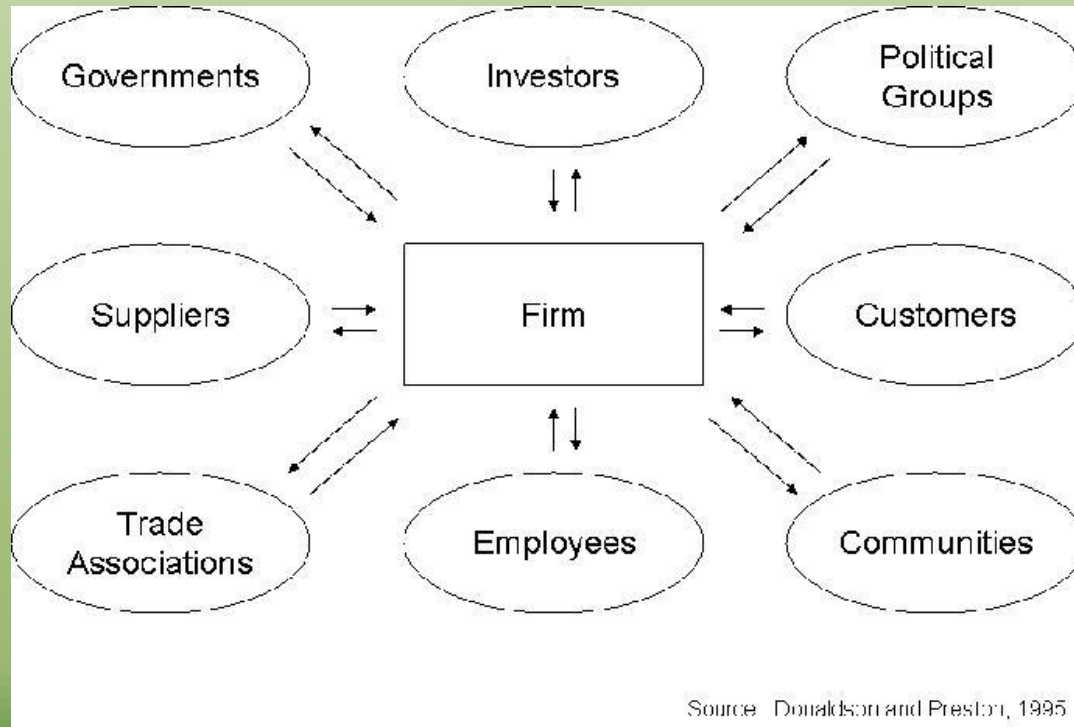




## Stakeholder theory Definition - Freeman

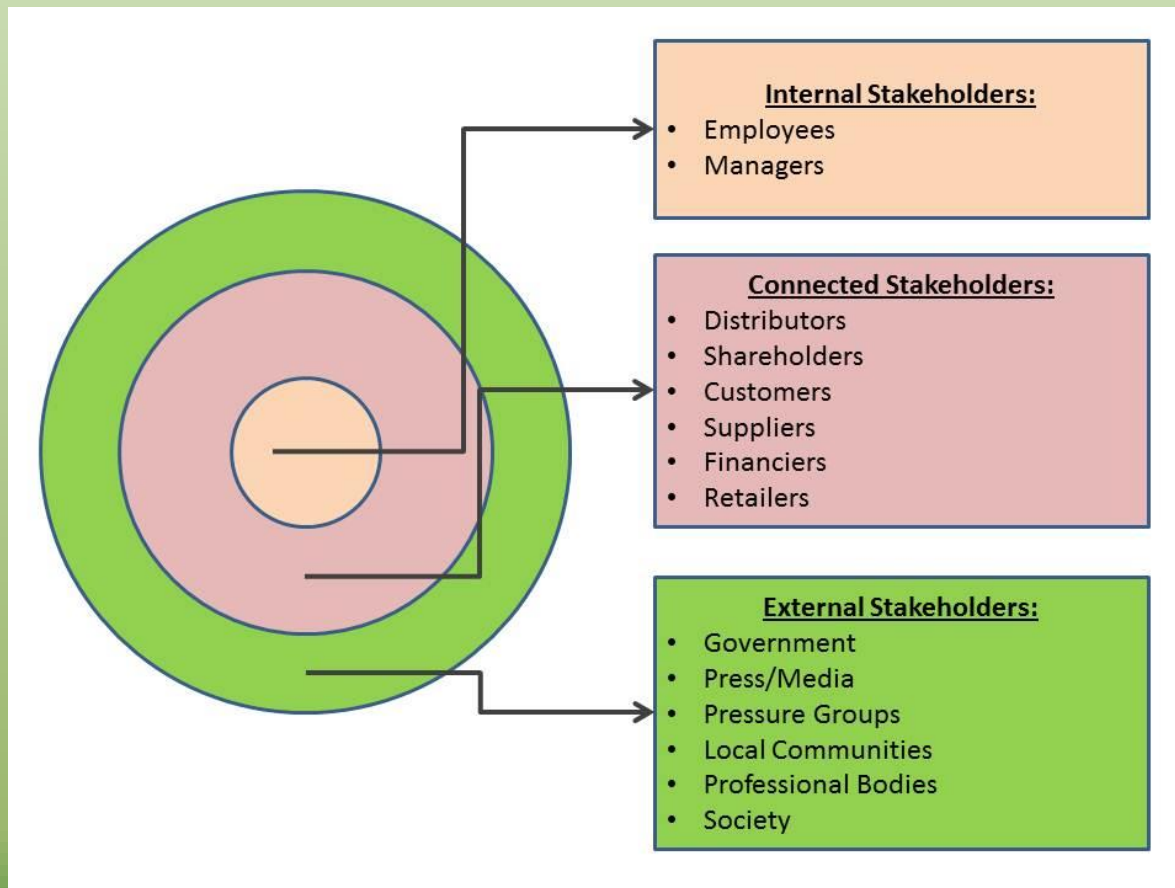
A focus on those parties/ individuals who have an interest in the corporation regardless of whether they are inside or outside the organisation



# Stakeholder theory

## Types

As per the locus of power:



# Stakeholder theory

## Types

As per the existence of markets:

- Market: employees, stockholders/shareholders, customers, suppliers, sellers, creditors
- Non-market: communities, activist groups, media, business associations, governments, general public

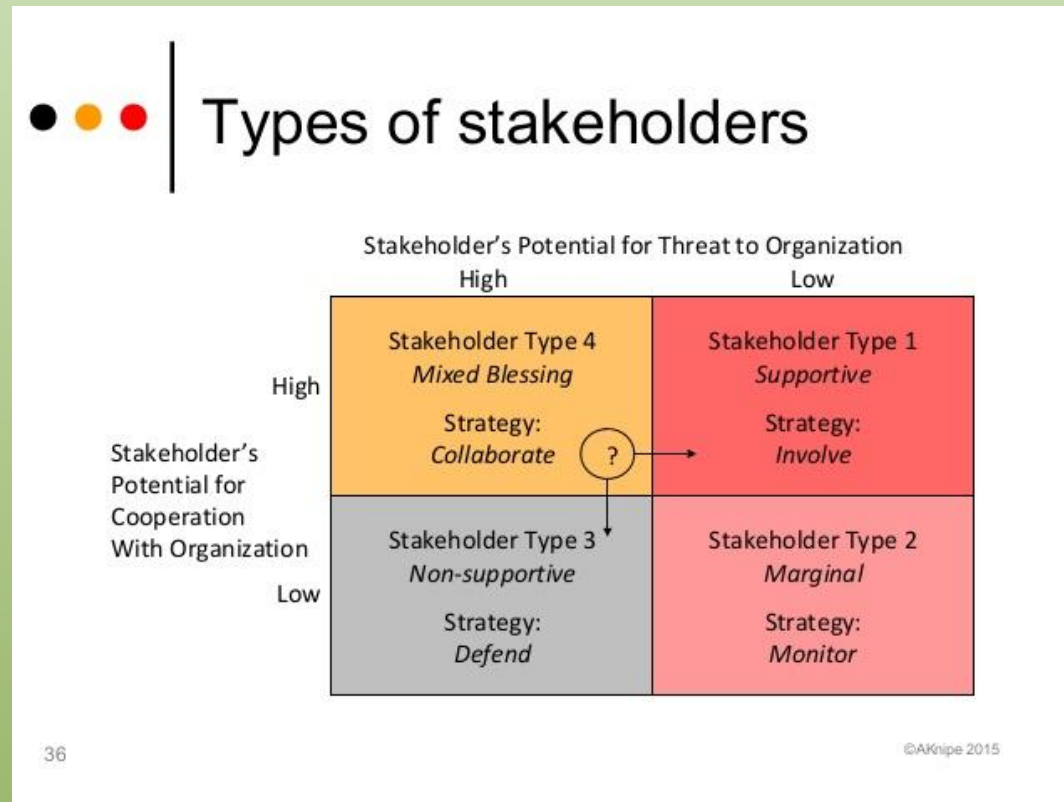


*"Our main goal is to please our stakeholders... except when their processes are complex... or when they have too many requirements... or when they are hard to deal with."*

# Stakeholder theory

## Types

As per the degree of power/influence:



# Stakeholder theory Analysis

The interest in this perspective lies in Stakeholder Analysis:

- Who are the stakeholders?
- What stakes do they have?
- What is the power of each stakeholder?
- What stakeholder coalitions are there?




# Stakeholder theory

## Learning

Stakeholder Analysis leads to ethical acquisition and learning internalizing ethical principles and expectations – Kohlberg, thus


- Reducing workplace deviance i.e. propensity to slack, stealing, corruption ...
- Increasing ethical intensity i.e. degree one has about an ethical issue

**Deviant Workplace Behaviour (DWB)**



- **Workplace deviance** is
  - voluntary behaviour
  - violates significant organizational norms
  - threatens the well-being of the organization and/or its members (Robinson and Bennett, 1995).

**Example:** Stealing, withholding effort, and acting rudely to co-workers.



# Stakeholder theory

## Critique

- Stakeholder analysis reduces the corporation/firm to the board of directors in a relationship with stakeholders placed outside of it and thus fails to explain the position of employees and shareholders who are part of the corporation/firm
- Stakeholder analysis puts an emphasis on value but little on decision-making and power

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"><li>• forces organisations to look ahead</li></ul>	<ul style="list-style-type: none"><li>• can be time consuming and expensive</li></ul>
<ul style="list-style-type: none"><li>• improved fit with the environment</li></ul>	<ul style="list-style-type: none"><li>• may be difficult in rapidly changing markets</li></ul>
<ul style="list-style-type: none"><li>• better use of resources</li></ul>	<ul style="list-style-type: none"><li>• can become a straightjacket</li></ul>
<ul style="list-style-type: none"><li>• provides a direction/vision</li></ul>	<ul style="list-style-type: none"><li>• some unplanned for opportunities may be missed</li></ul>
<ul style="list-style-type: none"><li>• helps monitor progress</li></ul>	<ul style="list-style-type: none"><li>• can become bureaucratic</li></ul>
<ul style="list-style-type: none"><li>• ensures goal congruence</li></ul>	<ul style="list-style-type: none"><li>• is less relevant in a crisis</li></ul>



Relational theory  
Definition - Zamaros

Assumptions concerning organizations

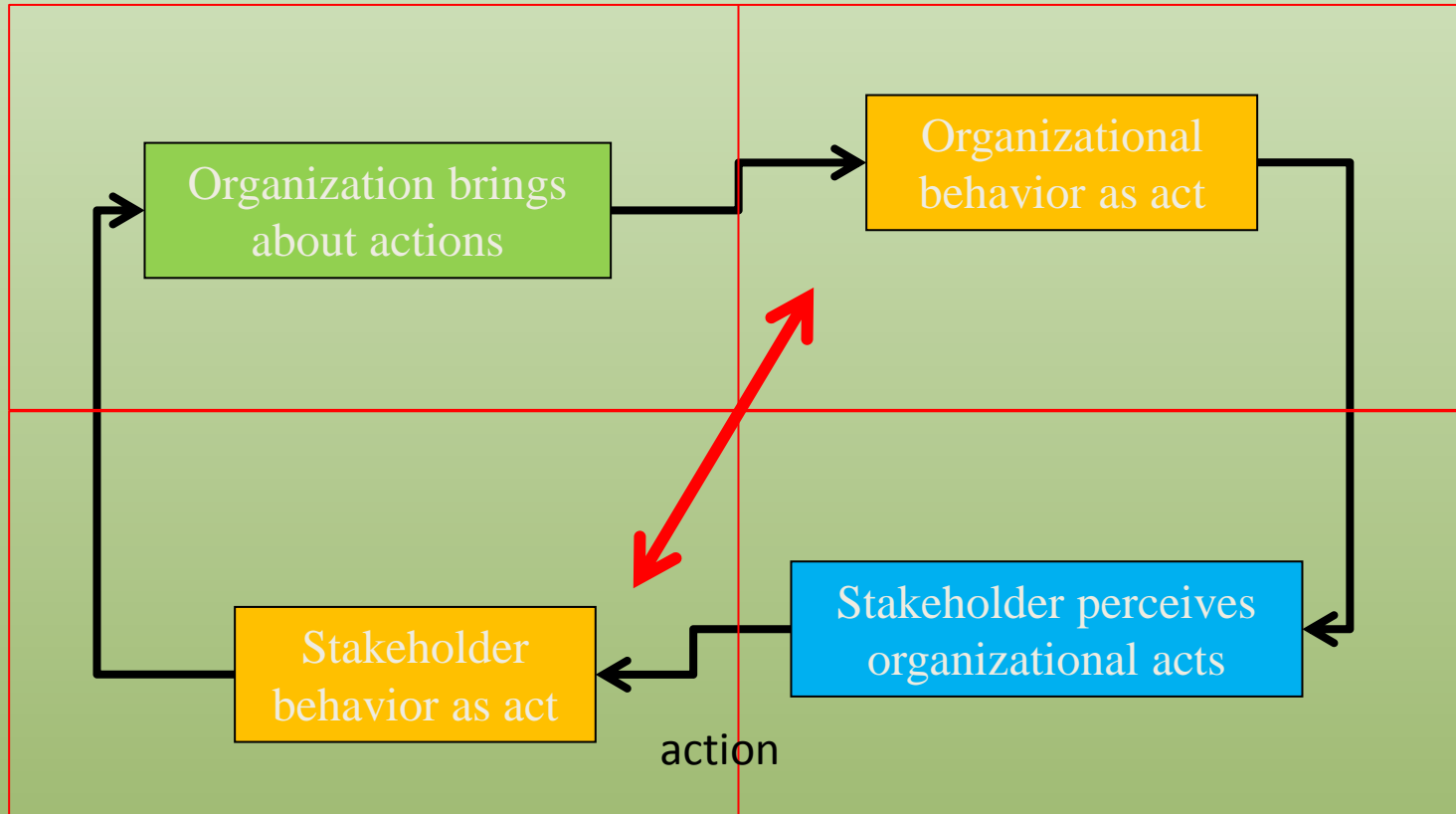
1. Organizations as units display behavior = *that which the organization does*
2. Organizational behavior expresses an organizational identity = *that which an organization is*
3. Organizational identities are constructed and expressed = *use of description*
4. Organizational identities are build on value assumptions = *building trust and other values*
5. Organizational identities are a function of organization processes = *leadership, structure, culture, ...*

Relational theory  
Definition - Zamaros

Assumptions concerning stakeholders

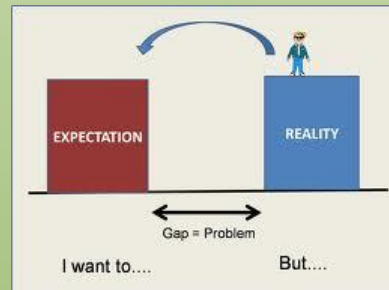
1. Stakeholders perceive organizational actions as completed acts  
= *thinking*
2. Stakeholders re-act accordingly = *their action is constitutive of a behavior*
3. Stakeholder behavior varies according to whether a stakeholder is internal or external to the corporation/firm

# Relational theory Definition - Zamaros



## Relational theory Dynamics

The essential element of the relational approach is the dynamic character of the relationship: where a corporation/firm acts according to how it perceives the behaviors of its stakeholders in a changing environment, its stakeholders perceive and make sense of its acts.



Unlike the open systems perspective that places emphasis on the balance between the behaviors (homeostasis), under the relational approach there is a performance-expectations gap, a lack that both organizations and stakeholders seek to fill in but rare is success.

## Corporate Social Responsibility Definition

Given the relationship firm-stakeholders, firms must be accountable for their actions/decisions since these affect the lives of their stakeholders.



# Corporate Social Responsibility Models

## Shareholder model

- *Organization's overriding goal should be profit maximization for the benefit of shareholders*

## Stakeholder model

- *Management's most important responsibility, long-term survival, is achieved by satisfying the interests of multiple corporate stakeholders*

# Corporate Social Responsibility Stakeholder Model Principles

- Iron law of responsibility: Firms that go against social expectations for the purpose of maintaining power, in the longer run lose it.
- Charity principle: that the wealthiest members of a society should be charitable towards the less fortunate.
- Stewardship principle: that business leaders are accountable to every stakeholder and not only to shareholders (owners).



# Corporate Social Responsibility Stakeholder Model

## Arguments for

- Lowers or balances corporate power against social expectations
- Discourages the state from passing regulation
- Improves business value and reputation
- Corrects those social problems that are caused by businesses and economic activity



# Corporate Social Responsibility Stakeholder Model

## Arguments against

- Lowers economic efficiency and profit since the firm must take decisions that are not necessarily profit-maximizing
- Imposes unequal costs among competitors since costs increase with degree of responsibility
- Costs are eventually passed onto stakeholders
- Managers are not trained to deal with social problems
- Liability/responsibility is placed on business rather than individuals (i.e. those who take the decision)

## Corporate Social Responsibility Relational Model

If corporations are to be accountable for their actions on grounds that they affect the lives and fortunes of their stakeholders so must the stakeholders.

