

GENERIC STAKEHOLDER STRATEGY

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Abstract

In the present time of constant changes, globalization, technological progress and fast changing market is for company increasingly difficult to orientate in the highly competitive environment. Except customers, who are key elements of marketing strategies, there are other interest groups (stakeholders) who come into relationship with company and who more or less influence the future development and performance of the company. Stakeholder approach recognizes importance of all groups or individual who are in a relationship with company. Basic question of this approach is who or what are stakeholders and what responsibilities does the company have to have to these interest groups. Part of stakeholders approach is relationship marketing, which make up one of the important component for formulation marketing strategies.

Each company that wants to succeed at the market should have chosen marketing strategy which would support the overall company's strategy.

Keywords: Stakeholder approach, marketing relationship, marketing strategy, generic strategy.

JEL Classification: M31, L26.

Introduction

Although the most of marketing researches emphasize role of customers, the companies often realize that there are also other groups of stakeholders which are decisive factors of company's behaviour and performance. The aim of the article is to map literary review about stakeholder approach and found out which groups besides customer the most influence development and performance of company. For chosen groups are suggested marketing strategies according the relative power of stakeholders and their potential to cooperate or threaten corporate strategy. There are many different approaches for formulating marketing strategies. In our article we consider the generic strategies. The purpose of the strategy is determining the future direction of the company. By appropriate marketing strategy, the company can establish or strengthen their existing relationship with individual groups of stakeholders who create business value and which vice versa the companies create the value to them. The primary research took place in industrial companies in the Czech Republic in two periods- in 2010 and 2011. Used methods were case studies. The results of the article serve as a guide for formulate strategies for chosen individual groups of stakeholders. The essence of marketing strategy is to fill the satisfaction all of individual groups of stakeholders and at the same time to reconcile their "anchors" toward business goals. The permanent growth business performance and maximize shareholder value can be achieve by investing into relationships with stakeholders and marketing strategy. In the article the suitable marketing strategies were designed for groups of stakeholders, which were identified by case studies to have a significant share of total business activities. The research was supported by project of Internal Grant Agency Faculty of Business and Management Brno University of Technology FP-8-12-1764. The topic research was "Analysis of approaches to achieve synergistic effects in management and marketing with emphasize on efficiency and corporate social responsibility".

Stakeholder approach

Previously the goal of marketing was create customer value. The assumption was that if a company satisfies the customers, then gains the market share and simultaneously achieves the positive financial results. This means that the marketing strategy lays in an increase the market share. Unfortunately, satisfied customer must not be profitable. Marketers 21st century are more and more aware of the needs for comprehensive and coherent approach that goes beyond than traditional application of the marketing concept (Doyle, 2008). Therefore, today's marketing takes into account the other groups of stakeholders which have influence over the company. Edward Freeman (1984), explained the definition a stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives"(Freeman, 2010). Stakeholder can be individuals, groups, organizations, institutions, society and environment. Freeman explained who stakeholders are, but it is unclear which of them keys are. Some of authors suggest that each group of stakeholder can provide value to the company and the company should treat all equally. However, growth the number of authors who argue that the company must identifies its major stakeholders and deal with them particularly. Mitchell, Angle and Wood (1997) define this broad group of stakeholders to a

narrower circle, called key stakeholders, who bear some risk in the form of capital investment, human, financial or other investments to the company (Grinstain & Goldman, 2011). There are included - shareholders, customers, employees and government. Key stakeholders are created by those interest groups without their attendance the companies can not survival and which also create intangible asses to the companies. There are many possibilities according to classify the important stakeholders (León, 2007), but strength, legitimacy and urgency classified by Mitchell and Wood (1997) are considered for useful tools for strategy purpose (Maignan, 2008). Strength- ability of stakeholders to achieve the results, after which they desire. The strength comes of dependence on sources of environmental factors. Groups or individual can be stakeholders on the basis of theirs legitimacy. Legitimacy- is generally perceived that action of units is desirable or appropriate inside social norm, value, trusts and definitions. Urgency- helps to identify groups of stakeholders which require attention within a limited time (Mishra & Suar, 2010). Authors Anderson (1982), Freeman and Reed (1983) consider that the most important stakeholders are those without which the company cannot survive, or those who have legitimate claims, and thus require the urgent attention of the company (Angle et al., 1999, Mitchell et al., 1997; Grinstain & Goldman, 2011). Other authors Deshandé and Farley (1998), Lovett and MacDonald (2005) consider for significant the profit- produce stakeholders and these which bring revenue to company. There are including seven followings groups of stakeholders (Grinstein & Goldman, 2011):

- 1) Final consumers;
- 2) business buyers;
- 3) government agencies as buyers;
- 4) distribution system companies such as retailers and wholesalers;
- 5) stakeholders providing subsidies or grants such as government agencies;
- 6) investors/shareholder;
- 7) donors.

Authors Hilman and Keim (2001) say that depends on managers who decide about which groups of stakeholder are keys for the company. These key stakeholders create intangible assets which can be competitive advantage and therefore is need to company build good relationships (Hilman & Keim, 2001) with these stakeholders and maximize company's performance. Furthermore according to the authors Soriano, Torres and Rosalen (2009) is also necessary to identify stakeholders' needs and their expectations. By finding of stakeholders' needs and expectations has strategic importance for identify critical factor of success that is necessary for formulating of strategy (Soriano, Toress & Rosalen, 2009). Stakeholder approach highlights responsibility of managers towards shareholders of company. The responsibility builds over all another. By following this approach is goal of managers to maximize profit of company so that maximize benefits for shareholders and simultaneously maximize value for other stakeholders which the company comes into relationship with (Čásek, 2010). The approach of marketing in stakeholders approach lay on formulation of strategies for choosing right stakeholders, build relationship with them and build competitive advantage. Choosing the right stakeholder is very important, because some stakeholder does not have offer potential to create value or the cost of serving them exceeds the benefits they create or the company does not have the appropriate bundle of skills to serve them effectively (Doyle, 2008). There is need to maintain long relationship with chosen groups of stakeholder because loyal stakeholders make faster and more profitable growth of company.

Stakeholder marketing strategy

Managing relationships with customers and other important stakeholder makes the important part for formulating marketing strategy (Kanagal, 2008). Also author Das (2008) says that relationship marketing makes one of the important components for formulating marketing strategy. According to author Kanagal (2009) the relationship marketing makes element which is a part of marketing strategy and which helps to understand needs and wishes of stakeholders who are necessary for creating profitable exchange. The purpose of strategy is to determine the future directions of the company. There are many different approaches for formulating marketing strategy. Authors Soriano, Torres & Rosalen, (2009) are aware that depends on strategic orientation of company (focused at the market or particular group) and strategic behaviour (reactive and proactive) which strategy the company choose . One of possible approach is RDAP strategy, designed by Clarkson (1991) who identified four approaches. The strategies are following: reactive, defensive, accommodative and proactive strategy (Soriano, Torres & Rosalen, 2009). In a reactive strategy, the companies either fight against the problems of certain stakeholder or they ignore them (Carroll, 1979;

Clarkson, 1991, 1995; Wartick and Cochran, 1985). A proactive strategy involves doing more than required to address stakeholder issues. In an accommodative strategy, a firm will be less active compared to the proactive state in addressing stakeholder issues. In a defensive strategy, a firm does only the legally minimum things to address stakeholder issues (Mishra & Suar, 2010). By authors Freeman (1984), Jeugensem (2002) and Savagem (1991) was discovered theoretical framework generalist focused strategies to relationships with stakeholders and their impact on the performance of the company (Mishra & Suar, 2010). According to Boone (2004) and Porter (1980) is generalist strategy is used in case then the companies are focused on boarder niche or the whole market- in our case on many different groups of stakeholders. Opposite focused strategy is used by firms in the case that companies are focused on narrow niche- in our case on several stakeholders. Authors Angle and Berman (1999) also confirm this thought, that the companies use the generalist strategy if they focus on whole market or on many stakeholders and the focused strategy the companies use if they focus on narrow niche at the market or on several stakeholders. The choice of strategy depends on if the company trades with big or small count companies/ market/ product. In context of managing importance stakeholder authors Grinstein and Goldman (2009) recommend to focus the view of company on generalist strategy, allowing transaction with big count of income and profit- produce stakeholders and spread out attention/ effort between them (Grinstein & Goldman, 2011).

By appropriate marketing strategy the company can establish or strengthen its relationships with particular groups of stakeholders which create value to the company and vice versa the company creates the value to them. It is clear that the value (something valuable, important or significant) will be different for particular groups of stakeholders. Each stakeholder assess the value of the company according to what the company brings to him and what he gains of the company's affect. The core of enterprise strategy is to fulfils satisfaction towards all groups of stakeholders and simultaneously harmonize their anchor toward the goals of the company (Šmakalová, 2010). By investing into relationship with stakeholder and marketing strategy the company can establish the permanent growth of performance of company. The purpose of the strategy is to determine the future direction of the company.

There are many different approaches for formulating marketing strategies. In our article we consider the generic strategies:

- **Offensive strategies** should be adopted if a stakeholder group has relatively high cooperative potential and relatively low competitive threat.
- **Defensive strategies** should be adopted if a stakeholder group has a relatively high competitive threat and relatively low cooperative potential.
- **Swing strategies** should be adopted if a stakeholder groups has a relatively low competitive threat and cooperative potential.
- **Hold strategies** should by adopted if a stakeholder groups has a relatively low competitive threat and cooperative potential.

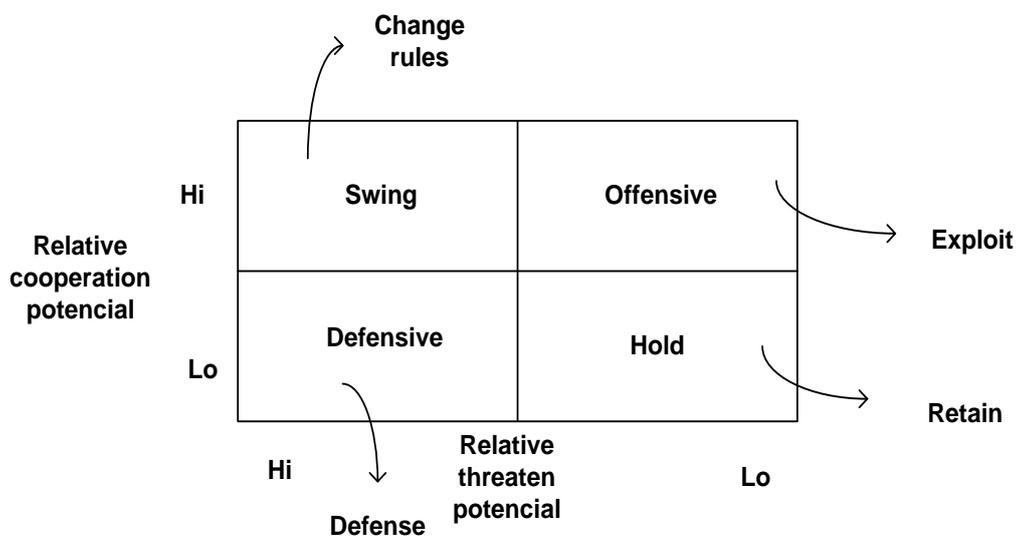


Figure 1. Generic strategy

Research results

As the literature review shows, there is increasing emphasis on stakeholders approach therefore it is necessary to the companies create comprehensive and coherent approach to all groups of stakeholders which influence the company. On the bases of case studies which took place in industrial companies in the Czech Republic in two periods- in 2010 and 2011 was found out which groups of stakeholder are generally the most important.

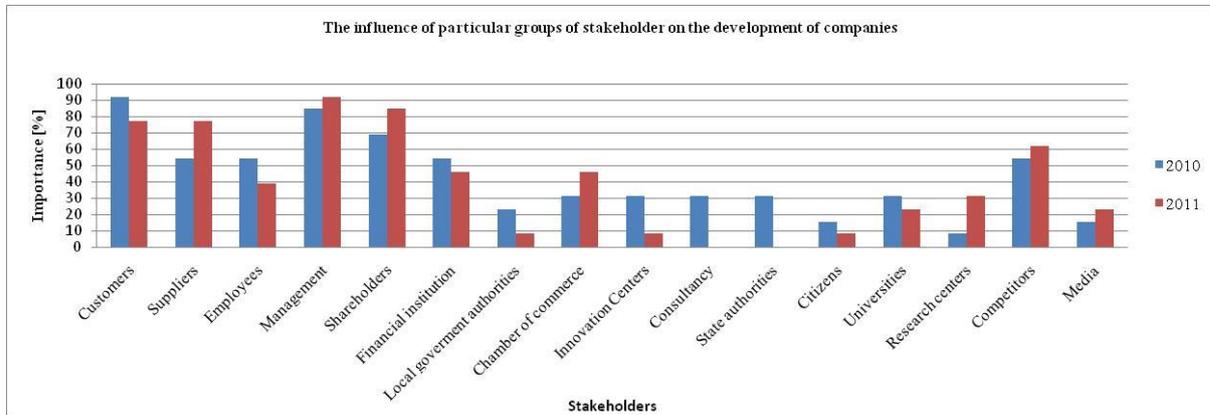


Figure 2. The influence of particular groups of stakeholders on the development of company

The customers, suppliers, management, shareholders, competitors are key groups which the most influence the development and performance of the companies. As we can see on Figure 2 the influence of customers is getting smaller and contras the influence of management, shareholders, suppliers and competitors are getting bigger. On the basis of case studies the particular groups of stakeholders were spread out in following strategies according the relative power of stakeholders and their potential to cooperate or threaten corporate strategy.

Table 1. The influence of stakeholders and used strategy

Stakeholders	Influence [%]		Strategy	Potential	
	2010	2011		cooperate	threaten
Customers	92	77	Swing	↑	↑
Suppliers	54	77	Swing	↑	↑
Management	85	92	Offensive	↑	↓
Shareholders	69	85	Offensive	↑	↓
Competitors	54	62	Defensive	↓	↑

The companies should adopted swing strategy for customers and supplier. These stakeholders can either helps or defends activities of companies therefore strategy for treatment with these stakeholder (customers, suppliers) should be lay in effort to change or at least influence rulers or decisions according to the company cooperate with stakeholders. The companie should control if the rulers, decisions are correct and try to maximize pozitive influence of stakeholders and minimalize their threat. The companies should adopted offensive strategy for management and shareholders. The companies should exploit the high cooperate potential of stakeholders by changing the beliefs about company, do somethig different or try to change the stakeholder’s objetives. The companies should adopted defensive strategy for competitors. In this case it is better to keep this group of stakeholders for friends then enemies although the company has very small benefit from them. The company can influence this group by increasing awareness, keep the current program or can reduce the relationship with them and thus decrease the negative reset of company.

Conclusion

The research was involved in 13 industry companies, the same size and from the same area of the Czech Republic in two periods- 2010 and 2011. It was confirmed that except customers there are other groups of stakeholders which are more a more important of development and performance of companies.

These groups of stakeholders are- customers, suppliers, management, shareholders and competitors. For choose groups of stakeholder was formulated strategies according the relative power of stakeholders and their potential to cooperate or threaten corporate strategy.

The company should use the offensive stakeholders, keep the hold stakeholders, defend the defensive stakeholders and cooperative with the Swing stakeholders.

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