

Stakeholder Analysis Exercise

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The identification of all stakeholders related to your project, both internal and external to the organization on whose behalf you are working, will help you:

- Formalize the success criteria that each stakeholder will use when assessing the goals and outcomes of the project,
- Outline the effects of the decisions that are made during the project, and
- Understand the parties that need to cooperate in order to achieve success

We will use an example in class to outline this methodology, which you can then apply to your actual project.

Step 1: Identify Relevant Stakeholders

Internal

e.g. Owners, Shareholders, Employees, Customers

External

e.g. Suppliers, Government, Competitors, Consumer Advocates, Environmentalists, Special Interest Groups, Media, Local Community Organizations

Step 2: Complete Stakeholder/Business Success Matrix

How important is each stakeholder to the achievement of business success?

- 1 = Critically important to achieve business success
- 3 = Somewhat important to achieve business success
- 5 = Not very important to achieve business success

Step 3: Complete the Individual Stakes

What are the interests of each stakeholder? Are they

- Economic/Financial?
- Technical? (e.g. intellectual property)
- Social? (e.g. networking)
- Political?
- Managerial?
- Other?

Step 4: Complete Stakeholder/Issues Matrix (reference individual stakes)

How important are each of the stakes in Step 3 to each stakeholder?

- 1 = Critically important to achieve business success
- 3 = Somewhat important to achieve business success
- 5 = Not very important to achieve business success

Step 5: Complete Stakeholder Strategy Matrix

How would each of these stakeholders react to my actions?

1. Inactivity = Ignorance
2. Reactivity = Watchful Wait
3. Proactively = Predict & Reposition
4. Interactive = Change management

Step 6: What Overall Corporate strategy should we take?**Narrow**

- Maximize benefits to one or a small set of stakeholders

Stakeholder

- Maximize benefits to stockholders
- Maximize benefits to “financial stakeholders”

Utilitarian

- Maximize benefits to all stakeholders (greatest good for greatest number)
- Maximize average welfare level of all stakeholders
- Maximize benefits to society

Rawlsian Strategy

- Act to raise the level of worst-off stakeholder

Social Harmony Strategy

- Act to maintain or create social harmony
- Act to gain consensus from society

1. Stakeholder	2. Importance to me	3. Stakeholders' Stakes	4. Importance to stakeholder	5. Strategy/Action

Competitive Strategy

By Michael Porter

Definition: Competitive strategy is a combination of the ends (goals) for which the firm is striving and the means (policy) by which it is seeking to get there.

Questions: What is driving competition in my industry or in industries I am thinking of entering? What actions are competitors likely to take, and what is the best way to respond? How will my industry evolve? How can the firm be best positioned to compete in the long run?

Premise: The state of competition in an industry depends on five basic competitive forces. The collective strength of these forces determines the ultimate profit (success) potential in an industry, where profit (success) is measured in terms of long run return on invested capital (units defined). The goal of competitive strategy for a business in an industry is to find a position in the industry where the company can best defend itself against these competitive forces or can influence them in its favor.

The five competitive forces ("The Five Forces" or "Porter's Five Forces"), reflect that competition in an industry goes well beyond the established players.

Barriers to entry

1. Economies of scale
2. Product differentiation
3. Capital requirements
4. Switching costs
5. Access to distribution channels
6. Cost disadvantages independent of scale
7. Government policy

Other

1. Expected retaliation
2. The entry deterring price
3. Properties of entry barriers
4. Experience and scale as entry barriers

Please rank above items in relation to your selected industry

- 1 = Very strongly reflected in industry
 3 = Somewhat reflected in industry
 5 = Not very reflected in industry

Intensity of Rivalry Among Existing Competitors

1. Numerous or equally balanced competitors
2. Slow industry growth
3. High fixed or storage costs
4. Lack of differentiation or switch costs
5. Capacity augmented in large increments
6. Diverse competitors
7. High strategic Stakes
8. High exit barriers

Other

1. Shifting rivalry
2. Exit barriers and entry barriers

Please rank above items in relation to your selected industry

- 1 = Very strongly reflected in industry
 3 = Somewhat reflected in industry
 5 = Not very reflected in industry

Pressure From Substitute Products

1. Subject to trends improving their price performance trade-off with the industries product
2. Produced by an industry earning high profits

Please rank above items in relation to your selected industry

- 1 = Very strongly reflected in industry
 3 = Somewhat reflected in industry
 5 = Not very reflected in industry

Bargaining Power of Buyers

1. The products it purchases from the industry represent a significant fraction of the buyers costs
2. The products it purchases from the industry are standard or undifferentiated
3. It faces few switching costs
4. It earns low profits
5. Buyers pose a credible threat of backward integration
6. The industries product is unimportant to the quality of the buyers products or services
7. The buyer has full information

Please rank above items in relation to your selected industry

- 1 = Very strongly reflected in industry
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Bargaining Power of Suppliers

1. It is dominated by a few companies and is a more concentrated than the industry it sells to.
2. It is not obliged to contend with other substitute products for sale to industry
3. The industry is not an important customer of the supplier group
4. The supplier product is an important input to the buyers business

5. The suppliers groups products are differentiated or it has built up switching costs
6. The supplier group poses a credible threat of forward integration

Please rank above items in relation to your selected industry

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Strategy formulation

An effective competitive strategy takes offensive or defensive action in order to create a defensible position against the five competitive forces.

Exercise question:

Does the final strategy which you decide make that which was derived using the stakeholder approach? If no explain why using the different approaches might lead you to obtain different strategies?