

**INTERNATIONAL WORKSHOP
ERASMUS+ JEAN MONNET EUSERS NETWORK**

Economics and Management of
Public Enterprises in Public Services

Lessons learned from national experiences

09th June 2017

Stakeholder Management of SOEs

1. Introduction

Aim of the contribution:

Influence of stakeholder on SOEs and hence the importance of an appropriate stakeholder management

Method: theoretical literature based

Contents:

1. Introduction
2. Importance and Relevance of Stakeholder for SOEs
3. Identification of relevant Stakeholder and their Aims
4. Stakeholder Typology
5. Exemplary Template for Stakeholder Management
6. Conclusion

1. Introduction

Definition „Stakeholder“:

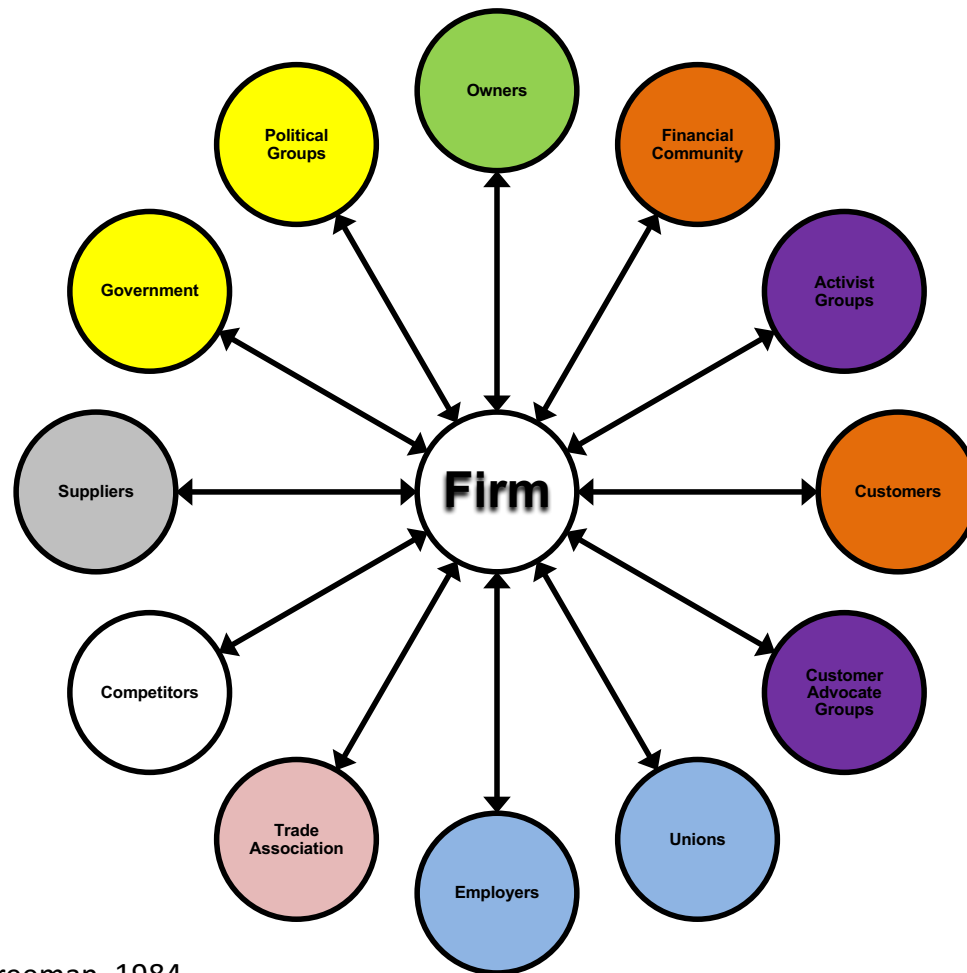
Stakeholder are “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984) and the “... corporate survival depends in part on there being some „fit“ between the values of the corporation and its managers, the expectation of stakeholder and societal issues...” (Freeman, 1984)

Relevance for SOEs:

“whether or not you are in the public or in the private sector the fundamental objective of management is to create or add value.” (Jackson, 1995)

2. Importance and Relevance of Stakeholder for SOEs

Classic List of Stakeholder (choice)



Citizens as tax payer,
customers, voter,
public
servant/employee

Public administration,
incl. participation
management

Political and
administrative bodies
at some level (EU,
national, regional)

Source: Freeman, 1984

2. Importance and Relevance of Stakeholder for SOEs

- Important to identify the relevant stakeholder and its demands and needs.
 - Stakeholder must be involved in all planning and decision processes, because the successful fulfilment of tasks depends on the satisfaction of the stakeholders' needs
 - Cooperation with the key stakeholder is necessary in order to improve the services and impacts
 - A top-down regulation is replaced by negotiation
- An effective stakeholder management should be implemented
- Stakeholder actions/relations may not be in line with the SOEs aims, stakeholder aims may support or negatively affect the SOE and stakeholder may form a network among themselves
- Due to the high number and possible aims of stakeholder, it is practicable to classify them

3. Identification of relevant Stakeholder and their Aims

Classification of Stakeholder

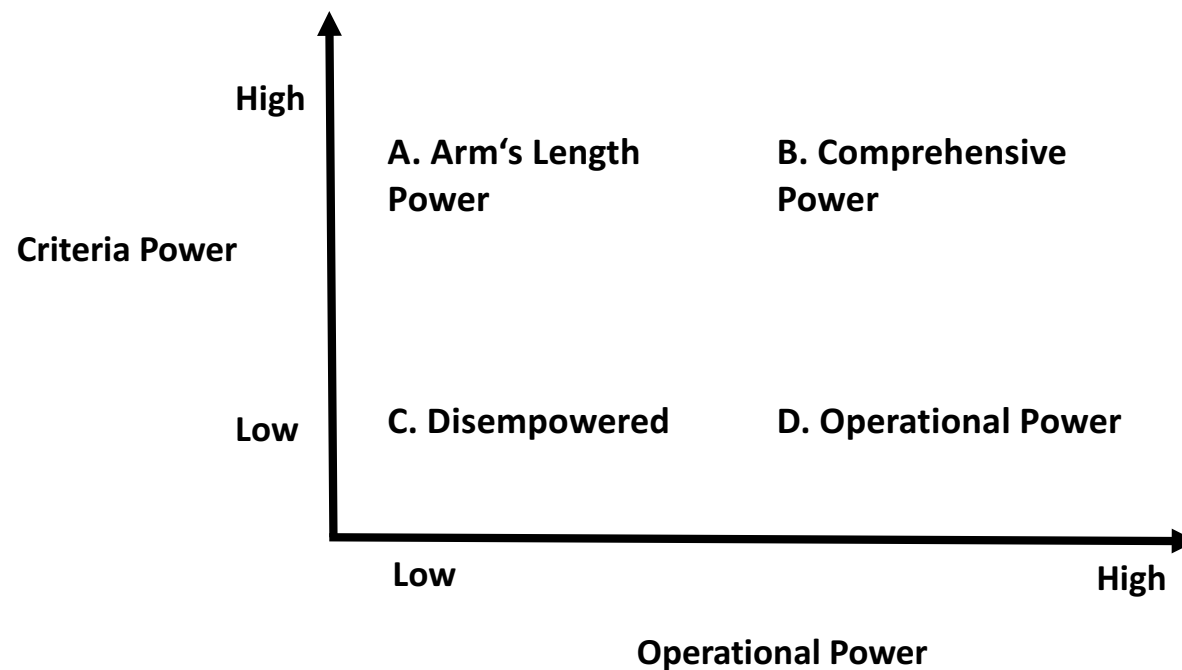
- “To evaluate stakeholder-manager relationships systematically, both actual and potential, in terms of the relative absence or presence of all or some of the attributes: **power, legitimacy, and / or urgency.**“
- **Summarized:**
„Specify how each stakeholder influences the organization. Decide what the organization needs from each stakeholder. Rank the stakeholder according to their importance to the organization. When doing consider the stakeholder’s power, legitimacy and attention-getting capacity.“

Source: Mitchell, Agle et al. (1997) and Bryson (2004)

4. Stakeholder Typology

Criteria for a Typology

Power: A has power over B to the extent that he can get B to do something that B would not otherwise do



Source: Winstanley, Sorabji et al. (1995), S. 21

4. Stakeholder Typology

Criteria for a Typology

Legitimacy: Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions

Regulative: Law, Rules, internal legal structure of companies

Normative: Values and standards of a social group

Cognitive: socially constructed players endowed with differing capacities for actions and parts to play

Urgency / Motivation:

Willingness of using the power, that means the potential threat

Intrinsic and extrinsic motivation

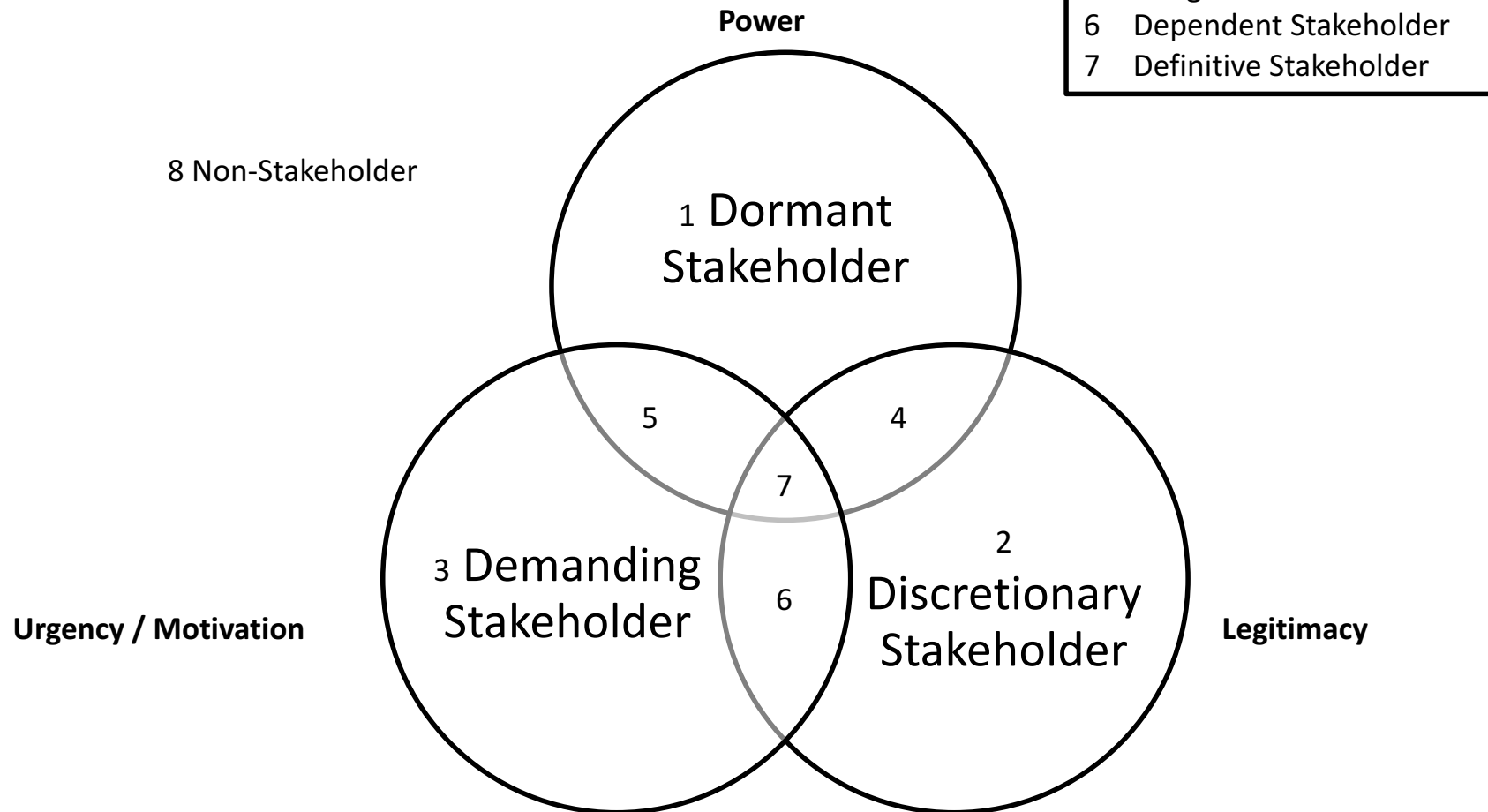
Time sensitivity: if a stakeholder's demand is not considered in time

Critically: urgency as the degree to which stakeholder claims call for immediate attention

Source: Suchman (1995), Scott (2008) and Mitchell, Agle et al. (1997)

4. Stakeholder Typology

Summarized: Stakeholder Typology



5. Exemplary Template for Stakeholder Management

- **SOEs should have a stakeholder management:**
 - Who are the stakeholder?
 - Which demands and needs do they have?
 - Do they have any attributes?
 - Is there a systematic stakeholder management which considers the relevant stakeholder and includes them in the relevant processes?

6. Conclusion

The SOEs success depends on the fulfilment of the stakeholder's demands and needs

There are numerous examples what happens if SOEs ignore the stakeholder, e.g. Berlin Water Company, Eau de Paris, right2water, Berlin Airport...