
UNIT 1 **STAKEHOLDERS**

Structure

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- 1.3 Stakeholders: Concept, Definition and Types
- 1.4 Methods to Identify the Stakeholders
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1.1 INTRODUCTION

Every business operates within a society. It uses the resources of the society and is dependent upon the society for its smooth functioning. This creates an obligation on the part of business organization to fulfill their needs, to make extra-ordinary efforts for societal benefits, to help the society in the critical times etc. Therefore, all the activities of the business organization should be directed towards protecting the interest of the society and serving the society for betterment. Stakeholders are hence important for any business as they support the business from the perspective of someone who has a stake or has something to gain or lose. When at its best, the relationship between the business and the stakeholders would be healthy and promote mutual benefit. While at its worst, it may be one of constant disputes due to conflicting interests and can make decision making very stressful and slow for the business organizations. Successful relationships with the stakeholders is essential for the success of any business. Hence, it is essential to know about stakeholders while dealing with CSR projects and activities of the companies.

After reading this unit you will be able to:

- Define stakeholders and identify the types of stakeholders
- Discuss methods to identify the stakeholders
- Determine which stakeholders are most useful to engage with using stakeholder mapping
- Classify stakeholders on the basis of their attributes

1.2 SOCIAL RESPONSIBILITY OF BUSINESS

Social responsibility is the deliberate effort of the business corporations to satisfy the expectations of various interest groups. Social responsibility is the company's mission to be responsive to social needs by allocating a part of its resources for achieving social goals and tackling social problems.

For example, **Tata Motors** is committed to sustainable development, where business goes hand in hand with societal well-being and environmental consciousness. Their CSR programs are:

- a) **Aarogya-Health:** Focuses on maternal and child health by adopting a holistic approach and striking a balance between preventive healthcare and curative healthcare interventions.
- b) **Vidyadhanam-Education:** Encourage and support the students to participate in co-curricular activities ensures their holistic growth, i.e. academic, physical and social development.
- c) **Kaushalya-Employability or Skilling:** Aims to build the capacity of unemployed youth by providing vocational training in automotive and other industrial trades.
- d) **Vasundhara-Environment:** Strives to contribute to enhanced environmental sustainability by proactively facilitating the protection, conservation, judicious use and augmentation of natural resources.
- e) **Amrutdhara-Drinking water:** This programme not only addresses the concerns relating to safe drinking water, but also helps in improving health, fostering gender equality and promoting social equality.
- f) **Aadhaar-Community Development:** Aimed at serving the socio-economically backward and disadvantaged Scheduled Caste (SC) & Schedule Tribe (ST) communities.
- g) **Seva-Volunteering:** Aimed at providing employees and their families with varied opportunities to meaningfully volunteer their time for social causes.

Various parties towards which business organizations are socially responsible include:

- 1) **Employees/workers:** This is the human element of the business organization, people who convert all the plans and strategies into actions. The organization has a responsibility towards them to provide safety, security, health concern, parity, justice and equality at the workplace.
- 2) **Shareholders or Investors:** are the individuals/groups/organizations that have good faith in the organization's growth and profitability. They expect that it will multiply their money within stipulated time. The concept of 'Shubh Labh' (auspicious gains) applies for its shareholders, i.e., to disburse right profit and share.
- 3) **Consumers:** These are all those who purchase the organization's output (goods or services) for their personal use or to further business purposes. The organization should provide the right product at the right price in the right quality and the right quantity with the right information at the right place to have the customers' trust.
- 4) **Suppliers and Vendors:** These are the individuals or organizations who supply raw materials, machineries, equipment and tools for business processes. The organization should provide them timely payment, continuity, loyalty, trust for maintaining quality standards.
- 5) **Competitors:** All those business organizations dealing with the same kind of products and services come into the category of competitors. The

organization should promote healthy competition in the industry for business growth in the right way.

- 6) **Government:** The government of any country or of any political subdivision of any country, any other person or organization authorized by law to perform any executive, legislative, judicial, regulatory administrative functions of such government. The organization should help and support various schemes of Central and State Government.
- 7) **Environment:** With this perspective, the organization should have good concern for green and clean environment. All the business practices and activities should be planned and performed with eco-friendly approaches.
- 8) **Local community:** It consists of business operators, public agency staff and residents, and their interactions that can include the sharing of resources, information and assistance. The organization should think about the physical, intellectual and societal development of the local community.
- 9) **Society:** A group of people of a country or area sharing values, customs and laws. The organization should maintain social values, norms, and textures of the society.
- 10) **Nation:** The organization should provide economic contribution and make developmental efforts for country's prosperity.

Figure 1 shows the various claimants for social responsibility of any business.

There are many situations where social responsibility of business becomes necessary like to create good corporate image, social commitment, because of legal provision, etc. But the next question arises, why should any business come forward and be responsible towards the stakeholders.

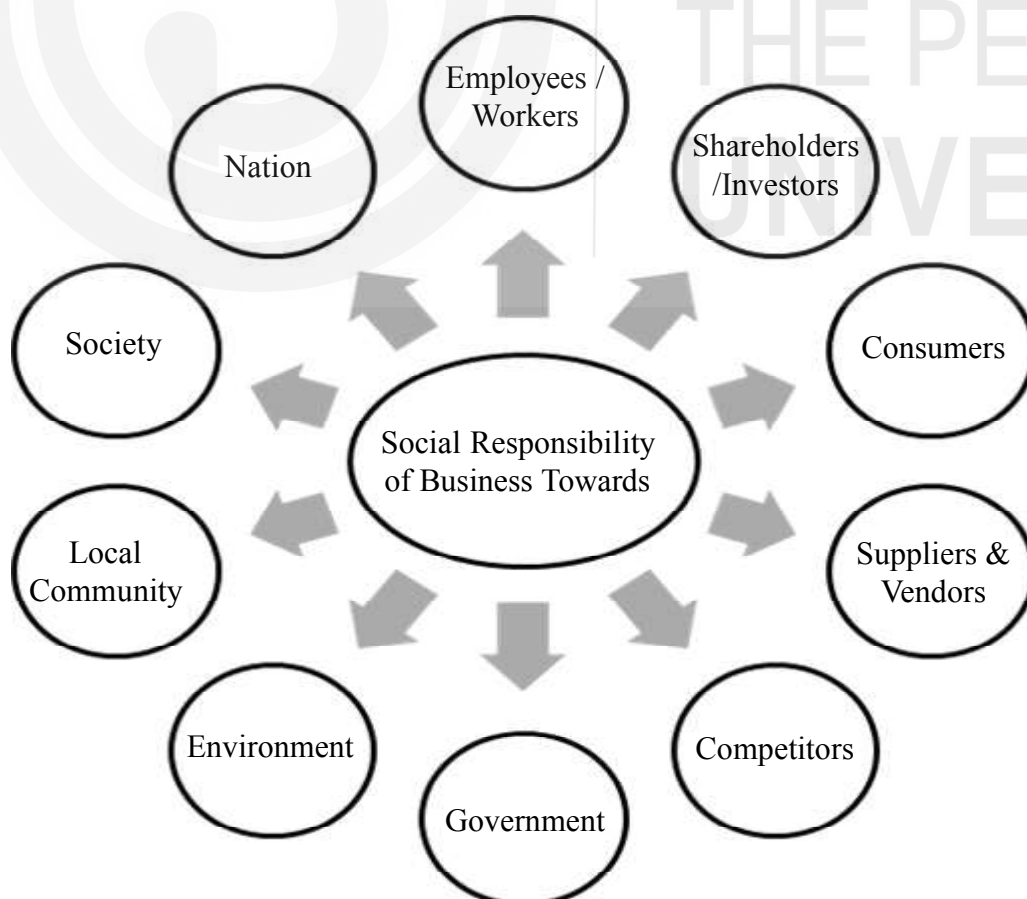


Figure 1: Claimants of Social Responsibility of Business
(Inspired by: Business Environment: Francis Cherunilam)

1.3 STAKEHOLDERS: CONCEPT, DEFINITION AND TYPES

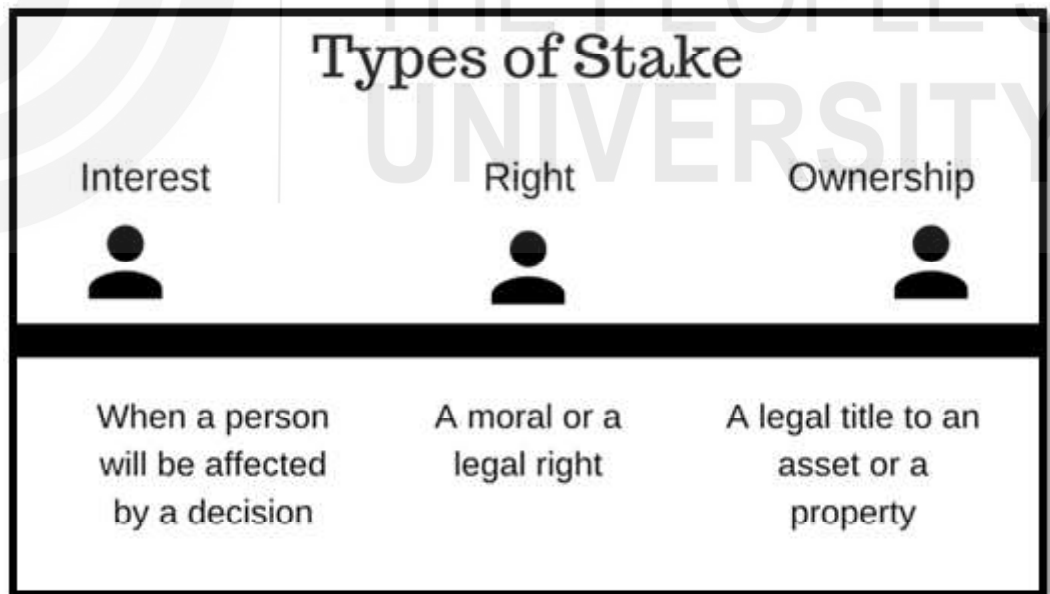
Corporate Social Responsibility (CSR) is a duty of every corporate body to protect the interest of the society at large. Even though the main motive of business is to earn profit, corporates should take initiative for welfare of the society and should perform its activities within the framework of environmental norms.

According to Calderon (2011) there are copious definitions of CSR both from the academia and the professional field, but a generally accepted one originated by the European Commission defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance”.

A ‘stake’³ is an interest in or a share in an undertaking (Bucholtz and Carroll, 2011). A stake can simply mean having an interest in a decision, for example: “how will the road bypass affect me?” On the other hand it could be a legal claim. For example, a shareholder has a stake through their part or full ownership of a business.

Bucholtz and Carroll (2011) explain that between these two extremes a stake can also be a ‘right’. A right can be a moral right, for example, an ethical principle or a feeling about fairness in a particular situation – “a right under law for employees to be treated equally regardless of gender, religion, etc.”

Figure 2: Types of Stake



(Source: What is a Stake? Meaning of Stake <https://www.stakeholdermap.com/what-is-a-stake.html>)

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.

The Stakeholder Theory (Freeman, 1984) clearly underlines the fact that investing a firm's time and resources to redress issues and concerns of stakeholders is a justifiable managerial activity. This perhaps forms the very basis of the concept of corporate social responsibility (CSR).

1.3.1 The Concept of a Stakeholder ⁴

This can often be misunderstood. When talking about stakeholders, it is important to realize that:

- **Stakeholders are not only local people.** They include governments and their agencies, as well as people, organizations, institutions and markets, which are not necessarily located close to the organization that is being managed.
- **Stakeholders are not only organizations and formal groups.** They include individuals, communities and informal networks. Facilitators of planning and management processes must be prepared to recognize and involve the sectors of society that are not formally represented and organized.
- **Stakeholders are not only the customers of an organization.** They include people and institutions that impact not just directly but also indirectly on the organization even without using its products.
- **Stakeholders change over time.** New stakeholders can enter in a business organization system, while others may lose their role or interest. For example, changes in the local economy, society, organization system, and in the status of products, will inevitably provoke changes in the ways people use, and relate to an organization. Stakeholder identification is therefore an ongoing process, and it is one that must incorporate a historical dimension.

1.3.2 Defining Stakeholders ⁵

The word 'stakeholder' has assumed a prominent place in public and non-profit management theory and practice in the last 20 years, and especially in the last decade. The term refers to persons, groups or organizations that must somehow be taken into account by leaders, managers and front-line staff.

R. Edward Freeman, in the classic text *Strategic Management: A Stakeholder Approach* (1984), defined a stakeholder as 'any group or individual who can affect or is affected by the achievement of the organization's objectives'. Typical definitions of stakeholder from the public and non-profit sector literatures include the following variants:

'All parties who will be affected by or will affect [the organization's] strategy' (Nutt and Backoff, 1992).

'Any person, group or organization that can place a claim on the organization's attention, resources, or output, or is affected by that output' (Bryson, 1995).

‘People or small groups with the power to respond to, negotiate with, and change the strategic future of the organization’ (Eden and Ackermann, 1998).

‘Those individuals or groups who depend on the organization to fulfill their own goals and on whom, in turn, the organization depends’ (Oohson and Scholes, 2002).

‘The individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and are therefore its potential beneficiaries and/or risk bearers’ (Post, et al., 2002).

According to the Project Management Institute (PMI), the term stakeholder refers to, ‘an individual, group, or organization, who may affect, be affected by, or perceive itself to be affected by a decision, activity, or outcome of a project’ (Project Management Institute, 2013).

1.3.3 Types of Stakeholders ⁶

Freeman (1984 cited by Miragaia et al., 2014) lists employees, customers, suppliers, shareholders, banks, environmentalists and the government as stakeholders – sourcing from the aforementioned definition by Freeman and Reed (1983) that considers the groups that are able to harm or help the organization as stakeholders. Post et al. (2002) consider stakeholders similarly, as seen in Figure 3.

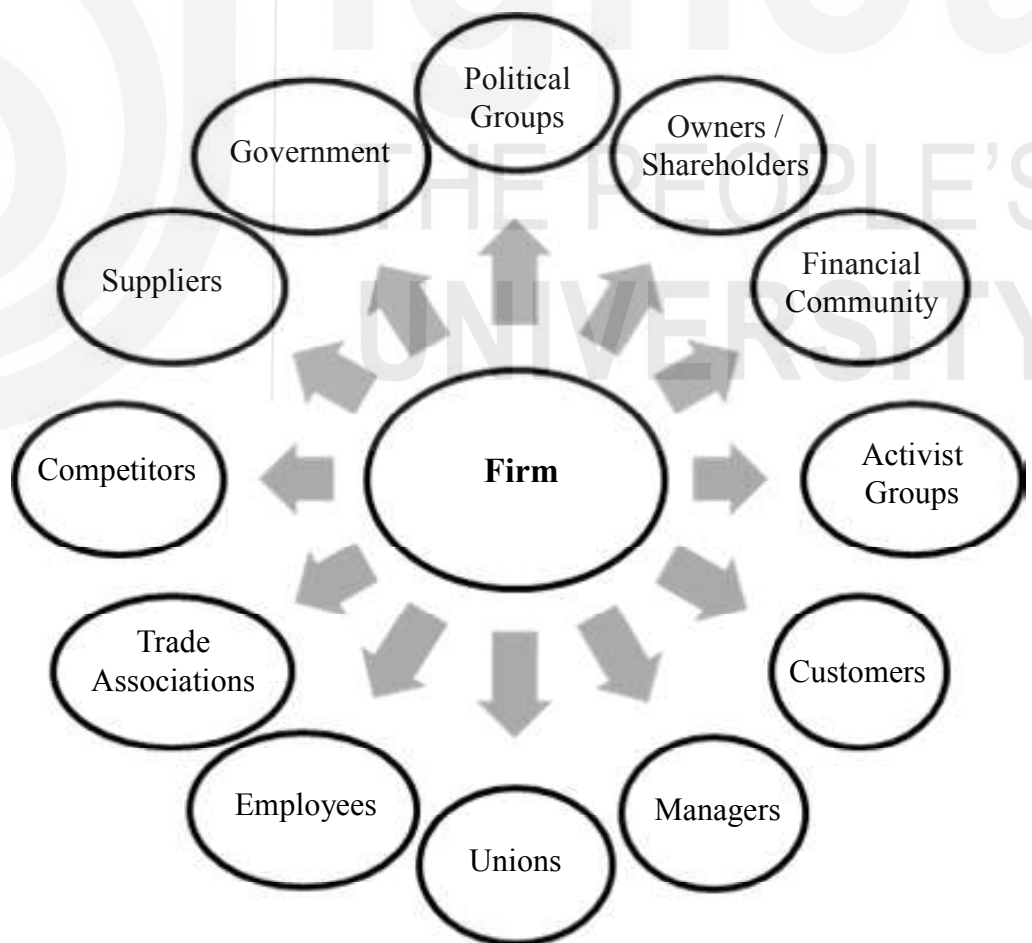


Figure 3: Stakeholders of a Large Organization

(Source: Adapted from R.E. Freeman 1984, Strategic Management: A Stakeholder Approach)

Arising from the existence of very many different stakeholder groups, it can be useful to classify them to subgroups along following attributes. The classification can help to determine roughly their importance or needs:

- **Primary stakeholders** have a vested interest in how the organization performs and the actions it engages in to conduct business. Examples of these types of stakeholders are customers, employees, suppliers, board of directors, owners, and shareholders. Primary stakeholders benefit from a well run company but are also harmed by the organization's mishaps. Primary stakeholders directly affect the success and failure of the company.
- **Secondary stakeholders** can influence, both positively and negatively, the actions of the organization. They indirectly affect the organization by taking actions to make it difficult for the organization to succeed or by supporting the organization's efforts. Examples of secondary stakeholders are government agencies, regulation agencies, trade unions, labor unions, political groups, social groups, and the media.
- **Internal stake holders** are those who operate entirely within the boundaries of the organization. **External stakeholders** are those who provide inputs to the organization (equipment, material suppliers), those who compete with the organization (for customers, resources) and those who have some other interest in the organization's function (government, media, etc.) (Mayers, 2005; Carlon and Downs, 2014)
- **Active and passive stakeholders.** Mahoney (1994) identifies active stakeholders as those who seek to participate in the organization's activities and they may or may not be a part of the organization's formal structure, e.g., management and employees. They are considered active stakeholders as well as can be regulators or environmental pressure groups. Passive stakeholders are those who do not normally seek to participate in an organization's policy making, but it need to be emphasized that even though they should not be considered less interested or less powerful. Passive stakeholders will normally include most shareholders, government or local communities.

1.4 METHODS TO IDENTIFY THE STAKEHOLDERS

Methods to Identify the Stakeholders^{7,8}

There are a number of ways to identify stakeholders. Often, the use of more than one method will yield the best results.

- Social Data Collection:** One of the first and least prominent ways to gain insights about stakeholders of local community is to look at background demographic information about local economic and industrial trends and insights from local media sources. This contains a data sheet for gathering information about a community and considering the potential benefits and impacts of a business organization/project.

These demographic data can often be found online at the community, region, state, and/or federal or national level. The Census Bureau of India has a

website that provides a link to the various statistical agencies. The Social Data worksheets in the toolkit given in the link provided in the website help the user to organize this information for potential local benefits or concerns that can be accessed through more in-depth outreach to the community.

Various forms of social media (e.g., Twitter, Facebook, blogs, WhatsApp) are increasingly relied on to share information and reactions to events. Some of these can be searched for links or information about a community being considered for a business organization location and can provide helpful background information about public concerns and views.

- b) **Baseline Survey:** Business or project operators may want to consider conducting a baseline survey to assess knowledge, opinions and attitudes regarding the issues of climate change, other energy technologies and factors in the local community.

The toolkit contains a series of questions (Who, What, Why, When, and How) to help the business operator to start with the desired information, how it might be used, and the various methods for obtaining it. The toolkit also contains a sample survey. If the result of the sample survey is found appropriate, then this can be targeted towards a relatively large number of people. Typically, there are a number of survey options that may include online surveys, polling at locations with crowds (such as shopping malls), phone surveys, and written surveys.

The results of such a survey could further help in stakeholder identification. Results could also be used in the other steps of stakeholder mapping and assessing organization's communication strategies with their stakeholders.

- c) **Brainstorm:** Essentially, brainstorming is an exercise in which individuals or small groups of people are asked to develop ideas in response to a specific question or topic. In this case, the question is some formulation of 'who are the organization's stakeholders'? Participants are asked to name stakeholder segments, groups, and/or individuals that they think will be a stakeholder for the project. There are a number of ways to stimulate creative thinking from participants:

- Secure the participation of a relatively diverse group of participants to avoid "group think"
- Have prompts or tools in hand to be used if needed
- Keep the tone of the session upbeat and encouraging
- Record all ideas in a visible place to help stimulate add-on thinking

Table 1: Stakeholder Identification Tools and Techniques

Tools / Techniques	Key Questions or Insights
Social Data Collection	<ul style="list-style-type: none"> • Who lives in the community? • What are the economic, education, and employment trends? • What does local news coverage indicate

	about views on climate change, energy policy, subsurface activity, environmental concerns, etc.,?
Baseline Survey	<ul style="list-style-type: none"> • What are knowledge of and attitudes toward science and energy issues? • What are knowledge of and attitudes toward climate change and CCS? • What is the level of trust in government and host company(ies)?
Brainstorming	<ul style="list-style-type: none"> • Who are the project’s stakeholders? • What is known about their perceptions and concerns?
Interviews & Focus Groups	<ul style="list-style-type: none"> • Who are the project stakeholders? • What is their contact information?

d) Interviews & Focus Groups: These data collection methods for stakeholders involve inviting stakeholders to express their opinion on the objective. The number of people in a focus-group typically varies from 4 to 12 participants.

The key to holding a successful focus group session is to ensure no participant dictates the discussion. Therefore, careful moderation is critical to the success of a focus group. Another critical success factor is that the discussions should not be based on preconceived notions. Rather, they should be used to understand them better. Participants should not only concur or disagree, but rather build on the opinion expressed. Through focus groups, a large amount of data can be collected. The key is to ensure that participants are carefully selected.

Activity 1

Visit a CSR project being implemented in the city of your residence. List out the identified stakeholders of the project.

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Check Your Progress-1

Note: a) Write your answer in about 50 words.

b) Check your answer with possible answers given at the end of the unit

1) Name the various claimants for social responsibility of any business.

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2) Who is a stakeholder? Name the methods to identify stakeholders.

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1.5 STAKEHOLDERS MAPPING

Mapping is an important step to understanding who the key stakeholders are, where they come from, and what they are looking for in the business. Stakeholder mapping is a collaborative process of research, debate, and discussion that draws from multiple perspectives to determine a key list of stakeholders across the entire stakeholder spectrum. The process of stakeholder mapping is as important as the result, and the quality of the process depends heavily on the knowledge about the organization's stakeholders.

Mapping stakeholders is a visual exercise and analysis tool that an organization can use to further determine which stakeholders are most useful to engage with. Mapping allows us to see where stakeholders stand when evaluated by the same key criteria and compared to each other.⁹The aim of this step is to differentiate identified stakeholders groups according to certain attributes.

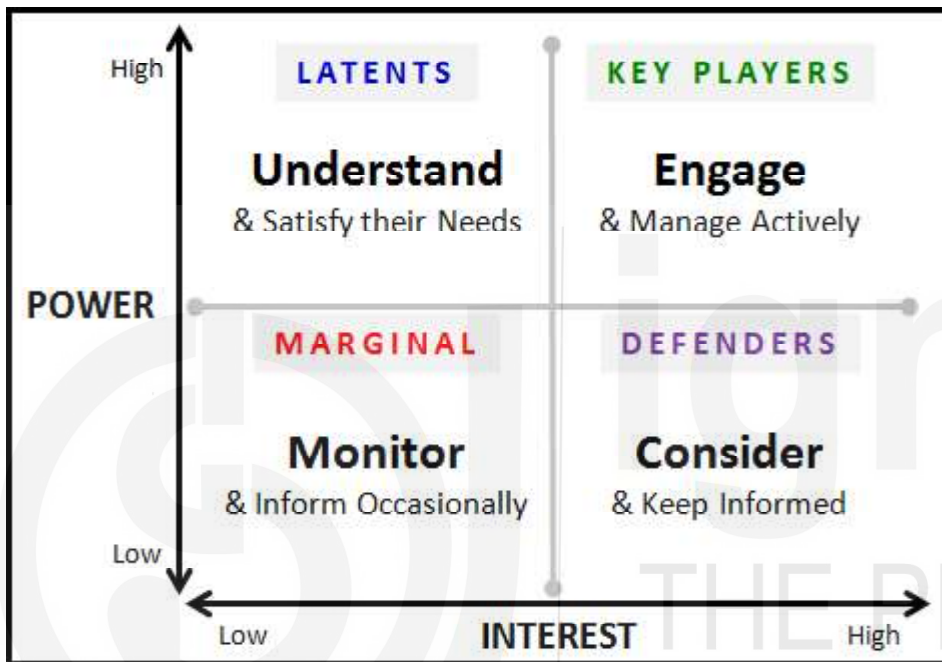
This method is described in detail by Eden and Ackermann (1998, pp. 121–125, 344–346). It is based on two attributes: power and interest that are thought of as range (from low to high) and helps to identify which stakeholders are the most powerful and which has the biggest interest in a company (Bryson, 2004).

Power versus Interest Grid¹⁰

The **power/interest grid** is a two-dimensional matrix that classifies stakeholders into four groups according to the power they hold and to the degree to which they are likely to show interest (which their positions impose on them):

- **High power and high interest stakeholders:** These stakeholders are required to be kept informed. These should be closely involved in all business decisions. (*Key Players*)
- **High power and low interest stakeholders:** These are the stakeholders who need to be kept satisfied to gain their support during business/project. The managers should inform them wherever necessary so as to maintain their interest in the business. These stakeholders are able to reach to more powerful groups such as the organization's owners or even the media. (*Latents*)

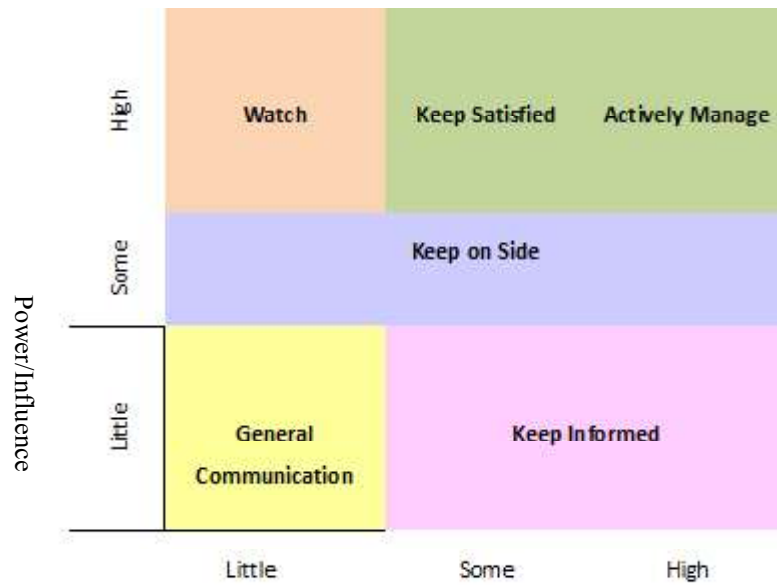
Figure: 4 Power versus Interest Grid



(Source: <https://citoolkit.com/articles/stakeholder-analysis/>)

- **Low power and high interest stakeholders:** These stakeholders are highly interested in the business results; however, they have little power as individuals to influence any business decision. There should be regular communication with them so that they are kept as informed as is necessary. Examples of these stakeholders are the staff who will apply the improved processes. (*Defenders*)
- **Low power and low interest stakeholders:** These stakeholders do not have a great deal of influence, nor they have any interest in the proposed action. The results are likely to have little impact on them; therefore, they don't require a great deal of consideration. However, there should be an occasional communication with them so that they are kept informed about important issues and changes. (*Marginals*)

Figure 5: Extended version of Power-Interest Grid



(Source: <https://www2.mmu.ac.uk/media/mmuacuk/content/documents/bit/Stakeholder-analysis-toolkit-v3.pdf>)

Stakeholders often move around the grid. Some Stakeholders will become more interested as the implementation progresses and they begin to see that the changes will affect them. Others may become more powerful through internal promotion or transfer. Hence, the analysis needs to be carried out regularly throughout the project.

1.6 PRIORITIZATION OF STAKEHOLDERS AND STAKEHOLDERS' ENGAGEMENT

1.6.1 Prioritization of Stakeholders¹¹

It is very difficult for the organization to balance the interest of all the stakeholders as well as meet the business objectives. The former task involves financial resources which may impact the financial performance of the company. Therefore, it becomes very important to prioritize the stakeholders in accordance with their expectations and relevance to the organization.

A number of studies have been made in the past which gives insights about determining the significance of relevant stakeholders.

Savage (1991) discussed about categorizing the stakeholders on the basis of their potential of being cooperative or imposing the threat with the organization. This is more practical approach which distinguishes the supportive stakeholders from the opponent ones. The organization should give more attention to the supporters. This method is questionable and requires more clarity in thought.

Polonsky (1996) recommended that the organization must consider that the stakeholders can influence the third parties or other stakeholders to take action. This explains that even stakeholders who do not have direct impact on a company can also be tactically important because of their influential abilities to other stakeholders.

Freudenberg (1999) arranged stakeholders in line with the attributes of knowledge, power and preferences. These three criteria are interrelated as one who has knowledge is expected to have power. Furthermore, Frooman (1999) developed a resource dependency theory that discussed an organization's dependency on stakeholders, and vice versa. This means stakeholders have direct or indirect influence on organization for human, financial, and informational resources. Afterwards Johnson and Scholes (2002) studied stakeholder's interest in influencing business operations and their ability to enforce their preferences.

Therefore, stakeholder's prioritization should be practical and cost-efficient so as to be applicable in the corporate world. This requires discussing Mitchell, Agle, Wood's (1997) theory based on power, legitimacy and urgency.

Mitchell, Agle, Wood's (1997) Theory:

The stakeholder attributes can be defined on the basis of the following attributes: Power, Legitimacy and Urgency 12

Power

Power can be defined as "the stakeholder's capacity to influence the organization" (Miragaia et al., 2014). As per Krüger (1974) and Weber/Winckelmann (2009), a stakeholder who is able to impose its own preferences against the company's will can be referred to as powerful.

Etzioni (1964, cited by Mitchell et al., 1997) suggests more precise classification of power, based on the type of resources used to exercise power. It is coercive power, based on the physical resources of force, violence, or restraint; then utilitarian power, based on material or financial resources; and normative power, based on symbolic resources. A party has a power to the extent of how it gains access to coercive, utilitarian or normative means of power.

Legitimacy

Legitimacy is a desirable social good and it may be negotiated differently at various levels of social organization. Suchman (1995) defines Legitimacy as behavioral patterns which are considered appropriate or preferable within social systems.

Urgency

Adding the attribute of urgency helps to move the model from static to dynamic. Urgency can exist only when two conditions are met:

- When a relationship is of a time-sensitive nature, or
- When that relationship is important or critical to the stakeholder.

Therefore, urgency is based on the two attributes: time sensitivity and criticality and can be defined as the degree to which stakeholder claims call for immediate attention.

On the basis of these attributes, stakeholders can be differentiated in eight categories, exhibited in figure 6. Mainly, there are three types of stakeholders:

- 1) latent, which possess only one of the attributes and therefore are considered as low salience classes;

- 2) expectant, which possess two attributes and are called moderately salient stakeholders, and
- 3) definitive, which possess all the three attributes and which are considered as highly salient stakeholders.

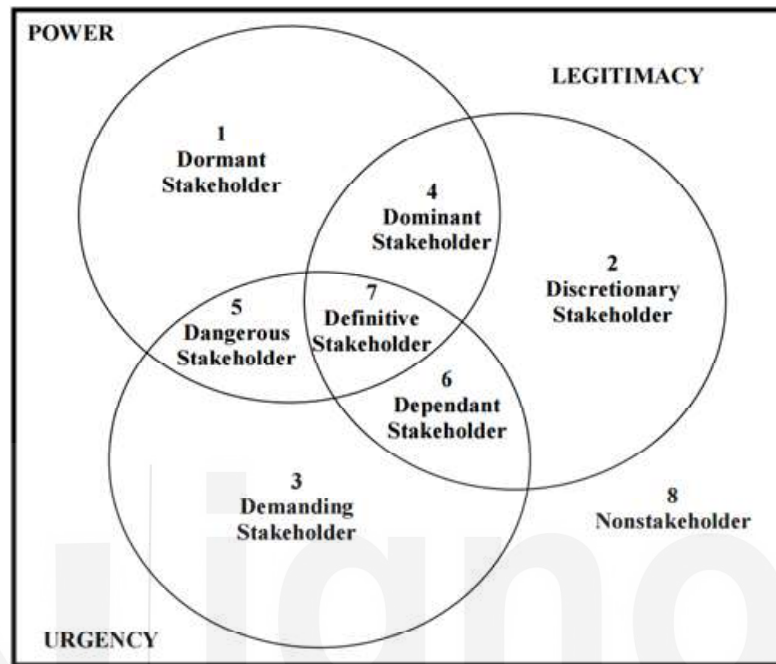


Figure 6: Stakeholder Typology

(Source: <https://i2s.anu.edu.au/resources/stakeholder-analysis-power-legitimacy-urgency>)

Classification of Stakeholders on the Basis of the Attributes Present

i) **Dormant stakeholders**

These are latent stakeholders, who possess only the attribute of power. They can impose their will on the company, but as they do not have any other attribute, their power remains unused.

ii) **Discretionary stakeholders**

Latent stakeholders possess the only attribute of legitimacy. This group is particularly interesting for corporate social responsibility questions. There is absolutely no pressure on managers to engage in an active relationship with such stakeholders.

iii) **Demanding stakeholders**

This category includes latent stakeholders who have the only attribute of urgency, which is the reason why they are called demanding. They are usually very passionate in acquiring management attention, but without power or legitimacy usually they are not paid any attention.

iv) **Dominant stakeholders**

They belong to expectant stakeholder, because they possess two of the attributes. Being both powerful and legitimate, their influence in the firm is assured. They expect and receive much of managers' attention.

v) **Dependent stakeholders**

This group of expectant stakeholders lack power, they have urgent, legitimate claims, which they are having hard time to reach, and therefore they are called dependent. They sometimes seek help through advocacy or guardianship of other stakeholders.

vi) **Dangerous stakeholders**

They are expectant stakeholders possessing urgency and power. These stakeholders are often coercive or even violent. They sometimes express themselves through strikes, employee sabotage, etc.

vii) **Definitive stakeholders**

This group possesses all three attributes and has the highest salience of them all. They are perceived by managers to be present. The most common occurrence is the move of stakeholders from dominant group to definitive (by obtaining the attribute of urgency).

Activity 2

On the basis of the above classification of stakeholders, classify the stakeholders identified in 'Activity 1' by comparing their attributes to that of above classification.

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1.6.2 Stakeholders' Engagement¹³

Stakeholder engagement refers to the process by which a company communicates or interacts with its stakeholders in order to achieve a desired outcome and enhance accountability. Companies have, to varying degrees, always engaged with stakeholders in one way or another. Historically, engagement tended to be more reactive or focused on risk mitigation.

As the corporate social responsibility movement has grown, companies have become proactive under the assumption that stakeholder engagement can enhance the sustainability and profitability of the organization.

Benefits of engaging with stakeholders include:

- **Building Trust:** Sincere efforts at engagement can improve relations between a company and its stakeholders. This can diffuse existing tensions and make it easier to solve potential problems down the road.
- **Risk Management:** Working with stakeholders can lead to a more stable operating environment and reveal critical information that is important for company decision-making.

Stakeholders' Engagement

- **Brand Enhancement:** By engaging with stakeholders a company can improve its visibility and reputation. Customers, investors, and other economic stakeholders may also view this engagement as a differentiating factor in the market.
- **Improved Productivity:** Better internal engagement can identify areas in which the company can become more efficient. Additionally, employees that have a greater voice in the workplace tend to have higher morale.
- **Strategic Opportunities:** Engaging with stakeholders can help a company to identify new business opportunities and market segments.
- **Partnerships:** By collaborating with stakeholders, companies can pool resources to achieve a common goal.
- **Increased Investment:** Greater transparency and stakeholder engagement can be an attractive draw for capital, particularly from impact investors.

Stakeholder engagement is a key part of corporate social responsibility (CSR) and in achieving the triple bottom line. Companies engage their stakeholders in dialogue to find out what social and environmental issues matter most to them about their performance in order to improve decision-making and accountability. An engaging stakeholder is a requirement of the Global Reporting Initiative, a network-based organization with sustainability reporting framework that is widely used around the world. The International Organization for Standardization (ISO) requires stakeholder engagement for all their new standards. 14

Involving stakeholders in decision-making processes is not confined to corporate social responsibility (CSR) processes. It is a tool used by matured private and public sector organizations, especially when they want to develop understanding and agrees to solutions on complex issues or issues of concern.

Check Your Progress - 2

Note: a) Write your answer in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What is the importance of stakeholder mapping?

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2) Discuss the importance of stakeholder engagement in CSR.

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1.7 LET US SUM UP

In this unit you have read about the various claimants of the social responsibility of business. You have also read about the concept of stakeholders, its various definitions and about the types of stakeholders. Freeman defines stakeholders as ‘any group or individual who can affect or is affected by the achievement of the organization’s objectives’. This unit further discusses the methods to identify the stakeholders. The stakeholders can be identified using one or more of these methods: social data collection, baseline survey, brainstorming and interviews and focus group discussions. This was followed by a discussion on stakeholder mapping done to differentiate identified stakeholder groups according to certain attributes. Finally, you read about prioritization of stakeholders by the organization to balance the interest of all the stakeholders as well as meet the business objectives. You have also read about the various benefits of stakeholder engagement.

1.8 KEYWORDS

Stakeholder: A stakeholder is a party that has an interest in a company and can either affect or be affected by the business.

Baseline Survey: A baseline survey is a study that is done at the beginning of a project to collect information on the status of a subject (anything from crop yields to birth weights) before any type of intervention can affect it.

Stakeholder Engagement: Stakeholder engagement is the process by which an organization involves people who may be affected by the decisions it makes or can influence the implementation of its decisions.

Focus Group Discussion: A focus group discussion involves gathering people from similar backgrounds or experiences together to discuss a specific topic of interest. It is a form of qualitative research where questions are asked about their perceptions attitudes, beliefs, opinion or ideas.

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1.10 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress -1

Answer 1. Various parties towards which business organization is socially responsible include:

- 1) Employees/workers
- 2) Shareholders or Investors
- 3) Consumers
- 4) Suppliers and Vendors
- 5) Competitors
- 6) Government
- 7) Environment
- 8) Local community
- 9) Society
- 10) Nation

Answer 2. A 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.

There are a number of ways to identify stakeholders, for example:

- 1) Social Data Collection
- 2) Baseline Survey
- 3) Brainstorm
- 4) Interviews & Focus Groups

Check Your Progress -2

Answer 1. Mapping stakeholders is a visual exercise and analysis tool that an organization can use to further determine which stakeholders are most useful to engage with. Mapping allows to see where stakeholders stand when evaluated by the same key criteria and compared to each other. The aim of this step is to differentiate identified stakeholder groups according to certain attributes.

Answer 2. Stakeholder engagement is a key part of corporate social responsibility (CSR) and in achieving the triple bottom line. Companies engage their stakeholders in dialogue to find out what social and environmental issues matter most to them about their performance in order to improve decision-making and accountability.