Stakeholder management analysis

Stakeholder management derives its concept from the fact that all organisms play an important role in the environment. They adapt to rapidly changing obstacles and hurdles in the environment. They use their strenghts to try to overcome those obstacles. Management sciences have used this concept to help appreciate the diversity of organizations in the rapid world of information technology. Stakeholder management seeks to apply the concepts of survival and resilence of organisms in environments to the real problems faced by corporations.

Individuals are considered to be the stakeholders of any organization if they have a stake in the policies and decisions of the organization. They are a group which is influenced by the policies, decisions and operations of any company. Many grassroots organizations, citizens rights advocates, government and private companies are examples of policy stakeholders. Stakeholders are those people who have a vested interest and who are affected by policies (Fonteneau, 1999). People face difficult situations in their daily life.

However stakeholder management approach encourages the use of positive feelings and communication to solving obstacles. Each person enjoys his individual abilities and tries to find his own way to solve problems. Companies focus on the strengths of their employees and further develop them by initiating programs, career paths and performance management processes. These include not only the traditional shareholders, but also some new groups that the insights of sustainable development tell us must be consulted in decisions that affect them.

Organizations exist in uncertain, changing environment and continually confront new challenge and problems, managers must find solutions to these challenges and problems if organizations are to survive, prosper, and perform effectively. In order to attain this objective, it is necessary to investigate that how organizations function and how they affect and are affected by the environment (McWilliams, 2000). People work together in an organization to achieve common goals and objectives. An organization is a tool used by people to coordinate their actions to obtain something they desire or value.

The way in which an organization creates value is at three stages which are input, conversion, and output. Each stage is affected by the environment in which the organization operates. Organizations obtain the human resources, information and knowledge, raw materials, and money and capital as input from environment, then transform inputs and add value through machinery, computers, and human skills and abilities (conversion). The results of the conversion process it to output the finished goods or services that the organization releases to its environment.

Although even a group of people can work together to produce goods and services, people work in organization can create more value because it can increase specialization and the division of labor, use large-scale technology, manage the external environment, economize on transaction costs, and exert power and control. People struggle with their jobs and find that they lack the required skills to complete the role. Education and training are important components of stakeholder management. A salesperson or manager who enrolls for a computer course will find an increased performance in their goals and objectives.

They will able to solve their problems using dynamic and innovative methods. Any educated and trained person who is struggling might be not properly utilizing his talents and skills. Organizations exist due to their ability to create value and outcomes for the people related to those whom are regarded as stakeholders of the organizations. In a word, a stakeholder is any individual or group who can affect or is affected by an organization's activities. In order to investigate and measure the effectiveness of organizational performance, studying the stakeholders is necessary.

Many people and interest groups are involved with any corporation. Each of them has influence on the policies and objectives of the organization. There are two main groups of organizational stakeholders, inside stakeholders and outside stakeholders. Inside stakeholders including shareholders, managers, and the workforce are those people who are closest to the organization and have the strongest or most direct claim on organizational resources. Shareholders are the owners of the organization who invest money and capital in organization in order to earn money from dividends and increases in the price of stock.

They are the primary constituents of the corporation. Their claim on organizational resources is often considered superior to the claims of other inside stakeholders. The shareholders have ultimate authority over the use of a corporation's resources. They own and control the organization legally through their representatives – the board of directors. Through the board, they delegate to legal authority and responsibility to managers so that they can use the organization’s resource to create value and to meet goals.

Moreover, once shareholders no longer believe that the inducement is enough to warrant their contribution, they will sell their shares and withdraw their support from the organization. Stakeholder Managers are the employees who coordinate organizational resources to create value and ensure the goals of organization are successfully met. They are the agents or employees of shareholders and are appointed indirectly by shareholders through the broad of directors of the organization to manage the organization’s business. They contribute their skills to direct the organizations response to pressures from within and outside the organization.

Various types of managers have different responsibilities. The inducements for managers are the higher salaries, bonuses, status, and power (Janita, 2003). Corporate-level managers are ultimately responsible for setting company goals and objectives. Divisional or functional management have responsibilities for their division or function. It seems that managers are given almost unlimited power in the organizations, as it is managers who have the ultimate responsibility to decide what stakeholder interests receive attention.

Managers are thus to weigh and balance stakeholder interests, trading off one against another in setting on a course of action. Actually, management plays the critical role in deciding which stakeholder interests get attention and what priorities to assign stakeholder concerns. All nonmanagerial employees are the organization’s workforce. These employees are responsible for performing the duties which are outlined in their job description. The performance of the duties and responsibilities is the employee’s contribution to the organization. The employee’s motivation to perform well relates to wages, bonuses, stable employment, and promotion.

If the inducements do not meet their contributions, the members of workforce are likely to withdraw their support for the organization by reducing the level of their performance or by leaving the organization. Stakeholder management goes beyond the traditional production and managerial views of the company and calls for a broader view of the parties involved including shareholders, employees, customers, suppliers, banks, government and NGOs. 4 In the example above, the utility calculation would involve everyone that is affected by the outsourcing.