

A **stakeholder** can be a person or group that affects or can be affected by an organization's actions. They therefore have an interest in any action taken by an organization.

**Stakeholder Concept** - the view that businesses and their managers have responsibilities to a wide range of groups not just shareholders. The traditional view of business is referred to as the shareholder concept. As shareholders are the owners of the company it is important to keep them satisfied which generally means to increase shareholder value.

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- employees
- shareholders
- managers

External stakeholders include:

- suppliers
- customers
- special interest groups such as banks and other creditors, pressure groups and the community
- competitors
- local and national government

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All of the above stakeholders could have a potential interest in a company's performance for a variety of reasons.

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Stakeholder	Example of interest towards company
Owners/Shareholders	= profit, vision, liquidity, efficiency
Government	= taxation, compliance with legislation such as health and safety, laws, criminal...
Senior Management	= financial performance, customer perception, profits and sales targets
Employees	= pay, conditions, job security
Customers	= value, service, quality, ethical considerations
Creditors	= liquidity (gearing (can they pay bills))
Local Community	= social responsibility, jobs, environment
Suppliers	= speed of payment, level and regularity of orders, fairness of treatment
Pressure Groups	= change a business's policy towards...

Clearly, it would be very difficult for any company to be able to satisfy all of these interests at the same time.

### Stakeholder Conflict

Scenario: **Caseism.com**

Fisher & Paykel (F&P) today announced plans to move more of its manufacturing of quality whiteware such as fridges and cookers overseas. Local suppliers to F&P and employees were very concerned. The CEO announced however that the move was essential for the company to remain competitive in global markets as many of F&P's competitors have moved to Thailand and Mexico already with much lower labour costs. Stakeholders and the financial markets seem delighted with the news with shares rising \$4c on the day to \$2.54.

Source: New Zealand Herald, 2007.

Analyse areas of potential conflict.

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## Platmin Mining: Managing Your Stakeholders in Developing Economies

- what is a stakeholder
- internal and external stakeholders
- business responsibility to stakeholders
- stakeholder conflict
- HL - how to deal with stakeholder conflict

Our Wedding Celebrant

Part 2: Analysis and Evaluation in context

- to implement the above ideas will take time and resources and there may be short-term goodwill losses to the firm such as customer resentment and dissatisfaction from the local community.
- Decisions will also need to be made as to how to communicate the details to the various stakeholders.
- if the announcement is made quickly, some workers may leave voluntarily and some difficult workforce planning decisions may be avoided. The process of change could run more smoothly with a reduction of the magnitude of some conflicts.

Part 3: Judgement

- Ultimately, to a publicly traded company such as F&P the shareholders represent the key stakeholder. Senior management have to be aware of their responsibilities in a highly competitive financial global market.
- If shareholders are not satisfied with F&P's new strategy, they could sell their shares driving down the value of the company.
- This could lead to further unpopular action having been taken. The company would wish to avoid further poor publicity.

Task: Evaluate solutions to the stakeholder conflicts outlined in the Fisher & Paykel case study.

Part 1: Possible solutions:

- Fisher & Paykel may have to carry out a carefully managed public relations exercise to reassure workers that job losses will be kept to a minimum and/or offering retraining schemes to those directly affected.
- Customers will need to be reassured that there will be no reduction in the quality of the final product.
- The company will have to present this new strategy as a way of protecting current jobs and future shareholder value.

## HL - Evaluating Stakeholder Conflict

One way of reducing conflict is to compromise.

For example a business aiming to reduce costs may close one of its factories in stages rather than immediately to allow workers to find other jobs but, as a result, business costs will fall more slowly.

Senior managers must establish its priorities. They need to decide who the most important stakeholders are in each case, what the extra cost in of meeting the needs of each stakeholder group will be, and whether bad publicity resulting from failure to meet the interests of one group will lead to lost revenue.

Remember that to suggest ways to overcome possible conflict is only the beginning. The ways must be evaluated and to suggest why they may or may not work. Finally, an overall judgement would be required.

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F&P - a number of conflicts can be identified:

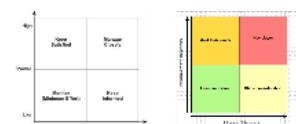
- Fisher & Paykel customers will welcome the lower prices but many have quality concerns about production moving overseas.
- Current and potential shareholders will be anticipating higher profits and returns due to efficiency gains leading to the higher share price.
- Local suppliers and workers will be worried about job losses.
- The local and national government may be concerned about the impact on local communities.
- Senior management may be excited about possibility of managing a larger multinational company with increased power and prestige. Lower level workers may fear change.

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### How to perform a stakeholder analysis:

Step 1 - Identify your Stakeholders. Brainstorm who your stakeholders are and made a list.

Step 2 - Prioritize your stakeholders using the **stakeholder Interest/Power Grid**. Two examples are shown below. The stakeholders position on the grid shows you what to do with them.



### Step 3 - Understand your key stakeholders

You now need to know more about your key stakeholders. You need to know how they are likely to feel about and react to your project. You also need to know how best to engage them in your project and how best to communicate with them.

Key questions that can help you understand your stakeholders are:

- What financial information do they have in the outcome of your work? Is it positive or negative?
- What influence them most of all?
- What information do they want from you?
- How do they want to receive information from you? What is the best way of communicating your message to them?
- What is their current attitude of your work? Is it based on good information?
- What influences their opinions negatively, and what influences their apt to use of you? Do some of their influences therefore become your strengths in their eyes?
- If they are not likely to be positive, what will win them around to support your project?
- If you don't think you will be able to win them around, how will you make them appreciate it?
- What might be influenced by their attitude? Do these people consume stakeholders in their own right?

- See more at: <http://www.mindtools.com/pages/article/newPPF/07.html#sthash=afHdRuzX>

BC: Kaskadulder-Candide Kultur

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- *internal and external stakeholders*
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- *HL - how to deal with stakeholder conflict.*

# The role of stakeholders

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# Internal and External Stakeholders

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- shareholders
- managers

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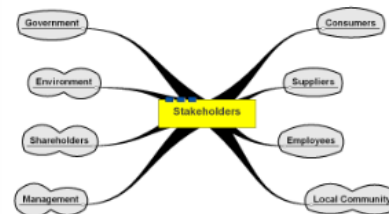
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DRAW a diagram (mind map) of the various stakeholders to help you visualize them.



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## Stakeholder

## Example of interest towards company

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Source: New Zealand Herald, 2007

Analyse areas of potential conflict.

F&P - a number of conflicts can be identified:

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