

## UNZIPPING CORPORATE DIRECTION

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Today's business environment has changed fundamentally from the environment of the past. Organisations are faced with unprecedented levels of turbulence and change, increasing levels of complexity in the environment and higher expectations from interest parties. No longer can an organisation be responsible to shareholders alone; those who survive and flourish in the long term are going to be measured by their ability to satisfy the expectations of a wider group of interest parties, for example employees, unions, political parties and environmental groups.

Within this new environment it is essential to build and develop people within the organisation who are equipped for these changes – who are aware of the organisation and its purpose, who have insight into the nature of complexity and of the broader context in which the organisation functions. People who realise those simple, quick fix solutions that were appropriate yesterday are obsolete today.

In our experience, the strategic planning process becomes key in building this strategic competency throughout the organisation.

However, by strategic planning we do not mean the traditional annual 'rain dance' when the organisational 'chiefs' get together and design intricate plans or blueprints for the future – these are then filed in the 'demanding attention' in-tray.

With the concept of planning we mean the design of a continuous learning process, a conversational aimed at changing the mental models of managers. The important output is not the blueprint or plan, but the learning process behind the plan. The role of the planner is not confined to that of the traditional corporate planners, but rather spread to other areas such as human resources and organisational development professionals who act as facilitators, catalysers and accelerators of corporate learning.

The purpose of this article is to provide managers and professional persons within organisations with a simple learning activity, which can kick-start strategic thinking, contributing directly to organisational learning and to changed mental models within the company.

The activity of stakeholder analysis provides one with simple guidelines, procedures and practical tools. It involves taking a fundamental look at stakeholders of the organisation, at their expectations and at how the organisation can use this information to ensure long-term effectiveness.

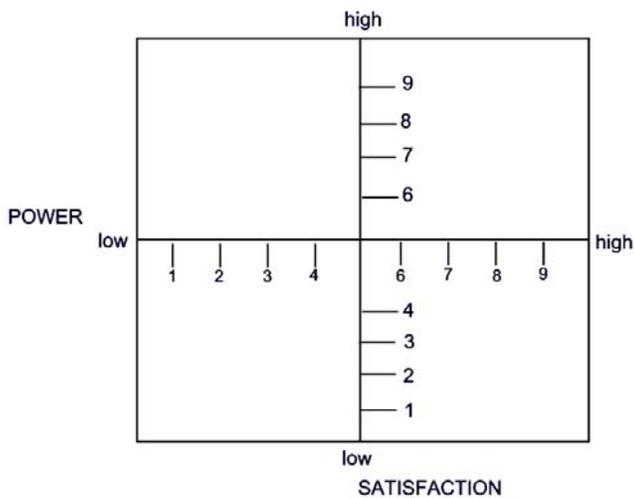
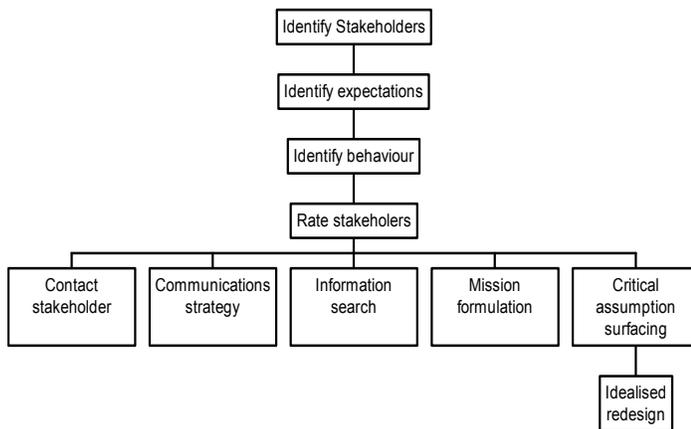
### LOOKING AT STAKEHOLDERS

Most organisations fulfil a need or a function and their existence depends on their ability to produce outputs required by their function. The majority of commercial organisations have an explicit moneymaking function, as well as additional soft or 'implicit' functions – for example, social responsibility and the promotion of long-term economic and social welfare of the country.

Companies mainly succeed in fulfilling their roles, at least to some level of satisfaction, for the functions that they recognise as being required. However, organisations often fail, not because they fulfil an identified function poorly, but rather because they define their functions too narrowly and fail to recognise that they ought to fulfil a wider range of functions.

This really boils down to organisational effectiveness, which is the degree to which an organisation succeeds in the range of functions applied to it. The words 'applied to it' are important, because a function is nothing but the expectations that various people hold of the organisation. Now, just the fact that there is a certain expectation being entertained by an individual or group does not mean this necessarily becomes a 'function' to be fulfilled. However, the reality of the world we live in is such that if an individual feels strongly about a particular expectation, through forming pressure groups that person can create an atmosphere wherein the organisation is perceived to be failing if it does not satisfy the expectation. This is clearly demonstrated when looking at the environmental scene, where numerous organisations were put under immense pressure because of failing to conform to certain expectations. The question of organisational effectiveness then becomes one of how well you are doing against a fan of expectations being held of the organisation.

Figure 1: Stakeholder analysis



Organisational effectiveness can be enhanced through the stakeholder concept. If the process of organisational effectiveness can be enhanced through the stakeholder concept. If the process of stakeholder analysis is applied regularly, it helps the organisation to discover changes in expectations in time to act and to evaluate the importance of this for its continued existence.

The approach also allows teams throughout the organisation to develop contextual insight and understanding and is thus one way of helping to transform the organisation to a learning organisation. Even the simple process of asking, for example, the cleaning team to identify important stakeholders and their expectations provides greater insight into how they form a part of - and can contribute to - the organisation as a whole.

## STAKEHOLDER ANALYSIS

The stakeholder analysis process can be applied at all organisational levels, from the top team to supervisory or shop floor level. The level of participation in the exercise will determine the focus. A stakeholder analysis conducted by the top team will focus on organisational policy and strategy, whilst that conducted at shop floor level would yield input as to how the particular group can improve their functioning so as to contribute to broader organisational goals. A broad base of participation at each level helps to develop common mental models and ensure that there is a higher level of understanding, commitment and buy-in to further actions.

The stakeholder analysis workshop should be guided by skilled facilitators, whether these be from corporate planning, human resources, OD or line management functions. This helps to 'open up' the thinking of participants. The process itself is, however, simple and easy to follow (see figure 1).

The first step is to identify important stakeholders of the organisation or the department, depending on the focus on the activity. A stakeholder is any person, group or outside party who affects and is affected by the organisation/department and its policies (see box 1 for more information on "What is a stakeholder?"). A participative group process such as the nominal group technique assists in generating a broad range of stakeholders.

The next step is to identify the expectations of stakeholders. For each stakeholder, specify what you assume the stakeholder expects, or would expect from the organisation, department, or workgroup. For example: what do parents expect from a school or educational institution, what do pupils expect and what do teachers expect from the same school? This exercise provides insight into the range of expectations that the institution will have to fulfil in order to be effective. In order to clarify the importance of these expectations, it is necessary to also ask: what behaviour do we expect from the stakeholder? Once the range of stakeholders and their expectations and assumed behaviour has been identified, it is necessary to determine which stakeholders and expectations are most important to the organisation.

Various criteria assist in rating the importance of the stakeholders (see box 2: 'Rating your Stakeholders'). The primary result of this analysis is to indicate to which stakeholders you should be talking. Once a stakeholder has been highlighted as important, there are a number of choices.

## WHAT IS A STAKEHOLDER?

A stakeholder is any person, group of persons, institution or organization, who does or may take an interest in, or take issue with what you do, omit to do, intend to do, or symbolize. The crucial point is that a stakeholder is not a stakeholder because you allow them to be a stakeholder, but because they may choose to take a stake in your organization. The stakeholder concept is the key to understanding organizational effectiveness in our present-day, closely interlinked society. The only truly meaningful way of evaluating your organization's effectiveness is to evaluate it from the perspective of each stakeholder. Each stakeholder has his own expectations of your organization and your overall effectiveness is really the extent to which you can balance and satisfy this range of (often conflicting) expectations over time.

The key concept in understanding your stakeholders is purposefulness; the key is in understanding why they do, or expect, what they do. You have to assume your stakeholders are rational, in the sense that they have a logic according to which they expect and behave. If you give up this assumption – i.e. assume they are irrational – you give up the possibility of understanding them, and, consequently, the possibility of influencing them. The word 'irrational' applied to your stakeholders, does not give any information about the stakeholders, but does give information about your understanding of them. You do not have to accept their logic, but you have to understand it in order to influence it.

If the organisation chooses to fulfil the expectation and thus indeed accept the wider function, action plans need to be developed to ensure that the necessary outputs are produced.

Alternatively, if the organisation wishes to influence certain stakeholders and change their expectations, some form of communication strategy should be developed.

A stakeholder may also be rated as important because one is unsure of their expectations or behaviour. In this case a directed search for more information would increase knowledge about the stakeholder's value system and behaviour, enabling more informed decision-making in the future.

One of the benefits of cascading a stakeholder analysis process down the organisation is that it assists in forming closely knit teams and developing a common language throughout the organisation. Data generated in the process can easily be used as input for a mission statement, for example, by asking the question: what does the organisation want to be or to do for the most important stakeholders? In mission development it is suggested that a top-down and a bottom-up process of identifying important stakeholders and their expectations are superimposed on each other.

Probably the most important function of a stakeholder approach is to initiate organisational renewal. The renewal process can be started with an idealised redesign of the organisation, which produces the vision of what the organisation should be in the future. Idealised redesign is a participative process, based on the principles of the systems approach, which fundamentally revisits the purpose, processes and organisation of the firm. The stakeholder analysis is an important starting point of this process, as it helps to fundamentally revisit the roles that the organisation decides to fulfil. Yet another application is in the area of total quality management. It is interesting to note that the TOM movement also recognises that in order to be truly effective in implementation, the organisation design needs to be aligned with its environment. The stakeholder approach helps to achieve this alignment.

## CONCLUSION

The idea of the 'learning organisation' is very prevalent in current business thinking.

However, there is a dearth of procedures, which can be easily implemented to help the organisation to become more learning-orientated. A stakeholder analysis is one such procedure that, whilst being very simple to implement, easily links into more sophisticated procedures such as mission development, idealised redesign and other strategic planning processes. It has been our experience in using this approach that it promotes a change of thinking out of proportion to the effort that it requires. It is therefore a practical and highly effective technique to kick-start longer-term strategic thinking in the organisation. There can be no doubt, in today's highly turbulent environment, that it is a business imperative to build a long-term strategic orientation, because this is virtually the only way to reintroduce stability.