

Allo SBT | The About Series

About Stakeholders:

A stakeholder is someone who has a stake in an organisation or a program. Stakeholders either affect the organisation/program or are affected by it. Stakeholders include people who staff an organisation (e.g., management, staff); people who are affected by the organisation (e.g., clients, their families, and the community); people who contribute to the organisation in different ways (e.g., contributors, funding agencies and foundations, volunteers, partner organizations, board members, etc.); and people with a vested interest in the organisation (e.g., politicians, neighbors, etc.).

Furthermore, they are all of those individuals who have an interest or stake in a business. These include: employees, suppliers, creditors, customers, shareholders, local communities and anyone else who is affected by the operations of the business.

The strategy an organisation adopts is affected in many ways. There is the environmental influence which is a result of its interaction with the competition in the market place, there is also the influence of resources at the disposal of the company. Although the strategy to be adopted will be dependent upon the amount of resources available to the company, it is also affected by the values and expectations of those who have power in and around the organisation.

In some respects, strategy can be thought of as a reflection of the attitudes and beliefs of those who have most influence on the organisation. Whether a company is expansionist or more concerned with consolidation, and where the boundaries are drawn for a company's activities, say reflects to a large extent the values and attitudes of those who influence strategy, i.e. the stakeholders of the organisation.

Organisations have different stakeholders (shareholders, customers, employees, financiers, perhaps the government etc) who have varying expectations of the organisation and may exercise considerable influence and power over the strategy to be followed. The different stakeholders will potentially seek to look after their own interest in the organisation and make decisions that will ultimately be to their own benefit. This is because they depend on the organisation to achieve their set out goals.

Nonetheless, a stakeholder is any individual or group which can affect or is affected by an organisation's activities, whether they are a local community who want to know that a factory will not be releasing harmful pollutants, consumers who want product information or investors who wish to see a company prosper.

The following is a breakdown of the possible different stakeholders in any business and how their various interests impact on the business and is essential to the survival of the business.

1. **Employees:** Employees are a key group. Individually, they can enhance sustainability at the company they work for by bringing their personal convictions and experiences to bear, and contributing to change and innovation within the organisation. They will also be interested in whether not the business has developmental opportunities for career progression, and if the company operations meet safety working practices. Welfare benefits, insurance, holidays etc are some other considerations employees will be interested in regarding the business. They will also want to be sure there is job security in the business, and that the business is not experiencing going concern problems.
2. **Customers:** The impact of consumer activism has sometimes been considerable in driving sustainability. Consumers often do not always have the luxury of putting pressure on companies through their purchasing. However, some surveys have shown that there is a genuine concern among consumers about the sustainability of a company's performance, particularly in terms of their ability to continue to provide quality products.
3. **Investors:** Investors are a very broad and diverse group comprised of individuals or organisations that are very influential. They range from the local financial community to international private investors and financial institutions. If investors feel that a company's activities are sustainable and its financial performance is acceptable, then they will be increasingly likely to favour more companies in sustaining their wealth by contributing positively to their investment decisions. Their primary focus will be to reduce or hedge their investment risks and ensure that the resources invested in the various businesses yield a return on investment.
4. **Governments:** It is Governments who usually push for sustainable development, and economic and business growth. Governments that are weak have to deal with major issues such as unsuitable economic policies, corruption, general policy instability and inconsistent regulations. This definitely affects their ability to start, implement and sustain programs that will be of benefit to the overall economy. A good governance however, imbues regulations, certainty and an appropriate mix of policy tools - including clear and enforceable regulatory standards, economic instruments and voluntary initiatives - each of which has a key role to play in promoting the business case for sustainability. A good government will also seek to ensure that businesses comply with the relevant regulations pertaining to their businesses.
5. **Media:** The media can be a significant player in driving a business case forward, by providing information on sustainability, and highlighting the cause and effects of the business activities of a company.
6. **Non Governmental Organisations (NGOs):** Local NGOs and community groups grant responsible companies the local license to operate, while exposing those companies with poor performance. Their influence is much greater in some countries than others. Their main interest will be to ensure that businesses carry out their operations transparently and in the good interest of the public.
7. **International Bodies:** International organisations can play a catalytic role in stimulating awareness. Their main goal will be to unite businesses on the global front and ensure competitiveness in international trade. They will also look into the legality of the

businesses being transacted and seek to protect the interest of their various countries or establishment according to the relevant regulation.

8. Local Communities: They expect the company situated within their community to provide socio-economic development. This may include the provision of local amenities in some cases repairing bad roads, building development projects for schools, etc.

9. Business Partners: The company's business partners will want to ensure that the business is being run legally and the operations of the business meet the set out guidelines and the business is run with a view to achieving the set out objectives according to the best practice possible.

10. Environmentalists: They will be interested in the effects the business operations will have on its natural environment. They will therefore want to ensure that the business continually strives for cleaner and safer working processes, and that the working practices meet health and safety rules.

11. Shareholders: These are the group of people who actually have shares in the business. This means they have paid a price to buy a part of the businesses and ultimately with a view to increasing shareholder wealth. Their main interest will be to ensure that a business is actually using the resources available to it optimally and that they in return will yield returns in the value invested in the business in the form of dividends. They will also be looking to ensure that the company is not experiencing going concern problems and that it is not highly geared.

Early engagement with external stakeholders will add important insights into their concerns and priorities, which will help in understanding the trajectory and relevance of sustainability issues. Involving stakeholders helps managers understand their expectations and concerns about the company and to make an early assessment of opportunities and threats.

An analysis of the stakeholders can be done to increase perspective and help organisations strategise so that the interests of the various stakeholder groups can be met.

The following are steps to achieving a stakeholder analysis:

1. Identify Organisational Stakeholders: The first step to a stakeholder analysis is to identify those who have vested interest in the organization. That is, those who stand to gain, lose, be influenced or impacted upon by the activities of the organization. Another means of identifying stakeholders is by scheduling regular meetings where all stakeholders (or their representatives) in the business can converge. It is then crucial to pick someone neutral within the organization to act as shareholder analyst; in terms of their various interests and how these interests in the business should be protected.

2. Prioritise stakeholders: The next step will be to prioritise stakeholders in terms of whose interest should be put first. This can be done by looking at those that carry the most influence in the organization, what their goals and objectives are, what their interest in the business is and whatever objections or reservations they might have regarding the operations and strategy of the business.

Broadly, stakeholders can be categorised into four groups:

a. Those with high influence, high interest. This group of stakeholders should be given the most attention regarding the business and their relevant objections to business projects or operations must be investigated.

- b. Those with low influence, high interest. These groups are useful resource tools as they can give information as to how the business or a project should roll even though they have little influence over it.
 - c. Those with high influence, low interest. These groups of stakeholders are not really interested in your projects or in the business because they do not feel they are affected by the operations of the business. However, they are a group to be pleased because they can be potential obstacles to your business plans. It is therefore important that they get as much information as possible about the business/project and understand why the business/project should go ahead.
 - d. Those with low influence, low interest. It is best to spend as little time as possible with this group of stakeholders because they do not have anything to offer the business and are not in a position to help the business either.
3. Understand Stakeholder Perspectives: This can be achieved by conducting semi structured interviews and asking open ended questions in terms of how they think the business can go right or wrong, what sources of data are available to the company and how the existing problems with the business can be solved.
4. Incorporate Stakeholder Perspective: It is not enough to consult the stakeholders, it is also necessary to implement the results of the interview process in the corporate strategy of the business. However, strong objections to the business projects must be addressed to ensure a successful implementation. In such a case, it will be necessary to weigh the cost of implementing the business in terms of objections raised, against the benefits to be achieved in terms of strategic goals by its implementation.

Stakeholder analysis is a very effective mechanism for bringing other perspectives into the business process of an organisation. It makes it possible to expand the focus of an organisation and include the perspectives of others who are impacted by (or have an impact on) the business process. Stakeholder analysis is therefore an effective way of making or achieving congruency in business strategy, without jeopardising the various interests of the stakeholder groups.