

Stakeholders & Social Contract

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Stakeholders

- Managers
- Employees
- Customers
- Investors
- Shareholders
- Suppliers
- Govt
- Society
- Community
- Environment
- The Future

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Effect of Organizational Activities

- Utilization of natural resources
- The effect of market competition
- Enrichment of local communities
- Transformation of landscape
- Wealth creation and individual welfare

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Multiple Stakeholders

- Overlapping of stakeholders
- Complex nature of reality
- Power dynamics and stakeholders

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The Classification of Stakeholders

- Internal v/s External
- ✓ Within organization
- ✓ Outside organization
- Voluntary v/s Involuntary
- ✓ Employee
- ✓ Local community

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Stakeholder Theory

- Maximizing shareholders wealth does not increase welfare of society
- Affirmative actions
- Management of all stakeholders interest
- Need to consider stakeholders in decision making process

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Basic Questions

- Why pay attention to stake holders?

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Why Stakeholders?

- Moral case: morally correct to do so
- Business case: Doing so will benefit business
- Reflects what actually happens in societies
- ✓ CSR as a mean to an end: Financial performance
- ✓ CSR as an end: Corporate social performance

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Shifting Boundaries

Mitchel et al.(1997)

- Power
 - Legitimacy
 - Urgency
- Generic Stakeholders

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Key Management Questions

- Why should companies pay attention to specific stakeholders?
- Who are the organization's stakeholder?
- How do we identify them?
- What is basic of their legitimacy?
- What do they want?

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Stakeholders Management

- Which stakeholders are most important?
- How do we set priorities?
- Do we need separate strategies for different stake holder groups?
- Can we reach all stakeholder groups?
- How do we manage interests of various stakeholders?
- Can we reach all stakeholders?

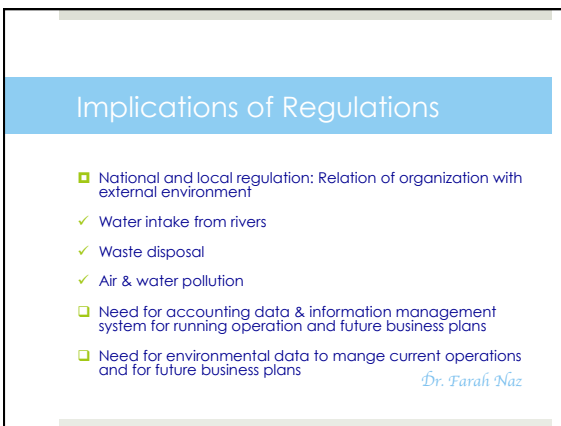
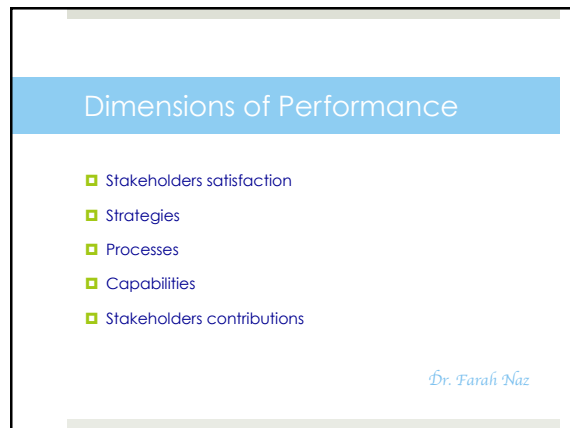
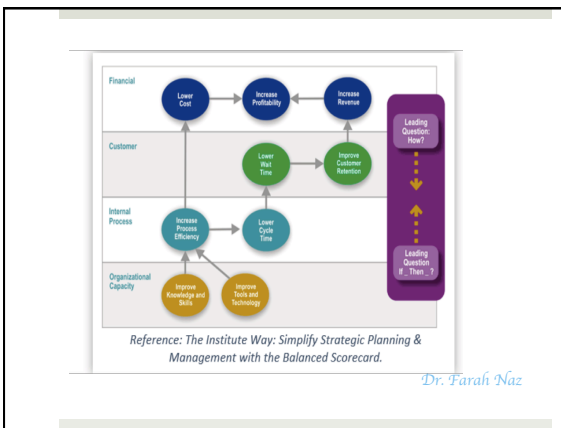
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Stakeholders Management

Informational Needs: Performance measure for variety of stakeholder.

- ✓ Financial measures
- ✓ Non-financial measures: customer satisfaction surveys
- ✓ Multidimensional performance measurement scale

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Risk Management

- Stakeholders approach identify more risks
- Risk and sustainability
- Methodologies of risk evaluation are at time deceptive
- Incorporation of environmental costs and benefits into investment analysis
- Environmental audit and calculation of costs

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Intangible Benefits

- Enhanced company or product image – this in itself can lead to increased sales
- Health and safety benefits
- Ease of attracting investment and lowered cost of such investment
- Better community relationships – this can lead to easier and quicker approval of plans through the planning process
- Improved relationship with regulators, where relevant
- Improved morale among workers, leading to higher productivity, lower staff turnover and consequently lower recruitment and training costs
- General improved image and relationship with stakeholders

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Environmental Risk Evaluation System

- Identify environmental implications in term of costs and benefits
- Quantify those costs and incorporate qualitative data regarding less t
- Use appropriate financial indicators
- Set an appropriate time horizon which allows environmental effects

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Conclusion

- CSR is part of broader organizational management and cannot be studied in isolation
- <https://www.youtube.com/watch?v=c8aVYb-a7Uw>

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