Stakeholder

„Stakeholder" is a compound of the words „stake" and „holder" (from „to hold").

"If you have a stake in something such as a business, it matters to you, for example because you own part of it or because its success or failure will affect you"[1].

Hence, stakeholders are people who have an interest in a company's or an organization's affairs. These affairs can be highly global strategic issues (for example the move of a factory to another country, the launch of a new product) as well as small projects such as the internal reorganization of a single department.

Stakeholder Groups

As can be clearly seen in the definition, stakeholders can have but do not necessarily have to have economic interest in a company's or an organization's business. They may as well be affected in their ideologies or political beliefs or in their power or status. Thus, stakeholders may be clustered in different groups depending on the environment of usability in the respective context[2]. Stakeholders are called "internal" when they are part of the company and "external" in all other cases. A very limited number of examples in a clustering of three is given below.

Stakeholders with Economic Interest

Stakeholders with economic interest may be the shareholders of a company, who benefit from better company performance. Also, company's business partners have an interest in sustainable, growing and rewarding trade. The state can be a stakeholder with regards to taxes or subsidies.

When a company moves a factory to another country with lower wages

- shareholders may get a higher dividend
- business partners may face new competitors
- the state will lose taxes

Stakeholders with Political or Ideological Interest

Groups or individuals such as political parties, unions, environment protection groups may have supporting or conflicting opinions on a company's business.

When a company moves a factory to another country with lower wages

- employees may lose their jobs and unions may publicly call for strikes and boycotts
- a political party may be held responsible by opponents for not keeping the company in the country
- environment protection groups may criticize higher air pollution due to longer delivery routes

Stakeholders with Power or Status Interest

Particularly individuals within the company often fear that they may lose resources, power or influence, have a higher workload, and are afraid of change in general.

When a company moves a factory to another country with lower wages

- the current factory manager may fear that he will lose his job or have to move and may not collaborate
- experts may have to travel to the new facility and face leisure cutbacks
- individual responsibilities in general will be reorganized

Stakeholder Management

Stakeholder management is a big part of project management.

The purpose of stakeholder management is to:

- anticipate and minimize possible risks
- transform opposition into contribution
- use stakeholders' resources (e. g. knowledge) for own benefit and the benefit of the project

Obviously, a large number of groups and people is included in the definition of stakeholders. In modern (change) management, it is generally understood that the success of a business or project largely depends on the acceptance, support and contribution of all people involved (= the stakeholders)[3]. Hence, it is mandatory that these people and groups are treated with all necessary attention and care. Unfortunately, it is generally impossible to "serve all masters" with the same attention. Thus, priorities must be set.

A general framework for setting priorities in stakeholder management looks like this[4]:

1. Identify all stakeholders and their relations towards the company and towards each other, e.g. through a network drawing.
2. Make reason-based assumptions on how strong each stakeholder's interest, i.e. the potential for conflict, in the peculiar project is.
3. Make reason-based assumptions on how strong likely each stakeholder will, can, or could influence the success of your endeavor.
4. Cluster the stakeholders in four groups according to the results of your analysis.
5. Draw an action plan for the management of each stakeholder.

This image[5] shows an exemplary clustering of stakeholders in four groups according to 4) of the above list.

As a rule of thumb

- stakeholders from the high-high field must receive highest attention and proactive measures must be applied.
- regular and intense communication should be in the focus of dealing with stakeholders from the high-low-fields.
- stakeholders from the low-low-group may be disregarded.

Stakeholder Value vs. Shareholder Value

Starting in the mid-1980's, a concept called "shareholder value" was introduced in economic theories. The basic idea of this concept is to maximize the monetary value of a company for the benefit of the shareholders and hence to align all strategic decisions according to monetary value-gaining goals. This concept is overcome[6]. Today, companies are regarded as somewhat public institutions with certain social and political responsibilities that must consider all stakeholders in their strategic planning in order to meet the stakeholder groups' individual demands ("stakeholder value")[7] This multi-dimensionality has advantages as well as disadvantages[8].

Trivia

As the words „stake" and „steak" are phonetically identical in English, puns on "stakeholders" are made frequently.

Further Links

http://www.mindtools.com/pages/article/newPPM_07.htm

[1]
Sinclair, John et al.(edt.) *Collins Cobuild Advanced Learner's English Dictionary.* Glasgow: Harper Collins Publishers, 2003.
[2]
please see a collection of approaches in: Rowlinson, Steve and Cheung, Yan Ki Fiona *Stakeholder management through empowerment: modelling project success.* In: *Construction Management and Economics* 26, (06/2008), p. 611-623.
[3]
Meffert, Heribert et al. *Marketing. Grundlagen Marktorientierter Unternehmensführung.* Wiesbaden: Betriebswirtschaftlicher Verlag Dr. Th. Gabler, 2008, p. 17
[4]
the methods in this section are taken from: Cronenbroeck, Wolfgang *Projektmanagement: Deutsch-Englisch.* In: Kießing- Sonntag (Hrsg.) *Training International.* Berlin: Cornelsen, 2008.
[5]
image by Matthias Völzke
[6]
please cf. Scheuss, Ralph *Handbuch der Strategien.* Frankfurt: Campus Verlag, 2008, p. 42
[7]
Meffert, Heribert et al. *Marketing. Grundlagen Marktorientierter Unternehmensführung.* Wiesbaden: Betriebswirtschaftlicher Verlag Dr. Th. Gabler, 2008, p. 74, p. 810ff.
[8]
a short comparison of both approaches can be found in this article (German language)

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