

**Master Arts Management
AA 14/15**

TOURISM STAKEHOLDER MANAGEMENT
Convenor: Roberto Formato

Roma, 12/12/2016

Master Arts Management AA15/16

1

Disclaimer

The slides collected in this handout were part of the course "Strategic Marketing for Cultural Organizations" within the Master of Arts Management held by Ing. Roberto Formato in Rome, 7-8-9 November and 12-13 December 2016

While the copyright of individual parts of the presentation (pictures, quotes, articles and case studies, etc.) may be held by third parties, the copyright of the slides enclosed here is held by Ing. Roberto Formato.

Please understand that the materials presented here may not be copied or distributed outside of the aforementioned workshops in any form without the consent of the copyright holders. Moreover, this collection of slides or parts thereof are not to be used in any commercial context without the author's written permission.

For other inquiries, please feel free to contact Ing. Roberto Formato at robertoformato@libero.it

Thank you.



Agenda, 12th December 2016

9:15 – 10.00	Presentation of case studies
10.00 – 10.45	Introduction to stakeholder theory
11:00- 13:15	Stakeholder mapping Stakeholder strategic management
13:45 – 16:15	Stakeholder communication Corporate Social Responsibility (CSR)



12/12/2016 Master Arts Management AA15/16

3

Learning objectives of the module

- To recognize and classify **key stakeholders** for the Arts & Culture organizations
- To define a **stakeholder engagement strategy**
- To formulate a **stakeholder communication campaign**
- To familiarize with the concept of **Corporate Social Responsibility (CSR)** and learn how to use it for sustaining Arts & Culture



12/12/2016 Master Arts Management AA15/16

4

Mezyad Desert Park

DISCUSSION OF THE CASE STUDY



12/12/2016

Master Arts Management AA15/16

5

Group presentation

-
-
-
-
-
-



12/12/2016

Master Arts Management AA15/16

6

Tourism Stakeholder Management

INTRODUCTION TO STAKEHOLDER MANAGEMENT



12/12/2016 Master Arts Management AA15/16

7

Settesoli winery supports Selinunte



https://www.youtube.com/watch?v=j1c3U6y_v70

What is this about?

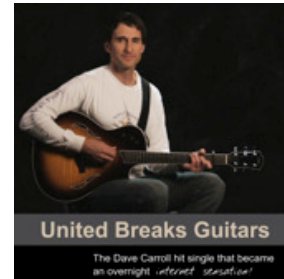


12/12/2016 Master Arts Management AA15/16

8

“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>



12/12/2016 Master Arts Management AA15/16

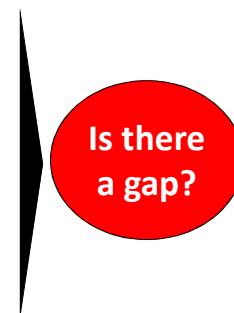
9

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?



12/12/2016 Master Arts Management AA15/16

10

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”*



12/12/2016 Master Arts Management AA15/16

11

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**



12/12/2016 Master Arts Management AA15/16

12

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



Tourism Stakeholder Management

STAKEHOLDER MAPPING



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)



12/12/2016 Master Arts Management AA15/16

15

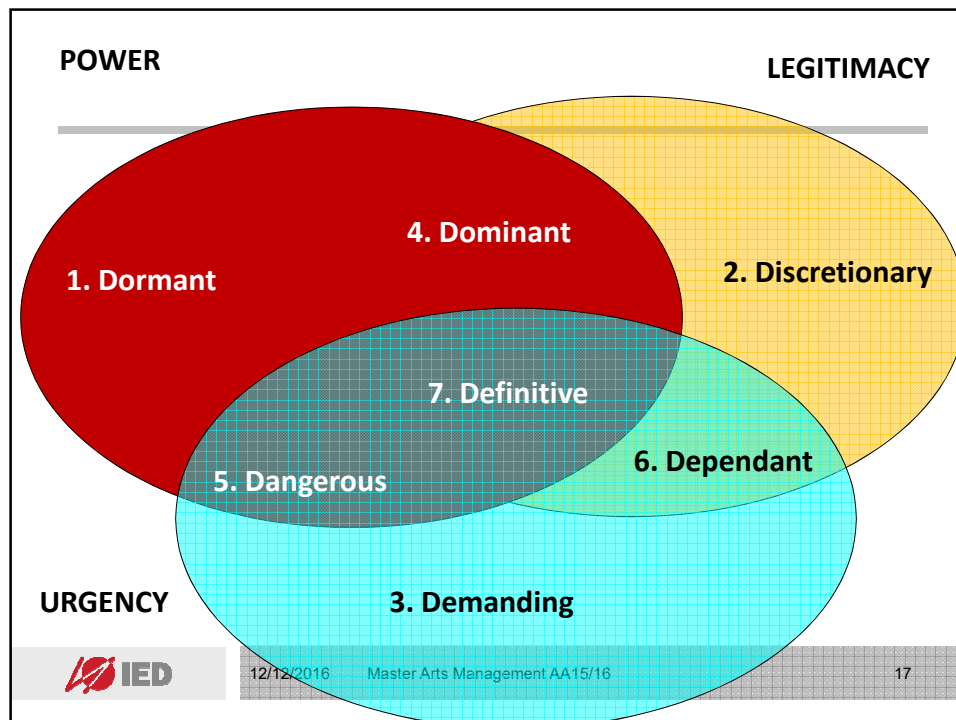
Defining stakeholder attributes

- Power
- Legitimacy
- Urgency




12/12/2016 Master Arts Management AA15/16

16



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)

IED

12/12/2016 Master Arts Management AA15/16 18

Tourism Stakeholder Management

STRATEGIC STAKEHOLDER MANAGEMENT



12/12/2016 Master Arts Management AA15/16

19

Step model for communication strategy

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



12/12/2016 Master Arts Management AA15/16

20

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)?



12/12/2016 Master Arts Management AA15/16

21

Tools for situation analysis

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



12/12/2016 Master Arts Management AA15/16

22

SWOT analysis

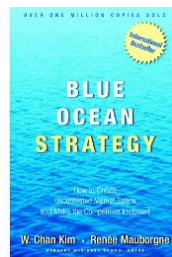


12/12/2016 Master Arts Management AA15/16

23

Unique selling proposition (USP)

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



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



12/12/2016 Master Arts Management AA15/16

24

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*



12/12/2016 Master Arts Management AA15/16

25

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



12/12/2016 Master Arts Management AA15/16

26

Strategy Input by Michael Porter

<http://www.youtube.com/watch?v=ibrxIPOH84M&feature=related>

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



12/12/2016 Master Arts Management AA15/16

27

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?



12/12/2016 Master Arts Management AA15/16

28

SMART!!!

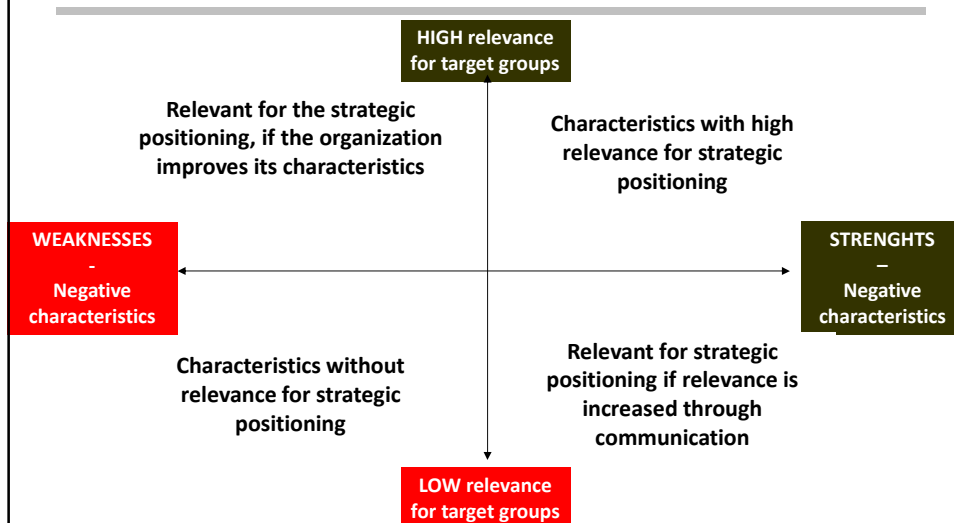
- **S**pecific: related to specific outcomes (direction of intended outcome: to increase, develop, decrease, minimize....)
- **M**easurable: quantified
- **A**ctionable: realistic
- **R**elevant: in line with the organization's trust
- **T**imely: related to time frame



12/12/2016 Master Arts Management AA15/16

29

Tool for positioning



12/12/2016 Master Arts Management AA15/16

30

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]



12/12/2016 Master Arts Management AA15/16

31

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 •



12/12/2016 Master Arts Management AA15/16

32

Tourism Stakeholder Management

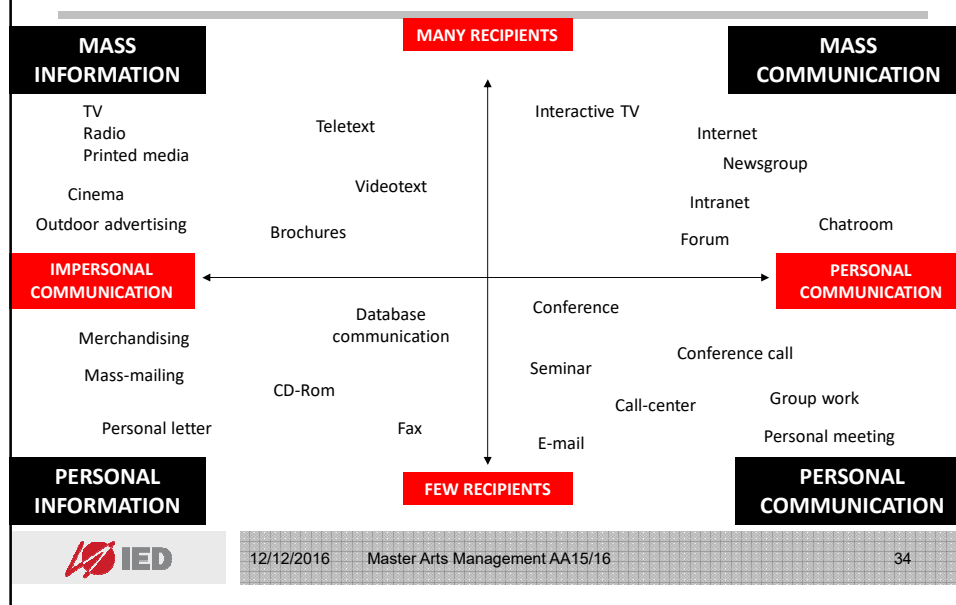
STAKEHOLDER COMMUNICATION



12/12/2016 Master Arts Management AA15/16

33

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



12/12/2016 Master Arts Management AA15/16

35

Newsworthiness

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



12/12/2016 Master Arts Management AA15/16

36

Tourism Stakeholder Management

CORPORATE SOCIAL RESPONSIBILITY



12/12/2016 Master Arts Management AA15/16

37

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

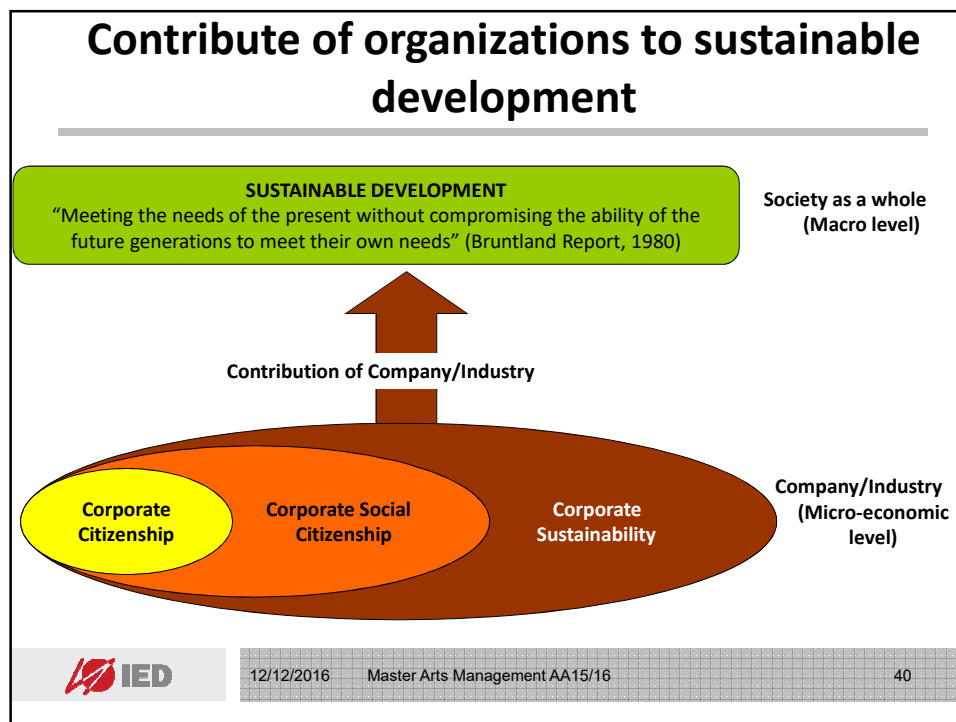
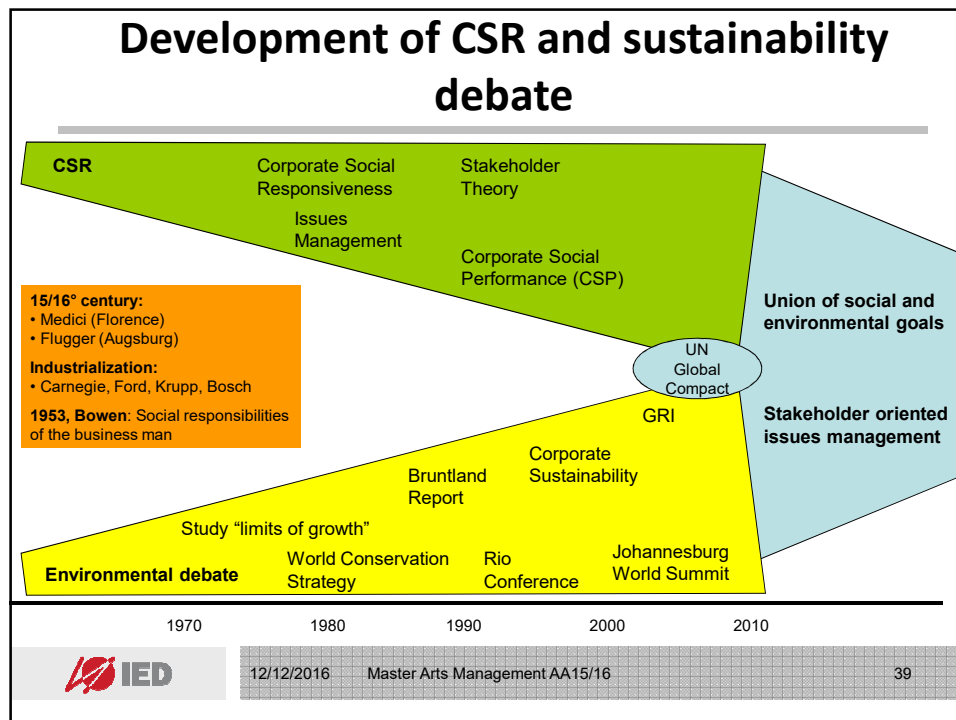
Aim:

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



12/12/2016 Master Arts Management AA15/16

38



Carroll's concept (1979)

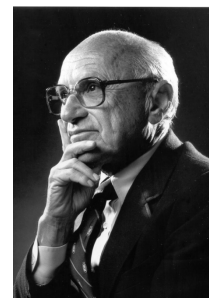


12/12/2016 Master Arts Management AA15/16

41

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)



12/12/2016 Master Arts Management AA15/16

42

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



12/12/2016 Master Arts Management AA15/16

43

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



12/12/2016 Master Arts Management AA15/16

44

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]



12/12/2016 Master Arts Management AA15/16

45

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



12/12/2016 Master Arts Management AA15/16

46

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

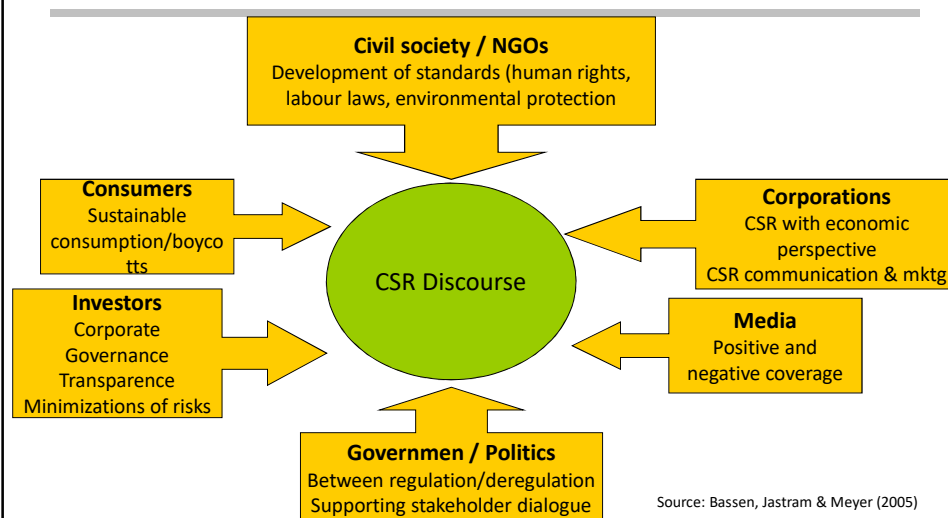
Source: United Nations Global Compact CEO Survey 2010 (n= 766 CEOs worldwide)
http://www.unglobalcompact.org/docs/news_events/8.1/UNGC_Accenture_CEO_Study_2010.pdf



12/12/2016 Master Arts Management AA15/16

47

CSR in stakeholder discourse



12/12/2016 Master Arts Management AA15/16

48

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



12/12/2016 Master Arts Management AA15/16

49

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



12/12/2016 Master Arts Management AA15/16

50

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.

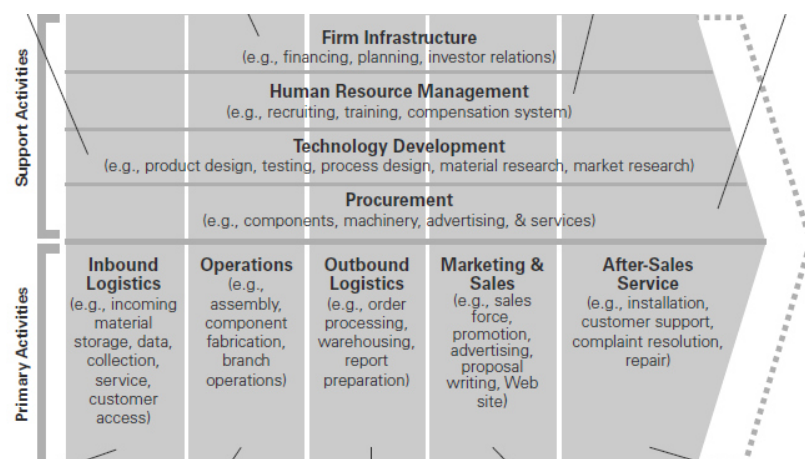
Source: Porter & Kramer (2006)



12/12/2016 Master Arts Management AA15/16

51

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



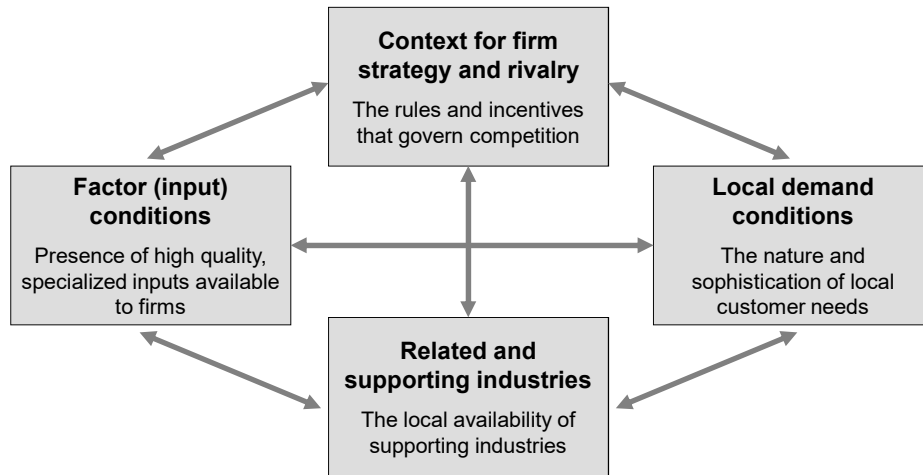
Source: Porter & Kramer (2006)



12/12/2016 Master Arts Management AA15/16

52

Looking outside in: social influence on competitiveness



Source: Porter & Kramer (2006)



12/12/2016

Master Arts Management AA15/16

53

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)



12/12/2016

Master Arts Management AA15/16

54

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



55

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>



12/12/2016 Master Arts Management AA15/16

56

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.



12/12/2016 Master Arts Management AA15/16

57

CSR under suspicion of “greenwashing”



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



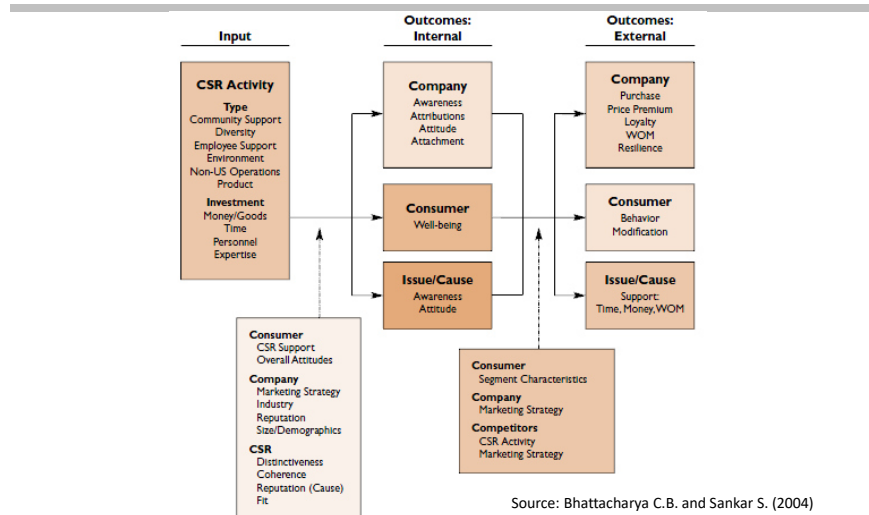
- In 1971, only 4 percent of 6- to 11-year-old kids were obese
- By 2004, the figure had more than quadrupled, to nearly **20 percent**, with nearly **40 percent now considered overweight**
- A lack of exercise probably isn't the cause of the increase, because many studies show that exercise levels in 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



12/12/2016 Master Arts Management AA15/16

58

CSR consumer effect model



12/12/2016 Master Arts Management AA15/16

59

References

- Bassen A., Jastram S. and Meyer K. (2005). "Corporate Social Responsibility. Eine Begriffserläuterung". *Zeitschrift für Wirtschafts- und Unternehmensethik*, 6, 2, pp. 231-236
- Bevir M. (2013). *Governance: A very short introduction*. Oxford, UK: Oxford University Press
- Bhattacharya C.B. and Sen S. (2004). "Doing Better At Doing Good: When, Why, And How Consumers Respond To Corporate Social Initiatives". *California Management Review*, vol. 47, no. 1 Fall 2004
- Bowen H.R. (1953). *Social Responsibilities of the Businessman*. New York: Harper and Borthers
- Carroll A.B. (1979). "A three-dimensional conceptual model of corporate performance". *Academy of Management Review*, 1979, Vol. 4, No. 4, 497-505
- Deutsche Welle (2009). *McDonald's goes green, changing iconic look in Germany*, 23 November
- Einwiller S. (2012). "Corporate Social Responsibility". *Seminar held at the Hertie School of Governance*, Berlin, 2 March
- European Commission (2011). *A renewed EU strategy 2011-14 for Corporate Social Responsibility*. Brussels, 25 October, COM(2011) 681 final
- Freeman R.E. (1994). "The politics of stakeholder theory". *Business Ethics Quarterly*, Vol. 4., Np 4, 409-421
- Freeman R. E. and McVea J. (2001). "A Stakeholder Approach to Strategic Management". *Darden Business School Working Paper*, No. 01-02
- Friedman M. (1970). "The Social Responsibility of Business is to Increase its Profits". *The New York Times Magazine*, September 13
- Fumagalli M. (2106). "Parco archeologico di Selinunte, il vino guida il rilancio". *Corriere della Sera*, 29 settembre
- Mitchell R. K, Agle, Bradley R., Wood D.J. (1997). "Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts". *Academy of Management*, Vol., 22, No. 4, 853-886
- Kramer M.R. and Porter M.E. (2006). "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility". *Harvard Business Review*, December
- Orlitzky A., Schmidt F.L. and Rynes S.L. (2003). "Corporate social and financial performance: a meta-analysis". *Organization Studies*, 24(3), 403-441
- Robbins J. (2011). "Is McDonald's Betraying Our Kids By Barraging Them With Junk Food Ads?". *Huffingtonpost.com*, 21 May
- Römmele A. (2012). "Stakeholder Communication". *Course held at the Hertie School of Governance*, Berlin, 1-3 March
- Scholes E. and Clutteruck D. (1998). "Communication with Stakeholders: An Integrated Approach". *Long Range Planning*, Vol, 31, No. 2, 227-238
- Tripp T.M. and Grégoire Y (2011). "When unhappy customers strike back on the Internet". *MIT Sloan Management Review*, January
- Wood D. (1991). "Corporate Social Performance Revisited". *The Academy of Management Review*, Vol. 16, No. 4, pp. 691-718



12/12/2016 Master Arts Management AA15/16

60

Websites

- http://www.unglobalcompact.org/docs/news_events/8.1/UNGC_Accenture_CEO_Study_2010.pdf
- <http://www.youtube.com/watch?v=5YGc4zOqozo>
- <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=s8kwVU5puig>
- https://www.youtube.com/watch?v=Ug5OdN3QpJI&feature=player_embedded
- https://www.youtube.com/watch?v=he_psMwSjcw
- <http://www.youtube.com/watch?v=YUmyzVrALl>
- <http://www.youtube.com/watch?v=3GEfqM3P4ZA&feature=related>
- <http://www.youtube.com/watch?v=GfPe3820Fmo>
- https://www.youtube.com/watch?v=j1c3U6y_v70



CONTACT

Roberto Formato

Laurea in Management Engineering, Polytechnic of Milano (I)

M.Sc. Tourism Planning and Development, University of Surrey (UK)

Executive Master in Public Management, Hertie School of Governance, Berlin (DE)

www.robertoformato.it

robertoformato@libero.it

