

Business Strategy

How to formulate a new strategy



WEEK SIX
LECTURER: N. QUARRIE

Objective



- By the end of this lesson you should be able to:
- 2.3 assess the significance of stakeholder analysis when formulating new strategy

Overview



So far we have looked at how to do an environmental audit, as well as, an organizational audit. It is also important for us to take a look at the different stakeholders of a business by doing a stakeholder analysis. So for the duration of this lesson we will be talking about stakeholder analysis.

Who is a Stakeholder?



- Freeman (2010) explained that any person or organization who can be positively or negatively impacted by, or cause an impact on the actions of a company.
- Give me some examples of stakeholders?

Examples of Stakeholders



- According to Karkhanis., (2016) a typical list of Stakeholders would include:
 - Owners, stockholders & investors
 - Banks and creditors
 - Partners & suppliers
 - Buyers, customers & prospects
 - Management
 - Employees, unions, works councils
 - Competitors
 - Government & regulators: local, national, international
 - Professional and industry associations
 - Media: local, national, trade, financial
 - NGOs
 - Communities & other interest groups

What is stakeholder analysis?



- (Schmeer, 1999) explained that the process of systematically gathering and analysing qualitative information to determine whose interests should be taken into account when developing and/or implementing a policy or program

Importance of stakeholder analysis?



- Knowing who the key actors are, their knowledge, interests, positions, alliances, and importance related to the policy allows policy makers and managers to interact more effectively with key stakeholders and increase support for a given policy or program.
- By carrying out this analysis before implementing a policy or program, policy makers and managers can detect and act to prevent potential misunderstandings and/ or opposition to the implementation of the policy or program

Importance of stakeholder analysis?



- A policy or program will more likely succeed if a stakeholder analysis, along with other key tools, is used to guide its implementation.
- Understand and clarify their interests, needs and capabilities
- Identify potential opportunities and threats
- Determine the extent to which certain groups should participate in planning, implementation and evaluation

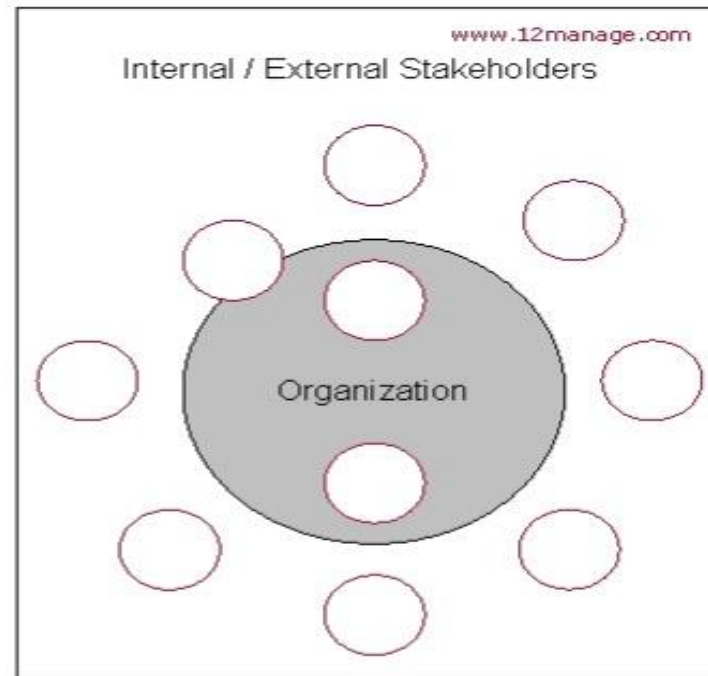
Categorizing Stakeholders



Categorising Stakeholders:

Internal and External Stakeholders

- Within the organisation: e.g. employees & management
- Outside the organisation: e.g. government & trade associations



Categorizing Stakeholders

Categorising Stakeholders:

Primary, Secondary & Key Stakeholders

- Directly affected: e.g. employees & stockholders
- Indirectly affected: e.g. government & media
- Most significantly affected: those with the most influence from either group



Steps to follow when doing a stakeholder analysis

(Schmeer, 1999):



1. Planning the process
2. Selecting and defining a policy
3. Identifying key stakeholders
4. Adapting the tools
5. Collecting and recording the information
6. Filling in the stakeholder table Analyzing the stakeholder table
7. Using the information

Step 1: Planning the process

(Schmeer, 1999):



- In planning the process the company must:
- Decide the objectives and purpose of the strategy analysis.
- Decide the useful the analysis will be to the company.
- Secure resources and support for the analysis
- Identify and train working group
- Develop a plan and timeline

Step 2: Selecting and Defining a Policy



- (Schmeer, 1999): Select an appropriate policy: “any national, regional, local, or institutional project, program, law, regulation, or rule” Eg of policies appropriate for analysis: Deconcentration of the Ministry of Health resource and allocation based on production
- Define the policy

Step 3: Identifying Key Stakeholders



- Develop a list of all possible stakeholders related to the policy
- Develop a list of priority stakeholders with input from experts

Step 4: Adapting the Tools

Source: (Raybould, 2009)



Stakeholder Analysis Matrix

| Stakeholder | Stakeholder Interests | Assessment of Impact | Potential Strategies |
|-------------|-----------------------|----------------------|----------------------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Step 5: Collecting and Recording the Information



- Review existing information
- Make interview appointments
- Conduct interviews and record notes

Step 6: Filling in the Stakeholder Table



- The process highlighted here takes detailed and often lengthy answers from the interviews and arranges them into a more concise and systematized format (for anonymity and to highlight the most significant information).
- By doing this, the working group can eventually develop clear comparisons among the different stakeholders and concisely present this information to the policy makers who will use it

Step 8: Using the Information



- Lets discuss!!?

Advantages

Source: (Raybould, 2009)



Advantages of Stakeholder Analysis

- Get to know stakeholders better:
 - Relative importance, power and interests
 - Better managed relationships
 - Risks identified
- Make better strategies and decisions
- Greater acceptance of organisation actions by stakeholders

Disadvantages

Source: (Raybould, 2009)



Disadvantages of Stakeholder Analysis

- Best done on continuous basis
- Assessment of analysis may be subjective
- Maybe not all stakeholder interests can be met at the same time
 - Focus on most important stakeholder
 - Balance & reconcile all interests according to importance or urgency

Matrix/Stakeholder Significance Grid

Source: (Raybould, 2009)



- A number of stakeholder analysis matrix exist. You can research them but lets take a look at the Power matrix

The Power / Interest Matrix

Classifies stakeholders in relation to their power and the extent to which they are likely to show interest in the actions of the organisation.

Can be used to indicate the nature of the relationship which should be adopted with each group

The Power matrix/Stakeholder Mapping

Source: (Raybould, 2009)



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Power / Interest Matrix (Gardner et al. (1986))

| | | Level of Interest | |
|-------|------|---------------------|--------------------|
| | | Low | High |
| Power | Low | A Minimal effort | B Keep informed |
| | High | C Keep satisfied | D Key players |

The Power matrix

Source: (Raybould, 2009)



Power / Interest Matrix:

Stakeholders in group A: Need only minimum effort and monitoring

Stakeholders in group B: Should be kept informed as they may be able to influence more powerful stakeholders

Stakeholders in group C: Are powerful, but level of interest is low. Generally expected to be passive, but may move into group D on an issue of particular interest

Stakeholders in group D: Are both powerful and interested. Their co-operation is of key importance for new strategies

Review Questions



- 1. What is meant by the term “stakeholder analysis”?
- 2. What are some of the reasons a firm may do a stakeholder analysis.
- 3. What are the steps involved in doing stakeholder analysis?
- 4. Discuss some of the benefits of doing a stakeholder analysis

Reference/Reading List



1. Freeman, R. (2010). *Strategic management*. Cambridge [u.a.]: Cambridge Univ. Press.
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4. Schmeer, K. (1999). *Guidelines for conducting a stakeholder analysis*. Bethesda, MD: PHR, Abt Associates.
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