

Understand Your Stakeholders

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Abstract

In the last decades of the 20th century, the word "stakeholder" has become more commonly used to mean a person or organization that has a legitimate interest in a project or entity. In discussing the decision-making process for institutions – including large business corporations, Government agencies, and non-profit organizations – the concept has been broadened to include everyone with an interest (or "stake") in what the entity does. This includes not only its vendors, employees, and customers, but even members of a community where its offices or factory may affect the local economy or environment. In this context, "stakeholder" includes not only the directors or trustees on its governing board (who are stakeholders in the traditional sense of the word) but also all persons who "paid in" the figurative stake and the persons to whom it may be "paid out". We need to work out ways and means by which we balance the demands of all stakeholders and fulfill them. It is mainly the way in which we deal, the transparency in our dealing, the sincere approach we make towards understanding the requirements and to fulfill them, the speed of response and the smile on face. A timely smile can reduce half the dissatisfaction.

Key Words: Quality Management, Preferred Stakeholder, Financial Institute, Top Management

1. Introduction

Stakeholder is a person, group or organization that has interest or concern in an organization. Stakeholders can affect or be affected by the organization's actions, objectives and policies. Some examples of key stakeholders are creditors, directors, employees, government (and its agencies), owners (shareholders), suppliers, unions, and the community from which the business draws its resources. Not all stakeholders are equal. A company's customers are entitled to fair trading practices but they are not entitled to the same consideration as the company's employees. An example of a negative impact on stakeholders is when a company needs to cut costs and plans a round of layoffs. This negatively affects the community of workers in the area and therefore the local economy. Someone owning shares in a business such as Microsoft is positively affected, for example, when the company releases a new device and sees their profit and therefore stock price rise.

2. Stakeholder may refer to:

- 2.1 Stakeholder (Corporate): a person, group, organization, member or system that affects or can be affected by an organization's actions.
- 2.2 Stakeholder: an entity that can be affected by the results of that in which they are said to be stakeholders, i.e., that in which they have a stake.
 - 2.2.1 Project Stakeholder: a person, group or organization with an interest in a project.
 - 2.2.2 Stakeholder Theory: a theory that identifies and models the groups which are stakeholders of a corporation or project.
 - 2.2.3 Stakeholder Analysis: the process of identifying those affected by a project or event.
- 2.3 Stakeholder (Law): a third party who temporarily holds money or property while its owner is still being determined.

3. Types of stakeholders

- People who will be affected by an endeavor and can influence it but who are not directly involved with doing the work.
- In the private sector, people who are (or might be) affected by any action taken by an organization or group. Examples are parents, children, customers, owners, employees, associates, partners, contractors, and suppliers, people that are related or located nearby. Any group or individual who can affect or who is affected by achievement of a group's objectives.
- An individual or group with an interest in a group's or an organization's success in delivering intended results and in maintaining the viability of the group or the organization's product and/or service. Stakeholders influence programs, products, and services.
- Any organization, governmental entity, or individual that has a stake in or may be impacted by a given approach to environmental regulation, pollution prevention, energy conservation, etc.
- A participant in a community mobilization effort, representing a particular segment of society. School board members, environmental organizations, elected officials, chamber of commerce representatives, neighborhood advisory council members, and religious leaders are all examples of local stakeholders.

3.1 Market (or Primary) Stakeholders – usually internal stakeholders, are those that engage in economic transactions with the business. (For example stockholders, customers, suppliers, creditors, and employees)

3.2 Non-Market (or Secondary) Stakeholders – usually external stakeholders, are those who – although they do not engage in direct economic exchange with the business - are affected by or can affect its actions. (For example the general public, communities, activist groups, business support groups and the media)

4. Expectations of Stakeholders

4.1 Individuals

Let us try to understand the expectations from our stakeholders as individuals:

4.1.1 Parents: My son/daughter should grow and become a great person, earn a good wealth, should not get into any trouble, bring good name to the parents, select a spouse suitable to our culture, look after the parents in their old age, give respect to elders and be obedient to parents and so on.

4.1.2 Spouse: My spouse should be most beautiful/handsome attractive, strong, hold, well cultured, well behaved, earn a lot, should be faithful, should cooperate with me in all my activities, should accept my views but after discussions, love me all the time, love only me, should not fall in love with others, and so on.

4.1.3 Children: My father/Mother should bring me up, support me in my ventures, should give me free hand in selecting my career and spouse, should not impose their ideas on me, and should not interfere in my affairs, and so on.

4.1.4 Friends: My friend should be friendly, cooperative, should come forward to help me when I need, should not expect favor from me, should be transparent while dealing with me, should not interfere in my personal affairs etc.

4.1.5 Relatives: Should come to our help when we are in need, should help in bringing up our family and children, should bring good name to our family and culture, should not expect any favor from us, etc.

4.1.6 Teachers: Should bring the name of teachers and schools up, help the school to develop by giving donations generously, do not involve in any activity which can defame the institute etc.

4.1.7 Colleagues: Should cooperate in doing our jobs, should not interfere in our affairs, should not overtake us, etc.

4.1.8 Superiors: Should do all the jobs as told without making any negative remarks, should cooperate in implementing the policies, should not try to teach ethics

and law to me, should not oppose me in any of my decisions or acts, etc.

4.1.8 Subordinates: Should be cooperative, should not harass us, should recommend for promotions and increments, should guide and allow us to come up, should not scold us in front of others etc.

4.1.9 Neighbors: Should be friendly and helpful, should not interfere in our house affairs, should not be a nuisance for us, should cooperate in community activities etc.

4.2 – Business Organization

If the above are normal expectations as individuals, what is expected from a business house or an industry?

4.2.1 Top Management Wants

1. Increased rate of returns: They have invested money and they need returns. Higher returns enthruses them to invest more.
2. Increased turnover: They want the industry / business to grow. Increased turn over helps industry to grow.
3. Increased profits: The health of a company is judged by the rate of profits earned.
4. Reduced rejections: the rejection is a disease which if not addressed immediately, shall become chronic.
5. Reduced costs: Reduced costs help in increasing profits, and also help in sustaining in the business even in bad periods.
6. Reduced inventory: Reduced inventory help in reducing the interest burden and the money blocked up.
7. Shorter Cycle time: Shorter cycle time helps in quick turnover of money.
8. Reduced hands: Normally overstaffing leads to increased problems in the area of human relations, and it is easy to manage a small group.
9. Lesser labor problems: Labor problems spoil the mental peace as it is more sensitive. Hence the investors normally do not want to invest where labor problems are more.

4.2.2 Employees Demand

1. Increased in wages and bonus: There is no limit for this. The cost of living is increasing day by day, hence wages and salary need to be increased to compensate.
2. Increase in facilities.
3. Security in employment: Many of the employees are dependent only on their jobs, and hence security in job becomes a very important expectation.
4. Promotion opportunities: Every one wants to grow. Promotion is an indicator of growth for a working person.
5. Respect for job and person: All employees are human beings and expect to be recognized and respected.

4.2.3 What Shareholder Wants?

1. Increased dividends: The shareholders are the investors of their personal savings into a business with an intention of earning more.
2. Higher market value for shares: The shareholders like to earn by selling their shares when the market value is good. Hence they wish the market values of the shares they have to continuously increase.
3. Increase in facilities and privileges: The shareholders expect the facilities and the privileges given to them to increase continuously, as they have invested their money to run your business.

4.2.4 Customer Expects

1. Desired products: The customer is paying money for the product required by him. We might have produced some thing fantastic, but he cannot purchase it unless it is useful and needed by him. He cannot buy just because it is made by you or me.
2. Timely Delivery: All works are to be done at the time when it is to be done. The customer needs materials for using at the time when it is needed. There is no meaning in getting the material when it is not needed. It shall be a waste if not

available in time. Non receipt of material in time can become a threat to the running of business itself. Customer might have to lay off the people for no work due to want of material.

3. No increase in prices (reduction is welcome): The customer has planned his activities considering certain price for the materials being procured from you. If the prices are increased in between, all his calculations fail, and he has to face losses. Hence no increase in price is accepted.
4. Prompt and quick service: The customer purchases materials to use. While running the materials if he finds any problem, his activity shall be affected, and hence he wants our help, i.e. the service. We need to provide timely service.
5. Smooth working at his place: The materials are purchased by paying money to work smoothly at the customer's place, and not to create problems.
6. Compensate for the losses due to quality: Customer has purchased materials to run his business. Because of the quality problems in the materials supplied by us, why he should suffer? He is right in demanding for compensation.

4.2.5 What Vendors Say?

1. Please favor us with more orders: The business of vendors is depending on the orders we give them. We are the customers for our vendors. He requests us to place more orders.
2. Our expenses are high. Please give a higher price: The cost of manufacturing increases due to various factors like increase in prices of raw materials, power, fuel, interest rates, wage structure etc., which are not controllable by the supplier. The supplier might try to reduce some of the cost, but not all. Hence he requests us to give higher price for the materials supplied by him.
3. Request you for timely payment: The supplier runs a business and needs money for running it.

Hence he demands timely payments for the materials supplied by him.

4.2.6 Government Wants

1. Increased revenues: The government has given permission and facilities for us to run a business in their area. The government is supposed to provide various facilities to the community like schooling, roads, infrastructure, food, hospitals etc., and money is required for all of them. If the company runs well and pays all the Taxes in time, the government gets the revenue.
2. More employment: One of the prime responsibilities of any government is to ensure jobs for all their subjects. Hence they expect the business units for which permissions are granted, to enhance job opportunities.
3. Employment to local: The permission given to our business to operate form here is to ensure job opportunities for the people in the area.
4. Stable working: Any organization should have a stable working, so that the government can work out the plans by projecting the figures depending on the trends. If the performance is fluctuating, no projections can be made, and also no decision can be taken.
5. Higher foreign exchange: The growth of a nation depends on the earnings they are making by exporting their products and services. Hence we need to export more and get foreign exchange to our government.

4.2.7 Public Demand

1. Clean environment: The community around us does not want any pollution in the environment which can affect the life. The industry should help in maintaining clean environment.
2. No disturbances: The community wants to live peacefully and does not want any disturbances, like strikes, traffic jams, economic imbalances, cultural imbalances etc. A gradual improvement in economy is welcome.

3. Service to public: The public expect some service from the business being run in their area, so that they can improve. The services like helping in development of schools, hospitals, road development, cultural activities etc., are the normal expectations.

When we see these demands from different sections, we get confused, and shall not be in a position to take any decision. But, we cannot ignore them. We are supposed to work and get the results to be successful. We need to work out ways and means by which we balance the demands and fulfill them. We cannot leave any of our stakeholders, as all are important to us. But we can prioritize them and give higher weight-age for the most preferred stakeholder. Let us discuss how to do this.

5. Importance of Stakeholders

As individuals when we see, the parents are the one most required when we are small. Till we grow up, we need them all the time. The teacher comes next who is showing the path for moving forward. But when we grow, our interest changes towards earning and we concentrate on the employer or the job. In the mean time, the spouse enters our life. The dependency on the parents and teachers gradually reduce, and our dependence on the employer and spouse increases. When we get children, we start concentrating on bringing them up and shall be ready to do some sacrifices also. As we grow, we want to earn a name in public, and start seeing the community as a platform for us to grow. When we grow old and retire, the earnings reduce, and we feel left out. We start remembering the relatives and friends, whom we were not remembering often. The friends were there from the childhood to the end of our life. It might not be the same person all the time. A number of friends come and go. The relatives are also like that. We become close to some one for some time, but we go away and become close to some other. But all the time we need someone.

When we are in need we remember our stakeholders and expect them to favor us, but we normally do not

proactively try to understand the needs of others and fulfill them. Is it correct? Then how can we expect them to come to our help when we are in need? When we talk of a business organization we need shareholders and financial institutes to fund our organization to start. We need the government to provide all facilities like infrastructure, tax holidays, licenses, etc., and the employees for working for us to produce and provide the services to our customer. The suppliers are needed to supply us the required materials and services to run our business and the community to support us all the time in all our activities and pay for the same. The customers are considered as most important stakeholder as they purchase our products and services and pay for the same. If they do not purchase, what ever is invested and produced shall be a waste. All Quality Management systems are centered on understanding and fulfilling customer requirements. They insist that all activities should be customer focused and every one in the organization should work to fulfill the customer needs.

The customers pay money after they get the product and services; where as the shareholders invest money in our business without getting anything from us in advance. The top management plans where as the employees make it a reality. The suppliers supply the required quality materials in time at affordable prices so that we can produce the materials and supply to our customers. The Government and Community are providing various supports and infrastructure for us to succeed. The customers are visible as the one lifting the organization out from sinking by paying money and purchasing the products and services, where as others push the organization by going down in the deep water. The customer is standing in a safe place, where as others are in deep waters. They will come up only after the organization is pulled up by the help of customer. If customer feels that he cannot lift this organization up, he can just leave it and go out, where as others, who are already in deep waters, cannot leave the organization there. They shall also sink along with the organization.

6. Balance Stakeholder needs

A good management is one, which does not allow the organization to fail in waters. There should not be a need for any of the stakeholders to jump in deep waters to lift the organization up. They ensure that the organization always sails safe and continuously move forward. This is done by balancing the activities all the time, and not giving any extra weight-age for any one section or activity by neglecting others. The skill of a good manager lies in balancing the activities and taking all together with him. One who cannot take the people with him cannot be successful, either in the business or in the personal life. One who can keep the people with him can come out of any crisis successfully. The same thing holds well in family also. One cannot give importance only to spouse or only to parents or only to children or only to friends or only to society. One needs to move with all and by balancing all. You should be ready to give something so that you can expect from others also. Identify the people who have sacrificed for you, and do your best to help them. Understand that you are living on this earth because of the hard work, innovations and sacrifices done by your ancestors. So your duty is to understand the needs of your people and society, and do something good so that the coming people can also live.

7. Understand Customers

Whatever may be our business, it has a basic purpose of earning at least for sustaining. Earning some profit is the normal intention. For that purpose, we need to provide the products or services to satisfy the customers, who in turn shall pay for it. It is therefore needed to understand the requirements and design our products and services to suit them. One need to understand stated as well as implied needs and workout the process. If one cannot identify the real needs of a customer, then running the business shall not be possible. One needs to discuss with the customer, understand the purpose for which the material or service is being purchased, the way in which it shall be used, the culture of the people concerned, their likings and disliking, the social obligations, the legal and statutory requirements, and how much they can afford to pay. There should be an understanding

between the customer and the supplier as to what shall be actually supplied, and what can be expected out of it.

Some may say that they have lots of wealth and like to donate it to needy. They are not interested in making any profit, and would like to utilize their wealth for good causes. Even here, we need to identify the customers and find out their needs. Who are the customers here when no one is paying? Obviously the one who is receiving is a customer. We donate it with a purpose that some one should get benefit and come up in life. It should be useful for him. If we give something which is not useful to him, then it shall be a waste, and he shall throw it out or misuse it. Our purpose of donating is not served. It shall hurt the donor. We have heard the story of a king donating an elephant to a poor Brahmin which became further burden on him, and also a story of a rich man gifting a pistol to his 6 years old son, who experimented the same on his father immediately after getting it.

There is a practice of presenting some gifts during occasions like marriages, birthday, inauguration, farewell, etc. The person receiving gifts shall be flooded with numbers of similar items, which he can neither use nor give to others. It shall just occupy the place, and he or his wife shall be grumbling because of it. Instead, if we gift only money, then he can utilize it for other purposes. But some people do not like to receive money, and they need some materials as a token of remembrance. In that case, it is better to discuss with the person and present him that article which he liked to have with him. If it is a costly item, people attending the function can jointly present. When we talk of a customer, we need to be clear; it is not only that person who purchases or receives our products and services, but also the people with whom we are regularly working, in other words Internal Customers. They receive our instructions, our reports, our advice, our services, various materials etc., so that they can perform their job. What we give them should be suitable to perform their work; in other words, it should meet their needs. If internal customers are satisfied, it shall not take any efforts to satisfy the external customers.

Customer might hesitate to express his satisfaction due to various reasons, but we should have a system of verifying whether his needs are being fulfilled or not. Some are greedy, and shall never be satisfied. But we need to have a scale to measure the extent of our materials meeting the requirements. Although our customers are not expressing their feeling in front of us, they shall express it by being loyal to us in procuring our materials and in making payments. We need to have a close observation of customers' movements. Also a close watching of the products and services given by competitors, and the responses by the customer can give an indication of their satisfaction.

The basic requirement of the customer is the quality of the product and service, its timeliness and affordability. Because of improvement in technology, the product quality is met by almost all. Similarly because of open market and development of infrastructure, the timeliness and affordability is also taken care of to a major extent. Then what makes customers to be dissatisfied or less satisfied? It is mainly the way in which we deal, the transparency in our dealing, the sincere approach we make towards understanding the requirements and to fulfill them, the speed of response and the smile on face. A timely smile and reduce half the dissatisfaction, but excessive or unwanted smile can create more problems rather than solving it. Getting a good tasty food is not at all a problem, but the way in which it is served with love and affection matters more.

8. Conclusion

To win or survive on this earth, it is necessary for one to manage his/her affairs. Managing means planning the activities, coordinating, implementing, reviewing, and controlling so as to achieve the result that was anticipated. Man is a social animal, and his survival depends on the cooperation he gets from fellow human beings. It holds well, not only for individuals, but also for societies, nations, organizations and industries. When we talk of our work and targets, we mean our survival. This depends on getting cooperation by fulfilling the needs of our stakeholders, who have different expectations. Who are our stakeholders? They

are our well wishers. They are the people who wish good for us and want us to prosper. When we prosper, they expect getting some benefit. If we talk as individuals, the stakeholders are Parents, Spouse, Relatives, Friends, teachers, neighbors, colleagues, superiors, subordinates, and all those with whom we are dealing. If we talk of a business, they are the share holder, top management, customers, employees, suppliers, government, and community. We cannot ignore the demand or expectations of different stakeholders. We are supposed to work and get the results to be successful. We need to work out ways and means by which we balance the demands of the stakeholders and fulfill them. We cannot leave any of our stakeholders, as all are important to us. But we can prioritize them and give higher weight-age for the most preferred stakeholder.

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