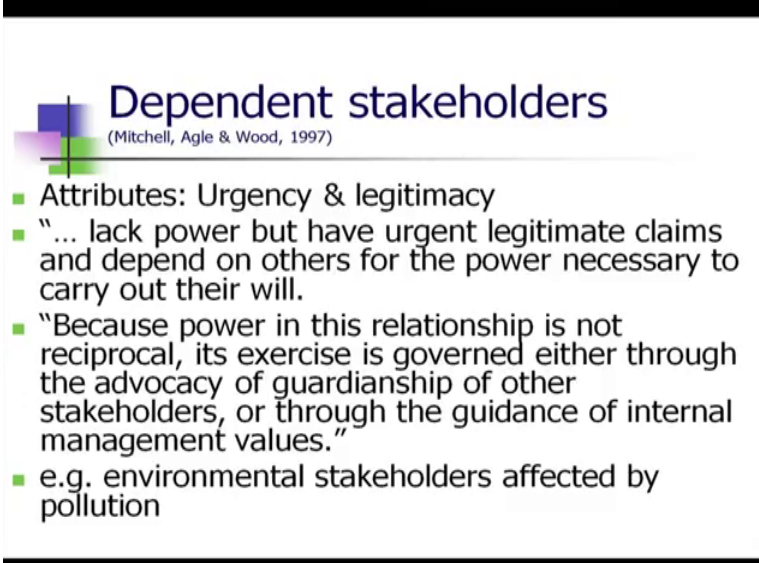
Dominant stakeholders
(Mitchell, Agle & Wood, 1997)

- Attributes: Power & legitimacy
- Stake legitimate claims upon the organization and are able "...to act on these claims (rather than as a forecast to act on their claims)"
- Organization formalizes mechanisms to deal with them
- e.g.
 - Corporate boards of directors
 - Representatives of owners
 - Significant creditors

So, dominant stakeholders their attributes on power and legitimacy the stake legitimacy claim upon the organization and are able to act on these claims or rather than as a forecast to act on the claims they do not say that we will do this in future no they have the power to do whatever they want to do now which means that the management is alerted oh my god they are legitimate and they have the power we better do something what they are asking us to do. So, to deal with these stakeholders the organization formalizes mechanisms to deal with these people for example, corporate board of directors, representatives of owners, significant creditors could be suppliers also could be your vendors could be your retailers also. So, these people have the power to affect your business.

So, these are the dominant stakeholders. So, they have power and legitimacy these classes are very important because when you sit down to identify who you need to be responsible to as an organization you need to find out what they have which of these classes they fall in to what will happen if you do not listen to them that is why I am giving you all these typologies. Now we are getting closer to the heart to the core of CSR while before you plan CSR activities you needs to know exactly who to target who do you who are you responsible to and why and this lecture is giving you some of the answers to that.

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Dependent stakeholders

(Mitchell, Agle & Wood, 1997)

- Attributes: Urgency & legitimacy
- "... lack power but have urgent legitimate claims and depend on others for the power necessary to carry out their will.
- "Because power in this relationship is not reciprocal, its exercise is governed either through the advocacy of guardianship of other stakeholders, or through the guidance of internal management values."
- e.g. environmental stakeholders affected by pollution

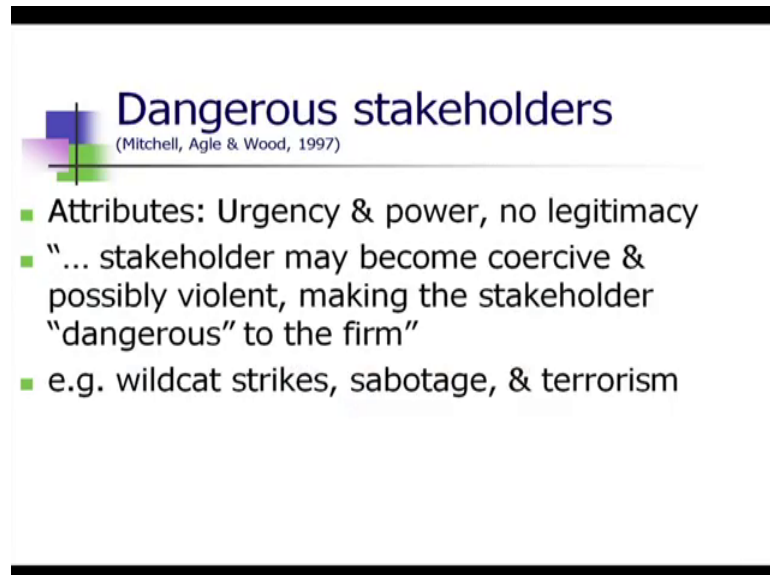
The second category in expectant stakeholder is dependent stakeholders the attributes of dependent stakeholders are urgency and legitimacy. So, they lack power, but have urgent claims urgent legitimate claims and depend on the others for the power necessary to carry out their will because power in this relationship is not reciprocal its exercise is governed either through the advocacy of guardianship of other stakeholders or through the guidance of internal management values. For example, the environmental stakeholders affected by pollution there is an urgency there is a legitimacy.

However, I am not talking about silence protestors on the excuse me the un non violent protestors on the street I am talking about special interest groups. So, one such group is the international union for the conservation of nature I u c n very old nature protecting special interest group, it is a nonprofit organization and they are working actively and heavily to preserve nature. So, these are environmental stakeholders they are being affected they have the power because there are strong organization they have the power to affect the organization and their claims are legitimate.

Please do not destroy nature please take care of nature please do not send more pollutants than you absolutely needs to in the environment please recycle whatever you can please look after the Flora and Fona in the environment that you base your factories in. So, you know. So, their claims are very legitimate and say the United Nation's agencies. So, you

know. So, you they have the power to affect your organization. So, the priority that the management gives to the stakeholders is higher than the latent stakeholders.

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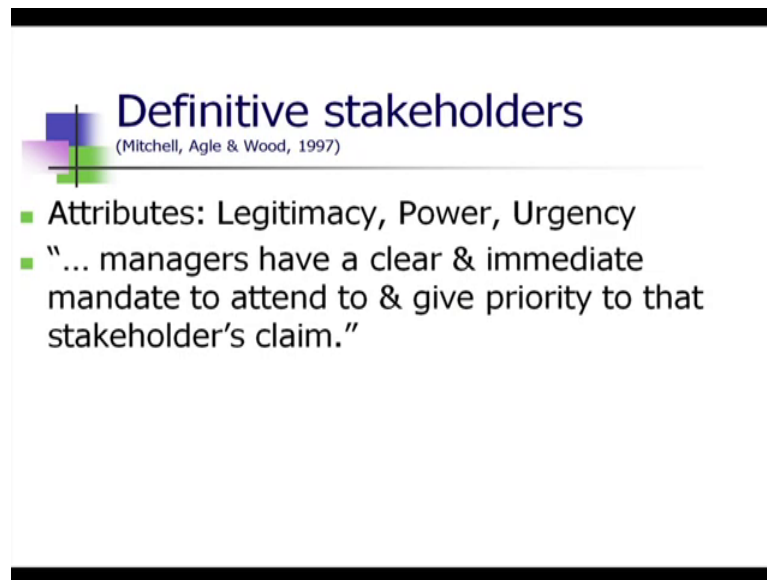


Dangerous stakeholders
(Mitchell, Agle & Wood, 1997)

- Attributes: Urgency & power, no legitimacy
- "... stakeholder may become coercive & possibly violent, making the stakeholder "dangerous" to the firm"
- e.g. wildcat strikes, sabotage, & terrorism

Dangerous stakeholders their attributes are urgency and power, but no legitimacy these stakeholders may become coercive and possibly violent making the stakeholder dangerous to the firm for example, wildcat strikes sabotage and terrorism. So, these people can really really harm the organization and one needs to be careful of these people. So, the management tries to very hard to deal with them and gives them a high priority.

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Definitive stakeholders
(Mitchell, Agle & Wood, 1997)

- Attributes: Legitimacy, Power, Urgency
- "... managers have a clear & immediate mandate to attend to & give priority to that stakeholder's claim."

The last category here is the definitive stakeholders definitive stakeholders are the glass of stakeholders that get top priority and their attribute are legitimacy power and urgency they have the power to hurt you their claims are legitimate and they need to be attended to immediately and managers have a clear and immediate mandate to attend to and give priority to that stakeholders claim. So, these are the definitive stakeholders here who fall right here in the center these 3 attributes intersect and these are the people who need to be treated with caution they need to be top priority.

So, this is the typology of stakeholders based on salience based on their relative importance in the eyes of the organization and while planning CSR programs. It will help you if you try and put your stakeholders first identify your stakeholders then put them into these classes and see who you need to attend to what can the stakeholder do to your organization, what will happen if you do not pay attention to the stakeholder. Once that question is answered your priorities are ready this is all we have time for in this lecture. We will continue with some more discussion on stakeholders in the next class.

Thank you very much for listening.