

Sample essay on as mentioned earlier, the influence mapping of stakeholders gives...

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Using examples, explain how stakeholders could affect an organisation and its activities. Discuss how organisations might attempt to understand stakeholders and control them

Business

The main objective of this essay to describe how the stakeholders can affect the organisation and the activities associated with it. The main focus in this essay is to explain the stakeholder's responsibility in the organisation. It also describes the procedure that helps the companies or organisations to understand their shareholders. Furthermore, in this paper also shed light on the stakeholder's position in order to ensure and strengthen the image, gaining loyalty of the customers and maximizing the returns or profits. The impact of stakeholders on the organisation, the function of internal stakeholders, external environment and customers and social responsibility of the stakeholders its usefulness and harms are explicitly explained in this essay.

The organisations are greatly influenced by the stakeholders (Kennon, Howden, and Hartley, 2002). There are internal stakeholders as well as external stakeholders. The internal stakeholders include owners and founders, managers, Board of Directors and staff or employees. The external stakeholders include families of employees, unions; communities, partners, franchises, trade associations, press, public, and government all are included in external stakeholders. Customers, suppliers, and distributors, are also included in the external shareholders. Various stakeholders have also been shown in Figure 1 in Appendix.

The existence of the stakeholders is backed by the internal and external

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collaboration and interest of the organisation (Svendsen, 1998). The main purpose of the stakeholders is to confirm the capability of the organisation in monetary terms, leading to higher earnings and ultimately greater dividend. The more the stakeholders put in the institution, the more positively they are contributing to the organisation. The shareholders contribute to the fullest to the organisation by cooperating increasingly in order to achieve the desired outcome and established goal. One of the most significant objective or interest of stakeholders is to maximize profit.

However, the internal stakeholders may face difficulty in maximizing the profits in a way that the external shareholders such as competitors, suppliers and the pressure groups may boycott and prevent the internal shareholders from achieving their targets. So, in order to achieve the common goal of the organization, both the internal as well as external stakeholders have to work in cooperation with each other (Svendsen, 1998). In order to understand the influence of the stakeholders on the organisation, shareholder mapping is done that can easily explain the impact of shareholder on the organization. The mapping provides an ease to understand the power of the stakeholder and emergence of influence and its alignment with the standards (Bourne, and Walker, 2005). The main influencing channels can also be considered by utilizing the mapping

When influence of stakeholders is mapped, it help to further identify the influence of individuals and and also it help to analyze that whether the decision making process is in accordance with the organization's strategy. The organisation's policy is framed by involving the important stakeholders and keeping the interest of all stakeholders but the organisation is

powerfully influenced by those stakeholders that are having more investments in the organisation. The organisations develop mission and vision statements in order to achieve the stakeholder's objectives and to expose the organisation's mission for achieving major goals of profit maximisation and expansion (Frooman, 1999).

Additionally, the with the mapping of stakeholders, the organisations can target their major stakeholders and can mention their confidence level clearly and descriptively by identifying the significant decision makers among the stakeholders that help to determine and set the time frame for where and when poor or good decisions were implemented on the organisation, which will ultimately help to correct the problems of the past and the problems that could occur in the future. The figure 2 illustrates the shareholder mapping.

Figure 2: Power/interest grid for stakeholder prioritization

This map shows that with the increase in interest of stakeholders in the organisation the organisation become more manages and everyone in the organisation become well informed. Healthy businesses pave the way to a stronger and powerful economy. The present and the past governments have recognised the benefits and importance of helping stakeholder. An example of this fact is that in the year 2000, an ethical business plan report was constructed that has mentioned that the companies are progressively more aware of their duties and responsibilities towards variety of stakeholders, and are realising the fact that their own reputation, good will and their license through which they operate around the world depends on meeting and satisfying these wider responsibilities efficiently.

However, in this regard it is suggested by government should promote business initiatives of the stakeholder, which is critical element in the overall competitiveness strategy. Ethical business plan however unveil by highlighting the significance of monitoring the influences of stakeholders. Stakeholders that are more closely involved and obey their duties ethically will emphatically have more influence towards achieving higher overall positive reputation and profits for their organisation (Ihugba, and Osuji, 2011).

If however, all the stakeholders are not involved this can lead to a low profits, which shows a sign of lack of involvements as shown in the John Lewis report that in the past it has been pulled out by the Government as an example of the business of the stakeholders (Miche, 2012). A drop in sales because of a north/ south divide between the stakeholders saw an amazing rise in the profits in the year 2000. There is however a contrast between confident trading in many areas of the southern and the associated shops and the difficult conditions faced elsewhere. The Stakeholders can have several differences between themselves, as the term stakeholder is quite wide-ranging and covers everybody involved with an organisation. This makes it feasible for everyone that is involved to collaborate frequently for motivating in order to achieve success in all areas of a business.

Additional differences the stakeholders may experience at the cost of dividends, continual growth and at the expenditure of the local community or environment in addition to organisational growth at the expense of short-term profits. Continuous dialogues amongst the organisation stakeholders encourage understanding and develop mutual cooperation with all as all are

having the same common goal of the success of the organisational standards and increasing profits (Mitchell, Wood and Agel, 1997). The roles and significant interests are directly affected by problem and probable solutions, and which people are the indirect stakeholders, which are the people who co-operate with direct stakeholders. All the levels of stakeholders must ensure the collaboration for solving problems that can occur within the organisation and outside the organisation.

Finding out the origin of the influence and methods from where most influence come. The mapping also indicates the power circles prevailing within the stakeholders as shown in the figure 3 in Appendix 1. The larger the circles, the larger is the stakeholder's influence, the circles that are on the top of pyramid or near to the top achieve greater influence. For example in the figure 3, an evident gap is evident among the first circle and others, which indicate that the circle on the top is benefitting from the greater influence. Latest extraordinary and new policies are designed by taking the influence from stakeholder's mapping into consideration in order to develop mutual coordination among each circle (Cooper, 2004). The confusion or uncertainty at the top of pyramid will be lessened because all the individuals and groups will have clear and concise idea on the influence level that they are going to use.

The five forces model by Porter point out towards an important element i. e., rivalry that exists between the competitors and Porter has called it as a major issue that arise in the organisation and pose several threats and difficulties for the organisation (Maggretta, 2012). Moreover, the

stakeholders must take this element into consideration and should take appropriate steps in order to resolve this issue because resolution of this issue can help in the efficient accomplishment of organisation's tasks and makes it competitive.

Considering an example, that the bargaining power of consumer, threats of novel entrants, bargaining power of the suppliers, rivalry that exists among the competitors within an industry and the threat of the substitute goods and services, also shown in Figure 4 in appendix. All these elements contribute towards making an organisation more competitive in the market. The mission statement and the effective practices and policies of the organisation will however be formed for the pressure groups. Potential new entrants, consumers and other groups will be offered affordable products and services that help to maintain higher standard in the desirable sector. Additionally, there are pressure groups associated with the Porter Five Forces that indicate the internal pressure. The internal or inner pressure comprises of the bargaining power of the suppliers and the external pressure (Thompson, 2008). The bargaining power of the consumers and new entrants is experienced by the organisations. However, in order to avoid any illegal claim, negative publicity and decreasing profits, it is necessary that the in the policy of stakeholders, profit margin of the pressure groups should be met and they should be satisfied fully. The government however is also regarded as the pressure group because of its spending, expenditures at legal level, taxation, laws, rules and regulations (Blaisdell, 1959). Among the minor groups, the Office of Fair Trading i. e., OFT is also considered as the pressure group towards small, medium and large institutions.

The influence that is mostly driven financially is the influence of shareholders because they are the people investing their capital in the organisation. The shareholders should communicate on regular basis with the stakeholders in this regards because they want to make it certain that investment they had made is being utilized properly and is used for the profitable motives.

Shareholders often expect the annual reports from stakeholders about the areas in which organisation is performing poorly and also about the areas in which the organisation's performance is good. In other words, they want a report for financially strong and weak areas. Banks can also be considered as the shareholders by investing in an organisation, but banks would expect to do significant planning of a business prior to and during its course of existence.

The strong and powerful relationship between the stakeholders and shareholders will pave the way to effective correspondence that commandingly stress on the mission statements and the policies that are created. The importance and the role of shareholders is emphasised greatly due to fact that shareholder can blame as well as challenge the stakeholders for the deficiency and shortcomings prevailing in the organisation. If the stakeholders are well regarded and are given importance as well as if their work is done with greater care then it helps in developing positive feelings in the stakeholders that they are highly appreciated, and are provided frequent support. This positive attitude helps to increase the productivity and enable more and better provision of goods and services that also helps in maximising the profits. Furthermore, the stakeholders are also the policy makers because they have active participation in the organisation's daily

functions. Hence, shareholders will be more comfortable with the overall business operations before as well as after investing.

PepsiCo provides a good example in this regard and provide a good example of the stakeholder agreement. The stakeholders of PepsiCo have collaborated together in order to establish mission statement and the policies that are meant to show the ethical element of the organisation (Carroll, and Buchholtz, 2011). In the year 2006, the company has formed its External Advisory Board, which is designated to provide honest and direct opinion on the strategy on corporate level, priorities of research and development, external threats, opportunities and its brand and corporate reputation. This clearly indicates that the stakeholders of the company aim at promoting ethical standards, working and gaining ethical profits.

For the short and long term, the reputation of a business is important, so organisation must make it a necessity to meet the needs of all external parties. This will help them to meet their strategic objectives by focusing on vision and restoring accountability and ownership clarity (Johnson, Scholes, and Whittington, 2009).

Further, the organisations that favour ethical approach towards business would have the opportunity to promote good reputation among the customers, attracting more people to use their goods and services. The key promises that are made by PepsiCo are that they will act blatantly by engage themselves on a wider scale and will try to promote the best practices, accountability and responsibility in the United Kingdom and well as throughout the world. Though PepsiCo is expected to promote the transparent policies and practices globally yet it is also seen that targets of

some people within an organisation were also not met. PepsiCo then has to do negotiations with the researchers and the civilians of the society in order to make a composite report. They have however consulted 55 delegates from the non-governmental institution and civil society for compilation of their report. This highlights the ultimate necessity and obligation of large organisation such as PepsiCo to meet the required and established standards regarding stakeholders internally as well as externally. This is also significant due to the fact that the large organisations are recognised globally so in order to maintain their goodwill, they have to obey and respect the standards and worth of stakeholders.

Tesco's annual report for year 2009 also indicates the reputational risks. The emotional feelings and loyalty attached with Tesco brand has helped the company to diversify in new areas such as retail services and other items and they also recognize the commercial necessity to do the right things for the stakeholders and to avoid the loss of the established loyalty. The support of their internal stakeholders promotes better working environment that can also benefit the external stakeholders and increase the loyalty of company as a whole. This helps in making loyal customers because the customers know that the company is satisfying their needs and wants so they do not switch to the product and services offered by competitors. This paves the way to the creation of positive image, maximisation of profits and increment in the sales. Tesco has also clearly explained that they have formulated environmental policy and while framing the policy they have engaged their major stakeholders and experts in order to achieve sustainable growth and minimising the harmful environmental or ecological impacts. This will

ultimately help in stabilizing the expenditure in business.

On the website of Tesco, their policies seems to be very appealing but the continued expenditure is exerting harmful influence on the native communities because the small and local businesses offer competitive goods and services and are also trying to compete with Tesco. The OFT has however come to the conclusion that the supermarkets are involved in those sectors that are working to provide benefits to the consumers. The stakeholders are the strengths as they have allowed increased reputation, growth and expansion and generation of increased profits. Moreover, in this instance, the government's policies act as an external pressure group and could restrict Tesco's growth in case they continue to monopolise the grocery segment and superstores at the cost of the smaller stores.

Disparities between the stakeholders can also occur because distinguish stakeholder clamp together more influence as compared to others. However, the fit results can be positive and work in favour of one group of stakeholders and can be negative and work against the other group. Fit for a group can be a misfit for the other. The extent of fit has to be carefully monitored with higher as well as lower number of stakeholders irrespective of the influential power. The aim of major or key stakeholders is not only to maximise profits but also to meet the expectations and interests of stakeholders that are involved through the implemented policies (Noland, and Phillips, 2010).

In nut shell, my personal opinion is that the needs, wants and interest of all the stakeholders cannot be achieved fully because of the fact that there are many groups and individuals involved having different opinions, ways of

thinking, views, theories, established facts and notions for meeting the standards of consumers. The stakeholders can also exert their negative influence for the competitors or rivals as indicated in Tesco's case. This can ultimately create negative impression on customers as they have fewer choices available to make purchase.

Further, the internal and external pressure groups involving bargaining power and intervention of supplier, guarantees give by government and the large corporations cannot spoil the confidence of consumer towards the organisation. Good reputation of the organisation play a significant role in maintaining the loyalty and confidence of consumer in the organisation and ultimately in sustaining the positive image of the company in the eyes of public (Wheelen, and Hunger, 2004). The negative images can be harmful that opposes the growth of organisation. The loyal customers then move to other offerings if the public image of the organisation is shattered. These results in the reduction of sales and the goals of company will never be achieved.

If an organisation implements effective policies, co-ordinate efficiently, have stronger lines of communication then the company will be in a position to develop and view policies and mission statements created for highlight their gratitude for continuous consumer loyalty (Botan, 1997). Furthermore, I feel that, the greater influence of stakeholders have on the policies, the healthier an organisation would be, because this allows stakeholders to have more direct knowledge in order to deal with operations of the organisation.

Observant communication and co-operation between both externally and

internally stakeholders can simplify the broader interest groups of an organisation, which is known as stakeholders.

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Appendix

Figure 1: Stakeholders in an organisation

Figure 3: Porter's Five Forces

Figure 4: Stakeholder's Influence on Policy

Figure 5: Interest and Influence of Stakeholder's in an organisation