University Stakeholder Management
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Abstract: The article further develops the theoretical resources of stakeholder theory and stakeholder management, created for the needs of enterprises. It deals with the possibility of using them for the needs of universities. The theory is interconnected with the outcomes of the survey in the area of university stakeholder management. The paper defines university stakeholders, suggests their classification and gives some recommendations on selection and application of the strategy for negotiation with individual university stakeholders.

Key-Words: University, Stakeholder, Stakeholder Theory, Stakeholder Management, Stakeholder Management Strategies.

1 Introduction
In the present turbulent environment of globalization, more and more severe competition and developing economic crises, it is essential to search for new sources of the economic and social growth and development. To be successful in this, we can use the strong potential of universities. However, universities in the former socialist countries play only a marginal role, and it is necessary to make them accept certain changes. Above all, they have to make sure that their curricula are of high quality and stem from the needs of the stakeholders. Further, they have to increase the quality and effectiveness of both the research and education processes, emphasizing multisource funding. And last but not least, they have to initiate successful communication with all the relevant stakeholders [22].

The above implies the key role of the university stakeholders from the point of view of participation of the university research and education potential in the development of national economies, their coalitions and the entire world. Therefore, it is necessary to develop the stakeholder concept from the point of view of universities.

In doing so, we can draw on the detailed stakeholder theory for enterprises (significant examples include books by Alkhafaji [2], Brummer [3], Clarkson [8], Freeman [12], and articles by Buchholz & Rosenthal [4], Carroll [5], Clarkson [7], Cohen [10], Freeman [13]) and also on the opinions of Donaldson and Preston [11] and Jones and Wicks [18], who argue that the stakeholder concept can be applied in other organizations (not only in firms). However, we have to consider certain university specifics (e.g. extensive multi-application effects and positive externalities, education as public goods, strict regulation; as for public universities, also absence of tuition fees, almost 100 percents dependence on the state budget, limited financial sources). The term university will hereinafter generally refer to all higher education institutions.

We organize the paper as follows. Firstly, we review the literature on stakeholder theory and stakeholder management as the basic resource. Then, we identify university stakeholders and classify university stakeholders from the point of view of their influence. Next, we describe potential stakeholder management strategies from the literature and discuss their application focusing on university stakeholders. Finally, we assess the stakeholder management strategies being used by the public and private universities in the Czech Republic to deal with their stakeholders, and then we also propose changes in their application.

2 Stakeholders and University Stakeholders
The firm (or any organization) is characterized by relationships with many groups and individuals (“stakeholders”), each with the power to affect its performance and/or with a stake in its performance [12], [17].

The stakeholders, also designated as “interest groups” or “constituencies”, are “any individual or group who can affect or is affected by the actions, decisions, policies, practices, or goals of the organizations” [6]; “persons or interests that have a stake, something to gain or lose as a result of its (the organization’s) activities” [8]. The stakeholder is “an individual or group that has some kind of stake in what business does and may also affect the organization in some fashion” [4]. The term
“stake” can also be explained as “claim”, “interest” or “right”.

The question is what a stakeholder is. The typical stakeholders are customers, suppliers, employees, owners, competitors, governments and their institutions, communities, media, environmental groups and consumer protection groups. According to Starik [21], stakeholders include not only actual stakeholders but also potential stakeholders. Starik [21] argues that stakeholders can be also the Earth’s atmosphere, hydrosphere, lithosphere, and biosphere. The question of what a stakeholder is may be determined by the users’ concept. The term stakeholder could include physical human form, non-human natural environment, past or future generations, non-living objects, or non-physical mental-emotional constructs [21].

In our opinion, the subjects that can be considered as the relevant stakeholders are those representing certain opportunities or threats for the organization. From the point of view of universities, they are their students, their graduates, the course applicants, their employees, the Ministry of Education, the grant agencies, the sponsors, other educational institutions, businesses, suppliers, the governments on the central, regional and local levels, the public authorities (e.g. the tax authorities, health insurance companies, social security administration, etc.), and the public. As for private universities, they also include the owners and other investors.

3 Stakeholder Theory and Stakeholder Management

Stakeholder theory contends that organizations have obligations to a wide range of different constituents [9]. Wartick [23] argues that stakeholder theory posits the idea that the organization is merely an aggregation of stakeholders who are attempting to advance their interests (self-interests as well as other-regarding interests).

Donaldson and Preston [11] categorize stakeholder theory from descriptive/empirical, instrumental and normative points of view. A descriptive theory illustrates that organizations have stakeholders and describes how organizations interact with stakeholders. An instrumental theory describes stakeholder management as means to organization’s ends and shows that organizations who consider their stakeholders create successful strategies. A normative theory is concerned with the moral standards of the behaviour of organizations and explains how organizations should deal with their stakeholders.

According to Harrison and St John [15] and Freeman [13], stakeholder management is built on a partnering mentality that involves communicating, negotiating, contracting, motivating and managing relationships.

Goodpaster [14] argues that management appears to have a contractual duty to manage organization in the interests of the stockholders; at the same time management seems to have a moral duty to take other stakeholders into account. Freeman [13] notes that if a group of individual could affect the organization (or be affected by it, and reciprocate) then managers should worry about that group in the sense that it needed an explicit strategy for dealing with the stakeholder. The essence of the organizations is to coordinate changing stakeholder interests [23]. Philips [20] has developed a stakeholder approach in the principle of fairness. He argues that when subjects enter voluntarily into cooperative agreements they create an obligation to act fairly.

Williamson [24] argues that a stakeholder’s stake is uniquely tied to the success of the firm and that management should make decisions for the benefit of all stakeholders. An organization’s survival and continuing success depends upon the ability of management to create sufficient wealth, value, or satisfaction for stakeholders [7]. Organizations that contract on the basis of trust and cooperation with their stakeholders will have a competitive advantage over organizations that do not [17].

4 Categorization of Stakeholders and Specifics of University Stakeholders

The question is whether all the stakeholders are of the same importance. Freeman [12] argues that if organization wants to be effective, it will pay attention to all stakeholders. Donaldson and Preston [11] posit that “all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and that there is no prima facie priority of one set of interests and benefits over another”. Jones and Wicks [18] argue that “the interests of all (legitimate) stakeholders have intrinsic value, and no set of interests is assumed to dominate the others”. However, we agree with the opposite opinion. Wartick [23] notes that all stakeholders are not equal. According to the resource dependence theory, an organization will pay more attention to and be more concerned with the issues of stakeholders groups who control resources critical to its survival [1], [16], [19]. It is necessary to prioritize stakeholders into groups and develop different strategies for dealing with the various groups [5].

Freeman [12] distinguishes “generic” and “specific” groupings according to the criteria of cooperativeness and competitiveness. Caroll [6] distinguishes “primary” and “secondary” stakeholders, respectively “market” and “non-market” stakeholders according to the criteria of power and legitimacy. Additional criteria which might
distinguish stakeholder status include geographic or temporal proximity, strategic utility, management preferences, probability, and impact [21].

It is necessary to pay special attention to the primary stakeholders. Primary stakeholders are those without which the organization cannot survive as a going concern [8]. According to Clarkson [7], primary stakeholders of firms are shareholders, investors, employees, customers, suppliers, and public stakeholder groups (the government and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and other obligations may be due). According to Cohen [10], primary stakeholders are also trade associations and environmental groups.

In our opinion, the primary university stakeholders may refer to the entities who can significantly affect the prosperity and future existence of the given university. In the case of a public university, they are the students, the course applicants, the employees, the Ministry of Education, grant agencies, businesses (as the sources of both monetary and non-monetary benefits resulting from the university-industry partnerships), other educational institutions (as both partners and competitors), and public stakeholder groups. In the case of private universities, they are also the owners and other investors.

5 Stakeholder Management Strategies from the Point of View of Universities

Jawahar and McLaughlin [16] argue that “the strategy an organization uses to deal with each stakeholder will depend on the importance of that stakeholder to the organization relative to other stakeholders”.

In accordance with the Clarkson’s RDAP scale, an organization will use reaction, defense, accommodation, and proaction strategies to deal with the stakeholders [7]. The strategy of proaction “involves doing a great deal to address a stakeholder’s issues, including anticipating and actively addressing specific concerns”; “the strategy of accommodation is a less active approach of dealing with a stakeholder’s issues”; the strategy of defense “involves doing only the minimum legally required to address a stakeholder’s issues”; “the strategy of reaction involves either fighting against addressing a stakeholder’s issues or completely withdrawing and ignoring the stakeholder” [16].

It is true that individual stakeholders have different importance for the organization. They are able to influence its prosperity and future existence to different extents. We also have to take into account that application of individual strategies of the approach to the stakeholders is variably resource-consuming (both as for the financial means and as for the management effort).

On the one hand, the strategy of proaction needs the most resources; on the other hand, the least resource-consuming application is the application of the strategy of reaction. The above mentioned implies that it is necessary to use different strategies to deal with different stakeholders.

To identify the approach of universities to individual stakeholders, we can apply the Clarkson’s RDAP scale. If we pay attention to the behavior of the management of public and private universities in the Czech Republic, we can state the following:

1. The universities’ approach to their students and the course applicants is affected by the situation on the university education market. As for the public universities, which traditionally provide free education, the demand prevails over the supply; the strategy applied in the approach to the students is the defense strategy. As for the private universities, the strategy of proaction in the case of private universities). At the same time, we can see, both in the case of public and in the case of private universities, a more active approach to the course applicants than to the students (the strategy of accommodation in the case of public universities, the strategy of proaction in the case of private universities). Into the future, regarding the demographic development and more and more severe competition on the university education market, we can recommend the strategy of proaction to be applied in the approach to both the students and the course applicants.

2. We can see a significant difference in the approach to the employees (academicians) of the public and private universities. Thanks to the quality background built on a long-term basis, the public universities can afford to apply the strategy of defense. To ensure high quality academicians, the private universities, which have only been originating recently, opt for a more active approach, i.e. the strategy of accommodation. In connection with the globalizing education market and the improving course applicants’ language skills, we can recommend a change in the approach to academicians in accordance with application of the strategy of proaction.

3. As for the Ministry of Education, which is the dominant provider of financial means for the public universities and, at the same time, the regulator granting licenses to provide university education to both the public and the private universities; it applies the strategy of proaction. The strategy of proaction is also applied by the public universities during negotiations with the grant agencies as the key providers of funding in the area of scientific research. However, we can recommend the private universities changing their approach to grant agencies, as these universities apply, for the time being, the strategy of accommodation in this area.
4. Enterprises and other universities can be the benefit-creating subjects of cooperation within the framework of the triple helix model. In spite of this fact, the public universities basically ignore these stakeholders and apply the strategy of reaction. The partnership potential, particularly in the case of enterprises, is better realized by the private universities, which apply the accommodation strategy. In view of the expected reform of the university financing, whose substance will rest in multi-source financing based on partnerships, it is necessary to consider application of the proaction strategies.

5. The defense strategy is both applied and recommended in the case of the public stakeholder groups, i.e. the governments on the central, regional and local levels and the public offices (tax, health and social insurance administrators).

6. The specific stakeholders of the private universities are their owners and investors. With respect to the fact that a private university represents a common entrepreneurial entity, special attention has to be paid to satisfying the interests of the owners and other investors, which means that it is necessary to apply the proaction strategies to deal with owners and investors.

You can see an overview of the strategies to deal with stakeholders in Table 1. It shows both the strategies being now used by the public and private universities in the Czech Republic and the strategies recommended for individual stakeholders.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Public universities</th>
<th>Private universities</th>
<th>Recommended strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students</td>
<td>D</td>
<td>A</td>
<td>P</td>
</tr>
<tr>
<td>Course applicants</td>
<td>A</td>
<td>D</td>
<td>P</td>
</tr>
<tr>
<td>Employees</td>
<td>D</td>
<td>A</td>
<td>P</td>
</tr>
<tr>
<td>Ministry of Education</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Grant agencies</td>
<td>P</td>
<td>A</td>
<td>P</td>
</tr>
<tr>
<td>Businesses</td>
<td>R</td>
<td>A</td>
<td>P</td>
</tr>
<tr>
<td>Other universities</td>
<td>R</td>
<td>A</td>
<td>P/A</td>
</tr>
<tr>
<td>Public stakeholder groups</td>
<td>D</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>Owners</td>
<td>x</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Investors</td>
<td>x</td>
<td>P</td>
<td>P</td>
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</tbody>
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Legend: R ... the strategy of reaction; D ... the strategy of defense; A ... the strategy of accommodation; P ... the strategy of proaction.

6 Conclusion
Stakeholder theory and stakeholder management for the needs of businesses have been elaborated both from the point of view of the theory and from the point of view of the practical application. However, the stakeholder concept has, in our opinion, a broader usage from the institutional point of view. Among others, it represents an important opportunity for both the public and private universities. In the present hard conditions, particularly in the former transformation economies, whose university education market is experiencing fundamental changes (genesis of private universities, strengthening foreign competition, dramatically growing supply of educational institutions, decreasing income from the public budgets, negative demographic development, etc.), universities have to understand the role of their stakeholders, identify their primary stakeholders and apply corresponding strategies to deal with them.

References:


