

Stakeholder Analysis



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Pre-Workshop Questionnaire

1. What is your definition of a stakeholder?

2. In your opinion, who are the bank's *internal* stakeholders? What kind of stakeholder are they for the bank (primary or secondary)? How would you like to communicate with them?

INTERNAL STAKEHOLDERS	KIND OF STAKEHOLDER	COMMUNICATION METHODS

3. In your opinion, who are the bank's *external* stakeholders? What kind of stakeholder are they for the bank (primary or secondary)? How would you like to communicate with them?

EXTERNAL STAKEHOLDERS	KIND OF STAKEHOLDER	COMMUNICATION METHODS

4. What are the outcomes you would like to see from this stakeholder analysis workshop?

Module 1 Who are Our Stakeholders?

Goal: to understand who are our current stakeholders and potential stakeholders

Theoretical Explanation:

- “A stake is anything --- tangible or intangible, material or immaterial --- that a person or group has that is of value to another person or group (Heath, 1997, p. 18).”
- “Stakeholders are any persons or groups that hold something of value that can be used as rewards or constraints in exchange for goods, services, or organizational policies and operating standards (Heath, 1997, p. 28)”.
- “What is issues management? The answer: It is the management of organizational and community resources through the public policy process to advance organizational interests and rights by striking a mutual balance with those of stakeholders.” (Heath, 1997, p. 9)
- “If Enron’s senior leadership would have let independent researchers conduct a random survey of its 2,000 employees, the company’s key stakeholders would have been afforded a very cost-effective ‘insurance policy’ against self-destruction The final bill would have cost significantly less in the long run and the information collected would have provided reassurance – or, perhaps in this case, set off warning signals.” (Walker, 2003)
- “A nod to stakeholders can produce results. At Starbucks Corp., which provides all employees – even part-time store clerks – with health insurance, stock options, and training and career counseling, worker turnover is less than 60% annually, well below the 300% restaurant industry average.” (Hammonds, Zellner, Melcher, 1996)

Process

The goal of Module I is to identify the stakeholders for the entire bank, both internal and external. We will identify the current stakeholders, the potential stakeholders, also known in the literature as stakeholders. Analysis of the stakeholders for the bank is necessary in order to prepare the strategic plan. Because stakeholders and stakeholders affect all areas of the current operations and future operations of the bank, identifying them is crucial, not only for the strategic plans, but also for the subsidiary plans including the marketing and communication efforts. Identifying stakeholders is also part of an issues management program because it is helpful in determining current and emerging issues that can affect the viability of the bank and meeting its mission and goals. Current management research shows that if an organization can put an issues management program into place and develops a system for issues identification, issues scanning, issues monitoring and tracking, issues analysis, and issues prioritization, it helps the organization to avoid those situations where developing issues evolve into an image management operation. In many cases issues management problems often involve public, media, and regulatory agencies. The key is to identify the issues before they become an image issue. Thus the need for a Stakeholder Analysis and analyze the bank’s stakeholders and stakeholders and find a way to communicate with them hoping to determine the evolving issues that the bank is currently facing or may face in the future. The goal is to manage the issues so they can be contained or solved before they become a critical issues and crises.

This module will answer the following questions:

- Who are our current stakeholders?
 - ♦ Internal stakeholders? External stakeholders?
 - ♦ Are they primary (ultimately affected by the bank) or secondary stakeholders (intermediaries that support the bank's mission and goals)?
 - ♦ Are stakeholders at our branches different from the stakeholders for the main branch or for the bank holding company?
- Who are our potential stakeholders (stakeseekers)?

Read more about it!

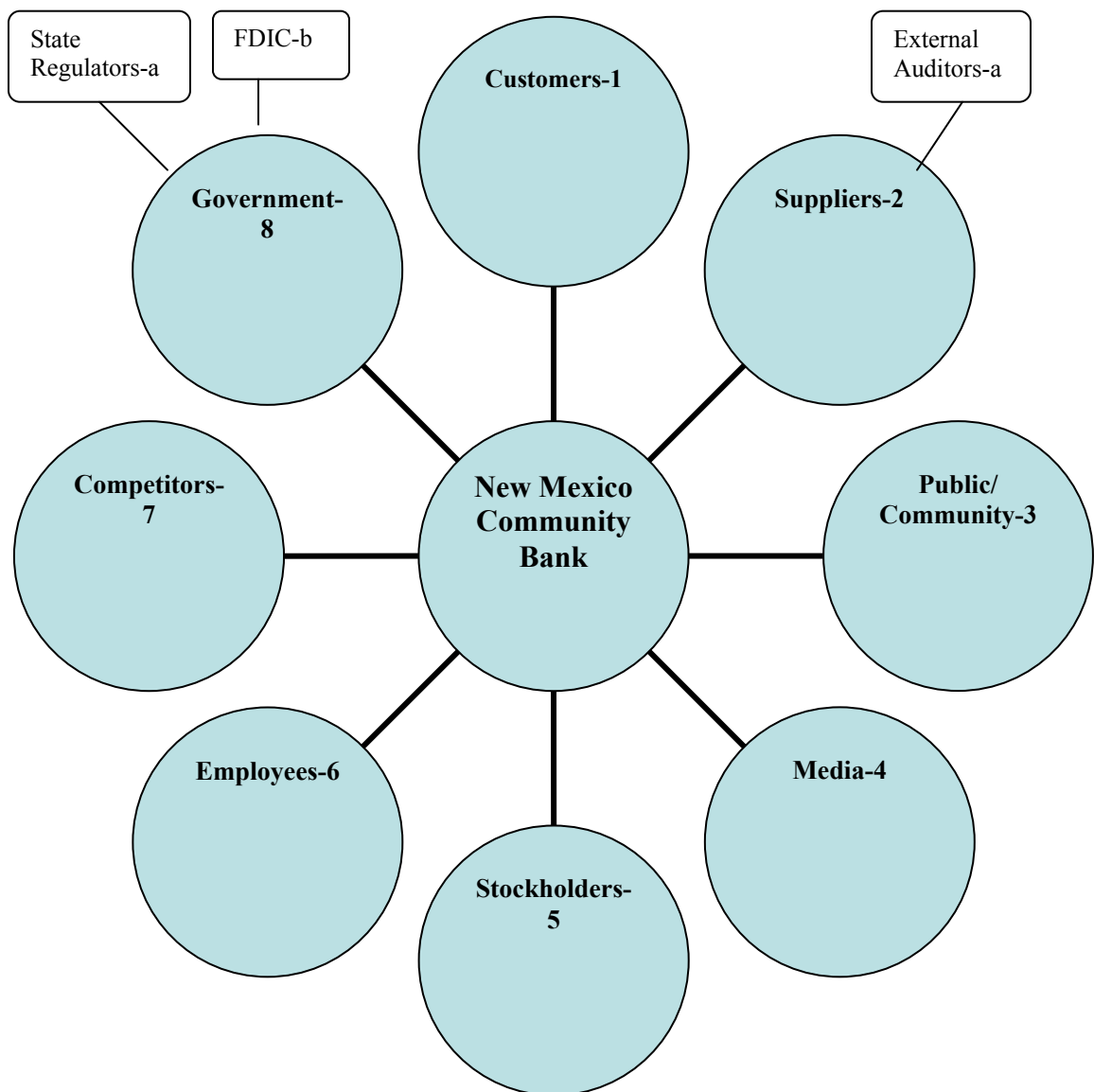
Dunfee, T. (1996). *Toward a Generic Stakeholder Theory: Social Contracts and Stakeholder Obligations*. Retrieved 12/10/2003 from <http://knowledge.wharton.upenn.edu/papers/282.pdf>

Heath, R. (1997). *Strategic Issues Management*. Thousand Oaks, CA: Sage Publications

Weiss, J. W. (1998). *Business Ethics: A Stakeholder and Issues Management Approach*. Philadelphia: Dryden Press

Learning Materials – Stakeholder Map

- For each circle, add secondary circles with names or groups and note if internal or external stakeholders
- How would you draw a circle(s) for the branches? Are they separate stakeholder maps or can they be included in the main New Mexico Community Bank’s stakeholder map?
- Note next to each stakeholder code a “P” for Primary Stakeholder or a “S” for Secondary Stakeholder
- After each “P” or “S” code each secondary circle with an “a”, “b”, “c”, etc.



Module 2 What are the Stakeholder Coalitions?

Goal: to identify the kinds of coalitions our stakeholders have developed among themselves

Theoretical Explanation

- “Issues managers are expected to identify key stakeholders, ascertain the quality of relationships between them and the organization, and determine what can be done to enhance that relationship. The quality of relationships predicts that stakes will be granted in support of the organization or used to punish it (Heath 1997, p. 28)”
- “Each relevant political, social or economic community (both formal and informal communities capable of generating norms pertaining to stakeholder obligations including political entities, industry groups, consumers groups, and so) may define the primary boundaries of stakeholder obligation for organizations operating within its boundaries and also for organizations established under its legal or moral environment (Dunfee 1996, p. 5)
- “Local community norms provide a core foundation for ethical obligation. The attitudes and behaviors of other community members are key points of reference. [Dees and Cramton, 1991; Green, 1991” (Dunfee, 1996, p. 12)
- “Actions of communities at all levels are circumscribed by hypernorms. Hypernorms ‘entail principals so fundamental to human existence that they serve as a guide in evaluating lower level moral norms. As such, we would expect them to be reflected in a convergence of religious, philosophical, and cultural beliefs ...’ (Donaldson and Dunfee, 1994, p 265”. (Dunfee, 1996, p. 14)

Process

Stakeholder coalitions can have a positive or negative effect on the bank. The reason why we want to determine the nature of the stakeholder interests and any coalitions they have developed is to determine what kind of power they have, positive or negative, and if the bank should pay attention to them. If the bank should pay attention to the coalitions, then it can develop a plan to deal with the issues that the stakeholders have currently and in the future.

Read more about it!

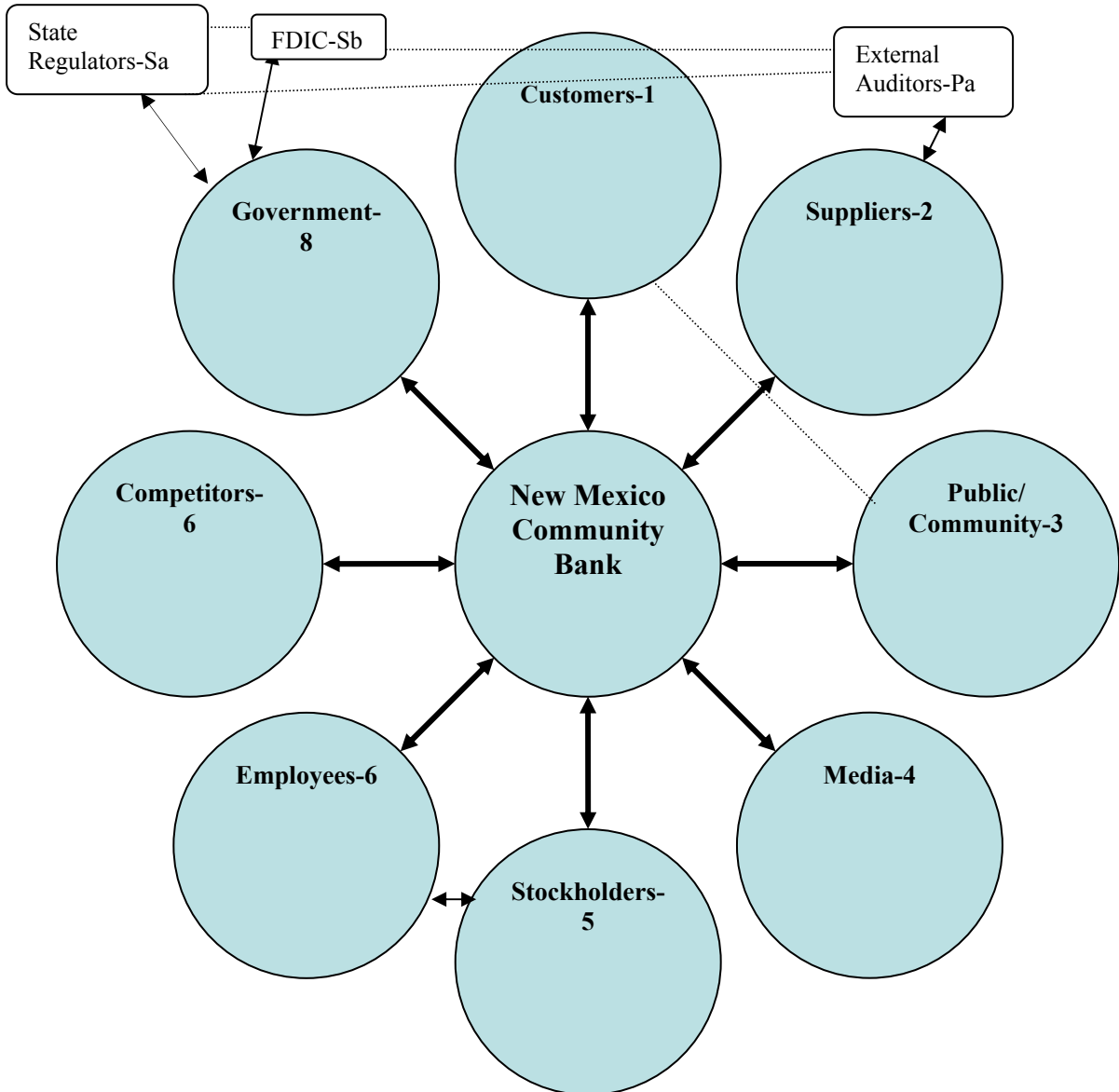
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Learning Materials – Stakeholder Coalition Map

- Take the Stakeholder Map and draw a dotted line (- - - - -) between large and secondary circles representing indirect coalitions
- Take the Stakeholder Map and draw a broad line (____) between large and secondary circles representing direct coalitions



Module 3 What is the Nature of Stakeholder Interests?

Goal: to determine the nature of each stockholder interest and its affect

Theoretical Explanation:

- “Surprise can upset the execution of a strategic business plan and require a new or altered public policy or communication plan [Dutton & Duncan, 1987].” (Heath, 1997, p. 81)
- “Stakeholder analysis demands the ability to determine where parties agree and disagree in terms of what they believe to be facts regarding an issue and the evaluation of it (whether negatively or positively) as well as critical or trivial.” (Heath, 1997, p. 29.
- “To gain insights into the dynamics of stakeholder participation in public policy and market arenas, issues managers need to understand the trends that issues follow as well as the factors that affect those trends.” (Heath, 1997, p. 29)
- “This analysis requires the recognition that how stakeholder allot their financial and policy stakes has short-term and long-term consequences on the organization’s ability to achieve its mission given its resources.” (Heath, 1997, p. 29)
- “Where there are conflicting legitimate norms concerning stakeholder obligations among relevant socio-political communities, the norms of the community having the most significant interests in the decision (often the community in which an organization has its most significant economic presence and, if different, the community directly sanctioning and regulating the enterprise organization) should be candidates for priority.” (Dunfee, 1996, p. 20) “Otherwise, where there are conflicting norms with no clear basis for prioritization, enterprise organizations have substantial discretion in choosing among competing legitimate norms.” (Dunfee, 1996, p. 30)
- “A stakeholder strategy implemented by a global business organization must often balance, under an overarching framework of universal principles, stakeholder obligations resulting from a variety of organizational and economic communities.” (Dunfee, 1996, p. 20).
- “All global organizations should comply with the hypernorm to do no harm to humans by developing and maintaining a set of global stakeholder standards sufficient to insure that employees, consumers and their parties are not subject to reasonably avoidable physical risk. At the same time, global organizations should remain open to local preferences and expectations as an important dimension of their stakeholder management.” (Dunfee, 1996, p. 20).

Process

We are going to perform an audit of each stakeholder’s interest in the bank. In this audit, we are going to sort each stakeholder as to which it is **active**, **inactive** or **potentially active** and if it is **for** (+) or **against** (-) the mission and goals of the bank. We are then going to set questions or edit a series of questions auditing the actions of each stakeholder, their belief system, cooperative potential and stakes. The goal with this module is for the team to have a

more objective picture of the stakeholders, the overall situation the bank is facing, the players, and the bank's potential and actual role in the situation.

Read more about it!

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Learning Materials – Stakeholder Audit

- Review the framework for the Stakeholder Audit below and analyze the questions for relevancy to the bank’s current situation.
- For each stakeholder outlined in the Stakeholder Map, place the stakeholder under the correct heading. Brainstorm and resolve the questions in the audit form under Actions, Beliefs, Cooperative Potential and Stakes

STAKEHOLDER: _____ - ____	SUPPORTERS (ACTIVE)		UNCOMMITTED (NONACTIVE)		OPPOSITION (ACTIVE)	
	+	-	+	-	+	-
Actions						
What are they doing, e.g., what pressures and procedures are they using, and what actions have they taken to get what they want?						
What are the thresholds between their indifference and activism? What could trigger their response? What are their sensitive areas?						
What are they asking for; what will they ask for; what do they want—i.e., what are their objectives?						
Beliefs						
What do their executives believe in? Is their knowledge of us accurate or inaccurate?						
What assumptions do they make about us? What assumptions about them are implicit to our strategy?						
How do they think we affect their success, and they ours?						
What is their power relative to us?						
How do they measure our performance, and we measure theirs?						
What do we really want? Are these objectives legitimate? Are they satisfied? Are we satisfied? What do they really want?						
How will time and current trends affect their satisfaction, relative power, and activism?						
Cooperative Potential						
With which of our stakeholders sets are they related or dependent?						
What differences are there between them and us, or our other stakeholders? Are these differences fundamental or superficial?						
How could they be influenced, and by whom, at what cost?						
Stakes						
What is their stake in us, and what is our stake in them? How important are these stakes?						
What is their real power in our affairs? Is there an equity interest, or is it economic? Do they seek influence for some other reason?						
What power do we have in their affairs?						
Power (From Module 4)						
What alternative exist? Are they worth the cost?						

Source: Weiss, 1998, p. 39

Module 4 What is the Power Our Stakeholders Have Over Us?

Goal: to determine the power stakeholders have in our affairs

Theoretical Explanation:

- “As Ewing (1987) concluded, ‘Issues management is about power’ (p. 1). Organizations, as the collective expression of individual interests, engage in reward-loss analysis regarding the expediency of opposing or yielding to power pressures from stakeholders who can impose sanctions. The equation works like this: Assuming accuracy of understanding between the parties in contention with one another but suffering an unchangeable difference in evaluation, companies, regulators, or activist groups have the option of exerting influence or opposing the influence efforts of others. Issues management serves organizations when it assists executives to foster the bottom line by enhancing the quality of relationships with stakeholders in a power arena.” (Heath, 1997, p. 19)
- “There are three types of power stakeholders have over the bank: voting power, political power and economic power [Freeman, 1984].” (Weiss, 1998, p. 38).
- “The purpose of this exercise is to establish the nature of the power and “identify allies’ and opponent strategies toward each stakeholder and ask you to identify groups you wish to cooperate with, neutralize or country over particular issues and claims”. (Weiss, 1998, p. 38).

Process

The objective with this module is for the team to add one more piece to the Stakeholder Audit. We are going to use the following diagram to analyze what is in it for each of our stakeholders. Examples of stakeholder power include voting power owners and shareholders have over management decisions; political power and subsequent economic power regulators have over lending and investment decisions affecting the financial future of the bank, economic power customers have by going to another lending institution or a depository organization if they decide to boycott the bank over a grievance. The purpose of this exercise is to establish the “nature of the power and identify allies’ and opponent strategies toward each stakeholder and ask you to identify groups the bank wishes to cooperate with, neutralize or country over particular issues and claims” (Weiss, 1998, p. 39). The outcome of this module will be another piece in the communication package that the bank will develop in order to deal with the stakeholders’ powers.

Read more about it!

Dunfee, T. (1996). *Toward a Generic Stakeholder Theory: Social Contracts and Stakeholder Obligations*. Retrieved 12/10/2003 from <http://knowledge.wharton.upenn.edu/papers/282.pdf>

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Learning Materials – Stakeholder Power Analysis

- After reviewing Stakeholder Audit below for each stakeholder use the following framework to answer the questions and note your response on the Stakeholder Audit forms under **Power**.



Source: Weiss, 1998, p. 39

Module 5 What Responsibilities Do We Have To Our Stakeholders?

Goal: to determine what responsibilities and moral obligations we have toward our stakeholders

Theoretical Explanations:

- “Managing corporate responsibility in the marketplace is a negotiated process, usually involving numerous stakeholders.” (Weiss, 1998, p. 138)
- “Governmental goals and operations are grounded in collectivistic values aimed at serving the public interest and good. Business goals and practices are based on individualistic values that serve private, economic self interests [Jacoby, 1975].” (Weiss, 1998, p. 160)
- “Any organization that operates in a manner that is indifferent to or flaunts the performance expectations held by key publics can eventually suffer substantial legislative or regulatory penalty.” (Heath, 1997, p. 119)
- “Enhanced standards of corporate responsibility strengthen the design and implementation of the strategic business plan.” (Heath, 1997, p. 121)
- “Organizations’ efforts to establish and implement appropriate corporate responsibility should not be static.” (Heath, 1998, p. 121)
- “To define and implement standards of corporate responsibility, issues managers can follow several steps. Improved standards of corporate responsibility can be used to increase harmony with stakeholders and increase the organization’s strategic business advantage.
 - Ascertain the standards of corporate responsibility held by stakeholders.
 - Compare those standards to those preferred and used by the organization.
 - Determine whether differences exist and, if so, whether they strain the relationship.
 - Ascertain whether differences in fact account for the disparity in expectations.
 - Decide whether value differences constitute the disparity between the organization and its key stakeholders.
 - Budget for change options, whether communication strategies, public policy efforts, or redefined strategic business strategies to respond to stakeholder expectations.
 - Alter performance or operating standards to lessen the legitimacy gap.
 - Take a communication or public policy stance based on correct facts or preferred values when the community interest would be better served.
 - Eliminate misunderstanding and disagreement by supplying facts or redefining standards vital to the community interest.
 - Incorporate preferred standards of corporate responsibility in strategic business planning, and communicate with key external stakeholders.
 - Integrate standards into individual, unit, and corporate performance review, including efforts to achieve total quality management.
 - Use improved standards of corporate responsibility to achieve competitive advantage.
 - Integrate these standards into product, service, and organizational reputation messages.” (Heath, 1998, p. 123)

- “Broad principles of organizational performance change slowly. Once they become widely accepted, they provide the framework that all mutually interested parties used to judge corporate responsibility.” (Heath, 1998, p. 127)
- “If companies want to minimize externally imposed standards, they must self-regulate by ascertaining and implementing appropriate standards of ethics.” (Heath, 1998, p. 132)
- “Think positive and be proactive”. (Heath, 1998, p. 146)

Process

The objective of this exercise of this module is for the team to matrix the stakeholders with the nature of the banks responsibilities to the stakeholders in the areas of legal responsibilities, economic responsibilities, ethical responsibilities and voluntary responsibilities. The goal of this module is to help the bank develop targeted communication strategies for each group of stakeholders.

Read more about it!

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Learning Materials – Stakeholder Responsibility Matrix

1. On the left side of the matrix, detail each group of stakeholders and sub-categories of stakeholders.
2. Mark on the matrix alongside each stakeholder if the bank has a legal, economic, ethical or voluntary responsibility for that stakeholder

Stakeholders			Nature of Ranchers Banks' Responsibilities			
			Legal	Economic	Ethical	Voluntary
	Customers	1				
	Suppliers	2				
	External Auditors	2Pa	✓	✓	✓	
	Public/Community	3				
	Media	4				
	Stockholders	5				
	Employees	6				
	Competitors	7				
	Government	8				
	State Regulators	8Sa	✓	✓		
	FDIC	8Sb	✓	✓		

Module 6 What Are Our Communication Strategies?

Goal: to determine if the bank will collaborate, involve, defend or monitor the communication strategy with the stakeholders

Theoretical Explanation:

- “Issues communication entails reaching audiences with vital data, key premises, and conclusions relevant to public policy matters”. (Heath, 1997, p. 190)
- “The goal for all parties in this dialogue is to forge policies that meet the needs and satisfy the values of all stakeholders”. (Heath, 1997, p. 190)
- “One guiding assumption behind issues communication is that if companies, activists, and governmental agencies get involved in public discussion before issue positions become fixed in the minds of key publics, communication efforts may have greater impact [Chase, 1984; Crable & Vibbert, 1985, Dionisopoulos, 1986].” (Heath, 1997, p. 191)
- “Communications options range from placed advertisements to news stories, feature articles, books, and published studies, to name only a partial list. They range from massive issue advertising campaigns to negotiations between leaders of critical groups. They include the private communication of the organization. It may entail testimony at legislative and regulatory hearings. It can involve advisory councils.” (Heath, 1997, p. 191)
- “Strategic communication should complement strategic business and public policy plans to balance corporate, governmental, and key publics’ interests.” (Heath, 1997, p. 191)
- “In the absence of these plans, the communication plan has no firm rationale and is likely to be reactive rather proactive.” (Heath, 1997, p. 191)
- “Communication planning maximizes the advantage of addressing issues important to opinion leaders and key publics to foster informed opinions and constructive evaluations. [Adams, 1995]”. (Heath, 1997, p. 191)
- “Corporations must be listeners as well as advocates if they are to provide useful “what’s-in-it-for-me” information about their operating conditions to key stakeholders.” (Heath, 1997, p. 191)
- “Issues communication is most effective when it is informative, fair, nonthreatening, and direct [Kelley, 1982]. As Grey Advertising Inc noted, the best issue campaigns ‘do not seek to be all things to all people. Rather, they focus on a single important idea that can be developed over time and presented in a variety of creative executions’ [Bell, 1983, p. 16].” (Heath, 1997, p. 193)

Process

The Stakeholder Communication Strategy Matrix is the final product from this workshop. All of the results from the preceding modules become the information for determining where to place each stakeholder in the following matrix. From the matrix, there are two dimensions that you need to determine to place the stakeholder in the matrix. The first dimension is the

stakeholder's "potential for threat" to the organization. The second dimension is the stakeholder's "potential for cooperation" with the organization. Within the dimensions, the potential for "cooperation or threat" is high or low. From determining where each stakeholder falls into the matrix, you will have a good idea on the best kind of strategy to approach each stakeholder. These strategies include whether to accommodate, negotiate, manipulate, resist, avoid, or "wait and see" with each stakeholder. Moving from the top right hand corner in clockwise order from the Stakeholder Communication Strategy Matrix, there are four quadrants: Type 1, the supportive stakeholder, has a low potential for threat and a high potential for cooperation. The strategy for Type 1 is to involve the stakeholder and minimize the expenditures of resources unless the stakeholder changes into another quadrant. Type 2, the marginal stakeholder, has a low potential for threat and a low potential for cooperation. The strategy for Type 2 is to monitor the stakeholder. Type 3, the nonsupportive stakeholder, has a high potential for threat and a low potential for cooperation. The strategy for Type 3 is to defend the organization from the stakeholder and reduce the organization's dependence on the stakeholder. Type 4, the mixed-blessing stakeholder, has a high potential for threat and a high potential for cooperation. The strategy for Type 4 is to collaborate with the stakeholder.

From this matrix, with the identification of stakeholders and the communication strategy that is assigned to each stakeholder, these strategies can be incorporated into the strategic plan and subsequent marketing and communication plans for implementation during the upcoming year(s). The key is to move from a reactive stance with stakeholders into a proactive stance.

Read more about it!

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Learning Materials – Stakeholder Communication Strategy Matrix

With each identified stakeholder, mark where each stakeholder is located in the matrix.

Stakeholder Strategy Matrix

Stakeholder's Potential for *Threat* to Organization

		<i>High</i>	<i>Low</i>
Stakeholder's Potential for Cooperation with Organization	<i>High</i>	Type 4 Mixed Blessing <i>8Sa (State regulators)</i> <i>8Sb (FDIC)</i>	Type 1 Supportive <i>2Pa (External Auditors)</i>
		Strategy: Collaborate	Strategy: Involve
	<i>Low</i>	Type 3 Nonsupportive	Type 2 Marginal
		Strategy Defend	Strategy Monitor

Source: Weiss, 1998, p. 41

Next Step

Monitoring Changing Stakeholder Coalitions

Theoretical Explanation:

- “Issues monitoring assumes that some issues pose threats or opportunities and therefore should be watched to see how they develop, which advocate takes a particular position, and the extent to which the issues achieves public and opinion leader visibility and credibility”. (Heath, 1997, p. 94).
- Monitoring requires forecasting. “Forecasting entails making extrapolations of to whether (a) the trend will continue, stabilize, increase or decrease in momentum; (b) change will occur in the breadth and depth of coverage and discussions by the media, governmental agencies, activists, and other in business (intraindustry and interindustry), (c) a rise or decline will take place in terms of the number of people (segmenting into key publics) who favor or disfavor a particular issue position, who adhere to key premises and values, and who know and believe crucial facts; (d) change will be seen in the number, degree of conviction, composition, and role played by opinion leaders; and (e) trends of these kinds will lead to or away from legislative action.” (Heath, 1997, p. 95)
- “Monitoring can be divided into distinct by interrelated phases. The first assesses the situational environment of the organization, the second monitors issue trends, and the third determines whether the organization’s efforts (strategic business planning, communication, or public policy positioning) make a difference in the direction and outcome of the issue.” (Heath, 1997, p. 96)

Changing situations, issues and crises often mean that stakeholder coalitions change. This requires that the bank set up a process for monitoring the changing stakeholder coalitions. One way is to use the process in this workshop to review the Stakeholder Coalition Map to see if any of the lines (solid and dotted) have changed. Any changes may predicate another Stakeholder Audit.

Strategic Plan

- The stakeholder analysis has come up with a grid, Module 6, where the stakeholders are identified, their issues and power analyzed. From this information, the stakeholder analysis can feed into the strategic planning process and be adjusted for branches and departments to use with their strategic plans.

Marketing and Communication Plans

- One of the goals from the stakeholder analysis is to gather and analyze the different kinds of stakeholders for the bank. Using the Stakeholder Communication Strategy Matrix from Module 6, it should be helpful in the design of marketing goals, budgets and plans for the marketing of the bank with the various stakeholders. It should be particularly helpful in the design and development of an advertising budget and a common theme based on the bank’s mission and goals.

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