

**Master Arts Management
AA 14/15**

TOURISM STAKEHOLDER MANAGEMENT
Convenor: Roberto Formato


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Roma, 05/11/2015

Master Arts Management AA14/15

Agenda, 5th November 2015

9:00 - 10:20	From Government to Governance. Stakeholder mapping
10:30 - 12:00	Stakeholder analysis Stakeholder strategic management
13:00 - 14:20	Stakeholder communication Corporate Social Responsibility (CSR)
14:40 - 16:00	Case study – <i>Tavev Revival Project</i>



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FROM GOVERNMENT TO GOVERNANCE



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Government vs. Governance

GOVERNMENT

Formal body invested with the authority to make decisions in a given political system

GOVERNANCE

All processes of governing, whether undertaken by a government, market or network



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Tourism as a multi-level, multi actor system

MULTI-LEVELS

- Trans-territorial organizations (e.g. Oresund, among Denmark and Sweden)
- Supranational organizations (EU, UNWTO, IATA, WTTC)
- National state
- Sub-national state
- Regional governments
- Local councils

MULTI-ACTORS

- Accommodatiom
- Attractions
- Travel agents & tour operators
- Transport operators
- Resturants
- Taxis
- Ancillary services
-



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Destination Marketing Organizations (DMOs)

- Public-Private Organizations
- Bring together public agencies, tourism producers, destination communities
- With respect to destination marketing and/or development



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Examples of DMOs



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THE STAKEHOLDERS



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Stakeholder Theory

“The theory of Who or What really counts”

[Freeman, 1994]

- Who or what are stakeholders of the organization? - *question of stakeholder identification*
- And to whom (or what) do managers pay attention?

Is there
a gap?



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Apple



Core Facts (in 2011):

Founded	April 1, 1976
Headquarters	California, U.S.
Retail Stores	357
Revenue	US\$ 108.249 bn
Operating income	US\$ 33.790 bn
Profit	US\$ 25.922 bn
Employees	60,400

Critique:

- There have been repeated reportings on **inhuman working conditions** at Chinese supplier to Apple
- Although Apple is **one of the most valuable** firms in the world

The Press:

- *Apple's Chinese workers treated "inhumanely, like machines" (Guardian)*
- *Rash of suicides in China where Apple products are produced (ABC)*
- *Apple's iPad and the human cost for workers in China (NYT)*



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Broad and narrow definitions of stakeholders

- Stanford memo 1963: *“those groups without whose support the organization would cease to exist”*
- Rhenman (1964): *“are depending on the firm in order to achieve their personal goals and on whom the firm is depending for its existence”*
- Evan & Freeman (1988): *“have a stake in or a claim on the firm”*
- Savage et al. (1991): *“have an interest in the actions of an organization and...the ability to influence it”*
- Nasi (1995): *“interact with the firm and thus make its operation possible”*



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Narrow definition of stakeholders

- Attempt to define relevant groups in terms of their **direct relevance to the firm's core economic interest**
- For example, several scholars define stakeholders in terms of their **necessity for the firms survival**



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Broad definitions of stakeholders

- Based on the empirical reality that organizations **can be vitally affected by, or they can vitally affect, almost everyone**
- It is **complex** for managers to apply
- Managers should possess the **ability to recognize and respond effectively** to a disparate, yet systematically comprehensive, set of stakeholder “entities”
- Such entities **may or may not have legitimate claims**, but are able to affect or are affected by the firm nonetheless, and thus affect the interests of those who do have legitimate claims



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STAKEHOLDER MAPPING



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Sorting criteria

- A **relationship** exists
- Power **dependence**
 - Stakeholder dominant (the organization is dependent on the stakeholder)
 - Firm dominant (the stakeholder is dependent on the organization)
 - Mutual power dependence relationship
- Basis for **legitimacy of relationship** (i.e. contractual relationship)
- Stakeholder **interest** (legitimacy not implied)



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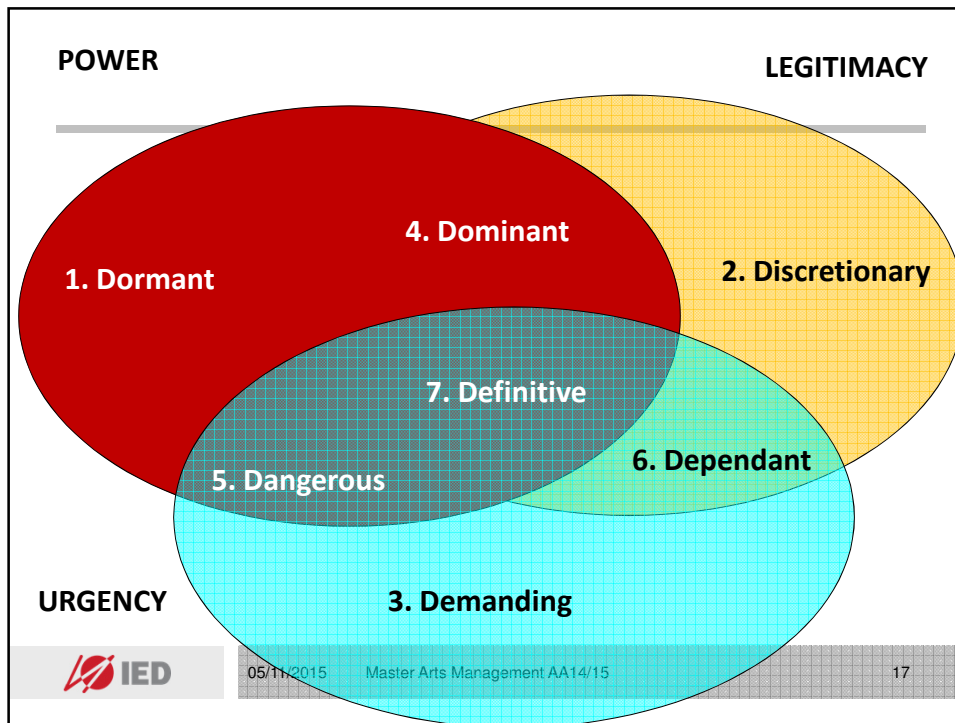
Defining stakeholder attributes

- Power
- Legitimacy
- Urgency



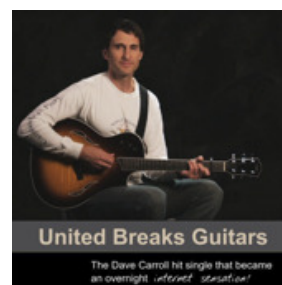
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“United breaks guitar”

- Canadian musician Dave Carroll
- Its guitar broke during a United Airlines flight in 2008
- It could not get any refund
- He wrote a song about his story and posted on You Tube
- The video reached 10 mn visualizations in two years and first rank on I-Tunes
- United Airlines stocks fell by 70% after few months
- He wrote two more songs with his band about this event



<http://www.youtube.com/watch?v=5YGc4zOqozo>

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STRATEGIC STAKEHOLDER MANAGEMENT



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Step model for communication strategy

1. Situation analysis
2. Defining objectives
3. Defining target groups
4. Media selection
5. Budget
6. Implementation
7. Evaluation



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1. Situation analysis

- Where does the organization/institution stand?
- External perception
- Internal perception
- Perception of different stakeholders
- Where are our competitors? Do we have roadblocks?
- What is our Unique Selling Proposition (USP)?



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Tools for situation analysis

- Opinion polls, image study, desktop research
- Media monitoring
- Analysis of complaints
- Employee-management relations
- Community relations
- Competitor analysis/SWOT analysis



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SWOT analysis

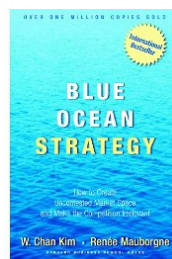


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Unique selling proposition (USP)

- A Unique Selling Proposition **distinguishes a business apart from all others**
- Instead of competing you “eliminate” competitors with a well conceived USP



[Kim and Mauborgne (2005), *Blue Ocean Strategy*]



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Example: Domino's Pizza

- “We deliver fresh hot pizza to your door in thirty minutes or less, or the pizza’s FREE!”
- The message: *what we do + what we offer + our guarantee*



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2. Strategy and objectives

Strategic intent

Is a well-thought through statement of **where one wants to be at a given time**

Vision

The *vision statement* is the summary of where an organization wants to be in an ideal world. It should contain the **purpose, strategy, values and necessary behaviour** to follow

Mission

The *mission statement* tackles the question **why we are in business and how things are done**

Differentiation

It is one of the key principles of corporate strategy. The objective is to maintain a competitive differentiation so as **to attract more donors and supporters** than other organizations in the same policy field. Based on the analysis of the market and competition, we are now well positioned to define a USP



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Strategy Input by Michael Porter

<http://www.youtube.com/watch?v=ibrxIP0H84M&feature=related>

http://www.youtube.com/watch?v=mYF2_FBCvXw&feature=related



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Objectives

- What?
- Develop clearly defined and **measurable** objectives
- What do we want to achieve?
- Do we have the capacities?
- What time frame are we talking about?



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SMART!!!

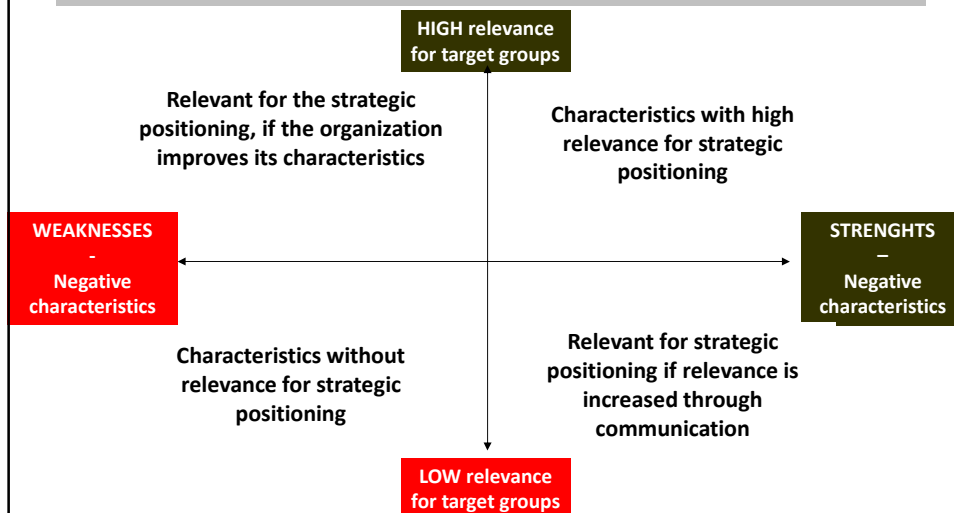
- **S**pecific: related to specific outcomes (direction of intended outcome: to increase, develop, decrease, minimize....)
- **M**easurable: quantified
- **A**ctionable: realistic
- **R**elevant: in line with the organization's trust
- **T**imely: related to time frame



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Tool for positioning



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3. Defining Target Groups

Stakeholder

Any group or individual who can affect or is affected by the achievement of the firm's objectives [Freeman, 1984]



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Stakeholders

Private sector stakeholder	Public sector stakeholder	Civil society stakeholder
<ul style="list-style-type: none"> • Corporations and businesses • Business associations • Professional bodies • Individual business leaders • Financial institutions 	<ul style="list-style-type: none"> • Ministers and advisors (executive) • Civil servants and departments (bureaucracy) • Elected representatives (legislature) • Courts (judiciary) • Political parties • Local government/councils • Military • International bodies 	<ul style="list-style-type: none"> • Media • Churches/religions • Schools and universities • Social movements and advocacy groups • Trade unions • National NGOs • International NGOs



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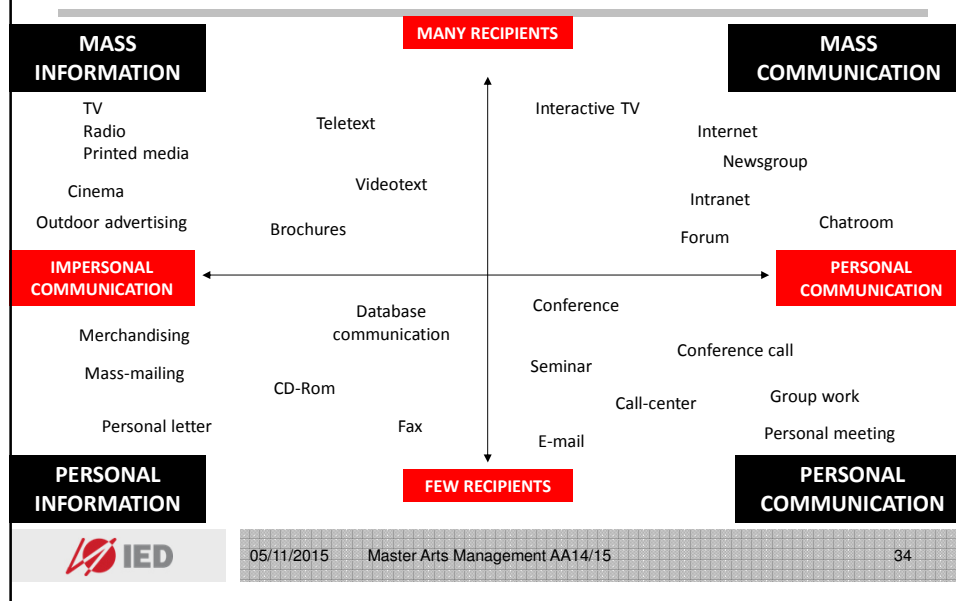
STAKEHOLDER COMMUNICATION



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4. Media selections



Low Budget NGO-Campaigns

<https://www.youtube.com/watch?v=s8kwVU5pujg>

https://www.youtube.com/watch?v=Ug5OdN3QpJI&feature=player_embedded

https://www.youtube.com/watch?v=he_psMwSjcw



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Newsworthiness

- Timeliness
- Proximity
- Prominence
- Conflict
- Number of people involved
- Shock value
- Possible future impact



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CORPORATE SOCIAL RESPONSIBILITY



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EU definitions

EU Commission 2001

CSR is a concept whereby companies **integrate social and environmental concerns** in their business operations and in their interaction with their stakeholders on a voluntary basis

EU Commission 2011

To **fully meet their social responsibility**, enterprises should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholder

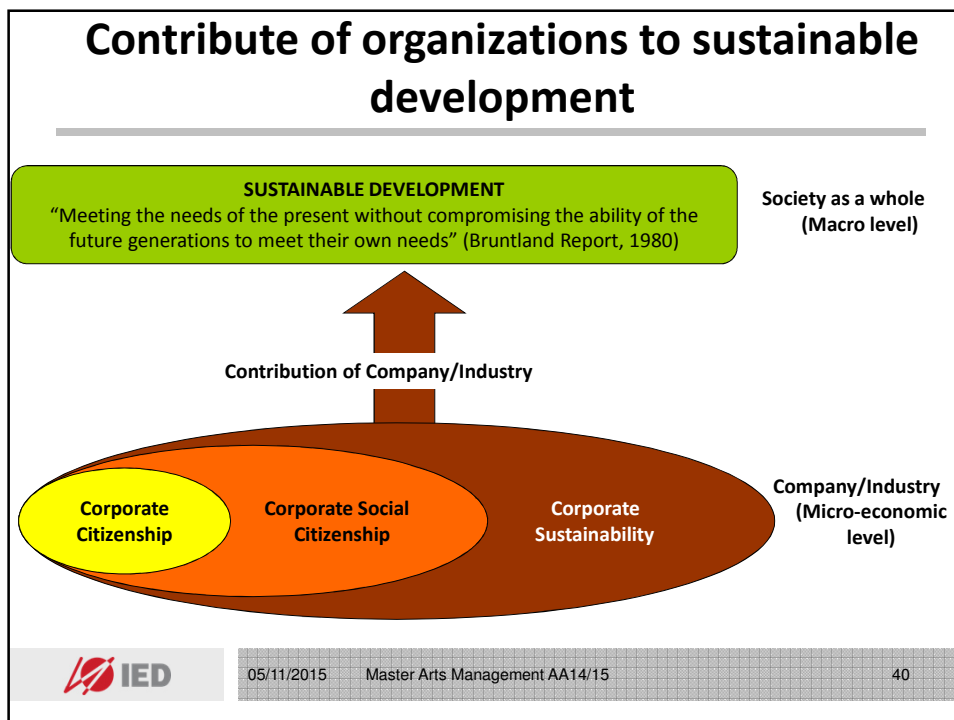
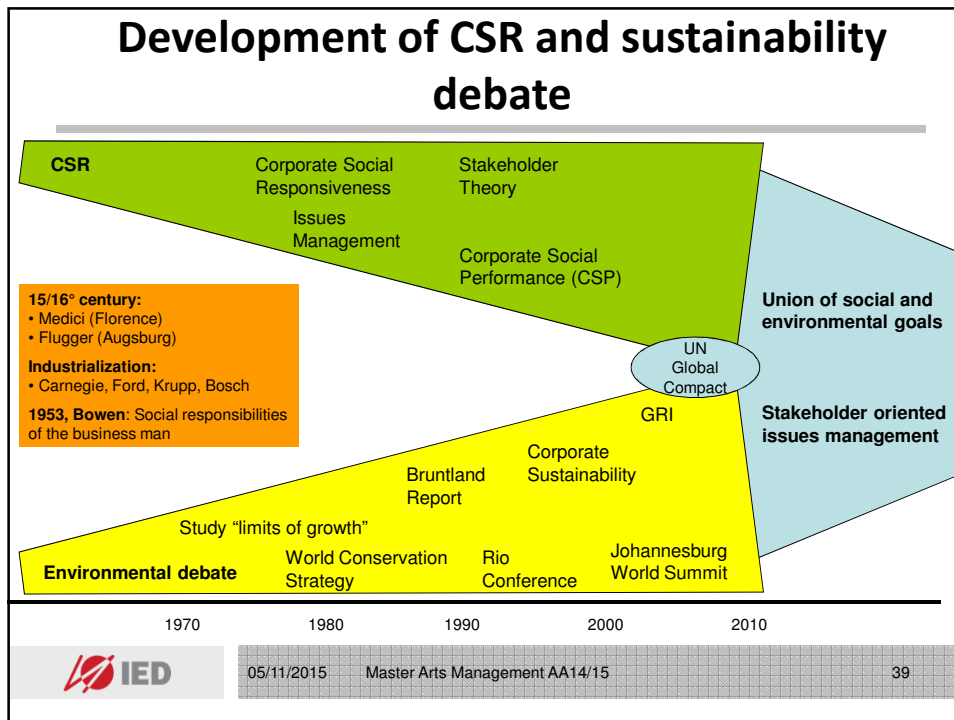
Aim:

- to enhance positive impacts
- to minimize and prevent negative impacts



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Carroll's concept (1979)

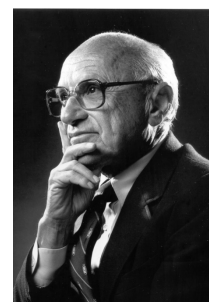


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View point of neoliberal economic theory

- CSR "...shows a fundamental misconception of the character and nature of a free economy. In such an economy, there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase the profits so long as it stays within the rules of the game, which is to say, engages on open and free competition without deception or fraud..." [Friedman, 1970]
- The business is business!
- Social problems have to be solved by the state



Milton Friedman (1912 – 2006)



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CEO opinions on CSR & sustainability (UNCG, 2010)

"Consumers are asking who is behind the brand, so we have to make it visible"
(Paul Bulcke, Nestlé)

"Sustainability is essential to building our brand and our trust with consumers"
(Didier Lombard, France Telecom)

"The financial community is increasingly looking at companies and rewarding those that think smartly about their use of resources"
(Paul Polman, Unilever)

"We have lost trust and we need to regain it with a culture of responsible behavior"
(Kaspar Villiger, UBS)

Source: United Nations Global Compact CEO Survey 2010 (n= 766 CEOs worldwide)
http://www.unglobalcompact.org/docs/news_events/8.1/UNGC_Accenture_CEO_Study_2010.pdf



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Drivers of CSR & sustainability

- Question: Which factors have driven you, as a CEO, to take action on sustainability issues? (3 top issues)
- Answers:
 - Brand, trust and reputation (72%)
 - Potential for revenue growth (44%)
 - Personal motivation (42%)
 - Consumer/Customer demand (39%)
 - Employee engagement & recruitment (31%)
 - Impact of gaps on business (29%)
 - Government/regulatory (24%)
 - Pressure from investors/shareholders (12%)

Source: United Nations Global Compact CEO Survey 2010 (n= 766 CEOs worldwide)
http://www.unglobalcompact.org/docs/news_events/8.1/UNGC_Accenture_CEO_Study_2010.pdf



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The link between competitive advantage and CSR

“The prevailing approaches to CSR are so disconnected from business as to obscure many of the greatest opportunities for companies to benefit society”

[Kramer & Porter, 2006]



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Significance of CSR & sustainability

- 93% of CEOs believe that
 - Sustainability issues will be **critical to the future**
- 96% of CEOs believe that
 - Sustainability issues should be **fully integrated into the strategy and operations** of the company (up from 72% in 2007)
- 88% of CEOs believe that
 - They should be **integrating sustainability through their supply chain**.
Only 24% believe that this has been achieved within their company

Source: United Nations Global Compact CEO Survey 2010 (n= 766 CEOs worldwide)
http://www.unglobalcompact.org/docs/news_events/8.1/UNGC_Accenture_CEO_Study_2010.pdf



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Relationship between CSR and economic performance

- Empirical findings:
 - Many studies report no or positive relationship
 - Only few find a negative relationship
- Meta analysis of 52 studies (Orlitzky, Schmidt & Rynes, 2003) found that there is a **positive relationship** between social/ecological responsibility and financial performance

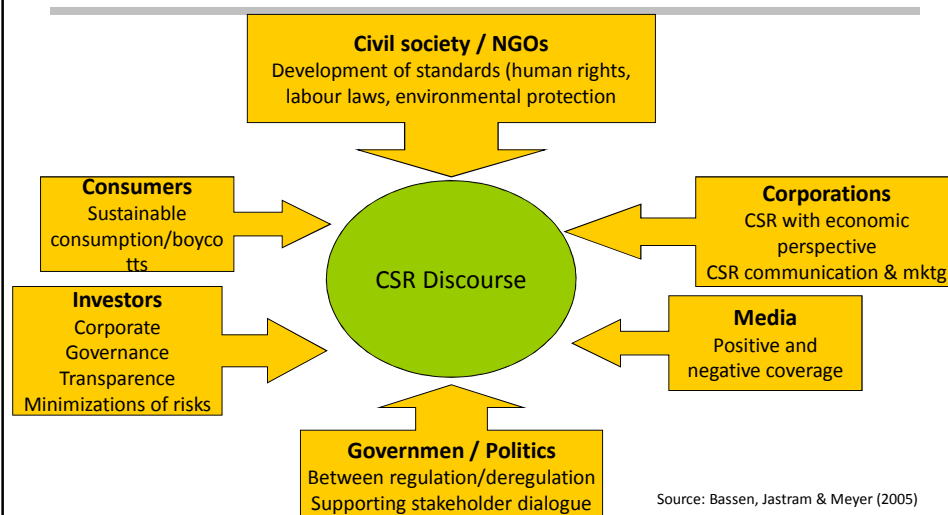
Source: United Nations Global Compact CEO Survey 2010 (n= 766 CEOs worldwide)
http://www.unglobalcompact.org/docs/news_events/8.1/UNGCC_Accenture_CEO_Study_2010.pdf



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CSR in stakeholder discourse



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Corporate social performance Three levels

Principles of CSR:

- Institutional principle: legitimacy
- Organizational principle: public responsibility
- Individual principle: managerial discretion

Process of social responsiveness:

- Environmental assessment
- Stakeholder management
- Issues management

Outcomes of corporate behaviour:

- Social impacts
- Social programs
- Social policies



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What is an issue?

- A topic that
 - Does or might affect the firm
 - Raises different expectations and demand from stakeholders on the one hand and the company on the other hand
 - Bears a potential conflict
 - Is of public interest



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Prioritizing social issues

Generic Social Issues	Value Chain Social Impacts	Social Dimensions of Competitive Context
Social issues that are not significantly affected by a company's operations nor materially affect its long-term competitiveness.	Social issues that are significantly affected by a company's activities in the ordinary course of business.	Social issues in the external environment that significantly affect the underlying drivers of a company's competitiveness in the locations where it operates.

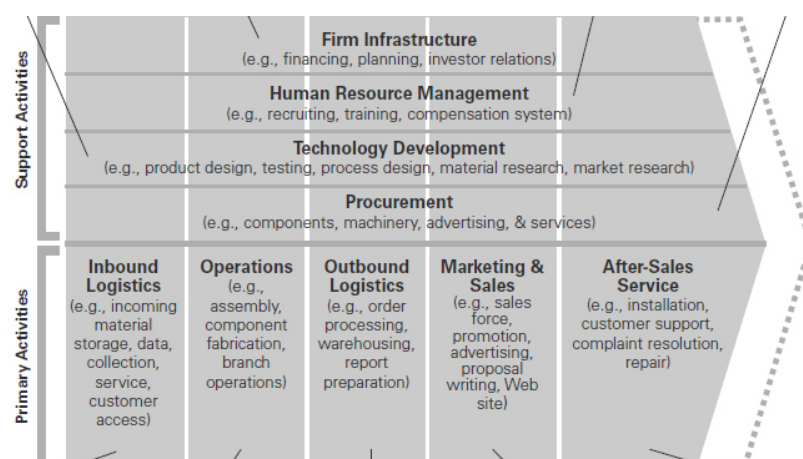
Source: Porter & Kramer (2006)



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Looking inside out: mapping the social impact of the value chain



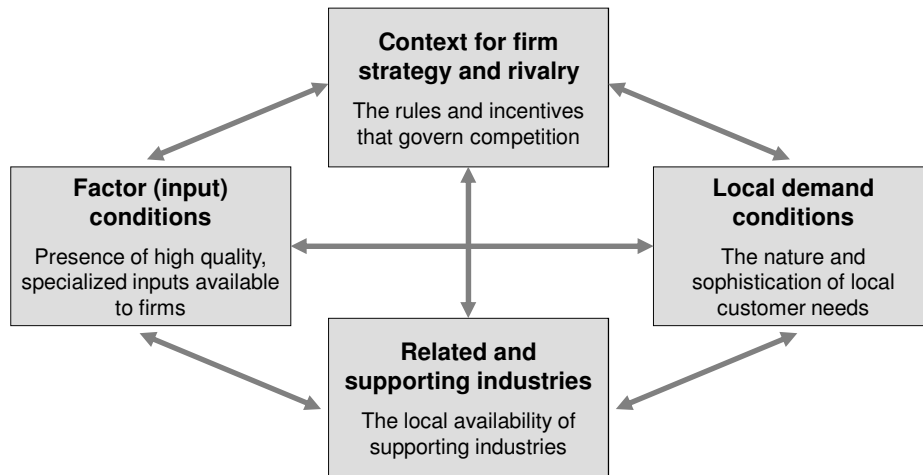
Source: Porter & Kramer (2006)



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Looking outside in: social influence on competitiveness



Source: Porter & Kramer (2006)



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Responsive and strategic CSR

Corporate Involvement in Society: A Strategic Approach

Generic Social Impacts	Value Chain Social Impacts	Social Dimensions of Competitive Context
Good citizenship	Mitigate harm from value chain activities	Strategic philanthropy that leverages capabilities to improve salient areas of competitive context
Responsive CSR	Transform value-chain activities to benefit society while reinforcing strategy	Strategic CSR

Source: Porter & Kramer (2006)



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McDonald's goes green, changing iconic look in Germany

McDonald's is changing its look in Germany. The classic yellow-on-red design of its famed "golden arches" is being changed to yellow-on-green, in a move that aims to signal the chain's eco-friendly attitude.



Changing a well-known icon is a bold move

Even in Europe, McDonald's has been an icon almost as long as it's been a fast-food chain. Now, part of its well-known image - the famed M-shaped "golden arches" against a red background - is getting a makeover.

The move is part of a larger image upgrade that the burger franchise has undergone across much of Europe. And the altered logo is just one of the company's successful strategy changes in Germany, which also involves expanding its coffee-bar business.

The first McDonald's restaurants to "go green" will be those that newly built, including a 1.4 million euro (\$2.1 million) "flagship" restaurant in the Munich airport.

Germany on the cutting edge

"Now that the interiors of most restaurants have been modernized and redesigned, it's time to take on the exteriors, with green instead of red," said Holger Beek, vice president of McDonald's Germany, in an interview with the Financial Times Deutschland.

The color was chosen because it invokes respect for the environment, he said.

McDonald's German unit is considered to be on the cutting edge in terms of design and product selection for the chain.

The first McDonald's coffee bar was tested in Australia in 1993, and now, nearly half of all the McDonald's in Germany - 612 out of 1,350 - have an integrated McCafe.



Mickey D's German face: Heidi Klum



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CSR under suspicion of "greenwashing"

The act of misleading consumers and other stakeholders regarding the environmental practices of a company or the environmental benefits of a product or a service



<http://www.youtube.com/watch?v=3GEfqM3P4ZA&feature=related>



<http://www.youtube.com/watch?v=GfPe3820Fmo>



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CSR under suspicion of “greenwashing”

To cover up or gloss over deficiencies, vices or scandalous behavior by means of misleading or biased communication



Nike is sponsor of the homeless world cup



Nike plans to turn Tokyo's Miyashita park into "Nike Park".

Homeless people who once lived in the park and their supporter protest against Nike plans.



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CSR under suspicion of “greenwashing”



Mc Donald's official restaurant to 2010 South Africa World Cup



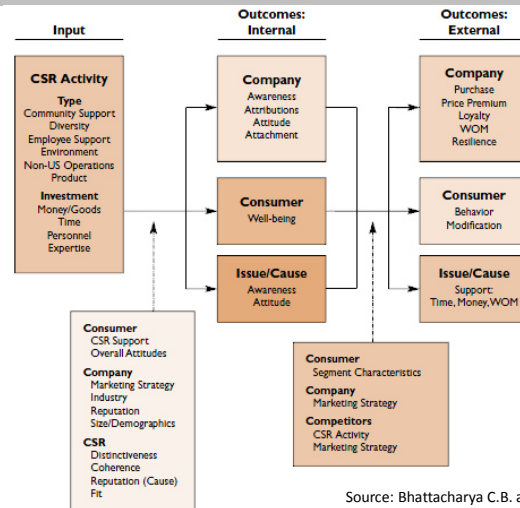
- In 1971, only 4 percent of 6- to 11-year-old kids were obese
- By 2004, the figure had more than quadrupled, to nearly **20 percent**, with nearly **40 percent now considered overweight**
- A lack of exercise probably isn't the cause of the increase, because many studies show that exercise levels in kids haven't changed much in the past few decades
- Kids in the U.S. today consume more calories, and more junk food, than any similarly aged population in the history of the world



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CSR consumer effect model



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Strategic Impact Management

CASE STUDY: TATAV REVIVAL PROJECT



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- <http://www.youtube.com/watch?v=ibrxIP0H84M&feature=related>
- http://www.youtube.com/watch?v=mYF2_FBCvXw&feature=related
- <https://www.youtube.com/watch?v=s8kwVU5pujg>
- https://www.youtube.com/watch?v=Uq5OdN3QpJI&feature=player_embedded
- https://www.youtube.com/watch?v=he_psMwSjcw
- <http://www.youtube.com/watch?v=YUmyzfVrAlI>
- <http://www.youtube.com/watch?v=3GEfqM3P4ZA&feature=related>
- <http://www.youtube.com/watch?v=GfPe3820Fmo>



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