



STAKEHOLDERS THEORY- HOW THEY INFLUENCE THE BUSINESS POLICY

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ABSTRACT

Any business is composed of certain activities and segments deriving investment and revenue from various resources and avenues respectively. The prime sources for the business unit are its stakeholders which taken together form stakeholder influence on the business in one way or the other. This paper tried to focus on the stakeholder theory and the influential power of the stakeholders to have an impact on the business policy of any business house. The paper has reviewed and analysed every possible stakeholder and their interest in the business. Paper concludes the degree and impact of the stakeholders influence.

KEYWORDS: - Business Policy, Stakeholder Theory, Business Stakeholders, Corporate Governance

BACKGROUND REVIEW

Various studies have found the impending impacts of the business environment on the business classifying the business environment into two segments- internal and external business environment. The business is influenced by both the types of the business environments. The common thing between the internal and external environment is the presence of business stakeholders. The stakeholders are found everywhere in the

business environment. The paper has gone on the discussion as to how deeply the stakeholders influence the business at their fullest impact.

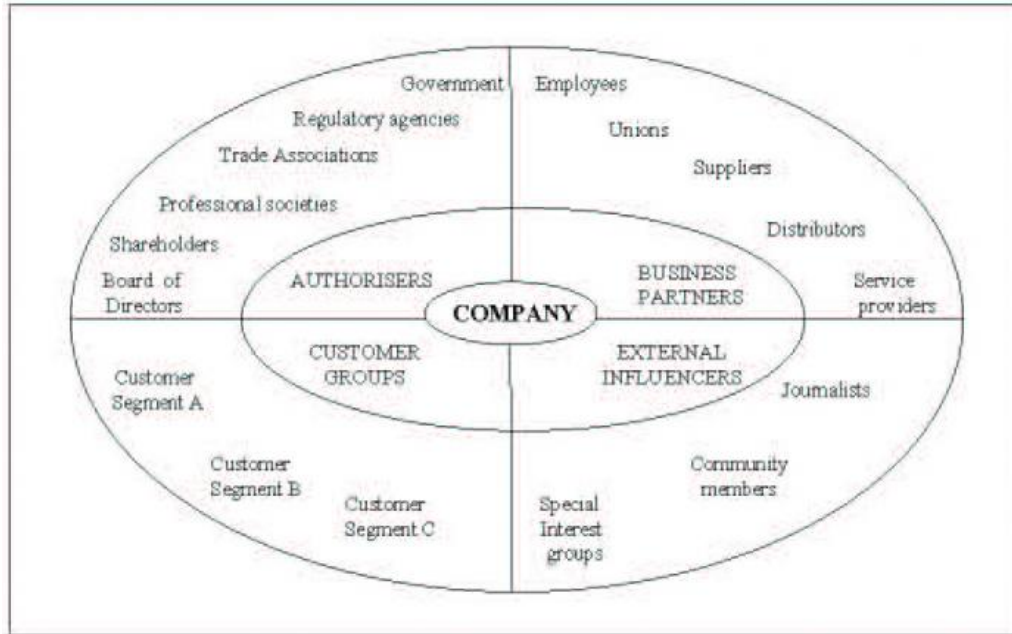
DISCUSSION

The company or business house is having some common stakeholders irrespective of the nature of business they are engaged in. There are some business specific stakeholders as well which plays their respective roles as per the nature and tendency of the business of the company. The stakeholders' group may be summarized below to include followings: -

- Business Partners
- External Influencers
- Regulatory Authorities
- Customer and client segment

The above mentioned four categories include various sub-stakeholders having impact on the business of the company. The business partners segment includes the employees, suppliers and distributors. The external influencers include special interest groups, media and society. The regulatory authorities are the governmental agencies regulating the business regulations and control mechanism. Customer and client segment includes the choices and preferences of the customers and clients towards the products and services of the business.

The crux and inter-relationship matrix of the various business stakeholders is described as depicted in the following figure: -



The figure illustrates the stakeholders' matrix containing the sub-categories of the business stakeholders as well as their possible categories. To re-iterate the con-flux of the business stakeholders their impact and degree of influence needs to be evaluated. How they affect the business policies and strategies remains the key point into the study of the business stakeholders.

STAKEHOLDERS' BEHAVIOR MATRIX

The evaluation of the impact of stakeholders' moves is something which can be described as to have-

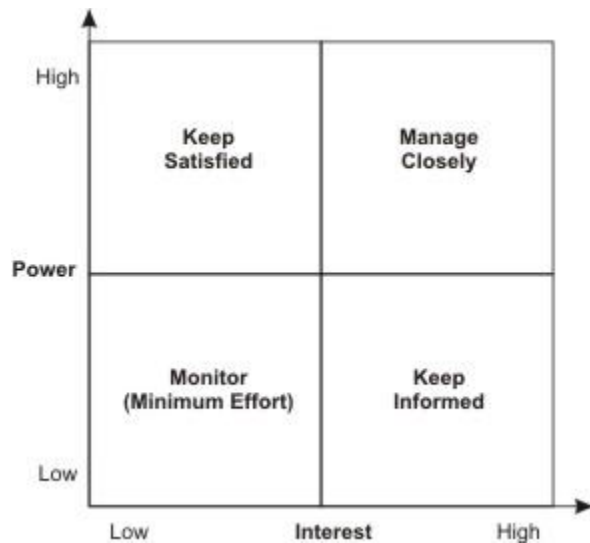
- Power
- Interest

The business stakeholders affect the business policy in two perspectives. When they are vested

The stakeholders' behavior matrix is depicted below to explain the same: -

with power and when they have vested interests in the business. There are instances when a stakeholder has equal vested power and interest in the performance of the business. As much as the quantum of power they have, they tend to monitor the business policies and the quantum of interest also directly directs their impacts on the business policy and framework.

The stakeholders' behavior matrix is a combination of the degree of power and interest amongst the business stakeholders and their willingness to initiate the policy monitoring of the business frameworks of the business unit. The matrix includes the cross-impacts of the power and interest and their influence on the general business policy and strategy formulation.



As per the matrix mentioned above, the stakeholders having more power and vested interest affects the business policy decisions the most in comparison with those who have little vested interest and less power. The matrix explains as to how deeply they tend to monitor the business when they are more concerned with the operation of the business. The greater participation of stakeholders in the general business of the company is a result of the more power with more vested interests in the company. The influence of the stakeholders directly affects the business policies. The policies having compatibility with the perceptions of the high powered and highly interested stakeholders' group are favored by the stakeholders instead of policies un-accorded by the prime stakeholders.

For example, the employee group may bring opposition to an organizational change. In the same way, the suppliers can also adopt blockade in the supplies when they are not listened to by

the company. The regulatory agencies can react as their own accord and judgment. All this brings radical instances of the compatibility issues in the policy framework and general course of business.

STAKEHOLDER CONTROL- GUIDE MODEL

The stakeholders using their dominating status by virtue of their vested interests and voting power may affect any changes of modification to any business policy or plan. The stakeholders' control-guide model put light on the control capability as well as the guiding approaches of the business policy and general state of business procedures.

Following figure explains the dual aspects of the stakeholder control-guide model. The model explains the controlling functions as well as the guiding roles of the stakeholders in order to help the business in carving out the business strategies and policies.



As shown in the figure above, the dual role concept has the core contribution by the stakeholders influence over the general business policies and structures. Both the roles try to add value from economic as well as social point of view. The stakeholders' wealth maximization is considered a result of the economic as well as social oriented business policies and propositions.

CONCLUSION

It can be concluded that the role played by stakeholders in the business policy formulation has been gaining more and more recognition and accord by the business communities. The stakeholders are the real custodians of the resources of the business and thus the prime responsibility for the policy formulation is casted on them. They are having the power and vested interests to guide them to help the businesses to carve out the plans of business in the ever-changing business scenarios. The underlying point of stress is that the stakeholders effect, affect and impact the general propositions of the business and policies therefore.

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