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Stakeholder Analysis

Whereas the market view of the corporate world focuses on the customer and the financial view centers on maximizing the value for the corporate shareholder, the extended stakeholder model breaks out of these conventions by including all persons, groups, or organizations with the ability to place claims against organizational goals, span of attention, resources, or outputs. Orts and Strudler (2002) believe that expansive views of stakeholders are often so broad that they are meaningless, and so complex that they are useless. As we examine stakeholders, we see various groups being highlighted by stakeholder theorists. For example, Freeman's (1984) listing of stakeholders includes such diverse constituencies as owners of various kinds, supplier firms, customer segments, employee segments, various members of the financial community, several levels of government, consumer advocacy groups and other activist groups, political groups, unions, and competitors. Hill and Jones (1992) list managers, stockholders, employees, customers, suppliers, and creditors. Clarkson (1995) lists the company itself, employees, shareholders, customers, and suppliers as primary stakeholders, with the media and various special interest groups classified as secondary stakeholders. Donaldson and Preston (1995) list investors,

political groups, customers, employees, trade associations, suppliers, and governments. Others include entities such as community and the general public (Hill & Jones, 1992), public stakeholders (Clarkson, 1995), and the natural environment (Orts & Strudler, 2002).

A stakeholder approach encourages corporate executives to include external and internal groups and individuals, or stakeholders who value the goals and interests of the organization, in managerial decision-making processes. This approach also addresses what managers should do to shape their relationship with stakeholders (Berman, Wicks, Kotha, & Jones, 1999). According to Ledingham and Bruning (1998) a *relationship* is a "state which exists between an organization and its key publics in which the actions of either entity impact the economic, social, political and/or cultural well-being of the other entity" (p. 62). It is common to look at stakeholder theory as a wheel, with the corporation at the center and all of its stakeholders as the spokes (Frooman, 1999; Page, 2002). As time goes on, the wheel gets more spokes as more and more stakeholders views are considered to be valuable. The corporate communication professional is encouraged to think strategically about key stakeholders' concerns, map out their values and power bases, and

make decisions to support and strengthen the alignment of organizational strategies with the most influential stakeholders. One way to focus the analysis on key stakeholders is to use a CVFCC map that highlights the importance of primary stakeholders such as customers, investors, regulators, and employees in addition to secondary stakeholders (see Figure 12.1).

According to Phillips (2004), a corporation is bound by moral obligations to its stakeholders. The main challenge is to recognize what stakeholders want. Complicating the issue, however, is the fact that different parts of an organization tend to deal with different stakeholders. For example, the HR department communicates with employees to find out what they want, whereas PR staff communicate with the community to find out what it wants. Corporate communicators should therefore take on more of the responsibility in finding out what stakeholders want

instead of relying solely on individual departments to do so. Better communication also helps prevent conflict before it has a chance to percolate. For example, if an employee is unhappy with the organization in any way, whether it is policy or activity related, it is best for management to be aware of this before it has a chance to escalate.

Communicating With Stakeholders: A CVFCC Approach

The CVFCC provides guidelines for communicating with various stakeholders, some with overlapping roles, using different message orientations (as shown in Table 12.1). The CVFCC quadrants form a framework that illustrates some of the potential conflicts or competing values that decision makers or corporate communicators may

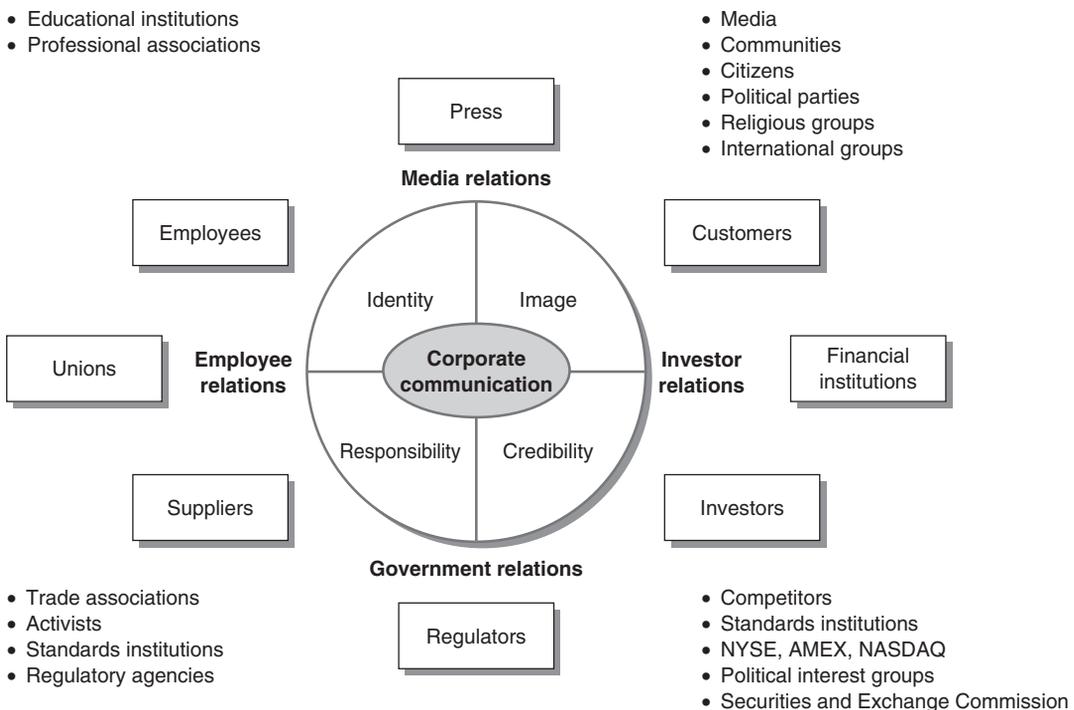


Figure 12.1 Mapping Organizational Stakeholders: A Competing Values Framework for Corporate Communication Perspective

encounter in addressing a diverse set of stakeholders with different goals, interests, and values. For example, addressing stockholders requires insightful communication with a great deal of energy and enthusiasm, a strong belief in the company's future and growth potential, and a general sense of direction that is rooted in the vision. Top executives, corporate communication directors, and IR executives use storytelling and symbols, which are powerful media, to present an idea in a rich, colorful way that connects with the audience on impact. Addressing regulators requires a different tone and different language—a communication strategy that presents facts and figures both credibly and reliably. A company's representatives draw on the company's success stories to highlight the legality and ethical implementation of codes and standards imposed by regulators, but they also use messages that are confirming and validating. The communication is reactive and responsive, controlled and evaluative, accurate and well structured. At times it is also introspective; words and expressions are used to illustrate that the company's determination to follow up on promises and take the necessary steps to comply with external requirements.

Frooman (1999) suggests three questions about stakeholders that must be answered before a response strategy can be developed. First, who are they? This question refers to the stakeholders' attributes. Second, what do stakeholders want? Third, how are the stakeholders going to try to get what they want? This last question is not typically addressed in stakeholder literature; corporations should take this question into consideration when developing communication strategies to manage their stakeholders or when it is important to balance claims of multiple stakeholders.

The case of Walgreens and its conflict with stakeholders (Plowman et al., 1995) demonstrates the need for organizations to balance relationships with many stakeholder groups. The three major areas of conflict for Walgreens were the cost of drugs, consumers' freedom to choose their drug provider, and mail-order drugs. The retailer attempted to accommodate the needs of many

stakeholder groups; it chose to use a collaborative (two-way symmetrical) negotiation strategy on the cost of drugs and customer freedom issues, but an avoidance technique on mail-order drugs. The two-way model seeks feedback from stakeholders toward the goal of mutual understanding. In the case of the first two (i.e., cost of drugs and consumer choice), some common ground existed between the different stakeholder groups: Most supported controlling the price of drugs and giving patients the ability to choose a drug provider. In contrast, the stakeholders had greatly differing agendas on mail-order drugs, so Walgreens found that the best strategy was to avoid the issue until government regulations were further addressed. Plowman et al. use the two-way symmetrical model of communication and negotiation strategies to explain the results of conflict resolution in the different areas of Walgreens's pharmaceutical business. This model promotes a win-win strategy in resolving conflict (see also chapter 4). However, the authors suggest that using the two-way symmetrical model alone may not resolve the conflict to all parties' satisfaction and suggest navigating between the two-way asymmetrical (win-lose) and the two-way symmetrical (win-win) models.

Firm-Stakeholder Relationships

Using resource dependence theory, Frooman (1999) developed a classification of four types of firm-stakeholder relationships: firm power, high interdependence, low interdependence, and stakeholder power. A resource is anything an actor finds to be valuable, and dependence is a state which one actor must rely on another actor's actions to get a particular outcome. The actor that is being relied upon is the one that has the power. Because organizations are not self-sufficient or self-contained, they must rely on the environment to support them. Therefore, through exchange or trade relationships, stakeholders have the power to demand certain things from the organization in return for

Table 12.1 Matching Message Orientations to Organizational Stakeholders

		<i>Customers, press, venture capitalists</i>			
<i>Union members, professional associations, employee affiliations</i>	Relational	<p>Purpose: establish integrity, rapport, trust, confidence, and commitment</p> <p>Medium and tone: conversational, familiar words; inclusive pronouns; personal examples; honesty; commitment</p> <p>Focus: receiver-centered</p> <p>Example: informal chats; cafeteria talks; reflective listening; personal, supportive, communicative, reinforcing feedback</p>	Transformational	<p>Purpose: challenge receivers to accept mind-stretching vision</p> <p>Medium and tone: visionary, charismatic, vivid, colorful metaphors and symbols; oral delivery; enthusiastic, emphatic, unorthodox written communication</p> <p>Focus: idea-centered, futuristic, rhetorical</p> <p>Example: CEO speech, written strategic plan, smart talk, communicating vision</p>	<i>Stockowners, financial analysts, market regulators, competitors</i>
	Hierarchical	<p>Purpose: provide clear directions to receivers</p> <p>Medium and tone: neutral, precise words; controlled, sequential, standard constructions; factual accuracy; structural rigor; logical progression; realistic presentation; conventional documents; concrete examples; lists; tables; audit reports</p> <p>Focus: channel-centered</p> <p>Example: policy statements, procedural specifications, rules, standards, written documents, computer printouts, unaddressed letters, memos, directives</p>	Promotional	<p>Purpose: promote an idea, sell a product or service, persuade receivers, establish credibility</p> <p>Medium and tone: decisive, engaging, original, supported by credible evidence, prepositional, assertive, declarative, vivid examples, sense of urgency</p> <p>Focus: argument-centered</p> <p>Example: sales presentations, recommendations to senior managers, press releases, directives, quarterly results, financial reports</p>	
		<i>Regulators, suppliers, standards institutions</i>			

SOURCE: Based on Rogers, P. S., & Hildebrandt, H. W. (1993). "Competing values instruments for analyzing written and spoken management messages," in *Human Resource Management Journal*, 32(1), 121-142; Alan T. Belassen (2000). *Leading the Learning Organization: Communication and Competencies for Managing Change*, p. 61, SUNY Press. Reprinted with permission.

supporting it. The firm's relative dependence gives external stakeholders leverage over it. Frooman (1999) goes on to discuss two types of influence strategies: withholding and usage. Stakeholders use a withholding strategy when they want the firm to change a particular

behavior. For example, a stakeholder might discontinue or threaten to discontinue providing the firm with a resource it depends on. Examples of withholding strategies include consumers engaging in a boycott, employees going on strike, and suppliers no longer providing a

product due to unpaid bills. Stakeholders employ a usage strategy to put conditions on supplying a resource. This type of strategy is usually used when the stakeholder is still partially dependent on the firm, such as when a stakeholder is a supplier. With a withholding strategy, the firm usually absorbs the costs of making a change to its behavior, but with a usage strategy the cost is usually divided between both parties.

Frooman (1999) also discusses two strategy influence pathways: direct and indirect. A stakeholder uses a direct strategy when it can manipulate the resource without any outside help. The stakeholder uses an indirect strategy when it lacks power, in other words, when the firm is not dependent on the stakeholder. In this case, the stakeholder needs the help of another stakeholder as an ally, someone that the firm is dependent on. Direct and indirect withholding and usage strategies are used by stakeholders to get a firm to change its behavior. How do stakeholders get what they want? Frooman's discussion of the conflict between StarKist Tuna and the Earth Island Institute (EII) in the 1980s provides one answer.

StarKist

The conflict arose because StarKist was purchasing a good portion of its tuna from a foreign tuna fishing industry, which used an effective and efficient netting method called *purse-seining* to catch the tuna. The problem was that, in catching the tuna, it was also trapping more than 100,000 dolphins a year, which is precisely why the United States had banned this tuna-catching method. Domestic fleets were no longer allowed to use purse-seining, so StarKist turned to the foreign fishing industry.

In 1988 EII attempted to stop StarKist from employing the foreign fishing industry that used this method. The first thing EII did was to turn to tuna consumers. It wanted consumers to boycott StarKist tuna, and to persuade them to do so, EII made an 11-minute video that

contained many disturbing and gruesome scenes. The video showed half-drowned dolphins mangled in fishing nets and dolphins being thrown overboard as shark bait. In the spring of 1988, the video was aired in its entirety or in parts on all of the major networks. EII then mass-produced the video and began distributing it to schools all around the country. Over the next 2 years the environmental media began reporting on the story, and the general media slowly followed suit. By the spring of 1990, about 60% of the public was aware of the issue and the request for a boycott. By April 1990, StarKist announced that it would stop purchasing tuna caught by the purse-seining method. StarKist also insisted that members of the Inter-American Tropical Tuna Commission would monitor the foreign fishing fleets.

Some of the main stakeholders involved in this case were the consumers, the foreign fishing industry, EII, the media, investors, the Inter-American Tropical Tuna Commission, and StarKist employees. Figure 12.2 depicts these stakeholders. Notice the resemblance between the StarKist stakeholders in Figure 12.2 and the CVFCC stakeholders in Figure 12.1. The foreign fishing industry supplied StarKist with a less costly product because of the efficient and cost-effective method it used to catch fish. StarKist was one of the leading tuna companies at the time. StarKist relied on the foreign fishing industry, and the foreign fishing industry relied on StarKist. That industry knew that if a boycott were to occur, it would lose a large chunk of its sales. Because these two entities relied on each other, StarKist was able to use a direct usage strategy to avoid having to absorb all of the cost involved in the behavior change.

StarKist never threatened to stop purchasing tuna from the foreign fishing industry; instead it put conditions on their relationship. A different fishing method was instituted, and observers from the Inter-American Tropical

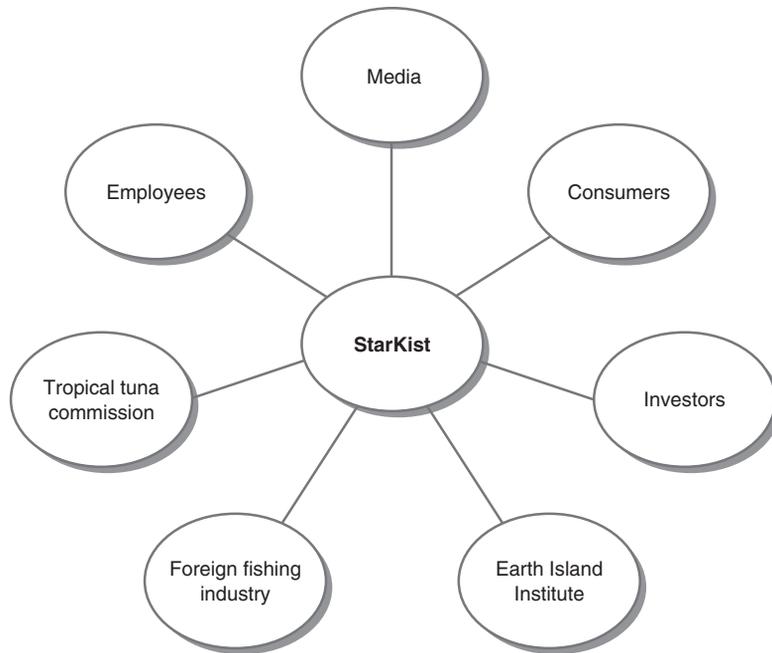


Figure 12.2 Stakeholders in StarKist's Environment

Tuna Commission would now be allowed on the ships. StarKist was able to split the cost with the industry fairly evenly (Frooman, 1999). The new required fishing method would cost the foreign fishing industry more money, as would having the commission's observers onboard, but the industry raised the cost of tuna only slightly. StarKist also had to absorb some of the costs, but did so without raising the price of canned tuna.

EII and StarKist had a low-interdependence relationship. EII was not a stakeholder until the purse-seining issue arose, but it became a stakeholder when it wanted StarKist to change its method of fishing. Indirectly, members of EII may have been stakeholders if they were consumers of StarKist tuna, but that alone would have been insignificant in making a difference. EII had to use an indirect strategy to affect StarKist's behavior. It chose to get the support of StarKist consumers, thus using them as its ally. To get their attention, EII

developed the aforementioned video. But it could not do this alone; it needed the support of the media to air the video. Through media exposure, consumers became informed about the issue and had the power to apply a withholding strategy to effect the behavior change that EII wanted. EII encouraged StarKist consumers to boycott the product, which would have a devastating effect on both StarKist and the foreign fishing industry. Without consumers purchasing the tuna, StarKist sales would plummet; moreover, it would not make any profit. The boycott would then affect the employees and the company's investors, not to mention its management.

StarKist employees could have been affected in more than one way, and they could have played the roles of multiple stakeholders. A StarKist employee might also be a StarKist consumer, a member of EII, and/or an investor in the company. A conflict arising from one of these roles could very negatively affect the

employees of the organization. The effects could continue even beyond the solution that is reached. For instance, the employees could lose trust in the organization, and it may be difficult, if not impossible, to regain their trust and get them to believe in the organization's values again. This scenario is an example of how a negative image can affect the way employees identify with an organization (Corley et al., 2001). It shows how what happens externally can affect internal stakeholders.

Such a conflict could also affect employees by causing them to lose their jobs. For example, if StarKist had not given in to EII and had continued buying tuna that was caught using the purse-seining method, a full-scale boycott could have resulted. The boycott could have caused great economic loss for the company, resulting in the company going bankrupt and employees being laid off.

Investors would also have been affected by such a boycott because StarKist would have lost money by not making sales. Or investors could have pulled their support from the company even before a boycott could occur. The video that EII produced gave StarKist a very negative image and reputation. Investors could have seen continued association with such a company as a losing investment because a company's reputation and image greatly affect its success. Media relations could also have been affected by this conflict. The media communicated the issue to the public in support of EII and the consumers. If StarKist had not made changes, it might not have been able to maintain a good relationship with the media. The reporters might not have trusted the company if it had had a negative image and reputation, which would have led to negative media attention and the company's inability to have its story "spun" in a favorable light.

The consumers in this case had a large source of bargaining power. It was up to them to decide whether to put pressure on StarKist, and they were the stakeholder group with the most power to influence the company's

behavior. Purchasing power and low switching costs allowed them to use a withholding strategy. The consumers were not dependent on StarKist; they could easily have started buying tuna from other companies. The consumers were able to threaten StarKist with a boycott if the company did not switch fishing methods. StarKist chose to protect its firm and change its behavior. And by insisting on having observers on the foreign fishing fleets, the company went above and beyond what was requested in order to further protect its image and reputation and to show stakeholders that it was willing to change.

Principles of Stakeholder Management

The concept of *stakeholder* was at the center of a 6-year project conducted by the Sloan Foundation. This project outlined the principles of stakeholder management, which are commonly referred to as the Clarkson Principles (Donaldson, 2002).

Principle 1—Managers should acknowledge and actively monitor the concerns of all legitimate stakeholders and should take their interests appropriately into account in decision making and operations. Managers must be aware of the diverse stakeholders in the corporate environment and the role that each stakeholder plays in and around the organization. Managers should listen to what each stakeholder wants; this does not mean that each request must be granted, but it does mean that each request must be evaluated and seriously considered.

Principle 2—Managers should listen to and openly communicate with stakeholders about their respective concerns and contributions, and about the risks that they assume because of their involvement with the corporation. Both internal and external communications are critical for successful stakeholder management. Effective communication involves not only

sending messages but also receiving them; it involves discourse between managers and stakeholders. Managers should try to understand the multiple perspectives of the stakeholders.

Principle 3—Managers should adopt processes and modes of behavior that are sensitive to the concerns and capabilities of each stakeholder group. Because there is such a variety of stakeholder groups, managers must decide how to present information to each one. Each group of stakeholders varies in size, complexity, level of involvement, and primary interests. Methods of delivering information to stakeholders include shareholder meetings, collective bargaining agreements, advertising, public relations, press releases, personal contact, and, when dealing with entities such as government agencies, official proceedings. It is up to managers to decide which delivery method will be most effective in accomplishing the organization's goals and objectives.

Principle 4—Managers should recognize the interdependence of efforts and rewards among stakeholders and attempt to achieve a fair distribution of the benefits and burdens of corporate activity among them, taking into account their respective risks and vulnerabilities. Managers should distribute benefits and burdens (or externalities) that result from corporate activity fairly among the stakeholders. Each stakeholder is vulnerable on a different level.

Principle 5—Managers should work cooperatively with other entities, both public and private, to insure that risks and harms arising from corporate activities are minimized and, when they cannot be avoided, appropriately compensated for. Corporations and their managers sometimes need to rely on other organizations, so managers should be proactive in establishing contacts with relevant entities. Organizations should develop coalitions in order to reduce harmful impacts and compensate affected parties.

Principle 6—Managers should avoid altogether activities that might jeopardize inalienable human rights (e.g., the right to life) or give rise to risks, which if clearly understood, would

be patently unacceptable to relevant stakeholders. Corporate operations and managerial decisions often result in risky or unexpected outcomes. It is important for managers to communicate these risks to stakeholders that could be affected. An arrangement is considered satisfactory when stakeholders knowingly agree to accept a certain combination of risks and rewards. Sometimes an activity involves consequences for which no compensation would be sufficient. And sometimes an activity involves risks that are not fully understood or appreciated by critical stakeholders. When this occurs, managers may have to abandon the activity altogether or simply restructure it to eliminate the possibility of unacceptable consequences.

Principle 7—Managers should acknowledge the potential conflicts between (a) their own role as corporate stakeholders and (b) their legal and moral responsibilities to stakeholders, and they should address such conflicts through open communication, appropriate reporting and incentive systems, and, when necessary, third-party review. The fact that managers are also stakeholders in an organization is often overlooked. They have access to a great deal of privileged information that other stakeholders do not have access to, which creates asymmetrical relationships that often lead to tension. One way that managers can help reduce such tension is by subjecting themselves to periodic performance evaluation; another is by maintaining trusting relationships with diverse stakeholders based on mutual respect and credibility.

Communicating Messages to Stakeholders

Table 12.2 is a summary of the methodology developed by Lewis, Hamel, and Richardson (2001). It describes six models of stakeholder communication change, and although they are aimed at guiding nonprofit organizations, their significance for other organizations is also valuable.

Table 12.2 Models of Stakeholder Communication Change

<i>Model</i>	<i>Description</i>	<i>Example</i>	<i>Costs</i>
Equal Dissemination	This model focuses on distributing information to stakeholders of all sorts early and equally by means of meetings, postings on electronic lists, banners, and newsletters.	"We're talking about nearly every day, using almost every mode possible. We made a conscious effort to communicate until we were blue in the face—we didn't want the agencies to say we didn't know this change was coming."	There are tangible costs, and people offer unwanted advice and/or raise objections.
Equal Participation	Same as above; however, this model involves two-way communication—both disseminating information and soliciting input.	"If you are going to have change, you need to have consensus. If you spring it on them, you'll get problems."	This is an extremely tedious and political process. It is risky to solicit opinions before change and can be frustrating as well.
Quid Pro Quo	Something of value is exchanged for the communicative access granted by implementers. Implementers give more communicative attention to stakeholders who have something they need or desire (e.g., money, expertise, resources).	"There's a pecking order with our communication. Whoever pays the most dues gets listened to the most. Just like in any business, your biggest vendor or supplier will have the most clout."	Implementers run the risk of angering those who feel left out of the process.
Need to Know	Alternative to above. Implementers keep quiet about planned change except to those who really have to know or who explicitly express a desire for the information.	"Because we've had so many management changes in that one program, we were going to be monitored by the state. The CEO told us not to tell the board because he didn't want them to try and micromanage or get involved."	There is selective communication involving preferential treatment; it can be manipulative.
Marketing	This model focuses on constructing messages specific to individuals or to stakeholder groups—knowing who your stakeholders are and what motivates them.	"All stakeholders take a different communication strategy. You couldn't throw one message out and have it work for all the people you work with. They're too diverse and come from too many different places."	Customized messages make it difficult or impossible to carry out. Minor changes are very time-consuming.
Reactionary	This model is only apparent in a few cases. Implementers' communication has the flavor of crisis management—trying to survive a change, usually one that was forced on the organization or came up in response to an unexpected situation.	"Change happened so frequently that the grant agency would not accept a grant application from us because they didn't know what would come of the changes. We had to ride the wave of negativity until things calmed down and then we could communicate to everyone."	This is the least-planned approach. Implementers rarely have time to consider other approaches.

SOURCE: Based on Lewis, L. K., Hamel, S. A., & Richardson, B. K. Communicating change to nonprofit stakeholders, in *Management Communication Quarterly*, 15(1), 5-41. Copyright © 2001, by Sage Publications, Inc.

Factors that influence the selection of a model (or strategy) include structural and environmental variables (e.g., high specialization, functional differentiation, numbers of managers and communication channels), culture, and management style (Lewis et al., 2001). For example, the Equal Participation Model would be used if abundant communication channels are available, there is no urgency to implement change, and the organization perceives commitment to change as unproblematic. The Quid Pro Quo Model would be used if an urgent timetable exists, there is limited supply of resources and communication channels, and the organization needs to gain the commitment of key stakeholders. This model would probably be a common choice for nonprofit organizations due to their financial and political situations, but it may exclude non-resource-holding stakeholders from the communication process. Lewis et al. suggest that hybrid versions of these models are plausible (see Table 12.3), depending on corporate communication perceptions of two task dimensions: (a) the perceived need for communicative efficiency and (b) the perceived need for consensus building.

Steps in Stakeholder Analysis

The first step in a typical stakeholder analysis is for the corporate communication planning team to identify key internal, external, and interface stakeholders by mapping out the task environment of the focal organization. A typical task environment might include regulators, competitors, customers, investors, suppliers, unions, and even media and special interest groups (see Figure 12.1). Key stakeholders can be further classified as primary and secondary. Primary stakeholders (e.g., regulators, customers, investors, employees, affected communities) have a legitimate interest in the company's goals as well as an immediate, continuous, and powerful impact on executive decision- and policymaking processes. Secondary stakeholders (e.g., communities at

large) are less intimidating and typically use indirect sources of power to influence the organization.

The second step requires corporate communicators and analysts to rank the stakeholders by highlighting their relative bases of power. All stakeholders matter to a corporation in varying degrees. How does a corporate communication office determine which stakeholder matters more than another? Stakeholder salience is the degree to which managers give priority to competing stakeholder claims based on three attributes: power, legitimacy, and urgency (Mitchell, Agle, & Wood, 1997). These attributes are bound by cultural norms and behaviors and are often moderated by the values of the CEO (Agle, Mitchell, & Sonnenfeld, 1999). *Power* refers to the stakeholders' ability to structure the context of executive decisions. *Legitimacy* is the extent to which stakeholders' relationships or claims with the firm are rightful. *Urgency* is the degree to which the stakeholders' claims call for immediate attention. When a stakeholder has all three attributes, the manager must give that stakeholder high priority (Mitchell et al., 1997; Page, 2002). Often the legitimacy of a claim does not matter as much if the stakeholders have the power to make good on what they threaten to do. Power and legitimacy are core attributes of stakeholder salience; based on social cognition theory, managers are more likely to consider the power and legitimacy of a stakeholder group if they have prior experience with that group (Agle et al., 1999). Top executives and corporate communicators alike must consider all of the stakeholders' divergent interests through strategic decision making, and they should do so in a manner consistent with the claims of other stakeholder groups (Hill & Jones, 1992).

The third step in stakeholder analysis involves the evaluation of how well the organization performs against stakeholders' perceptions or criteria of effectiveness. This step is essential in gathering feedback about stakeholders' general satisfaction level and whether the organization tries to meet their expectations. A simple

Table 12.3 Factors Influencing the Choice of Communication Change System

		<i>Need for Consensus Building</i>	
		<i>Low</i>	<i>High</i>
<i>Need for Communicative Efficiency</i>	<i>High</i>	Need to know model —The change sparks little controversy and requires little in the way of commitment from stakeholders, and implementers themselves control the resources necessary for installation of the change. However, implementers are faced with a low budget for communication about the change, and/or a scarcity of available channels for communication, as well as possible time pressures. This model is efficient in targeting key individuals for communication and provides needed opportunities for interaction only with those whose opinions are pertinent to the change and/or who are specifically interested in the change.	Quid pro quo and Marketing models —Implementers are likely to concentrate efforts on those who “hold the most cards.” Gaining consensus from the few stakeholders with something to offer comes to be viewed as more beneficial than attempting to communicate with everyone on a limited budget and limited time. A marketing approach might also be used for a few key stakeholders who receive a substantial portion of the communication
	<i>Low</i>	Equal dissemination model —Implementers consider communication channels to be abundant and affordable, have no overwhelming urgency to implement, and perceive that commitment to the change and cooperation will be unproblematic. This model provides the maximum information for the maximum number of stakeholders and forestalls any potential negativism through equal treatment and early notification. It also avoids creating unnecessary commotion about the change by encouraging interaction about it.	Equal participation and Marketing models —Nonprofit implementers who perceive that their organization has time, resources, and available communication channels are likely to use equal participation. Change may be controversial and intense; implementers will probably view participation in the process as necessary to gaining commitment to change. A marketing approach might also be used when the organization is small and most interaction occurs face to face.

SOURCE: Based on Lewis, L. K., Hamel, S. A., & Richardson, B. K. Communicating change to nonprofit stakeholders, in *Management Communication Quarterly*, 15(1), 5-41. Copyright © 2001, by Sage Publications, Inc.

methodology developed by Blair and Fottler (1990) for health care systems appears to work well. A modified version is described below.

1. Determine whether each stakeholder is internal, external, or interface and whether

each is a “key” or not. To determine whether a stakeholder is a key, look at Figure 12.3 and select the stakeholders that rank high on influence and importance.

2. A map similar to the one depicted in Figure 12.4 can be used to place external, interface,

Stakeholder	Status	Key	
		Yes	No
1.			
2.			
3.			
4.			
(etc.)			

Figure 12.3 Classifying Stakeholders

and internal stakeholders around the CVFCC box. This activity should yield a network of the players identified in Figure 12.3. Any likely coalitions (i.e., networks) among these stakeholders should be indicated with a heavy line. External stakeholders function outside the boundaries of the organization in expectation that policies, decisions, or actions address their concerns or provide them with certain benefits; internal

stakeholders are members of the organization; and interface stakeholders operate both within and outside the organization with proximity to important networks of communication or decision authority centers.

3. Corporate communicators can identify the most relevant stakeholders to the organization. Doing so helps in assessing the relative power of the key stakeholders identified in the previous steps. With input from departmental managers, corporate communicators then assess the overall power of each stakeholder and whether it is increasing or decreasing (see Figure 12.5).

4. Figure 12.6 can be used to rate the stakeholders' sources of power. Typical sources include financial control, political support, expertise, and information (see also Figure 12.9).

5. Using Figure 12.7 as a guide, key stakeholders and their core values and interests can be listed and then audited by corporate communication staff. Recognizing these values and

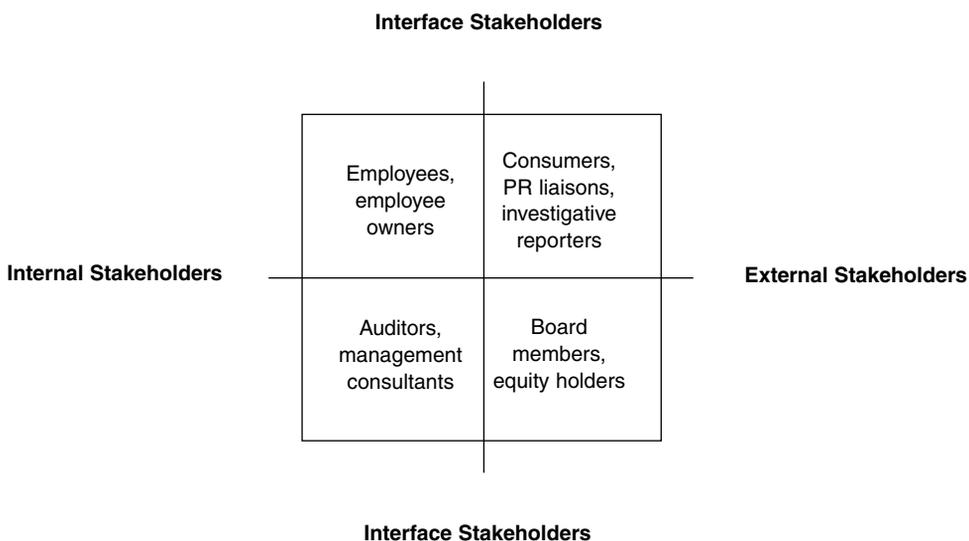


Figure 12.4 Using the Competing Values Framework for Corporate Communication to Organize Data About Stakeholders

<i>Key Stakeholder</i>	<i>Overall Power Level</i>	<i>Significance</i>
	(L) ——— (H)	(+) ——— (-)
1.		
2.		
3.		
(etc.)		

Figure 12.5 Rating Stakeholders' Power

<i>Key Stakeholder</i>	<i>Sources of Power</i>
1.	1.
	2.
	3.
2.	1.
	2.
	3.
3.	1.
	2.
	3.
(etc.)	

Figure 12.6 Rating Stakeholders' Sources of Power

<i>Key Stakeholder</i>	<i>Core Values and Interests</i>
1.	1.
	2.
	3.
2.	1.
	2.
	3.
3.	1.
	2.
	3.
(etc.)	

Figure 12.7 Identifying Core Values and Interests

interests is essential for determining which issues are likely to be important for different stakeholder management strategies.

6. Figure 12.8 can be used to identify strategic issues that face the organization. Each key stakeholder is then assessed in terms of how important each issue is in relation to the stakeholder (Blair & Fottler, 1990).

Sources of Power

Several important sources of social power are typically recognized in the literature: legal power that relies heavily on administrative power and centralized authority; reward power that establishes the dependence of others by virtue of controlling essential (e.g., financial) resources and having discretion over the allocation of such resources; referent power that achieves compliance because of admiration, a desire for approval, or identification processes (e.g., when consumers identify with the core values of socially responsible organizations); and expert power that creates dependence of others due to knowledge advantages and other core competencies. These power sources are used by actors (e.g., stakeholders, social systems) to influence or shape policies, create favorable economic conditions, gain relative advantage over others, or affect the public image or credibility of some actors. Power relationships are asymmetrical (i.e., one is powerful, the other powerless) and therefore fluid because vulnerable actors try to offset the equation of power and change the dynamics of dependence. They extract themselves from relationships, seek alternative sources, or develop resources that powerful actors need to obtain, thus changing the equilibrium from dependence to interdependence, or from control relationships to exchange or trade relationships. Of course, if they benefit from the current relationship, powerful actors tend to resist attempts by more vulnerable actors to withdraw or change the power relationship.

	<i>Strategic Issues</i>		
	<i>1.</i>	<i>2.</i>	<i>3.</i>
<i>Key Stakeholders</i>	<i>CI, SVI, or NI?</i>		
<i>1.</i>			
<i>2.</i>			
<i>3.</i>			
<i>(etc.)</i>			

Figure 12.8 Identifying Strategic Issues

NOTE: CI indicates critically important to stakeholder; SI, somewhat important to stakeholder; NI, not at all important to stakeholder.

Thus the conditions for conflict arise as both parties try to frustrate each other's efforts. The message here is that it is virtually impossible for social actors to fully insulate themselves from influences or interactions with others. Social systems are interdependent by definition; they are connected through a supply value chain. The organization depends on input markets (called *upstream systems*) for resources and on output markets (*downstream systems*) for distribution of its value-added goods or services.

A diagram of sources of power from the perspective of the CVFCC appears in Figure 12.9. Notice how the model distinguishes between two sources of power: organizational and managerial. Organizational sources of power relate to administrative discretion, as with the option to allocate or withhold resources. Managerial sources of power relate more to personal biases, preferences, or interests. As discussed earlier, the CVFCC/Stakeholder/Power model provides structure for communicating and interacting with diverse stakeholders. For example, it would justify Walgreens's choice of a collaborative negotiation strategy in dealing with the cost of drugs and customer freedom because such issues seem to be located in the lower right quadrant (but closer to the resources dimension) along with customer

and vendor stakeholders. The other strategy used by Walgreens—avoidance—was also related to the regulating agencies dimension. In the StarKist case, EII applied pressure through the upper right quadrant with threats of using sources of power from the lower right quadrant.

The prioritizing matrix (Table 12.4) is a good tool that enables corporate communicators to rate stakeholders and assign quantitative value, if necessary, to those in need of most attention. Ranking the stakeholders by the extent of their importance and influence can help decision makers weigh in on their interests and respond to their concerns. Estimating or making a value judgment about the criteria that stakeholders use to assess the organization's performance is an integral aspect of this method.

Assessing Stakeholders' Perceptions Using the CVFCC

The CVFCC can also be used as an ongoing assessment tool to identify the gap between how well corporate communication executives balance the set of contradictory pressures coming from different directions and to organize communication responses both proactively and

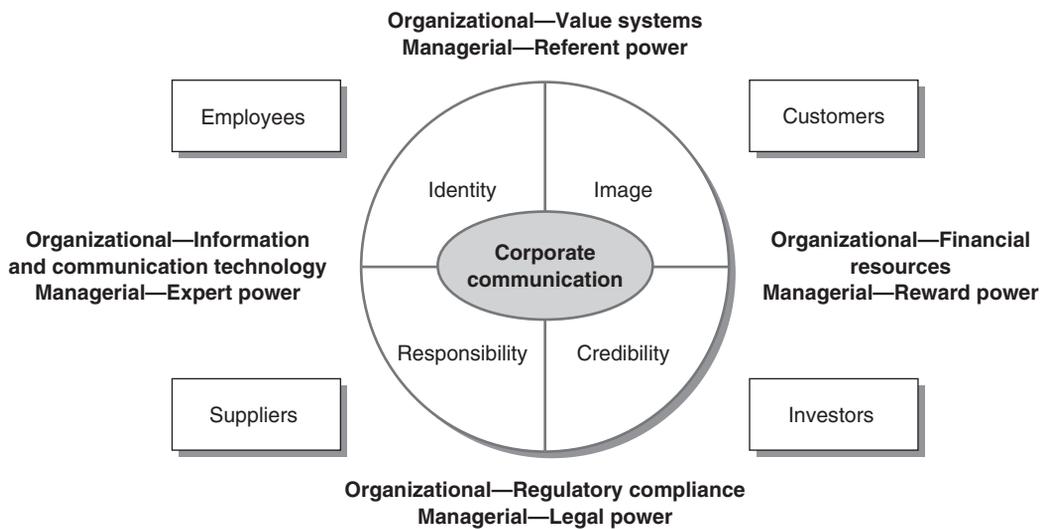


Figure 12.9 Competing Values Framework for Corporate Communication: Sources of Stakeholders' Power

strategically to deal with these pressures. The CFVCC model has two important parts: (a) the communication performance profile in which the relative importance of certain elements of corporate communication can be identified along the lines of current and desired profiles and (b) the measurement model in which the gap between the two profiles, as illustrated in Figure 12.10 can be translated into an action plan leading to revisions in corporate communication strategies and activities. Thus, the CVFCC can serve as a barometer that registers the perceptual biases of corporate executives and the variation in communication emphases. The framework allows executives to review the current status of corporate communication activities in a single communication report and make choices about resource allocation and the trajectory of communication activities and products, as well as measure the distance between reality and perceptions and take steps to close the gap.

The CVFCC is also useful in auditing stakeholders' views about the overall effectiveness of corporate communication, identifying

communication strengths and weaknesses, and realigning communication strategies with external environments. A typical assessment can be conducted at several levels, including the actual corporate identity (how the organization presents itself to various stakeholders) and the communicated identity (the identity as projected to stakeholders via different cues, which represent lenses that the organization would like its stakeholders to use in order to perceive it favorably). It is possible for one organization to have multiple corporate identities, or images, depending on the views of its multiple stakeholders. This reality underscores the essential link between image and strategic management, or the importance of integrating different communication systems into a strategic perspective.

Summary

Chapter 12 is an important milestone in this book. It draws on the CVFCC and other methodologies to help map out the most important

Table 12.4 Prioritizing Stakeholders

		<i>Importance of Stakeholder</i>			
		Unknown	Little/no importance	Some importance	Significant importance
<i>Influence of Stakeholder</i>	Unknown				
	Little/no influence				
	Some influence				
	Significant influence				

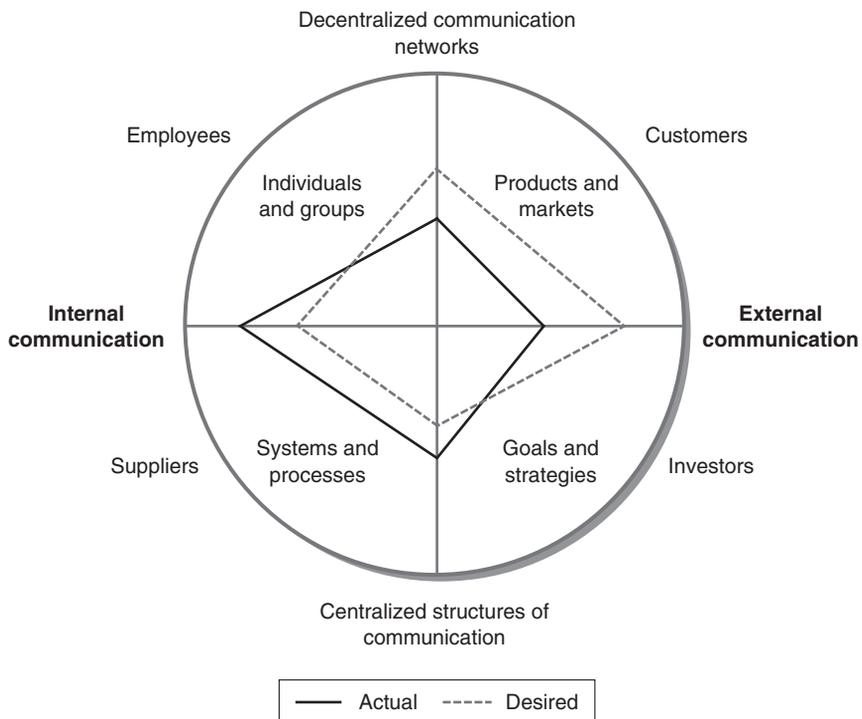


Figure 12.10 Competing Values Framework for Corporate Communication: Actual and Desired Profiles

stakeholders, their values and bases of power, and strategies that corporate communication staff can use to strategically address the concerns of influential stakeholders. The chapter presents important

concepts, process guidelines, and case applications to illustrate the significance of stakeholder analysis and its value to the field of corporate communication, both in theory and in practice.

Review Questions

1. Discuss the strategic importance of stakeholder analysis for corporate communication.
2. Discuss the value of the CVFCC as a tool for identifying key stakeholders.
3. Identify an organization with which you are familiar (e.g., workplace, university, hospital). Use Figure 12.1 to map out the primary and secondary stakeholders of this organization. Then use Figure 12.9 to briefly describe the sources of power of these stakeholders. What are the lessons that you can draw from this exercise?

CASE STUDY

Granite City: Doing More With Less

It was not the typical morning after a general election in the office of Roger Peytons, the city manager. The results of the November election in Granite City had been expected to bring new council members and possibly a new mayor but no one expected an entirely new council and the tax limitation amendments. As Roger Peytons reviewed the results in the morning paper he knew that his administration was going to be called on to do more with less and to do it quickly.

Granite City, with a population of 450,000, has experienced rapid growth during most of the last decade. Only in the last three years has an industry-wide slump in electronics manufacturing slowed employment and growth opportunities. During the past ten years Granite City has been a haven for developers: The city council has frequently overridden city planner recommendations for modest development in favor of more aggressive plans. Although general property taxes are low, several special property improvement districts have defaulted on bonds, which [has] substantially raised taxes in some portions of the city. Granite City is the lowest-cost utilities market in the nation among cities of comparable size with a utility monopoly run by city government. Roger Peytons was surprised that the citizens of Granite City did not have a more favorable picture of their city government.

The tax limitation amendments were Roger Peytons' real challenge at the meeting of his senior staff. Amendment 3 provided no new taxes without voter approval. He could live with that and even saw some advantage to the amendment because it provided for extensive public debate concerning needed projects and improvements. Amendment 4 was the disaster for the city budget. It mandated a tax rollback over a two-year period. The impact in the coming fiscal year would be over \$12 million from an annual operating budget of \$112 million. The new council had run on a platform supporting the amendments and would certainly want rapid action from the city manager's office.

As Peytons began his meeting with senior staff he sensed the despair and concern around the table. His public relations director had four calls from media asking for his response to the elections and his plan to bring city spending and programs [into] compliance. Peytons described the challenges he saw ahead—reductions in services and programs that would affect the public; elimination of jobs to reduce overhead; and communication with members of a new council, most of whom had strong convictions about the types of services and programs the city should provide. Senior staff members were given two weeks to prepare budget reduction proposals for all departments except uniformed services, namely police and fire. Peytons decided to postpone a news conference until he had an opportunity to meet privately with the mayor and council.

(Continued)

(Continued)

Peytons' first meeting with the mayor and council convinced him that he had a difficult job ahead. He had to persuade the council of the need for balanced cuts across the budget rather than the elimination of specific programs, which might meet with the disapproval of particular council members. Peytons was relieved when the mayor seemed to side with his plan. At the end of the meeting the council moved to accept for consideration a budget reduction plan from the city manager's office before asking the staff support to devise a council-directed plan.

At the next meeting of his senior staff, Peytons listened to the proposals for budget reduction in 12 program areas, with heavy emphasis on reductions in street improvements and repair and the development of parks and recreational facilities. The program reductions would, over a two-year period, eliminate approximately 400 jobs. Senior staff seemed unwilling to go to the public for hearings on the proposed changes, much less take the proposal to the council. Peytons directed public hearings to be set for two weeks from the day of the meeting. Moreover, he asked the human resources director to work with him to notify all city employees of the types of program proposals that would soon appear in the local press. Peytons also set up a meeting with the mayor to review the proposals.

The human resources director recommended that all department heads have brief information meetings with their employees. No firm decisions would be reached for several months, so the goals of meetings were to inform employees of the magnitude of the budget program and to communicate the commitment of management to minimize the number of jobs subject to layoffs. The human resources director told Peytons he hoped to achieve at least one-third of the reduction through normal attrition. He did suggest that some employees would have to be moved laterally to fill positions where job needs required replacements.

The mayor approved the initial proposals and the establishment of public hearings to gather reactions to the reduction plans. He advised Peytons to wait until after the public hearings to take proposals to the council at large. Press coverage would keep the council generally informed and they, of course, could attend all hearings. Peytons was somewhat uncomfortable making public plans that the remainder of the council had not reviewed. He chose to take the mayor's advice because he knew the mayor was politically astute in such matters.

The public hearings were frustrating. The 12 areas of program reduction affected citizens in all sectors of the city and met the overall budget reduction goals. Citizens who had led the fight for the tax rollback called the proposals punitive and designed to exaggerate the impact of Amendment 4. They contended a significant reduction in payroll would minimize reductions in programs. Various public constituencies supported all 12 of the proposed programs or projects.

Council members attending the public hearings became concerned about the complexity of the overall problem. In addition to members of the public who wanted specific programs and projects, council members had received letters and telephone calls from over 300 city employees voicing concerns about their jobs and the overall perception of the quality of city services.

Media stories on the city's budget problems were daily front-page news. Two companies considering Granite City for plant locations expressed concern to the chamber of commerce economic development committee; they felt the political climate was less favorable than it was at the time they had put Granite City on their short selection lists.

The city manager's office had increasing inquiries from employees about their futures with the city, and morale in general seemed low. Roger Peytons decided he needed to establish a comprehensive communication plan for the internal organization and, to a lesser extent, to deal with public inquiries. He called his staff together and suggested they design a communication program to address council issues, employee concerns, public inquiries, and the media in general. Although his staff members were concerned about their capability to do so, they agreed that many of their current problems may have resulted from the lack of a comprehensive information plan prior to the election.

Case Questions

1. Use Figures 12.1 and 12.9 to diagram the key stakeholders in this case and assess their sources of power.
2. Discuss the gap between stakeholders' desires in the environment of Granite City and the pattern of organizational responses, including typical channels and message orientations.
3. What, if anything, should Roger Peytons and his staff do to prevent the problems they are facing?
4. Should the city manager have separate communication plans for employees, the council, the public, and the media?
5. What is needed in each of the plans? Based on the information in Table 12.1, what communication channels and message orientations would you use? How would you monitor the effectiveness of Roger Peytons (clue: use Figure 12.10)? How should he proceed?

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