



LM THAPAR School of Management
new india starts here

Stakeholder

Who and what really counts

Normative Theory: Who are the stakeholders of the firm?

Descriptive Theory: To whom do managers pay attention?

IDENTIFICATION

SALIENCE

IDENTIFICATION: Some definitions:

- “*groups to whom the corporation is responsible*” – Alkhafaji (1989)
- “*in relationship with an organization*” – Thompson, Wartick, and Smith (1991)

Stakeholder's Definition

“any group or individual who can affect or is affected by the achievement of the organization’s objectives” –Freeman (1984)

WIDE

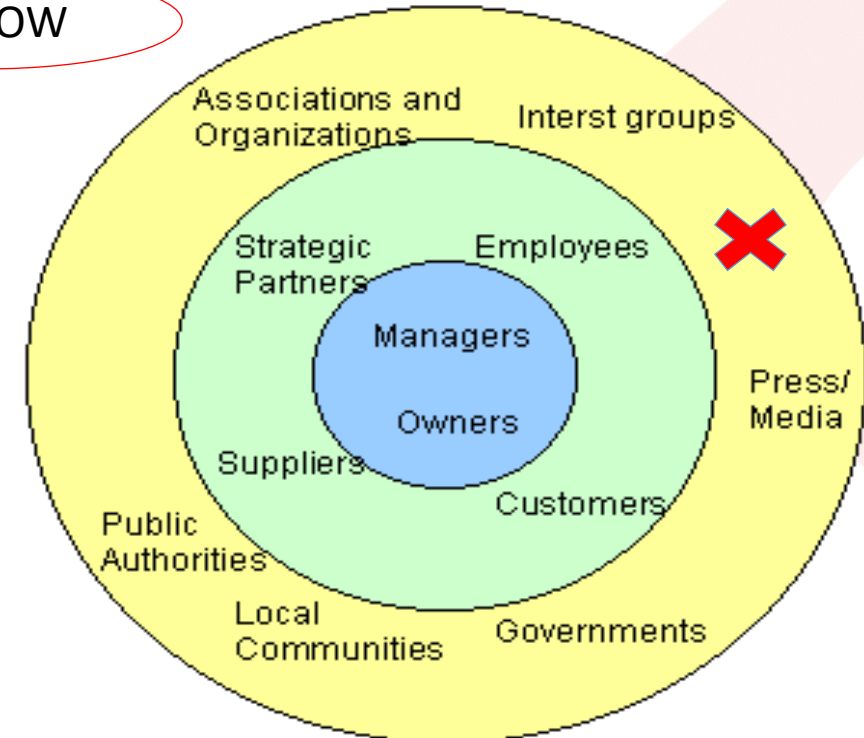
“claimants who have contracts” –Cornell & Shapiro (1987)

“have a claim, ownership, rights or interests in a corporation and i activities” –Clarkson (1994)

NARROW

NARROW versus WIDE

- Based on **practical reality** of limited resources, limited time and attention
- Attempts to define **relevant groups** who have direct relevance to the firm’s core economic interests
- Based on **empirical reality** that companies can be affected by or affect almost anyone
- Attempts to make an **exhaustive list** of stakeholders and balance their claims and interests



Remember the Maggi India 2015 fiasco?

- Is **Press/Media** a claimant or an influencer for Nestle?
- Does it have an actual or potential relationship with Nestle?
- What is the power-dependence framework in this relationship?

Cooking up a storm

MARCH 2015: VK Pandey, a Barabanki-based officer of the Uttar Pradesh Food Safety and Drug Administration (FDA) collected samples of Maggi for test

■ Test in a Gorakhpur laboratory revealed monosodium glutamate above prescribed level

■ Nestle disputes finding, says Maggi safe according to tests done by the company

■ FSSAI intervenes, and asks FDA to do tests in other states. Some states ban the 2-minute noodles

JUNE 4: Paul Bulcke, Nestle's global CEO, flies into India, meets FSSAI officials

JUNE 5: Bulcke holds conference in Delhi; FSSAI

declares Maggi "unsafe and hazardous"

JUNE 8: Nestle announces its biggest recall ever—400 million packets of Maggi

JULY 24: Nestle India MD Etienne Benet replaced by Suresh Narayanan, former Nestle India executive and currently CEO of the company's Philippines unit

▼ **ETIENNE BENET**, MD, India operations for Nestle



Sorting Criteria

- Is there an actual/potential relationship?

- Power Dependence

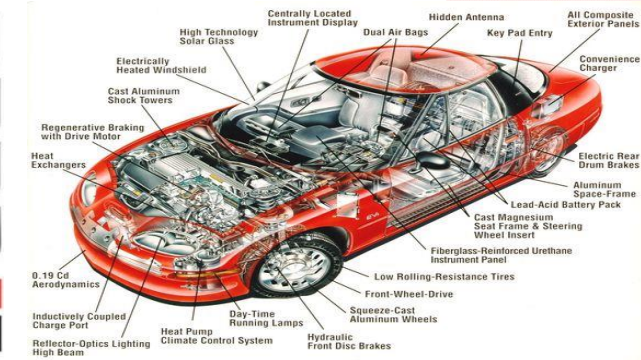
- Stakeholder Dominant
- Firm Dominant
- Mutual Power-Dependence

- Legitimacy

- Contractual Relationship
- Stakeholder has a Legal/Moral Claim
- Stakeholder has something at risk
- Stakeholder has an interest in the firm



HUL & its consumers/non-consumers



Maruti Suzuki & its OEM Manufacturer



Infosys & its Current/Potential/Ex Employees

Attributes of Stakeholders



Power



STOP



Legitimacy



Urgency

Dynamic theory of stakeholder identification

- Several additional implications need to be considered to support dynamic theory of stakeholder identification

$$\text{Salience} = f(p, l, u)$$

$p = \text{Power}$
 $l = \text{Legitimacy}$
 $u = \text{Urgency}$

- Stakeholder salience is perceived as cumulative number of stakeholder attributes, perceived by managers

Latent stakeholders

$f(p)$, $f(l)$, or $f(u)$

Expectant stakeholders

$f(p, l)$, $f(l, u)$, or $f(u, p)$

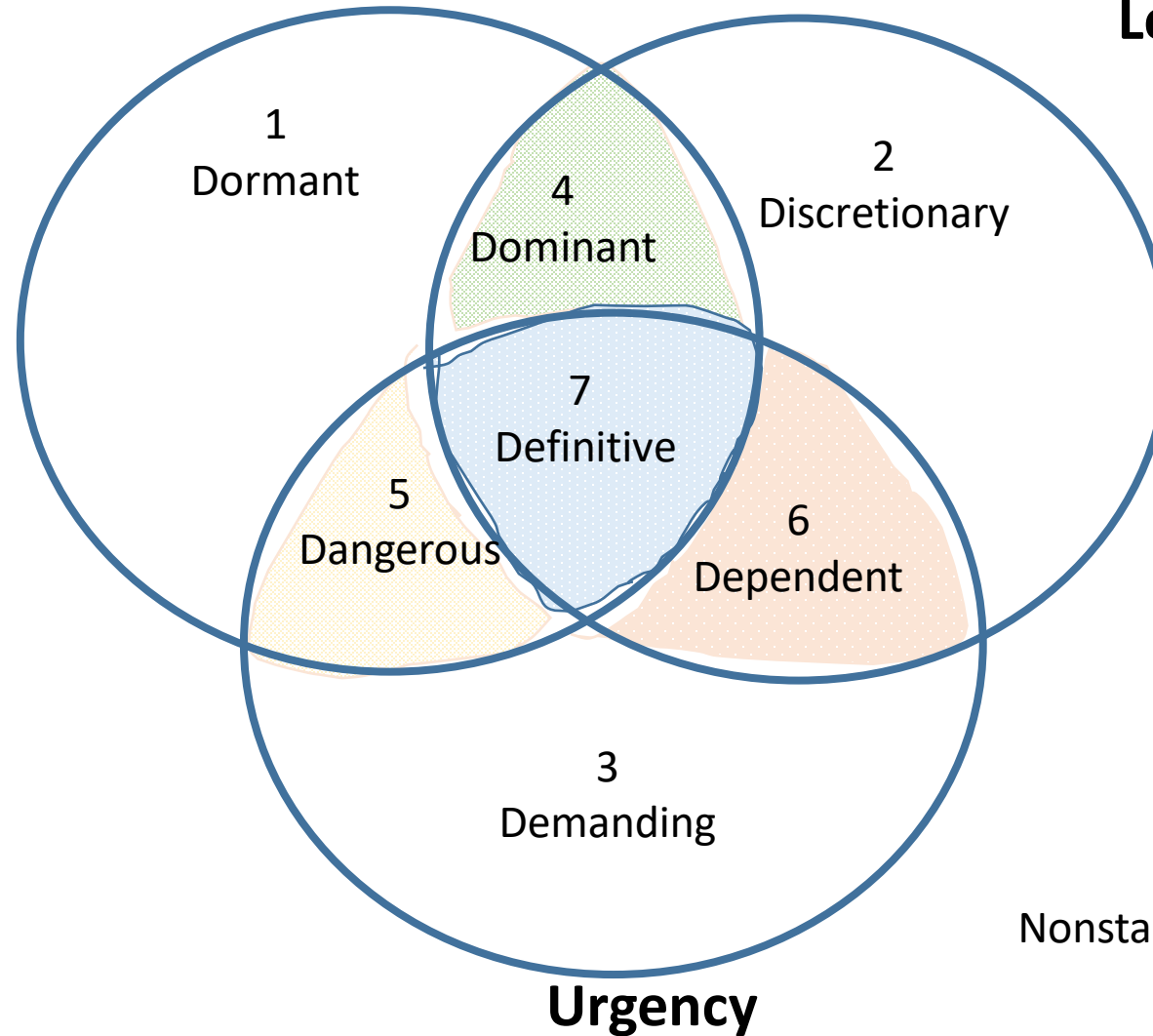
Definitive stakeholders

$f(p, l, u)$

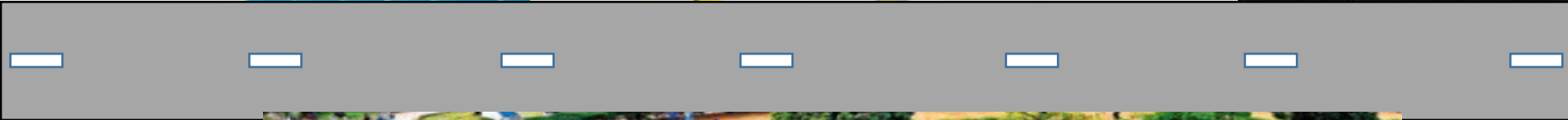
Stakeholder classes

Power

Legitimacy



Stakeholders of Restaurant

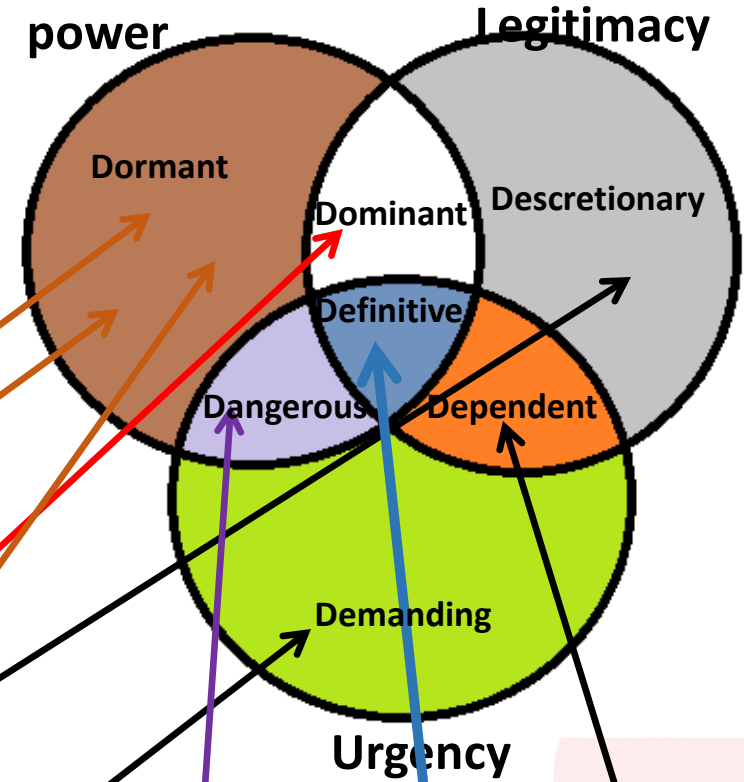
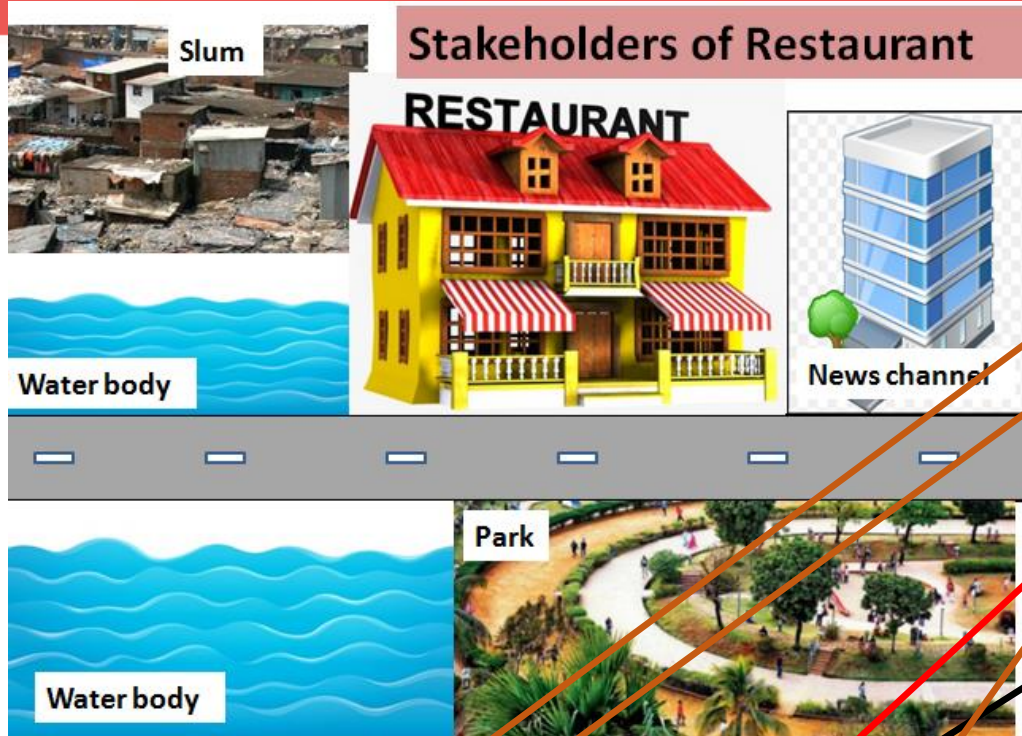


Suppliers

Employee

Customer

Society



Media (News) People
Bad people

Normal Customer (citizen)

Environmental protection NGO

Food inspector

Ex-employee

Current employee/supplier
wants salary hike

A goon wants to use
restaurant parking for
his own use

A local leader who has
share in restaurant

- Identify the stakeholders of
 - Thapar University
 - Hostel in the University
- Characterize the stakeholders into Latent, Expectant and Definitive stakeholder with respect to your perception of Power, Legitimacy, and Urgency.

- Mitchell, R. K., Agle, B. R., & Wood, D. J. 1997. Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts.
- Freeman, R. E. 1984. *Strategic management: A stakeholder approach*. Boston: Pitman.
- Clarkson, M. 1994. A risk based model of stakeholder theory. *Proceedings of the Second Toronto Conference on Stakeholder Theory*. Toronto: Centre for Corporate Social Performance & Ethics, University of Toronto,