Stakeholders in systems problems

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Abstract: Stakeholders exist at the centre of all systems problems and are the principal contributors to the solution of these problems. We provide an approach for classifying stakeholders and determining an appropriate level of action to take with respect to these stakeholders that combines the power, legitimacy and urgency typology with a stakeholder attitude classification schema. The newly developed stakeholder strategy is a matrix that combines stakeholder attitude and classification. This matrix serves as a guide for the application of resources in support of stakeholder involvement. This technique provides systems practitioners with a means to deal with stakeholders effectively.

Keywords: systems problems; stakeholders.


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1 Introduction

Stakeholders exist at the centre of any systems problem. They are customers, clients, suppliers, employees, team members, etc. They fund our system, design it, build it, operate it, maintain it, and dispose of it. And they each bring a unique, value-added perspective to our system described by the systems principle known as complementarity (Bohr, 1928). In order to determine our strategies for dealing with these myriad stakeholders, we must undertake a stakeholder analysis, by first considering “the principle of who or what really counts” [Freeman, (1994), p.413]. From this principle, Mitchell et al. (1997, p.853) question, “... who (or what) are the stakeholders of the firm? And to whom (or what) do managers pay attention?” That is, how can we identify our stakeholders and how do we decide on strategies to engage these stakeholders in support of problem solution strategies? The goal of this paper is to provide an answer to both of these questions by developing an approach for classifying stakeholders and determining an appropriate level of action to take with respect to these stakeholders. First, a discussion of stakeholder identification and classification is presented. Then, a discussion of stakeholder attitude and accompanying strategies for addressing these attitudes is undertaken. A strategy for dealing with stakeholders based on both their classification and attitude is then presented. This strategy is demonstrated on an example problem. Finally, conclusions regarding the study are presented.

2 Stakeholder identification and classification

Discussion of stakeholder analysis must begin by first defining what a stakeholder is. One of the earliest and broadest definitions of a stakeholder comes from Freeman (1984, p.46), who defines a stakeholder as someone who “can affect or is affected by the achievement of the organization’s objectives”. With this framing in mind, we can see why stakeholder analysis is a crucial undertaking for a systems problem. Stakeholders influence every aspect of our system’s development and operation.

Stakeholder analysis was first explored by Freeman (1984) as a methodology to assist business organisation leadership in their strategic management function. Stakeholder analysis has since expanded beyond the corporate arena. Mitchell et al. (1997) developed a typology in order to enable organisations to analyse and decide which stakeholders demanded the greatest organisational attention. Their typology specifies three key stakeholder attributes:

1. power
2. legitimacy
3. urgency.

These terms are defined in Table 1.

Stakeholders can have one, two, or three of these attributes. The number and type of attributes help to define the class for each stakeholder. Mitchell et al. (1997) go on to classify each of the possible combinations of these attributes as shown in Figure 1.
Table 1  Stakeholder attribute definitions

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Definition</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legitimacy</td>
<td>“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, definitions” [Mitchell et al., (1997), p.869]</td>
<td>Suchman (1995), Weber (1947)</td>
</tr>
</tbody>
</table>

Further, these stakeholders can be classified in terms of the number of attributes they exhibit. Individuals who exhibit none of the characteristics are considered to be non-stakeholders. Stakeholders exhibiting any one of power, legitimacy, or urgency are classified as latent (either dormant, discretionary, or demanding). Latent stakeholders have little expectation for influence on an associated system, and “managers may not even go so far as to recognize those stakeholders’ existence” [Mitchell et al., (1997), p.874]. Stakeholders exhibiting any two attributes can be classified as expectant (dominant, dangerous, or dependent), individuals who “are seen as ‘expecting something’, because the combination of two attributes leads the stakeholder to an active versus a passive stance, with a corresponding increase in firm responsiveness to the stakeholder’s interests” [Mitchell et al., (1997), p.876]. Finally, definitive stakeholders exhibit all three stakeholder attributes. With these individuals, “managers have a clear and immediate mandate to attend to and give priority to that stakeholder’s claim” [Mitchell et al., (1997), p.878].
While this is a useful typology and Mitchell et al. make some initial recommendations regarding actions to deal with stakeholders based on their classification, the authors argue that it is insufficient. What it does not account for is the underlying attitude of the stakeholder, to which we now turn our attention.

3 Stakeholder attitudes

A strategy for engaging stakeholders based solely on their relative classification is insufficient as it does not account for stakeholder support or opposition to a particular endeavour. For example, if a stakeholder is supportive of a project, while they may not be classified as definitive, it still may be advantageous for us to engage them in developing the solution to a systems problem. For this classification, the authors draw on work by Savage et al. (1991), who categorise stakeholders according to two characteristics:

1. potential for threat

2. potential for cooperation, as shown in Table 2.

Table 2 Stakeholder classification according to threat and cooperation potential

<table>
<thead>
<tr>
<th>Stakeholder’s potential for threat to organisation</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder’s potential for cooperation with organisation</td>
<td>High</td>
<td>Mixed</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Non-supportive</td>
</tr>
</tbody>
</table>

Source: Adapted from Savage et al. (1991)

Savage et al. (1991) discuss four strategies, one to deal with each of these classifications. These strategies are:

- **Involve**: Leverage key relationships and network, possibly engage in an active champion role.
- **Collaborate**: Enter strategic alliances or partnerships, educate if necessary.
- **Defend**: Move towards reducing dependency on stakeholder.
- **Monitor**: Gather information and observe.

To this set of four, we add the strategy of no action. As we will show in the following discussion, this is a valid approach for particular stakeholder classifications and attitudes. Figure 2 shows all of these strategies in what we term a continuum of stakeholder action.

Figure 2 Continuum of stakeholder action

<table>
<thead>
<tr>
<th>Stakeholder strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>No action</td>
</tr>
</tbody>
</table>

**Direction of increased stakeholder involvement**
The continuum of stakeholder action shows the strategies available for an organisation to deal with a stakeholder. As the strategies progress from left to right, stakeholders become more involved, thereby requiring substantially more resources at every step, thus, *monitor* is more resource intensive than *no action*, *defend* is more resource intensive than *monitor*, and so on. Savage et al. (1991) propose the following strategies for their four stakeholder types:

- collaborate with mixed stakeholders
- involve supportive stakeholders
- defend against non-supportive stakeholders
- monitor marginal stakeholders.

Aligning the appropriate strategy with a stakeholder’s attitude toward a project is critically important. Expending too many resources on a stakeholder is at best a resource waste, and at worst a risk. We risk alienating that particular stakeholder and turning their attitude into one that specifically opposes our endeavour. Thus, if we involve a non-supportive stakeholder, they will consume resources which are better spent on stakeholders who may otherwise have supported our effort. Conversely, spending insufficient resources on a stakeholder means that we have wasted an opportunity. Merely collaborating with a supportive stakeholder means that we missed out on an opportunity to involve them in the solution process.

Savage et al. (1991) devote specific attention to the dangers of the collaborate strategy. Collaborating with a mixed stakeholder can result in either a positive outcome (they become supportive) or a negative one (they become non-supportive). Thus, once again with an eye toward resource conservation, we must be careful as to which stakeholders we choose to engage with and to what extent. While offering an additional stepping stone toward a complete set of stakeholder strategies, we must point out a deficiency of the approach developed by Savage et al. (1991), namely that it does not account for the relevant importance of the stakeholder. Using the typology of Mitchell et al. (1997), we would understand the importance of investing more heavily in ensuring that definitive stakeholders maintain a supportive attitude toward our endeavour. Thus, both approaches provide insights into the stakeholder problem, yet neither paints a complete picture. For a more comprehensive approach to dealing with stakeholders, we develop a hybrid approach, presented in the next section.

### 4 An approach for dealing with stakeholders

We propose an approach to dealing with stakeholders that combines the classification typology developed by Mitchell et al. (1997) and the attitude classification schema developed by Savage et al. (1991). This approach is shown in Table 3.

Those stakeholders identified as non-stakeholders using the Mitchell et al. (1997) typology should be left to their own devices. Any investment of resources is a waste as these individuals have neither power, legitimacy, nor urgency, regardless of their attitude.
Moving to the right in Table 3, we encounter the latent stakeholder. Latent stakeholders, per Mitchell et al. (1997), should demand very few resources of management. This is largely due to their relative lack of importance in the overall problem being addressed. Thus, they are only involved when supportive, as they offer some goodness (based on the fact that they exhibit one characteristic), but mixed or non-supportive latent stakeholder should merely be defended against (informing them, yet not overemphasising their involvement). Similarly, marginal latent stakeholders should merely be monitored to ensure they do not turn non-supportive (or to ensure they are transitioned to an involvement role if they become supportive). Continuing again to the right of Table 3, the expectant stakeholder is next. Strategies to engage this stakeholder align precisely with those specified by Savage et al. (1991). This reflects their fair amount of importance (as demonstrated by exhibiting two of the three stakeholder characteristics), but not over-emphasising their importance on par with a definitive stakeholder. Finally, strategies to deal with the definitive stakeholder are slightly more aggressive than the expectant stakeholder. This reflects the fundamental importance of the definitive stakeholder as one who possesses power, legitimacy, and urgency. Supportive definitive stakeholders should very clearly be involved based on their importance and attitude toward the project. Mixed definitive stakeholders should also be involved. While there is a risk in doing so, the weight of these stakeholders outweighs any associated risk. Non-supportive definitive stakeholders should be collaborated with. Again a risk, there is a greater risk in simply defending or monitoring these individuals because we already know they are non-supportive; ignoring them (in their eyes) would most certainly be detrimental to the project. Even marginal definitive stakeholders should be defended against due to their importance. The goal of each of these strategies is to ensure all active stakeholders (latent, expectant, and definitive) are supportive and involved. Figure 3 illustrates the outcome of emplacing the strategies present in Table 3.

Table 3  Stakeholder strategies based on classification and attitude

<table>
<thead>
<tr>
<th>Stakeholder classification</th>
<th>Undefined</th>
<th>Latent</th>
<th>Expectant</th>
<th>Definitive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder attitude</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supportive</td>
<td>N</td>
<td>I</td>
<td>I</td>
<td>I</td>
</tr>
<tr>
<td>Mixed</td>
<td>N</td>
<td>D</td>
<td>C</td>
<td>I</td>
</tr>
<tr>
<td>Non-supportive</td>
<td>N</td>
<td>D</td>
<td>D</td>
<td>C</td>
</tr>
<tr>
<td>Marginal</td>
<td>N</td>
<td>M</td>
<td>M</td>
<td>D</td>
</tr>
</tbody>
</table>

Notes: N = no action; M = monitor; D = defend; C = collaborate; I = involve

Examination of Figure 3 provides some insight regarding stakeholder treatment. We are content to allow stakeholders who are undefined, marginally latent, or marginally expectant stakeholders to remain that way. All others, however, we would like to push towards being supportive. Of course, this becomes a resource constraint issue as engagement of stakeholders is a time consuming, resource-intensive process that is not without risk. Thus, practitioners are advised to work from right to left in the transformation of stakeholders, i.e., only address expectant stakeholders when all definitive stakeholders have been addressed fully, and so on. This practical advice, coupled with the set of stakeholder strategies presented in Table 3, provides systems practitioners the tools necessary to deal with stakeholders effectively. These strategies are illustrated with a practical example in the next section.
5 Example stakeholder analysis

Real estate developers may apply to re-zone a parcel of land when their development plan does not conform to the original zoning, or when economic conditions change and they decide that they need to revise their plan to one that is non-conforming. When the revised plan conflicts with the vision or values of other stakeholders (e.g., neighbours, local government), the real estate developer enters a decision process with both risk and uncertainty, while at the same time the affected stakeholders are placed in the reciprocal decision process. In our example, recent efforts of a local developer to rezone portions of an upscale residential neighbourhood to condominiums and the complex interactions among the developer, nine local communities, the local media, city staff, the planning commission and city council included elements of explicit stakeholder analysis on several parties. The developer ultimately failed to gain city council approval, in part due to their failure to consider all the stakeholders. One established neighbourhood was essentially ignored for most of the process by the developer. The developer failed to consider them as definitive stakeholders. Conversely, the nearest communities actively correctly analysed themselves as Expectant stakeholders, and sought allies that could be moved to supportive from mixed or non-supportive. The nearest communities were successful in enlisting the established community as an ally. Ultimately, that established community used its definitive status and developed the successful strategy that sequentially enlisted the city council members to view the developer’s proposal unfavourably and reject it formally in a hearing.

6 Conclusions

Because stakeholders exist at the centre of all systems problems and serve as the principal contributors to the solution of these problems, we must formally address them as part of the solution to any systems problem. In this paper, we have provided an approach for classifying stakeholders and determining an appropriate level of action to take with respect to these stakeholders that combines the power, legitimacy and urgency typology with a stakeholder attitude classification schema. The newly developed stakeholder strategy is a matrix that combines stakeholder attitude and classification matrix that serves as a guide for the application of resources in support of stakeholder involvement. This technique can be an important discriminator by providing systems practitioners with an effective method for dealing with stakeholders effectively.
References


