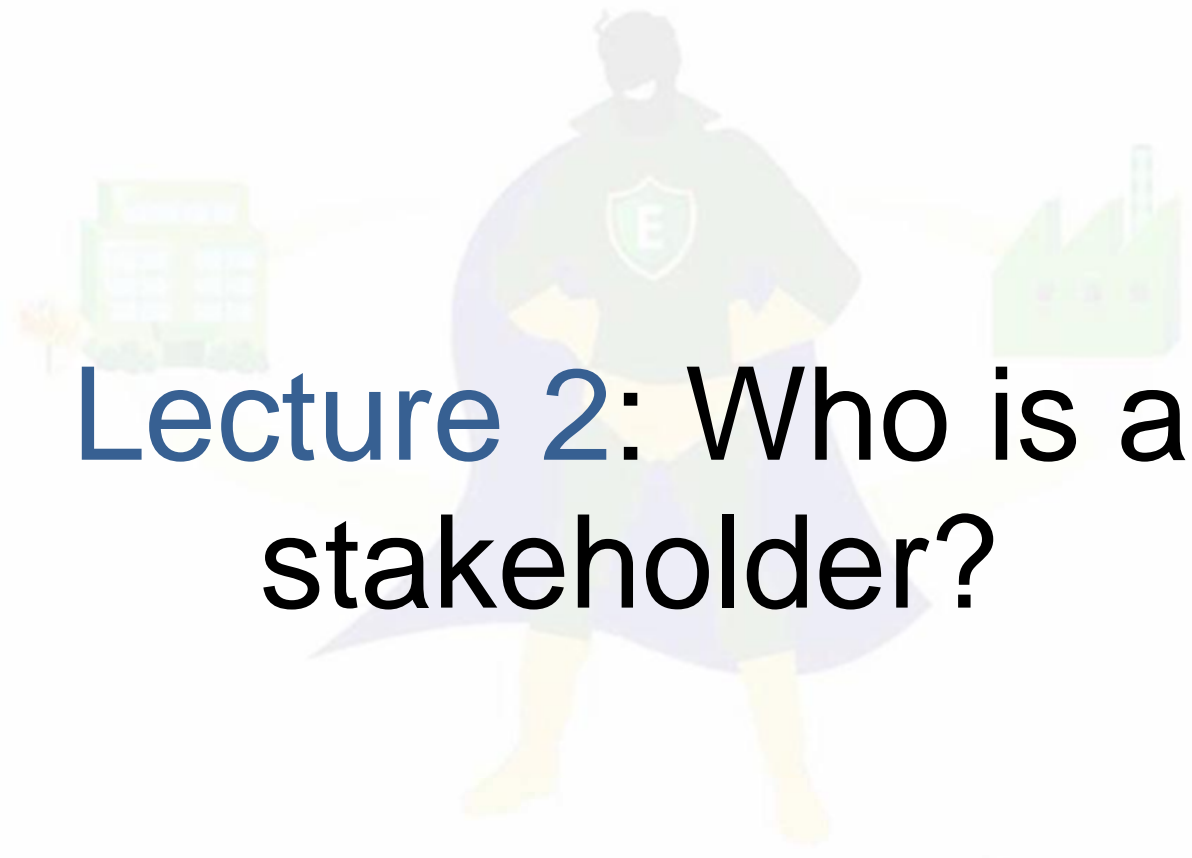


Ethic



Lecture 2: Who is a stakeholder?

r-Evolution



What is *Stakeholder*?

- Definition: Stake-holder (portatori di interesse)
- Stake-holders are those who either **affect** or **are affected** by an organisation and its activities.
- Can be of any form, size and capacity. They can be **individuals**, **organizations** or **unorganized groups**.

Set of stakeholders



The set of stakeholders may change!

- Why? What can affect the set of stakeholders?

New business strategies and changes in the business environment will often mean a **new set of stakeholders**

- Business strategy (inside the firm)
- Business environment (outside the firm)



Set of stakeholders



What does that mean?

- Each fact inside or outside the firm may affect all stakeholders:
- In a positive way : stakeholder(s) get an advantage from this fact (+)
- In a negative way : stakeholder(s) get a disadvantage from this fact (-)



Some **inside facts**:

- Increase salary
- Reduce the staff
- Purchase fixed assets
- Increase stock dividends
- Invest more to protect environment
- Reduce the cost by improving skills
- New business strategy
-

Example of **inside fact**: new business strategy

ABC corporation decides not to produce shoes anymore. The company considers that is more proficient to produce and sell LDC screens from 2013



What happen to **EACH** stakeholder?

Set of stakeholders



What happens to EACH stakeholder?

- Employees(designers and skillful shoe-makers ->electronics engineer)
- Shareholders(shareholders may not change)
- Customers(shoe buyers ->screen buyers)
- Suppliers(cowhide supplier->electronic component supplier)
- State administration(Some administration will not change such as tax administration, but some will change)
- Community society()
- Environment(resource and water consideration ->particle pollution consideration)

Notice : This example is based on the assumption that the company makes product by itself.

This is an example of inside fact. Can you think about **outside facts** and the effects?

Some **outside facts**:

- Banks reduce the interest rate
- Increase tax rate
- Government puts out more strict rules with environment, labour law, ...
- Competitors reduce the product's price

Set of stakeholders



Example of **outside fact**:

Petrobras descobre nova acumulação de óleo leve no ES

Segundo a Petrobras, análises preliminares indicam um óleo "de excelente qualidade", condensado e gás

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Petrobras Example

- Petrobras is a Brazilian state company. So the government is the owner.
- But Petrobras also has shareholders.
- If Petrobras finds an unexplored oil and gas area, **what happens to each stakeholder?**



Set of stakeholders



What happens to EACH stakeholder?

- Employees □ new jobs
- Shareholders □ probably shareholders want to invest more on Petrobras
- Customers □ the price of the oil *may* decrease
- Suppliers □ new assets will be sold
- State administration □ new investment in order to exploit the oil
- Community society □ =
- Environment □ more pollution



What does that mean?

- Since every fact affects some stakeholders □ a strategy is needed!
- **Stakeholder strategy**

Definition: **Art of balancing** how **value** is shared

among different stakeholders so that overall **value** creation is maximized

- Business as an ecosystem comprised of groups that cooperate to maximize value creation and compete to realize their share of that value.



But WAIT! What does “balancing”
and “**value**” mean?



What does “Balancing” mean?



- Balancing= to balance

How a company should deal with stakeholders?

- Researchs shows that CEOs who put stakeholders ahead of profits generate greater workforce engagement (relationships based on TRUST)



What's **Value**?

- Value: **is a positive impact** on a specific stakeholder
- Value creation is a firm's *reason for existence*, the ultimate measure by which it is judged.
- **Value is not only profit!** Should social-environmental responsibility be other indicators of value in a company?

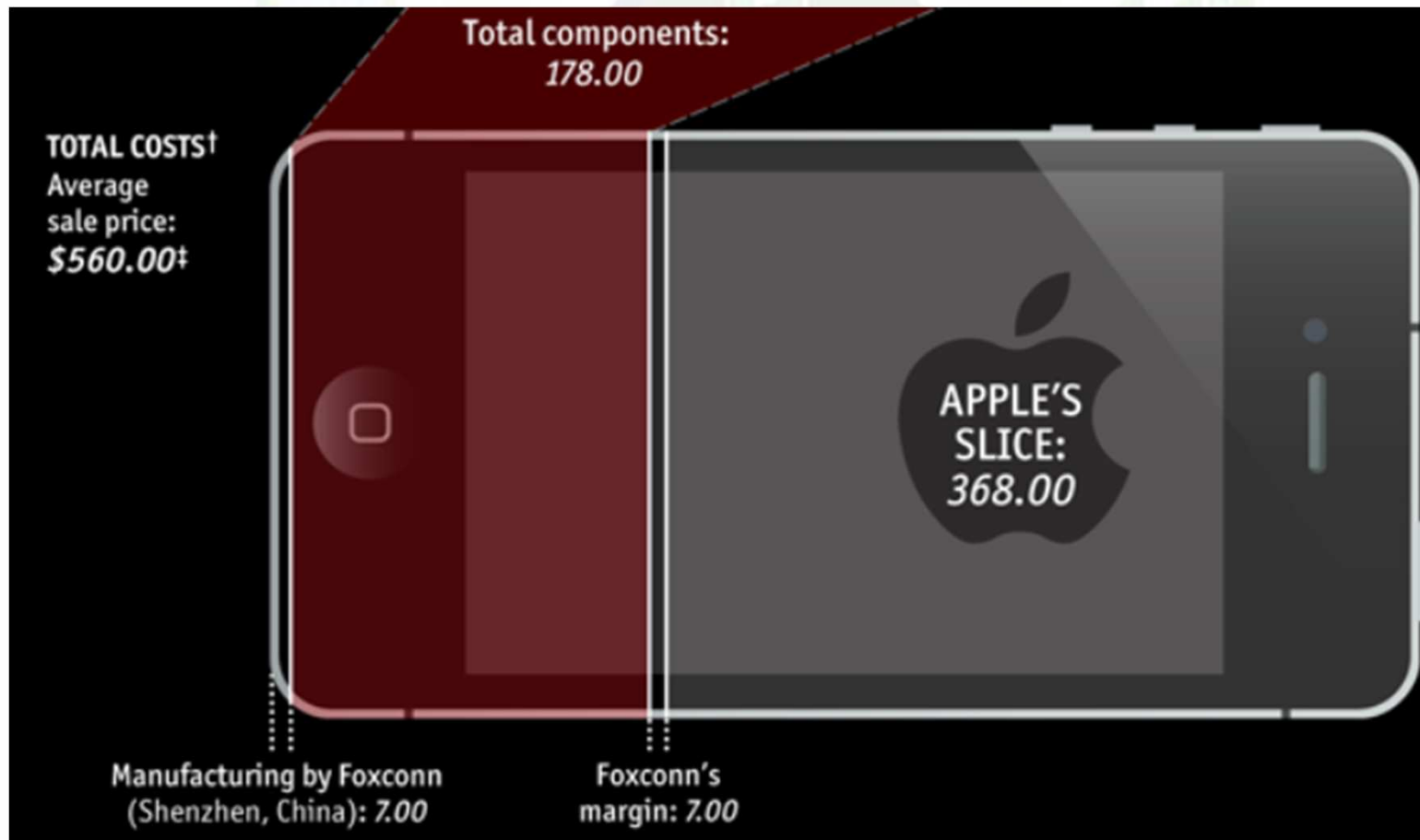


What happens if there's no balancing of value?

- No system can thrive if one member group continually benefits at the expense of others. Why? **Iniquities would get bigger and bigger!**
- Any **unfairness** in treatment will result in suppliers prioritizing other customers, staff leaving to work for other companies, or customers defecting to other suppliers or shareholders selling



Now it's your turn!slicing an Apple!



Ethic

- \$ 178.0 goes to the main suppliers, the rest is Apple's slice.
- Which stakeholder should participate in the Apple's slice?
- How much do you think **each stakeholder** receive or should receive in that slice?

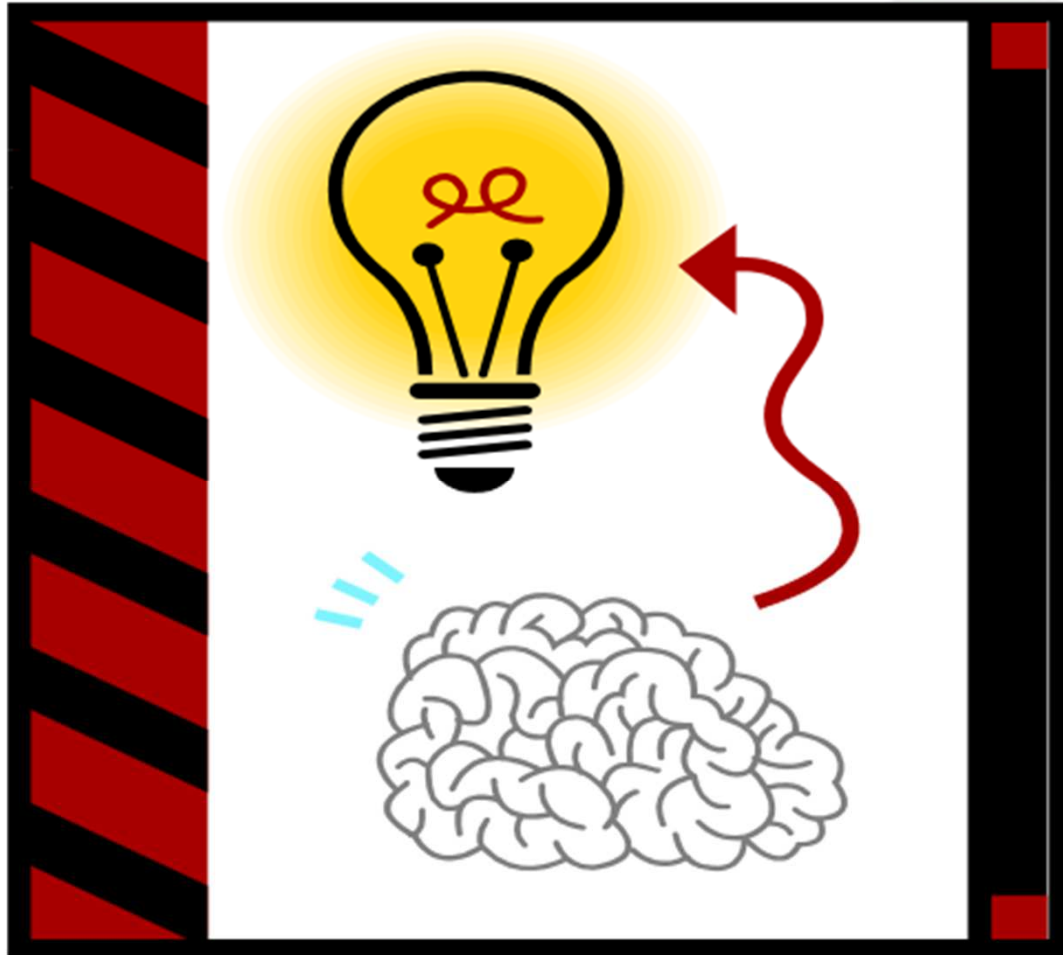


Rules

- Divide the students into 5 groups (shareholder, employees, future generation, suppliers, consumers)
- Discuss in groups, then every group tells the class how much they want and give the reasons.
- Intern balances the benefits among all groups.



Brain storming



Our own Stakeholder Strategy



It's difficult to find an agreement!

- Each stakeholder claims something
- Benefits are limited
- The solution can be difficult to be found!



Evolution



So...what is the purpose of stakeholder strategy?

- Sustain **superior profitability over the long run** rather than maximize it in the short term, besides being social responsible:
- What happens if we seek for short-term profitability?
 - Pressure the suppliers for better contracts only to the company side (cutting costs).
 - Underestimating the employees (through unfair salary and work conditions)
 - Underestimate the customers (poor services, no guarantee), etc.
 - Incentive to misbehave (bribe, corruption,...)
 - The company will probably be more profitable than its competitors. But this business model won't last for a long time, because stakeholders won't stick together to this company. Customers will runaway!



Case study: The shareholder structure of ROHM

- ROHM makes and sells components (semiconductors)
- It's a Japanese company
- Website: <http://www.rohm.com>



Set of stakeholders in ROHM

- Customers
- Business Partners
- Employees
- Shareholders (Investors)
- Local Societies and Communities
- Environment

How can **value** be created for stakeholders?

The firm shows its **commitment** to each stakeholder

Commitment to Customers

- High quality products and services
- Customers' views and suggestions are taken into consideration
- Safety of its products
- Product warranty
- ...

Commitment to Business Partners

- Equitable and rational criteria
- Fair transactions for mutual prosperity
- Compliance with antitrust policies
- ...

r-Evolution



Commitment to **Employees**

- ROHM strives to ensure a safe and pleasant working environment, respect human values and individuality, and create a fair and appropriate workplace where each employee may demonstrate individual initiative.

Commitment to **Shareholders** and **Investors**

- Steady return to both shareholders and investors
- Offers comprehensive and full financial information
- ...

Commitment to **Local Societies** and **Communities**

- Exchange with each country and local community
- Respect culture and different backgrounds
- ...

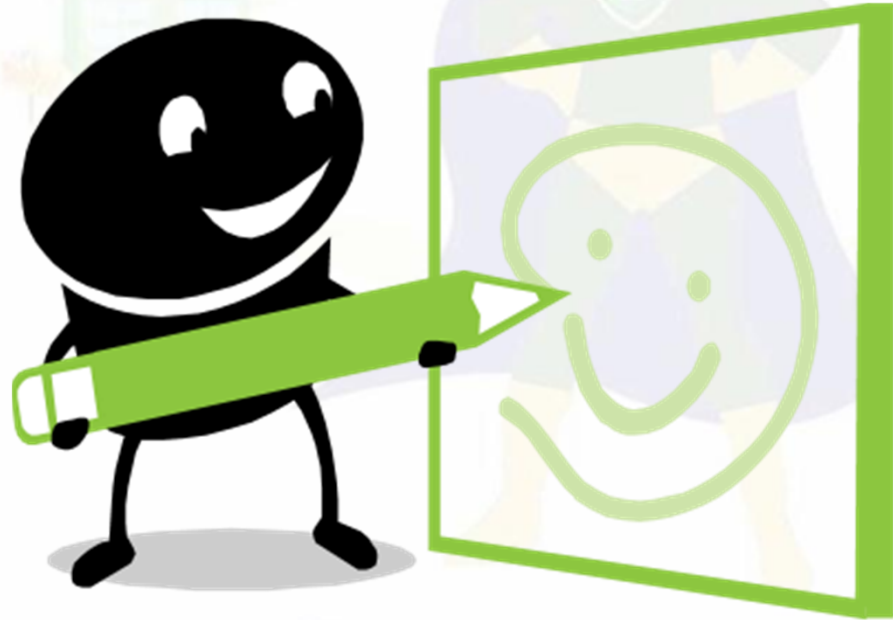
Consideration for the **Environment**

- Approaches to the reduction of greenhouse gas emissions
- Consideration for water and air
- Actions taken for environmental load substances

Summary of *Stakeholder*

- Stakeholder is any **individual or group** who are affected directly or indirectly by an organization and its activities;
- The set of stakeholders depends on the business and the environment (case study);
- Stakeholder Strategy is all about **managing the trade-offs** with the purpose to be S.R. and seek for profit in the long-term instead of the short-term profit

Thanks for your attention!



Any question?

