Chapter 1

The Corporation and Its Stakeholders

Presented By:
Ratna Candra Sari
Email: ratna_candrasari@uny.ac.id

ratna_candrasari@uny.ac.id
Figure 1-1a

A range of levels for understanding the business-government-society relationship

Broad conceptual level

Economy/Business

Society/Culture

Politics/Government

ratna_candrasari@uny.ac.id
Figure 1-1b

A range of levels for understanding the business-government-society relationship

Intermediate level

- Industry in general; industry sectors
- Stakeholders
- Governments: national, state, local, foreign

ratna_candrasari@uny.ac.id
A range of levels for understanding the business-government-society relationship

Practical, applied management level

Figure 1-1c

Corporation X

Primary and secondary stakeholders

Specific government agencies and actors

ratna_candrasari@uny.ac.id
Figure 1-2
Relations between a business firm and its primary stakeholders

- **Wholesalers (Retailers)**: Distribute products to business firm.
- **Customers**: Buy products from business firm.
- **Business firm (Managers)**: Sell labor to employees (Unions), sell materials to suppliers, buy products from wholesalers (Retailers), and sell products to customers.
- **Employees (Unions)**: Sell labor.
- **Creditors**: Lend money to business firm.
- **Stockholders**: Invest capital into business firm.
- **Suppliers**: Sell materials to business firm.

Email: ratna_candrasari@uny.ac.id
Investor Relations

- Fiduciary Responsibilities
- Financial Bottom Line
- Best practices
  - Transparency
  - Accountability
  - Fair return to shareholders
  - Balance among interests

Sumber: Waddock

ratna_candrasari@uny.ac.id
Employee Relations

- Wages, contribution, and meaning
- Human and Intellectual Capital
- Commitment
- Loyalty

Sumber: Waddock

ratna_candrasari@uny.ac.id
Failed Assumptions about Employee Relationships

- Employees are costs
- Short-term orientation
- Dehumanizing practices
- Lack of delegation of responsibility and authority
- Perverse norms of management
  - “tough” or mean management
  - paralysis of analysis

Sumber: Waddock
Employee Practices that work...

- Employment Security
- Selective Hiring
- Self-managed teams and decentralization
- High performance based compensation
- extensive training
- Reduction of status differences
- Sharing Information

Sumber : Waddock

ratna_candrasari@uny.ac.id
Employee Commitment

- Clear vision and values
  - elaborate common purposes
  - Inspirational and meaningful
- Part of something bigger
- “Cult-like” cultures
- Fair treatment
- Two-way communications

Sumber: Waddock

ratna_candrasari@uny.ac.id
Customer Relations

- Relationship marketing
- Customer franchise = Trust
  - Build loyalty
  - On-going relationships and regular interaction
- Meet real needs
- Product/Service Quality

Sumber: Waddock

ratna_candrasari@uny.ac.id
Suppliers, Allies, Partners

- Relationships based on trust, quality, and commitment
- Bottom line is infrastructure, delivery, and quality
- Similar codes of conduct, standards, and expectations
- Need integrity on both sides

Sumber: Waddock
ratna_candrasari@uny.ac.id
Relations between a business firm and some of its other (secondary) stakeholders

- **Business Firm (Managers)**
  - Social demands
  - Jobs, environment

- **Local Communities**
  - Positive, negative opinion
  - Advice, research
  - Image, publicity

- **The General Public**
  - Advice, research
  - Image, publicity

- **Business Support Groups**
  - Advice, research
  - Image, publicity

- **Media**
  - Advice, research
  - Image, publicity

- **Foreign Governments**
  - Regulation, taxes
  - Friendly, hostile

- **Federal, State and Local Governments**
  - Regulation, taxes
  - Friendly, hostile

- **Social Activist Groups**
  - Social demands

- **ratna_candrasari@uny.ac.id**
Public Affairs

- Government and “publics” relationships
- Rules of society
- Infrastructure

Sumber: Waddock

ratna_candrasari@uny.ac.id
Media Relations

- Image management
- Reputation management
- Advocacy and public image
- Build consensus
- Multiple means to “frame” the company’s position
  - press releases, advertising, newsletters, reports
- General media relationships
  - reporters know and trust company

Sumber: Waddock
ratna_candrasari@uny.ac.id
Community Relations

- Corporate Community Relation Strategies
  - Build relations
  - Identify issues and concerns
  - Design appropriate programs

- Communities of Interest
  - Site Communities
  - Employee communities
  - Fenceline communities
  - Impact communities
  - Cyber Communities
  - common interest communities

Sumber: Waddock
ratna_candrasari@uny.ac.id
Standards of Excellence
Corporate Community Relations

- Leadership
- Issues Management
- Relationship Building
- Strategy
- Accountability
- Infrastructure
- Measurement

Sumber: Waddock
ratna_candrasari@uny.ac.id
Social vision/social capital

THE KEYS:

- **Balance** company interests with the community
- **Trust** and relationship
- Show **individual and company leadership**
- Become **“neighbor of choice”**

Sumber : Waddock
Figure 1-4

Forces that shape the business and society relationship

- Economic competition: strategic and social challenges
- Ethical expectations and public values
- Changing role of government and public policy
- Ecological and natural resource concerns
- Technology and new knowledge

Business and its Stakeholders

ratna_candrasari@uny.ac.id
World Class Manufacturing

- Safety orientation
- Involved, committed workforce
- JIT manufacturing and delivery
- Product flow focus
- Preventive maintenance
- Management of bottlenecks
- Total quality management
- Fast setups
- Low inventories
- Supportive policies/procedures

Sumber: Waddock

ratna_candrasari@uny.ac.id
World Class Services

- Employee Accessibility
- Competence
- Attitude
- Communication
- Credibility
- Features/ Innovation
- Responsiveness
- Tangible Results

Sumber : Waddock

ratna_candrasari@uny.ac.id
Trust and commitment comes from...

- Superior resources, opportunities and benefits to competitors
- Maintaining high integrity, standards of conduct, and values
  - And assuring partners do, too
- Communicating important information
  - including expectations, market intelligence, and evaluation
- Avoiding opportunistic behavior

Sumber: Waddock