

Strategic Management of Stakeholders: Theory and Practice

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This article explores how top management teams can increase the robustness of their strategies by attending to important concepts emerging from the stakeholder literature. Analysis of three themes emanating from this literature leads to the development of a method composed of three techniques which elaborates how stakeholder management concepts can be applied in practice. The research, which spanned a 15 year time period, was based on working with 16 top management teams while they were developing their strategies, so that the method – which developed incrementally in response to the teams' reactions to its utility – was grounded in both theory and practice.

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Introduction

One of the most important tasks during strategy making is the management of the interface between the many (often competing) demands of an organization's different stakeholders in relation to its strategic goals. While there is a well established body of literature that discusses stakeholder management, the concepts are not generally developed in ways that make them useful in practice. This research seeks to bring greater clarity to the practice of stakeholder management, so that organizations can manage their stakeholders in ways that meet their strategic goals: it also has implications for the development of stakeholder management concepts.

In some of the earliest work on stakeholders, an internal Stanford Research Institute memorandum conceptualised them as '*those groups without whose support the organization would cease to exist*' (Freeman and Reed, 1983, p. 89). However, other writers have suggested including those groups or individuals who are *affected by* the organization as well as those who can *affect it* among the number of an organization's stakeholders (Bryson et al., 2002; Freeman and McVea, 2001). Thus, *who stakeholders are* is related to the multifarious nature of the *demands they can make* on the organization. This lack of clarity as to the conceptualisation of stakeholders occurs across

several research arenas beyond strategic management – including political and policy sciences, planning and corporate social performance (Bryson, 1995; Bryson, 2004a; Bryson, 2004b; Eden and Ackermann, 1998; Finn, 1996; Freeman, 1984; Nutt and Backoff, 1992) – but the former is the context of the research reported in this article.

Questions about stakeholders' identities and demands have been addressed before, but our specific focus is: *How can Top Management Teams (TMTs) manage their stakeholders effectively so as to realise their strategic goals?* The majority of the extant literature implies that stakeholders are managed by the whole organization, rather than by a specific group of managers. But since (typically) it is the Top Management Team that crafts an organization's strategy, it therefore also needs to attend to the strategic management of stakeholders if it wants to ensure the strategy's robustness. By anticipating and managing stakeholder responses to organizational strategies, actions can be put in place that either capitalise on potential positive responses or reduce or eradicate negative responses.

Our research focused on three themes that have emerged from the stakeholder literature. These themes guided our development of a stakeholder management method – comprising three techniques linked with these themes – that was then continuously tested and refined through a range of organizational interventions. Our research findings emphasise that TMTs find the subject of the strategic management of stakeholders problematic, both because it is difficult, but also because it seems a manipulative – and thus somehow 'illegitimate' – activity. Nevertheless, our research revealed that TMT members always have substantial embedded knowledge about stakeholders which, if surfaced and used in an organised way, can serve to develop successful strategy for their management. We also found that, although the three individual techniques we propose align with the key themes from the stakeholder literature, utilising them in concert yields the greatest benefit.

The research

An important dual aim of the systematic method developed during this research was to both *identify* and *manage* those stakeholders who were important for the specific organization's strategic future. To achieve this, the research began by focusing on a series of linked key themes derived from the literature which represented problematic issues for the strategic management of stakeholders. In summary these are:

- Identifying who the stakeholders really are in the specific situation (rather than relying on generic stakeholder lists). Recognising the uniqueness of an organization's context and its goals allows managers to identify *specific stakeholders* and be clear about their *significance* for the future of the organization;
- Exploring the impact of stakeholder dynamics; acknowledging the multiple and interdependent *interactions between stakeholders* (and potential stakeholders);
- Developing stakeholder management strategies; determining *how* and *when* it is appropriate to intervene to alter or develop the basis of an individual stakeholder's significance, which itself is determined through in depth consideration of stakeholder's power to, and interest in, influence the organization's direction.

With respect to the first theme – identifying the stakeholders – a number of useful frameworks exist, some that take a very particular angle (for example a market orientation), and some that assume a purely transactional (input-output) view is sufficient (Freeman, 1984; Porter, 1980). However, other approaches see stakeholders as being more heterogeneous, and recognise that differences in organizations' strategic environments will significantly affect who their stakeholders are. Some scholars have expressed concern that a '*generic level of analysis tends to lead to generic strategies that could be applied regardless of industry and circumstances*', an anxiety further expounded by the view that '*political, social and technological contexts must also be reckoned with if the firm is to incorporate the range of institutions and actors – both public and private – that affect its operations*'. (These two arguments are expressed, respectively, by Freeman and McVea, (2001, p. 193) and by Cummings and Doh, (2000, p. 83)). So paying attention to, and managing, a *specific set of*

stakeholders is likely to have a powerful effect on the feasibility of an organization achieving its strategic goals and thus helping assure its long-term viability. But even when an organization identifies these particular and appropriate stakeholders, the list can still be extensive, and managers must decide which of the many stakeholders identified *must* be addressed if their strategy is to succeed; in other words, they must identify *stakeholder salience* – ‘the degree to which managers give priority to competing stakeholder claims’ (Mitchell et al., 1997).

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The second theme – the need to attend to stakeholder dynamics – stems from the extensive literature on social networks that focus on the relationships between stakeholders, and can reveal both responses and counter responses to organizational actions. Reflecting on stakeholder interactions is likely also to suggest potential coalitions.

The final theme – of attending to stakeholder management strategies – emerged as the research progressed, and reflects managers’ needs to understand the bases of stakeholder power and interest in enough detail to be able to develop appropriate actions for specific stakeholders (Mitchell et al., 1997). This view assumes that, in recognising that organizations have ‘*disparate demands, changing foci of attention, and limited ability to attend to all problems simultaneously*’, TMTs understand that managing stakeholders is a dynamic issue, and involves the need to prioritise between them (Cyert and March, 1963).

In addition to taking these three themes into account, our research has been based on the view that stakeholder management needs to be carried out *in relation to the goals of the organization*. This emphasis differs from the view expressed in much stakeholder management research – which suggests that attention should be paid to the full range of stakeholders – arguing instead that orientating their efforts towards the organization’s goals will ensure TMT choices are informed by their organization’s *specific* needs, and their management efforts will prioritise those stakeholders they believe are most relevant to its strategic future (Carroll, 1989; Donaldson and Preston, 1995; Freeman, 1984).

Research design

Lewin, (1951) has famously argued that ‘*nothing is as practical as a good theory*’; in this spirit, our research aimed to explore whether, for example, the ‘power-interest’ grid discussed in the literature as a basis for addressing the first theme could be mobilised to develop such good theory. It sought to address some of the concerns about practical relevance (particularly in strategy research), so as to ensure the development of theory was not divorced from its utility to practitioners. We therefore used a ‘Research Oriented Action Research’ format that followed a cyclical or iterative process (Eden and Huxham, 1996). While working with groups can be seen to be a form of consultancy, the researchers in this case had a clearly defined objective, and the research design was ‘research qua intervention’ rather than ‘intervention qua research’ (issues arising around the validity of action research and its relationship to consultancy are discussed at length by Eden and Huxham, 2006 and by Susman and Evered, 1978).

The researchers were accorded privileged access to TMTs engaged in strategy development in 16 organizations (including 1 multi-organization, 8 public sector, 2 not-for-profits, and 5 private firms) over a 15 year time period, and undertook single episode interventions – each entailing a minimum of a 2 day session – with each TMT, involving all members (between 5-16) in each case. The selection of organizations was serendipitous, and derived from those who actively sought out the researchers to help with their strategy making process and whose demands aligned with our research objective. Each intervention helped us to further refine the stakeholder management method.

The research design involved working with a range of different data sources, including: a mix of formal one-to-one conversations (not interviews); informal conversations in sub-groups of managers; the views of the management team support staff present at the meetings; and our own observations. Views were sought from all TMT members who engaged in conversation about the impact of the process and method used, although the predominantly informal context meant data capture depended primarily on notes recorded after meetings. These were mostly expressed in quotes and/or as specific considerations/insights, and validity issues were ameliorated (to some extent) by having two facilitators – with different research foci – discussing the results of each data set captured. Data also included those actions managers assumed to be the consequences of their stakeholder management analysis and, most significantly, the recorded data created by the group as they interactively surfaced, structured, reviewed and discussed their stakeholders, which was amended and agreed on over the course of the intervention.

During the research review period following each intervention, potential changes to the method were proposed, often resulting in the literature that had guided its development being re-examined and re-interpreted, and conclusions being checked for robustness by exploring alternative interpretations. Although there could be no control over the organizational and environmental contexts of each team, similar characteristics emerging from different contexts were sought: in fact, we found no evidence of the data being particularly specific to public or private, or to any other context. The iterative process of comparison between the method and the cases was continued until ‘saturation’ (in Glaser and Strauss’s, 1967 term) was reached, indicating the method was stable. The research thus followed a ‘fine-grained methodology’ of cycling between the worlds of practice and of theory (Harrigan, 1983; Tranfield and Starkey, 1998).

Examining stakeholder theory through practice

In order to both present the development of a technique and also ground it in the relevant literature, the presentation of each technique is introduced by a consideration of the existing literature.

(considering) the dimensions of power and interest can balance the need to take a broad definition of stakeholders but still yield manageable numbers.

The power-interest grid: specific, unique and significant stakeholders

Mitchell et al. have noted that working with a considerable number of stakeholders can be ‘bewilderingly complex for managers’ (p. 857). Among many stakeholder management researchers, Freeman has identified the dimensions of power and interest as being significant, and suggested the use of a ‘Power-Interest Grid’ to assist in balancing the need to take a broad definition of stakeholders whilst still yielding manageable numbers. Our method was to impose the grid *a priori*, with the intention of refining it through the iterations of the research cycle. However, the specific difference in our application was that, while previous research had used the grid as a basis for understanding a company’s environment, our intent was that of enabling managers to proactively manage their stakeholders.

We started by encouraging TMT members to name groups, organizations and individuals they believed had power to influence the delivery of – and/or had a significant interest in – the organization’s strategy. We left the term ‘power’ undefined, since the stakeholder literature gives no consistent or precise definition of power, but, as Mitchell et al., 1997, p. 865 point out, ‘power may be tricky to define but it is not that difficult to recognise’ (Salancik and Pfeffer, 1974, p. 3). Initially TMT members placed the stakeholders they identified on a grid but without considering their

location in relation to the two axes of power or interest too strictly. Rather they were encouraged to use their early thoughts to trigger further contributions, since uncovering uniqueness depends upon participants going beyond the ‘obvious’ stakeholders.

The significance of stakeholders

Once participants had stopped generating contributions, they began the process of positioning their stakeholders more precisely against the two axes in relation to their draft strategies. To manage the complexity of both thinking in these two dimensions, and about many stakeholders, TMT members are asked to position each stakeholder against one dimension at a time. Participants initially tended to focus on positioning those they believed had the most power to impact the intended strategic direction at the ‘high power’ (right-hand) end of the horizontal power axis, followed by those with the least power at the left end: getting these two groups positioned gave initial anchor points against which the others could be placed on the axis by considering their relative power rather than using the notion of an absolute scale. A similar process was then used for the interest (vertical) dimension. As is usual in this process, positioning stakeholders resulted in discussions between managers that surfaced knowledge that had hitherto been tacit.

An outline power/interest grid is presented as Figure 1. The four quadrants of the grid can be seen as defining four categories of stakeholder, which (together with their labels) made sense to TMTs. Stakeholders in the upper two categories are those with most stake (i.e., most ‘interest’) in the organization, but with varying degrees of power: those to the right hand side enjoy more power to affect a focal firm’s strategies, (i.e. they have ‘influence’) but may or may not actually be concerned about its activities Thus ‘Players’ are those interested stakeholders who also have a high degree of power to support (or to sabotage) firms’ strategies, whereas ‘Subjects’, while interested, have less influence. The two lower categories can perhaps be seen more as ‘potential’ stakeholders, who have not (yet) displayed much interest in the organization. ‘Context setters’ may have a high degree of power over the future of the organization – particularly in terms of influencing the future context within which its strategies will need to operate – while the last quadrant – the ‘Crowd’ – (currently) exhibit neither interest in or power to influence strategy outcomes. (They may be small in number, but – by definition – this quadrant has infinite content.) We have adhered to the established terminology of the literature, in that all these categories – in which TMTs surfaced examples – are labelled ‘stakeholders’: however, clearly, some have bigger stakes than others. To avoid the problem of using the same term to refer also just to those who are most

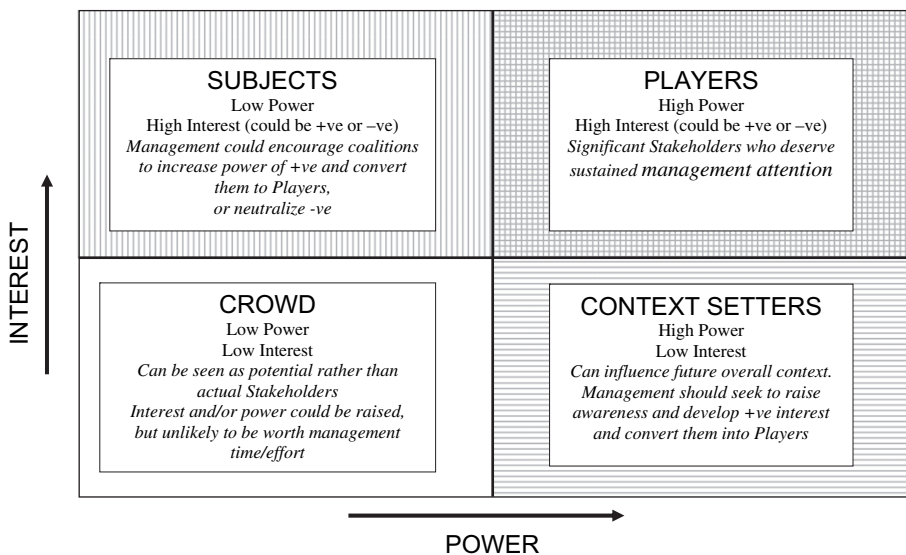


Figure 1. Outline stakeholder power-interest grid

significant, we hold to the labels of interest and power to define those who care about, or can affect, a company's strategy. As the following describes, TMT members need to both understand and differentiate between these properly if they are to identify and thus manage their stakeholders.

Although the power/interest grid undoubtedly provided a good structure to focus strategic conversation, it was clear early on it needed further development. TMTs were often disappointed in the outcome, making comments like *'can't we get more from this — the discussion has been good, but the picture is pretty obvious now we can see it.'* Reflecting on their responses and informal discussion data, it became clear that one explanation for their disappointment was their tendency to identify stakeholders at too high level of aggregation, and come up with a generic list of stakeholders such as any organization might identify. When they became more specific about stakeholders, identifying in detail those that could be more easily and directly managed, the process was seen to be more useful: it was clear that — for the technique to be applied successfully — more emphasis on disaggregation was required

Disaggregation and uniqueness

Disaggregating to achieve greater specificity and uniqueness can help the TMT focus on the organization's ability to manage its stakeholders strategically. Thus, 'the government' (as a whole) can rarely be managed, but a particular part — a department or directorate, or a specific civil servant (who might be more distinct in terms of stamping their values and beliefs on the demands of their particular role) probably can be. A careful disaggregation process often reveals more (and more specific) stakeholders, in terms of their interest in what the organization is doing or their potential to impact what it plans to do, making the technique more meaningful and useful: *'this is really helpful, by focusing on specific who's, rather than on a big group such as [a funding agency], whilst also considering their power and interest, I now know who to pay attention to'*. Perhaps most significantly, these conversations also began to suggest possible courses of action for managing key stakeholders.

Stakeholder dispositions

As part of the disaggregation process, participants argued for moving to a further level of detail by referring to the disposition of the stakeholder — differentiating *'the good guys and the bad guys'*. Here TMT members considered whether stakeholders would be (generally) more inclined to support or to sabotage the organization's strategy. For example, a newspaper might initially have been seen as being both for and against an organization, but after disaggregation it became clearer *which specific staff* were supportive and which neutral or negative, leading to a deeper understanding of the newspaper's potential for interfering with the organization's future, or of the extent and nature of its support. At this stage applying the technique, the grid was, in principle, complete (see [Figure 2](#)).

Some stakeholders are captured in multiple grid positions, depending on which particular strategy is being considered, so their power and/or interest can be regarded as being 'unstable'. Our research revealed that encouraging a TMT to refine the grid to depict the extent, and nature, of this instability was helpful. The figure indicates how their multiple appearances, as captured on the grid, can define their 'areas of instability'.

Impact on practice

As our research concentrated on TMT strategy making, it was important to recognize the limited time team members had available. Their energies had to be focused on a manageable number of *key* stakeholders, including *at least* those 'Players' in the high power/high interest quadrant. Where these key stakeholders are positively inclined, options to encourage their further support can be considered, and where negatively disposed, options aimed at diminishing their interest (to stop them taking certain actions) or neutralizing their power (breaking or influencing existing and potential coalitions) should be examined.

Where stakeholders are positively inclined but not powerful ('Subjects'), TMTs can try to determine if any actions are available that might help build their power base — for example by encouraging the formation of coalitions with others of the same type — with the aim of moving them into

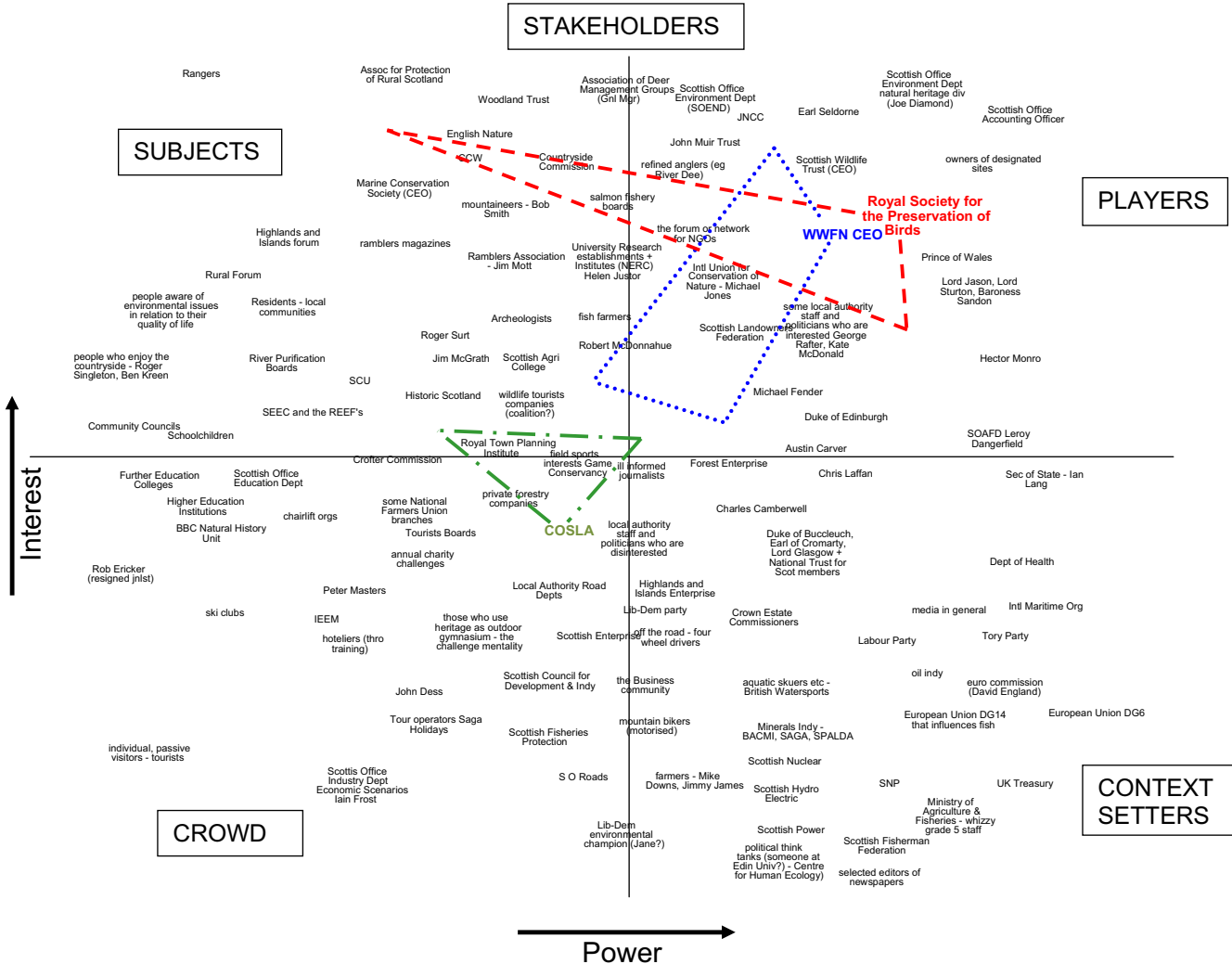


Figure 2. A power-interest grid (names changed to protect confidentiality). Key areas of stakeholder instability with respect to strategic issues are indicated by lines

the Players category (Eden, 1996). Powerful but disinterested stakeholders ('Context Setters') – typically those perceived as having similar values to the organization, but lacking awareness of it – can be reviewed to consider ways of increasing their interest and encouraging them to support the organization's objectives. Finally, those in the 'Crowd' quadrant can be seen as potential stakeholders, although the effort involved in both raising their interest *and* increasing their power usually outweighs the benefits, either to them or to the focal organization. The resultant grid, thus, becomes a 'chess board' for focusing attention on the management of key stakeholders.

As well as showing the importance of disaggregating stakeholders to an appropriate level, the research highlights a second important issue – the need to acknowledge and manage '*potential conflict stemming from divergent interests*' (Frooman, 1999, p. 193). Stakeholders occupying multiple positions on the grid (for example as both partner and competitor (Schelling, 1960)), may view some of the organization's strategies positively and others negatively: clearly, their management will have to be planned carefully.

One stakeholder's actions can generate a dynamic of responses across a range of others ... depicting these interactions (visually) can surface the formal and informal relationships (underlying) social networks.

The stakeholder-influence network

Acknowledging multiple and interdependent interactions between stakeholders

The technique for capturing the interactions between stakeholders grew naturally from TMTs' experiences with the power-interest grid, as members wanted to capture and reveal further insights about power and interest, particularly in relation to coalitions. Freeman and McVea (p. 193) note that '*Identification of both the stakeholders and the interconnections between them is a critical step*'. When stakeholders respond to a particular organizational action they do so with respect to other stakeholders, as well as to the focal organization. One stakeholder's actions can generate a dynamic of responses across a range of other stakeholders. In the same way a stakeholder's power can often be described in relation to their position in the network of other stakeholders. This interactional aspect of stakeholder analysis – which can be depicted as a 'Stakeholder Influence Network Diagram' – aims to surface both the formal and informal relationships that are the bases of such social networks in a form similar to a sociogram (Cross and Prusak, 2002; Krackhardt and Hanson, 1993; Maclean et al., 2006; Noria, 1992). While using the power-interest grid, TMT members often commented on how power could depend on informal relationships. In the context of the second literature theme – which stresses the need to attend to stakeholder dynamics – Galaskiewicz and S. Wasserman note that '*Instead of analyzing individual behaviours, attitudes and beliefs, social network analysis focuses its attention on how these interactions constitute a framework or structure that can be studied and analyzed in its own right*', while Rowley (p. 887) argues that '*to describe how organizations respond to stakeholders, scholars must consider the multiple and interdependent interactions that simultaneously exist in stakeholder environments ... Each firm faces a different set of stakeholders, which aggregate into unique patterns of influence*'. This attention to the unique pattern of a focal organization's specific network can indicate where support is needed to create and sustain winning stakeholder coalitions. Finally the network also helps a TMT understand, as Cummings and Doh, (2000) put it, '*which players are important and which relationships are the most pronounced*' (Galaskiewicz and Wasserman, 1994, p. 84; Rowley, 1997.) The network depicts relationships between stakeholders with linking arrows, the direction indicating the nature of the relationship (with influence running from the tail towards the head) – where they influence each other, a double headed arrow is used. Figure 3 shows an early stage example from one of our case TMTs.

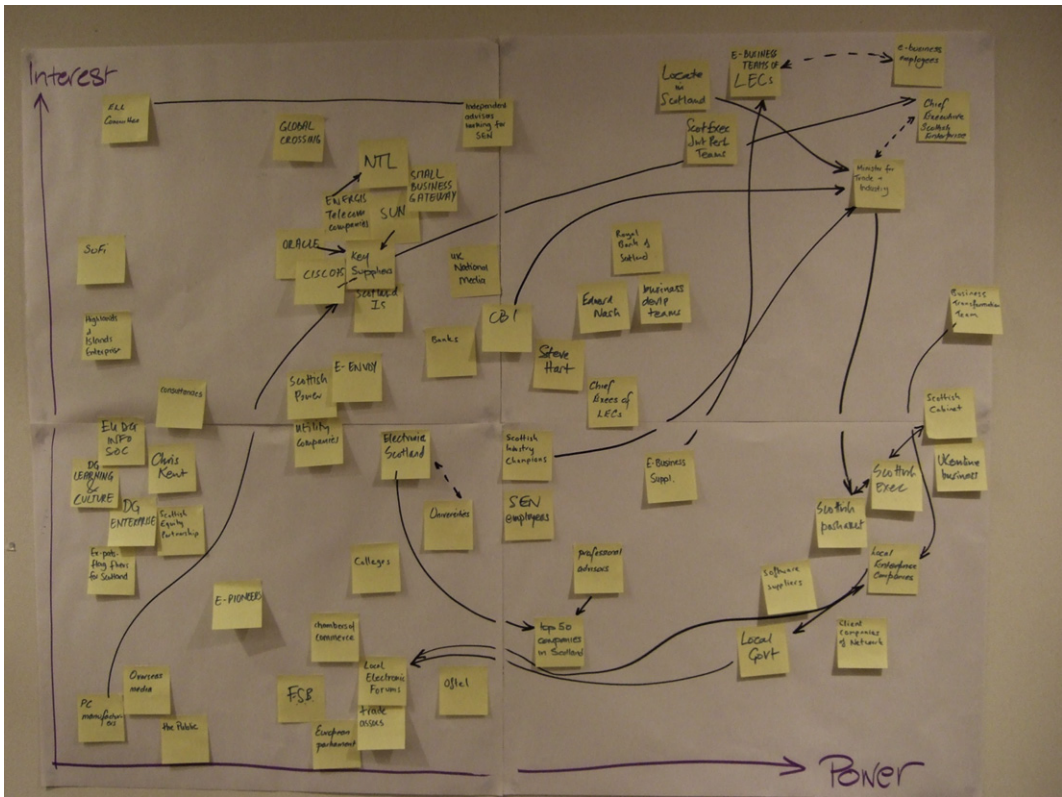


Figure 3. An example of a stakeholder influence network – early stages

Informal power

It is important to distinguish between formal and informal relationships when seeking to extract insights and knowledge about network relationships. Formal ties are typically reflected in reporting line relationships – employee-supervisor, agency-government department, subsidiary-corporate office, etc.. Informal relationships reflect other, more social, links – playing golf together, having children at the same school, belonging to the same social club etc. (The distinction is depicted in the network diagram by using solid arrows for formal links and dotted arrows for informal relationships.) As with the power-interest grid, conversations about surfacing and defining such relationships enabled participants to learn more about stakeholders, particularly in the case of informal relationships which were not immediately apparent, yet invariably provided considerable insights for the TMT. In some cases pairs of stakeholders were seen as being linked both formally and informally, suggesting a strong and enduring relationship. The technique resulted in a complex web of relationships that might have looked messy to an outsider, but not to the group. Capturing the dialogue that described these relationships – and which noted their background in some detail in many cases – ensured that additional contextual data was not lost, so that the resultant material provided a rich reservoir of material for thinking about management options (which was exploited in later developments – see below).

Centrality in the stakeholder-influence network: impact on practice

Capturing formal and informal stakeholder relationships graphically, in the form of a map or network diagram, also allows analysis of the enhanced network. This analysis suggests stakeholders shown as being linked into many relationships would be likely to be seen as significant by other stakeholders. Their position at the ‘receiving end’ (the arrow-head) of many relationships provides them with the opportunity to gather considerable amounts of information, which enhances their potential power. Stakeholders with this type of centrality have the potential to be useful allies or

powerful enemies. Likewise, a stakeholder with outward links to many others can influence a wide range of others' opinions or actions, and be a powerful conduit to other parts of the network. Analyses also often reveal such central stakeholders to be more powerful than originally assumed, eliciting comments like: *'I'm very surprised at how we missed that [a particular stakeholder] was so central to our future.'*

Taking stakeholder disposition — positive or negative — into account reveals potential opportunities and dangers. A centrally-located stakeholder — with many links both in and out — who also is perceived as being negatively disposed towards strategy implementation can have significant detrimental impact (via their influence over others), so it is critical that they are successfully managed. In this case, obvious options are to attempt to change their disposition and/or to reduce their power. The discovery of a stakeholders' centrality sometimes comes as a shock, with participants being heard to say, for example, *'Oh [my goodness], that stakeholder which we put low down in power and interest is incredibly well-networked and could do us all sorts of damage'*, at which point the implications for stakeholder management action immediately become clear. Likewise, stakeholders that are positively inclined and central, but had not previously been considered significant — and whose support might provide greater benefits than originally conceived — are obvious objects for strategic actions designed to increase their influence.

how to manage stakeholders was a crucial question for our TMTs to address.

The stakeholder management web

Developing stakeholder management strategies

Reflecting on the success of using the two enhanced techniques described above, it became obvious that, while the stakeholder power-interest grid and network-influence diagrams constituted valuable formats for stakeholder analysis, they did not explicitly address *how to manage stakeholders*, which was a crucial question for our TMTs to address. Reviewing the research data we became increasingly aware of the significance of the range of comments voiced during the application of the techniques, which suggested that the discussion around their application was valued as much as their actual outputs: *'I wish we'd noted down the discussion: that was where I found myself seeing new ways [of managing the stakeholders]'* *'I learned most from the argument about where to put them [the stakeholders on the grid] — the output itself was not much help'*. In particular, the discussions about where to place stakeholders on the power-interest grid yielded insights into how to manage stakeholders, but these were not captured in sufficient depth or structured so as to be fully useable by the TMTs subsequently. The need for a natural extension to the grid — to create a technique that would provide more analytical help in determining stakeholder management strategies — became evident.

Frooman, 1999 raises three key questions — namely *'Who are the stakeholders?'*, *'What do they want?'*, and *'How are they going to try to get it?'*, of which we emphasise the last two. Understanding what a stakeholder wants (their interest base), and how they are likely to work towards achieving it (their power base) can help define a wider set of ideas for possible management actions. The stakeholder-influence network revealed a representation of the overall system of interactions and suggested one stakeholder management strategy: to use the network itself to influence and so change stakeholders' opinions and actions.

The technique of developing stakeholder management strategies started with the selection of key stakeholders (high interest, high power 'Players') from the power-interest grid, refined in the light of their network links. The group then used both analysis techniques more deeply to create an individual 'Stakeholder Management Web' for each of the selected stakeholders. The top part of the web represents several levels of causalities relating to the stakeholders' *bases of power* (different support

and sanction options) while the lower section illustrates those causalities relating to their *bases of interest*. Initially the process involves representing ‘pre-recorded’ notes from previous discussions (where available) explicitly onto the diagram, and then elaborating it by exploring the bases of power and interest. As with positioning stakeholders on the power and interest grid, starting with one dimension and completing a first draft of that before examining the second dimension helps manage the complexity. When examining power, the technique encourages all considerations of power – whether positive (supportive processes or actions) – or negative (sanctions) to be undertaken in depth.

Understanding secondary ramifications

Surfacing the additional subtleties behind these initial, obvious bases of power reveals supportive and detrimental behaviours to be seen more clearly. A typical comment was: ‘until we did the web I hadn’t really thought through all the different ways these key organizations could sabotage what we want to achieve’. Likewise, further insights arise from exploring the non-obvious bases of interest, and the elaboration of these two different bases creates an enhanced ‘Stakeholder Management Web’ where these further explorations can be shown radiating in to and out from the stakeholder. Figure 4 gives an example of a stakeholder management web for the Scottish Office Accounting Officer (the focal organization in this case was Scottish Natural Heritage) adapted to protect confidentiality. The bottom half of the web represents the way the focal stakeholder ‘sees the world’, and the boxed contributions above the line reveal its ways of ‘acting in the world’. The stakeholders (shown in ovals) come directly from the Stakeholder-Influence network, and indicate those parts of the network the focal stakeholder uses as the basis of its power (for example the ability of the Scottish Office Accounting Officer to influence the Minister of State for Scotland). Similarly the way in which the UK Treasury views the world (their interests) influences the views of the focal stakeholder. The thin lines are causal links – bold lines indicate formal influence relationships and dashed lines informal links. In some cases other stakeholders (e.g., in this example, Michael Fender), who may be influenced by the focal stakeholder, can also use their power to support or to sanction the focal organization’s strategy, both directly or via their influence network.

Exploring sanctions and support and understanding stakeholders aspirations

Stakeholders may have the ability to leverage both supporting strategies and sanctions (or other hostile actions), and instances where power-interest grid shows instability may signal to TMTs

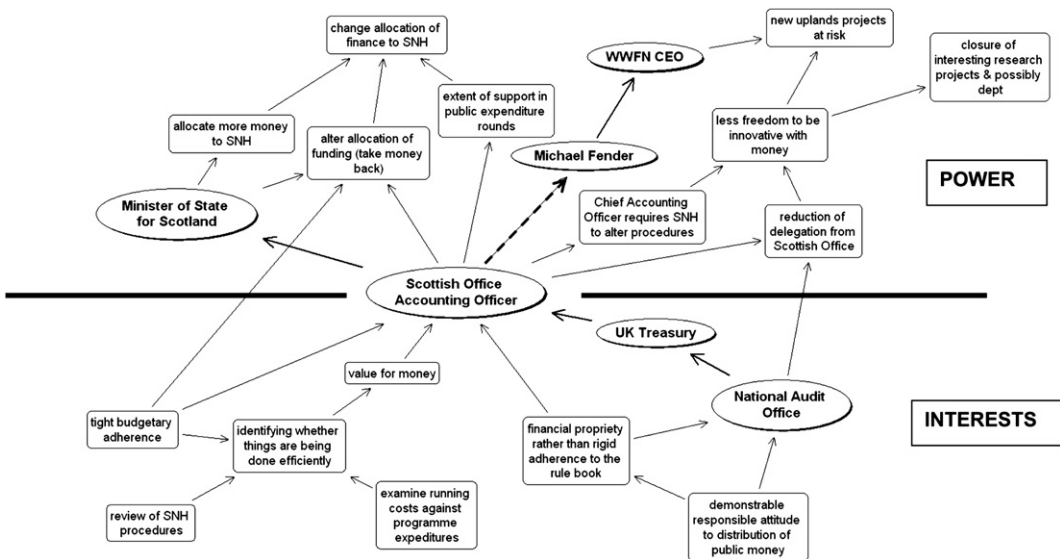


Figure 4. An Example of a Stakeholder Management Web for Scottish Natural Heritage (Focal stakeholder – Scottish Office Accounting Officer; adapted to protect confidentiality)

such combinations, where stakeholders support some strategies but seek to sabotage others. Reflecting on these matters usually triggers further discussions about stakeholder relationships and leads to modifications of the stakeholder-influence network. The interests of some stakeholders are inevitably influenced by the positions taken by others, which may be the basis of the latter's influence. (In the [Figure 4](#) example, the ability of the Scottish Office Accounting Officer to influence the Minister of State either to increase or to withdraw money can result in an overall change in the funding allocated to Scottish Natural Heritage).

After considering the bases of power, the TMTs examined the bases of interest by considering how a particular stakeholder might interpret or assess a specific strategic direction proposed (or implemented) by the focal organization. The focal firm can gain valuable insights into which of its actions are likely to be monitored by which stakeholders by considering which of the stakeholder's particular aspirations or goals might be attacked or endangered by the strategy in question – more simply, by realising why the focal firm's strategy matters to the stakeholder. Considering why its strategies, or which of them, are being monitored, allows the focal organization to appreciate the stakeholder's specific perspective more accurately, and is thus a step to managing it more effectively. (Note here that it is the stakeholders' *perceptions* that matter – they might not necessarily align with what the focal organization *actually* intends, or announces publicly, but they will be what drives the stakeholders' interpretations of the firm's intentions and subsequent actions. (Thus, in [Figure 4](#) Scottish Natural Heritage believes that the National Audit Office (NAO) influences the interest lens through which the Scottish Office Accounting Officer might view its intended strategic direction.)

Impact on practice

Surfacing and collating material for preparing the stakeholder management web can therefore provide clear indications about how to manage stakeholders when formulating strategies. It is important to consider what (if any) actions need to be taken to foster stakeholder support for an organization's strategies and, for those at risk of sabotage, what actions might prevent or minimize its impact.

Further comparisons across the stakeholder management webs for all stakeholders reveal the relative priority of different options. For example, where common sanctions stem from similarities in stakeholders' interest bases this can highlight where proposed strategic actions are potentially risky and motivate the focal firm to try to set up opposing coalitions. Where stakeholder interests differ, their varied responses can reveal multiple and subtly interwoven consequences which both influence, and are influenced by, other stakeholders. Analyses that pay attention to dynamics over time can allow managers to begin to piece together an unfolding 'game', and this enhanced understanding can lead to them to design a more robust and sophisticated strategy. Where multiple stakeholders are being scrutinized, and when patterns of sanctions, support mechanisms or aspirations recur, the group of stakeholders concerned gain in importance. A cluster of stakeholders who share aspirations (provided they are aware they do) has greater potential to be built up into a coalition, especially if encouraged by the focal organization.

Discussion: conceptual contributions from practice

Throughout the research process of working with our diverse case set of TMTs, a number of recurring phenomena emerged that influenced the design of the three techniques presented above. These phenomena had some bearing on the research themes that influenced the design of the techniques, and are discussed here in relation to each of them.

The power-interest grid

Taking the power-interest dimensions as a starting point might imply a need for tight definitions and examples of power and interest, but (as noted above) this requirement was set aside early in the research. Our early attempts to define power and interest unambiguously revealed just how constraining such definitions could be: TMT members devoted more energy to trying to provide the 'right'

answer with respect to the definitions than they did to expressing their views about these factors as they understood them. So *tight definitions are not helpful when working with the grid* — deliberately avoiding them led to more free ranging conversations where subtler and broader dimensions could be introduced intuitively and thus not missed. TMT members also found the separation of power and interest involved when developing the grid enabled them to appreciate that stakeholders with significant levels of interest were not necessarily powerful, and vice versa: they reported that hitherto having risked *‘paying too much attention to those stakeholders that “shout loudest”’*.

separating power and interest showed TMTs that stakeholders with significant levels of interest were not necessarily powerful, and vice versa

Identifying a set of distinct stakeholders always involved deciding on the appropriate level of disaggregation. When considering managing stakeholders, negotiations have to be directed at someone (or at least some party) rather than at a generic or abstract entity. Of course, the negotiations sometimes take place with a categorized group (as with categories of consumers), but *the stakeholders who can most powerfully and deliberately influence the strategic future of the focal organization are often specific individuals and groups*. This suggests that the power-interest grid should be used to encourage strategy makers to systematically *disaggregate to the level which the TMT believe they can attempt to manage*. As Freeman and McVea, 2001 note, *‘What is important is developing an understanding of the real, concrete stakeholders who are specific to the firm’* (p. 198). Our experiences (and those of other scholars) suggest that it is essential to *draw a clear distinction between stakeholders who have influence (and thus power) and those who are merely interested*: stakeholders such as large investors may be both, but others (for example, job applicants) — while clearly having an interest — will have no influence (and are thus ‘Subjects’), and still others (such as the media) are ‘Context Setters’ — they may have influence, but no real interest.

One of the difficulties that emerged — for both participants and facilitators — was getting a sensible balance between recognising the uniqueness of each organization’s stakeholders and being faced with *‘an unhelpfully long list’* (Wolfe and Putler, 2002, p. 65). TMT members’ initial attempts to identify stakeholders tended to be highly aggregated, and they found it difficult to disaggregate them to a level appropriate for their successful management. However, as the grid developed they began to appreciate that the disaggregation process was worthwhile in terms of increasing the robustness of the strategies, and also found that using the grid’s two dimensional space helped them deal with the longer lists involved. Whereas short, generic lists of stakeholders tended to produce a ‘so what?’ response from TMT members, *the development of a unique longer ‘list’ consistently provided them with a sense that stakeholder analysis was likely to be of some use*.

Disaggregation reveals insights into the root cause of the instability of a stakeholder’s grid position, and thus helps in their successful management. A broad, highly aggregated stakeholder (e.g. the Government) may comprise subgroups — e.g. Department of Trade and Industry (DTI), the Department of the Environment (DoE) etc. — and while the DTI might have considerable levels of both interest and power, the DoE may have power but not interest, necessitating different management strategies. The four quadrants emerging from the grid’s two dimensions provide an additional structure supporting the disaggregation and discovery processes. For example, it frequently emerged that some competitors should be positioned as ‘players’ (high in both power and interest), others as ‘subjects’, and a smaller number as ‘context setters’. Separating ‘players’ from ‘context setters’ was also effective in showing TMTs where the two categories called for different management strategies, with the former probably requiring immediate management actions, while the latter needed to be considered in scenario analyses so managers could anticipate their possible future behaviours and prepare accordingly (Jawahar and McLaughlin, 2001).

Key conceptual contributions from using the power-interest grid

- 1: Working at an appropriately disaggregated level of stakeholder identification helps determine who the organization’s stakeholders are, making TMT efforts to manage them more realistic.

2: The challenge of managing stakeholder demands becomes clearer when their interest in organizational strategies is separated from their power to influence the outcome of these strategies. This separation creates three important categories that can help TMTs make sense of a large number of stakeholders: those with interest but little power ('subjects'), those with power but little interest ('context setters'), and those key stakeholders who have both ('players').

representing informal networks 'formally' was often discomfoting. The more detailed the artefact, the more likely it was to hold valuable insights that had to be managed carefully and not distributed widely.

The stakeholder-influence network

TMTs were always interested in exploring the interactions between the set of distinct stakeholders they identified. Once the process of disaggregation reaches a level where stakeholders could be managed, considering their inter-relationships became relevant to TMT members, who thus wanted to understand both their *formal* and *informal* relationships. While the former were often well understood, stakeholders' informal networks were invariably more complex and extensive, but teams had rarely discussed or elaborated them in a structured manner, and often took how they would manage them for granted, without appreciating the greater subtleties of the wider and more intricate network that emerged. *The network indicates the need to adapt the power-interest grid, as the network analysis shows some stakeholders to be more or less powerful than is initially supposed.* Unsurprisingly, analysing such informal relationships led to an enhanced understanding of their power, although (significantly), TMTs noted that influential stakeholders were not always aware of their own power. So *discovering network ties can often reveal new stakeholders, or may indicate the need further disaggregation.* While rewarding, representing informal networks 'formally' was often discomfoting, as it involved holding too much confidential information. The more specific and detailed the artefact that represented the network, the more likely it was to hold insights that could be very valuable but needed to be managed carefully and not distributed too widely. The network representation reveals how those *stakeholders that are influenced by, and can influence, a large number of others are the key stakeholders to monitor* (Krackhardt and Hanson, 1993), and also shows clusters of stakeholders where there may be *possibilities for coalition building.*

Key conceptual contributions from using the stakeholder influence network

- 3: The network of formal, and particularly of informal, relationships between stakeholders reveals significant aspects of their power. Some stakeholders act as a nexus of such relationships, and are typically more powerful than managers initially anticipate.
- 4: Formal relationships are usually well understood, whereas informal relationships can be subtle and pervasive, and may often be the more significant.
- 5: A stakeholder influence network will be very specific to the focal organization, and can involve sensitive content which must remain confidential to managers.

The stakeholder management web

The Stakeholder Management Web (which is focussed on a single stakeholder) was designed to record, in a structured and detailed manner, information about specific key stakeholders' actions, objectives and motivations. Using this technique to explicate their bases of power and interest gives rise to discussions which suggest stakeholder management options more clearly than do the other two techniques. TMTs always wished to test their options against different Stakeholder Management Webs, so as to make sure of their efficacy and effectiveness, and the *enhanced understanding*

of sabotaging or supporting strategies generally resulted in the re-prioritisation of stakeholders' significance and the fine tuning of focal firm strategies.

In many cases, taken-for-granted understandings actually differed between team members – aggregating their views made them aware of such misalignments and served to help resolve conflicting views and test which understandings were critical to the effectiveness of proposed options. Paying attention to stakeholders bases of power and interest also brings the focal organization insights into whether their stakeholders feel they need to monitor (and perhaps respond to) its strategies. Having a sense of whether they are likely to act in response (particularly if negatively) helps managers assess their priorities. *Relative urgency is one means of defining the salience of stakeholders* (Mitchell et al., 1997).

Key conceptual contributions from using the stakeholder management web

6: The discussions involved in preparing the Stakeholder Management Web surface a deeper appreciation of the manifest forms of power and bases of interest, which is essential for successful stakeholder management.

General commentary and conclusions

An interesting general outcome of this research was that one of the most difficult aspects of considering stakeholders in strategy making was legitimizing the activity. TMT members were often embarrassed at being so analytical and manipulative in relation to their stakeholders. Even though they admitted to doing so informally, the notion of managing them in a designed and thoughtful manner seemed 'improper', which meant that getting started on the analysis could be difficult. Using the final version of techniques to produce enhanced and more structured understandings certainly encouraged conversation: every TMT holds knowledge about its organization's stakeholders, and (intuitively) about how to manage them, but these resources were often woefully under-used. Our research supports the need for using techniques that are grounded in theory to provide a procedurally rational way for TMTs to conduct conversations that were clearly difficult for many teams, but which allowed them to exploit their wealth of knowledge to discuss, analyse and agree actions about managing stakeholders more effectively. In just a few hours, the techniques reported in this article gave the teams in our research a broad but structured perspective on their key stakeholders, and usually allowed them to achieve quick agreement about how to approach their strategic management. Exploiting each of the three techniques more thoroughly in a cyclical manner would allow them to go on to develop more comprehensive strategies.

they were embarrassed at being so manipulative about their stakeholders ... although they did informally, the notion of managing them in a designed and thoughtful manner seemed 'improper',

As noted in the introduction, our research was designed to encourage reflection on the three themes that guided the development of the three techniques, and this reflection revealed surprising insights. Each technique, taken on its own, yielded relatively limited benefits, but the TMTs gained significant added value when they considered the interaction between all three themes as operationalised in their respective techniques. Attending to the demands of being specific about identifying their stakeholders – and then of positioning each according to their relative power and interest dimensions – made team members increasingly capable of making subtler distinctions between them. And the demands appeared to support each other – arguing about stakeholders' positions on the grid made managers aware that further disaggregation was both possible and desirable, with each separation suggesting different

stakeholder management options. However even meeting these two joint demands did not completely utilise managers' knowledge about their stakeholders. Examining their bases of interest and power extended the combination and enhanced managers' understanding further, helping them determine how best to intervene. Paying attention to the second theme suggested reconsideration of the first, as relationships surfaced by the analysis revealed stakeholders' significant network positions and suggested hitherto un-revealed power bases. Finally, integrating all three techniques into a Stakeholder Management Web enabled a stakeholder to be considered not only in terms of its own actions, but as a nexus in a shifting body of possible coalitions, so that a more robust and sustainable management strategy could be developed. When employed in concert, the systematic nature of the three techniques (as informed by the themes) not only increased the efficacy of each, but also supported stakeholder theory.

Our attempt to turn research themes into techniques so as to influence TMT practice was more successful than we expected. Ideas developed in the abstract without the demands of practice (even when plausible) do not often gain the attention of practicing managers, and so cannot influence their decision making. Here TMTs were influenced in their thinking and actions by their understanding of how the themes worked out in practice. However it is important to acknowledge that other researchers might develop different themes from the same literature, or design different techniques from the same themes. This research sought to build on the work of others who have explored or suggested techniques (albeit usually implicitly) — what was important was not to invent new techniques for their own sake, but rather to consider whether it is possible to make sense of the literature, as expressed in these three themes, by designing *usable* techniques. The multiple case research approach we used aspired to influence theory in general terms beyond the immediate research setting, and to develop conceptual rather than statistical generalization beyond specific local conditions. Although Bryson, 2004a argues *'there is no overwhelming body of evidence indicating that stakeholder analyses do help produce desirable outcomes'*, our analyses, embedded within techniques and developed and tested through this research, does provide some such evidence (Eisenhardt and Graebner, 2007; Tsoukas, 1989).

That said, the research reported here needs to be pursued in further depth — there is considerable room for further development of stakeholder theories through the cycles of theory into practice and practice into theory. More use of these techniques in different settings would increase their robustness and extend TMTs' dialogues about stakeholders. A continuing agenda of research projects might also explore whether national culture has an impact on the surfacing, structuring, analysing and debating of stakeholders, and whether these techniques can play a more significant role in complementing and becoming further embedded in other strategy processes — for example, their potential role in developing competitive advantage may contribute towards research interest in stakeholders, and in their impact on firm performance (Coff, 1999; Greenley and Foxall, 1997; Hillman and Keim, 2001; Ogden and Watson, 1999; Preston and Sapienza, 1990). More research into whether public or not-for-profit organizations gain different benefits or require different foci than private sector firms would add further value to the stakeholder literature. Current experiences suggest that, as organizations become more aware of the needs to develop corporate social responsibility and to respond to regulatory frameworks, the numbers of their stakeholders are likely to increase, raising the complexity of stakeholder management still further. So paying attention to the strategic management of stakeholders is likely to become increasingly important.

as organizations develop corporate social responsibility and respond to more regulatory frameworks, their stakeholder numbers will increase ... So attending to (their) strategic management will become increasingly important.

Acknowledgements

The authors would like to express their thanks to the Editor-in-Chief, Charles Baden-Fuller, and the journal's anonymous reviewers for their encouragement and valuable comments, and to their colleague John Bryson for his help in influencing and sharpening their thinking.

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