

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

Lecture - 20
Stakeholder Management

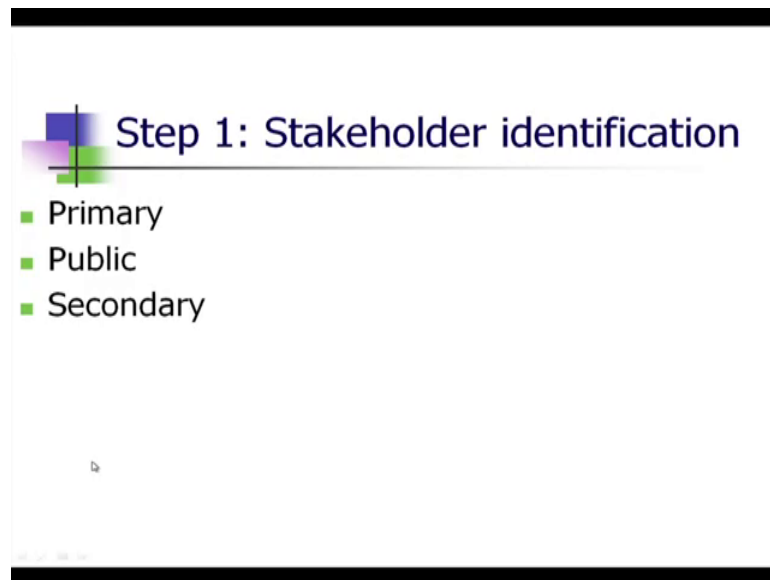
Welcome back to the MOOC course on corporate social responsibility. My name is Aradhna Malik and I am helping you with this course. And we were talking about stakeholders salience in the last class. Now, in this class, we are going to talk about management of stakeholders. Now, we know what stakeholders are, what they can do how much they can influence. Now, we will talk about how we manage stakeholders as on organization if you are part of an organization that is designing CSR programs or you know this is actually applicable to management in general and also to CSR how do you manage your stakeholders. So, let us see what we have here stakeholder management.

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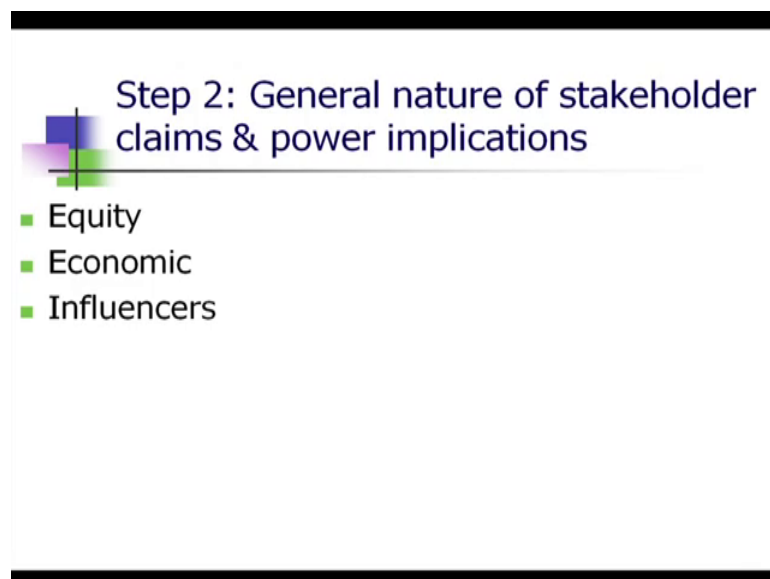
And what we will discuss in the beginning is the comprehensive stakeholder management process model, this has been proposed by Preble in a paper published in 2005. So, I will just show you that model.

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Preble says that step 1 of stakeholder management is stakeholder identification we need to know who our primary stakeholders are, who our public stakeholders are and who our secondary stakeholders are. So, we need to know what we are dealing with.

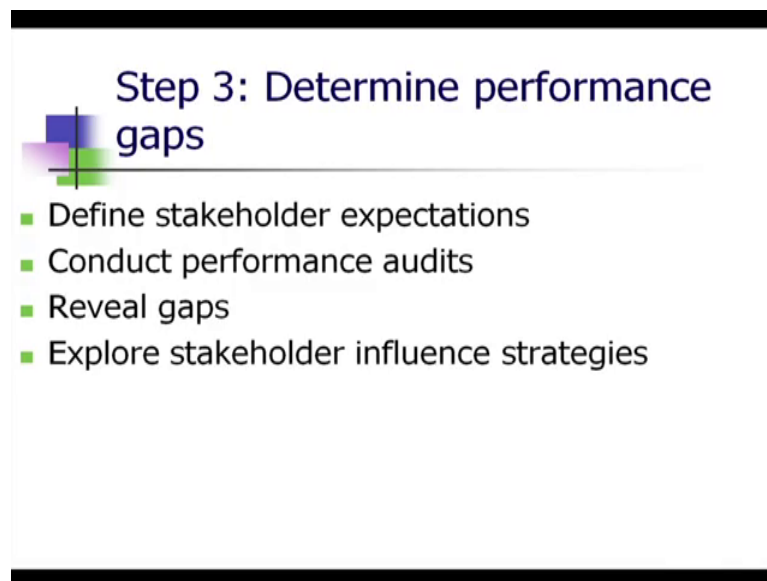
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Step 2 of this model deals with the general nature of stakeholder claims and power implications. When we talk about nature of stakeholder claims and power implications we are essentially talking about how equitable they are, how economically viable they are. We are also talking about stakeholders who can influence the process. We are talking

about you know how these stakeholders claims are equitable, can we addressed them in an equitable manner or not, we are talking about the economic viability of these stakeholder claims and the power these stakeholders have or the implications of addressing these claims on the power that the stakeholders currently have or may have. Then the influence that these claims are likely to generate, and the power implications of that influence.

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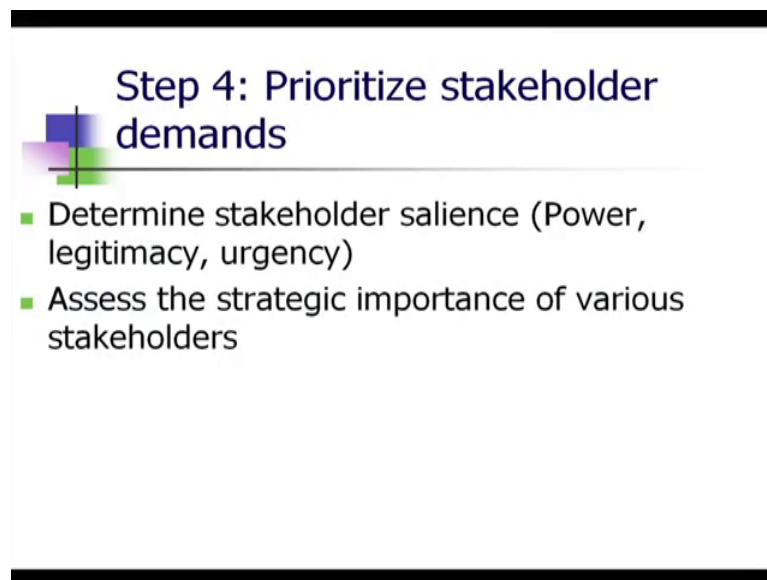
Step 3: Determine performance gaps

- Define stakeholder expectations
- Conduct performance audits
- Reveal gaps
- Explore stakeholder influence strategies

Step 3 is to determine performance gaps. We need to define stakeholder expectations we discussed stakeholder expectations in a previous lecture. We were take that up again in the next lecture we have. So, you will be define we list what each stakeholder expects from us. In the previous class, we described some classes of stakeholders in a very general manner what you can do is at your end you can take these classes and you say so and so stakeholder has power, but no legitimacy and no urgency. How can the stakeholder exercise that power, make a list of those things. What could the stakeholder be expecting from us, and how is the stakeholder likely to use their power his or her power if these expectations are not met. Why is the stakeholder expecting something from us what kinds of expectations are there, are they legitimate, are they urgent, can at not addressing them result in us as the corporation having to do certain things that we would not have done otherwise.

Conduct performance audits of the organization, reveal gaps, explore or conduct performance audits of the way these stakeholders have been handled. Reveal gaps explore stakeholder influence strategies try and find out how stakeholders can be influenced and why.

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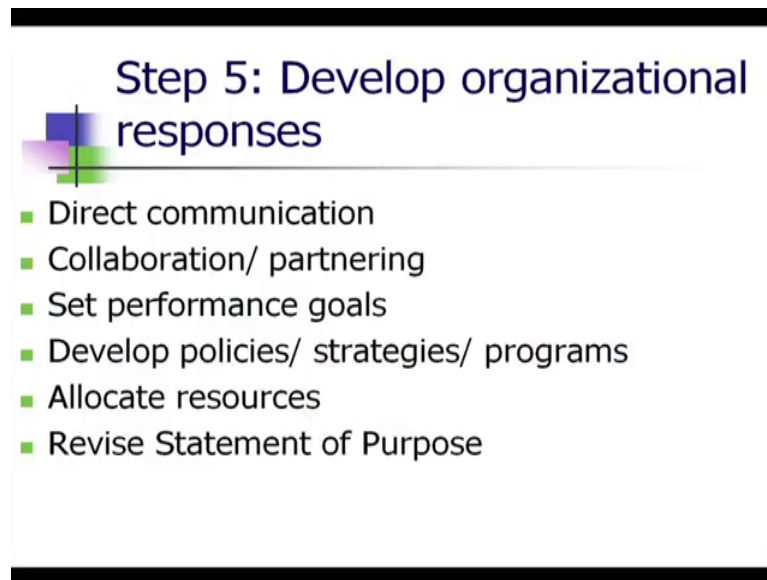


Step 4: Prioritize stakeholder demands

- Determine stakeholder salience (Power, legitimacy, urgency)
- Assess the strategic importance of various stakeholders

Prioritize stakeholder demands. Now, this is where the previous lectures learning comes into place. So, you determine stakeholders salience how important are these stakeholders, are they to they have all three power legitimacy and urgency or do they have any two, if they have these two then how do we need to address them etcetera. So, determine how strong they are or what is their strengths as you perceive it based on the attributes that they have. Assess the strategic importance of various stakeholders what kind of strategic importance do they have for your organization. What will happen to your organization if you do not address the demands or the needs of these stakeholders?

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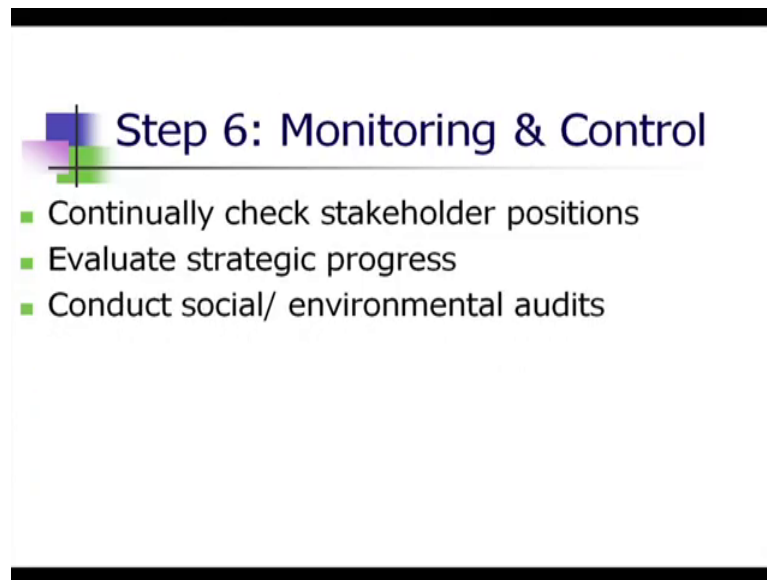


Step 5: Develop organizational responses

- Direct communication
- Collaboration/ partnering
- Set performance goals
- Develop policies/ strategies/ programs
- Allocate resources
- Revise Statement of Purpose

Step 5, develop organizational responses find out how to get in touch with the stakeholders how to respond to them. One is direct communication who communicates with whom and how, collaboration and partnering is another method of developing organizational responses. How will you collaborate at which level, what will you collaborate on. Set performance goals, find out how you will perform you know in your relationship with the stakeholders. What do you want the stakeholders to do for you what do you want to do for the stakeholders. Develop policies strategies and programs for addressing the needs of the stakeholders. Allocate resources for dealing with stakeholders or for addressing the needs of these stakeholders. You may even need to revise your statement of purpose of the organization. So, what are you heading towards?

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Step 6: Monitoring & Control

- Continually check stakeholder positions
- Evaluate strategic progress
- Conduct social/ environmental audits

Step 6 is monitoring and control. So, after you have developed organizational responses what you need to do is you need to monitor these responses and you need to control them. Continually check stakeholder positions, evaluate strategic progress, conduct social and environmental audits. So, find out how the responses you have been giving to your stakeholders are affecting the stakeholders, are affecting their positions are affecting their salience, find out how this relationship is affecting the strategic progress of the organization, find out how your decisions and your relationships with these stakeholders are affecting the environment, conduct environmental audits. How are they affecting the society that you live in?

Step 7 take the learning's from step 6 and go back to step 1 which is identify your stakeholders in light of the new things that you have learnt in step 6, maybe a stakeholder that you thought was important turns out to not be so salient, turns out to not have the kind of power you thought they had. Fair enough put them in a different category, reprioritize your stakeholders and then go back to step 1 and see where you are headed and repeat the cycle, this is one method of stakeholders management.

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Factors affecting stakeholders' potentials for threat & cooperation (Savage et al, 2005)		
	Stakeholder's potential for threat	Stakeholder's potential for cooperation
Stakeholder controls key resources	Increases	Increases
Stakeholder does not control key resources	Decreases	Either
Stakeholder more powerful than organization	Increases	Either
Stakeholder as powerful as organization	Either	Either
Stakeholder less powerful than organization	Decreases	Increases
Stakeholder likely to take action (supportive of the org)	Decreases	Increases
Stakeholder likely to take unsupportive action	Increases	Decreases
Stakeholder unlikely to take any action	Decreases	Decreases
Stakeholder likely to form coalition with other stakeholders	Increases	Either
Stakeholder likely to form coalition with organization	Decreases	Increases
Stakeholder unlikely to form any coalition	Decreases	Decreases

Now, how do you assess your stakeholders, how do you find out which category they are in. Factors affecting stakeholders this is from a paper by Savage et al, Savage and associates. So, you know how do you assess your stakeholders you find out you analyze the factors that can affect stakeholders potentials for threats and cooperation. A list has been given here. Parameter stakeholder controls key resources. And here we have these columns one says the stakeholders potential for threat, stakeholders potential for cooperation. So, if the stakeholder controls key resources the stakeholders potential for threat is likely to be increased stakeholders potential for cooperation is likely to be increased. If the stakeholder does not control key resources the stakeholders potential for threat decreases, they do not control your key resources, so they cannot really threaten you but they might be willing to cooperate with you so that is why the word either is here.

Stakeholders are more powerful than the organization. In that case their threat increases, but they might be willing to cooperate with you or they may not be willing to cooperate with you. Then stakeholder is less stakeholder is as powerful of the as the organization; they might be in a position to threaten you they might not be in a position to threaten you they might be willing to cooperate with you they might not be willing to cooperate you with you. So, it could go either way. If the stakeholder is less powerful than the organization then their potential for threat to the organization definitely decreases and their potential for cooperating with the organization increases. Stakeholders are likely to

take action supportive of the organization then their threat to the organization obviously, decreases and their potential for cooperation definitely increases.

Stakeholders are likely to take unsupportive action, the potential for threat increases and the potential for cooperation decreases. Stakeholders are unlikely to take any action both of these decrease their potential for threat decreases, their potential for cooperation decreases. Stakeholders are likely to form coalition with other stakeholders potential for threat increases, potential for cooperation could go either way. If they form a coalition with somebody else they may be willing to cooperate with you, they may not be willing to cooperate with you. Stakeholders likely to form coalition with organization, their threat decreases, and obviously their potential for cooperation increasing, because they want to coalesce with the organization. Stakeholders unlikely to form any coalition with the organization or with its competitors that threat also decreases their willingness to cooperate also decreases.

So, these are the way the factors you know these are the way their potentials for threat and cooperation are mapped. Now, what you can the way you can use it is you find out what the stakeholder is likely to do right here. You find out where the stakeholders you have identified are going what are they likely to do and then see this part. So, if you want the stakeholder to cooperate, what do you need to do, you need to reduce the power of the stakeholder. You want the stakeholder to cooperate you want you can enhance the stakeholders chances of taking supportive over actions for the organization.

If you want the threat to go away, you reduce the chances of the stakeholders to take any action. If you want the stakeholders to be or if you want their cooperation make sure you create opportunities for them to coalesce with your organization. So, they can cooperate with you give them a chance you can always push stakeholders from one side to the other. You just need to know what they need and satisfy their needs. It is very nice; it is a very interesting dance that happens between the organization and the stakeholders.

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Now, how do you manage stakeholders?

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The slide features the same decorative graphic as the previous slide. The title is 'Diagnostic typology of organizational stakeholders' in a dark blue font, with '(Savage et al, 2005)' below it. Below the title is a 2x2 matrix. The vertical axis is labeled 'STAKEHOLDER'S POTENTIAL FOR COOPERATION WITH ORGANIZATION' and the horizontal axis is labeled 'STAKEHOLDER'S POTENTIAL THREAT TO ORGANIZATION'. The matrix cells contain stakeholder types and strategies.

		STAKEHOLDER'S POTENTIAL THREAT TO ORGANIZATION	
		HIGH	LOW
STAKEHOLDER'S POTENTIAL FOR COOPERATION WITH ORGANIZATION	HIGH	Stakeholder Type 4: Mixed Blessing Strategy: Collaborate	Stakeholder Type 1: Supportive Strategy: Collaborate
	LOW	Stakeholder Type 3: Nonsupportive Strategy: Defend	Stakeholder Type 2: Marginal Strategy: Monitor

Diagnostic typology of organizational stakeholders; it is from the same paper by Savage and associates depending on the stakeholders potential threat to the organization and depending on the stakeholders potential for cooperation with the organization you can devise a strategy. Let us see. Now, this is whatever I am going to discuss next in a map this is again from the paper by savage and associates.

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Managing stakeholders: Types & strategies (Savage et al., 2005)

- Type 1: The supportive stakeholder:
 - Low potential threat, high potential cooperation
 - Strategy: "Involve the supportive stakeholder" in decision making, relevant issues, etc.

Type 1, the supportive stakeholders have low potential threats and high potential cooperation. They are less likely to threaten the organization and very likely to cooperate with the organization. The strategy to deal with these stakeholders is you involve the supportive stakeholder and decision making in relevant issues in various aspects of the organization keep the stakeholder informed, take their inputs and incorporate as many inputs as possible, these are the stakeholders that are likely to support you. So, they are not trying to threaten you, they are only trying to cooperate with you.

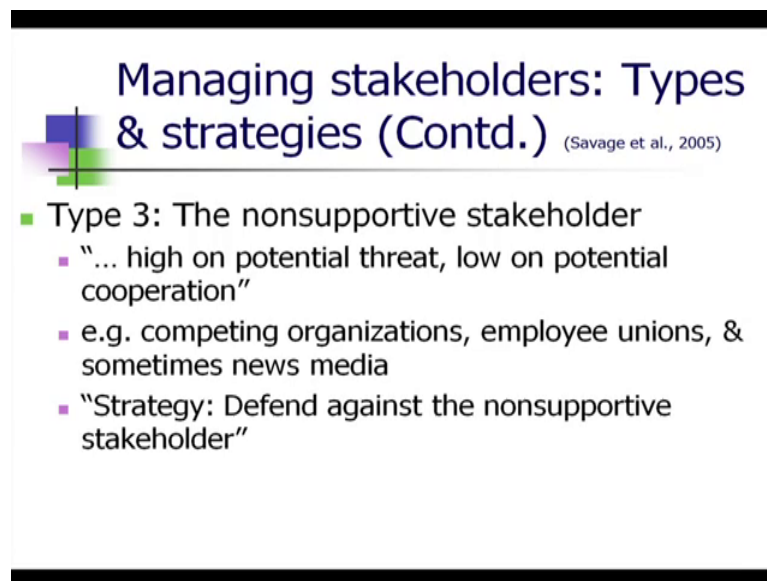
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Managing stakeholders: Types & strategies (Contd.) (Savage et al., 2005)

- Type 2: Marginal stakeholder
 - "... neither highly threatening, nor especially cooperative"
 - Strategy: Monitor the marginal stakeholder

Type 2 - the marginal stakeholder. They are neither highly threatening nor especially cooperative, they are on the side, they are like latent stakeholders. Their strategy is you monitor the marginal stakeholder and see when they shift just find out keep them in your vision or keep them in mind pay attention to them, but do not really you know prioritize their needs, just make sure you notice them and you are alert to what they are doing. So, just monitor their activities and see where they are headed.

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Managing stakeholders: Types & strategies (Contd.) (Savage et al., 2005)

- Type 3: The nonsupportive stakeholder
 - "... high on potential threat, low on potential cooperation"
 - e.g. competing organizations, employee unions, & sometimes news media
 - "Strategy: Defend against the nonsupportive stakeholder"

Type 3 is the non supportive stakeholder. Now, this type of stakeholder is high on potential threat and low on potential cooperation. Now, this kind of stakeholder is going to be a problem this type of stakeholder has to be dealt with very, very carefully. For example, competing organizations employee unions and sometimes news media maybe after you. So, the strategy to deal with these people is you defend against the non supportive stakeholder. Find out what they are not supporting and keep your defenses ready.

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Managing stakeholders: Types & strategies (Contd.) (Savage et al., 2005)

- Type 4: The mixed blessing stakeholder
 - High potential threat & cooperation
 - e.g. employees with specialized training
 - Strategy: "Collaborate with the mixed blessing stakeholder"

Type 4 is the mixed blessing stakeholder they have a high potential for threat and cooperation. So, they are a mixed blessing if they choose to cooperate they are good for your organization; if they do not choose to cooperate they can be threatening for the organization. So, they can really you know there can be a problem there. For example, employees with specialized training; they choose to cooperate they help the organization they help you produce results. If they go you do not have anyone to do their job, it is very difficult to find people with this kind of specialized training. Strategy is collaborate with them keep them on your side and all should be well.

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Transforming typical stakeholder relationships (Savage et al., 2005)

1. "Identify key organizational stakeholders
2. Diagnose them along two critical dimensions of potential for threat & potential for cooperation
3. Formulate appropriate strategies both to enhance or change current relationships with those key stakeholders & to improve the organization's overall situation
4. Effectively implement these strategies"

Now how do you transform typical stakeholder relationships? Four strategies have been suggested or a four-step plan has been suggested by Savage and Associates and that is you identify key organizational stakeholders. Find out who your stakeholders are then diagnose them along two critical dimensions of potential for threat and potential for cooperation right here. Find out where they lie, what are they doing and where they are, are there the supportive type the marginal type, non supportive type or mixed blessing type of stakeholder. And then formulate appropriate strategies both to enhance or change current relationships with those key stakeholders and to improve the organizations overall situation.

So, find out how these stakeholders can be how their positive attributes or the positive effects of their association with you can be enhanced and changed and the current relationship changed and how can you improve the organizations overall situation and then decide on the strategy and then go ahead and implement the strategy. So, that is what you need to do in order to deal with whatever is you know with the stakeholders that you have here.

So, in this particular lecture, we have tried to find out how you can manage stakeholders, how you can identify the different aspects of stakeholders, how you can assess what they are doing and how you can manage your relationships with these stakeholders that 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.