



# Stakeholder

Who and what really counts

# Stakeholder

Normative Theory: Who are the stakeholders of the firm?

IDENTIFICATION

Descriptive Theory: To whom do managers pay attention?

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)*

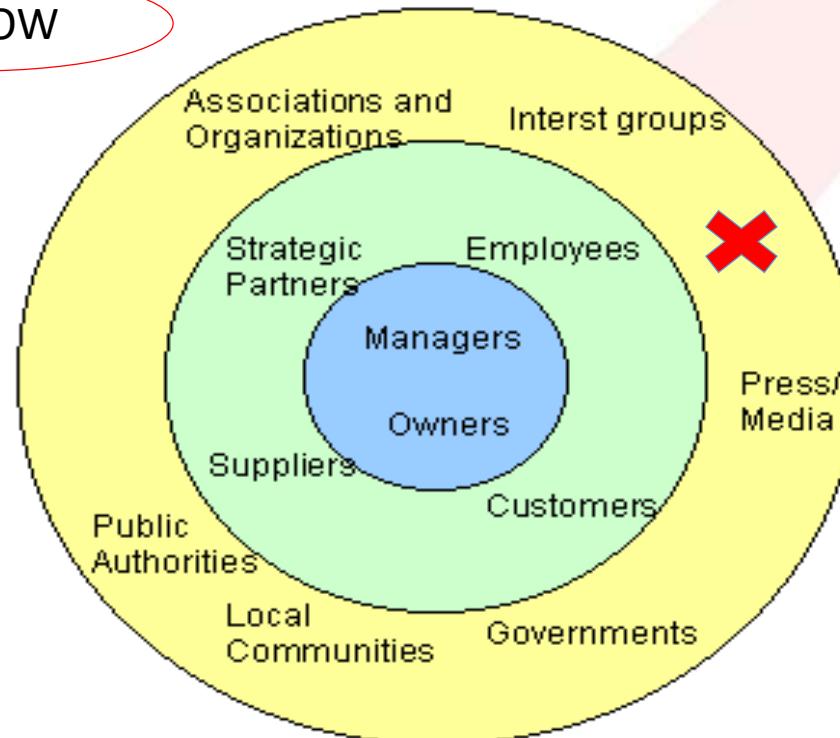
*"have a claim, ownership, rights or interests in a corporation and its activities" –Clarkson (1994)*



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



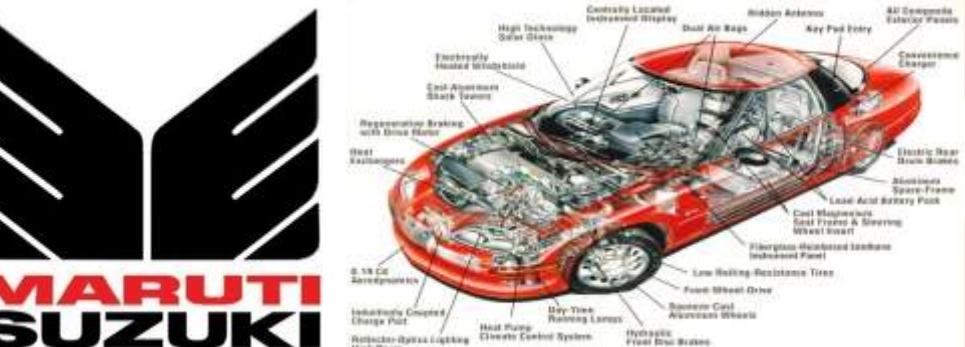
# Sorting Criteria

- 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



**9 Out Of 10 Households  
use HUL Products**

HUL & its consumers/non-consumers



Maruti Suzuki & its OEM Manufacturer



Infosys & its Current/Potential/Ex Employees

# Attributes of Stakeholders



# Dynamic theory of stakeholder identification

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

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

$p$  = Power  
 $l$  = Legitimacy  
 $u$  = Urgency

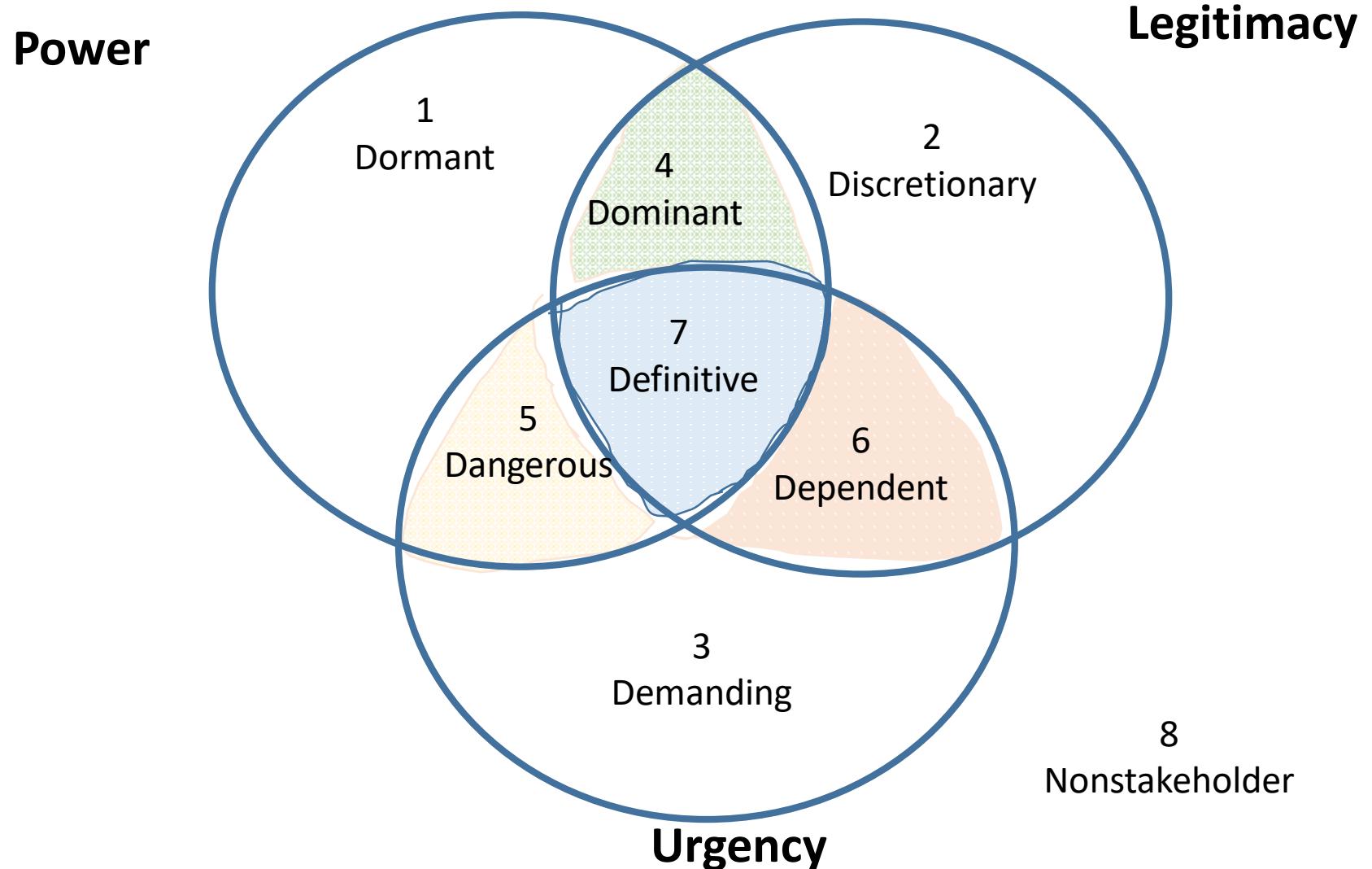
- Stakeholder salience is perceived as cumulative number of stakeholder attributes, perceived by managers

*Latent stakeholders*  
 $f(p), f(l), \text{ or } f(u)$

*Expectant stakeholders*  
 $f(p, l), f(l, u), \text{ or } f(u, p)$

*Definitive stakeholders*  
 $f(p, l, u)$

# Stakeholder classes



Slum

# Stakeholders of Restaurant

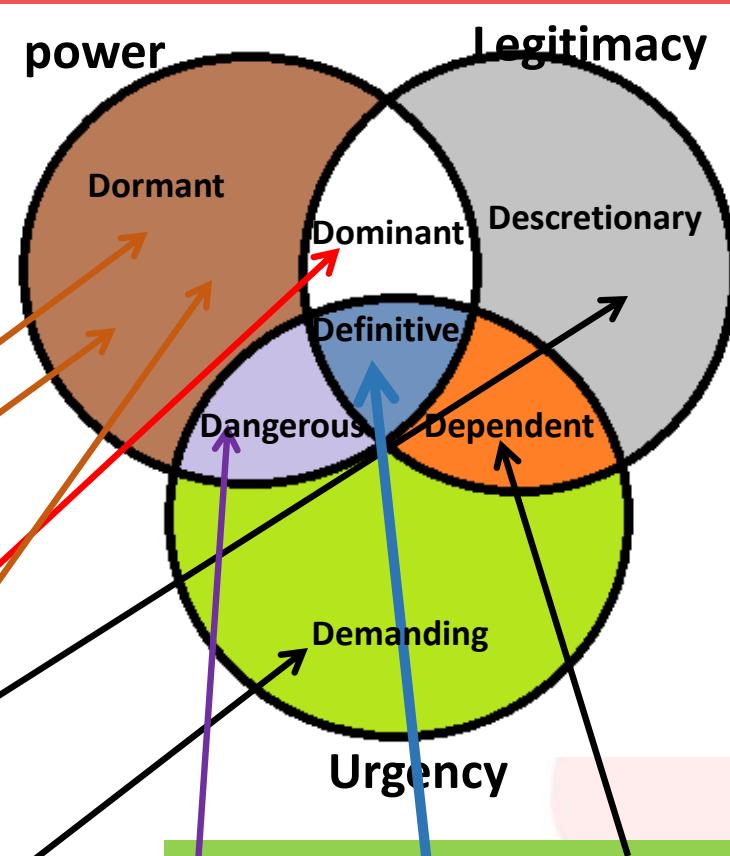


Suppliers

Employee

Customer

Society



## 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

# Exercise

- 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.

# References

- 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,