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Managing corporate reputation when prioritising stakeholder demands by South African managers

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Managing corporate reputation when prioritising stakeholder demands by South African managers

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management Strategic Marketing

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ABSTRACT

Stakeholder theory has increasingly become an area of academic and management research. Every organisation has different stakeholders, upon which organisational outcomes are dependent on managerial decision making regarding the multiple relationships that exist, the various options and resources available to them, and the influence that corporate reputation has on the managers' response to any given stakeholder claim. The purpose of this research is to offer a greater understanding of how executive managers of an emerging market company strategically identify and manage their stakeholders and consequently, the reputation of the firm.

Various streams of literature were supported by the findings of the research conducted. This included the descriptive, instrumental, and normative aspects of managers' behaviours and traits; stakeholder coalitions; and reciprocity. Areas of conflicting evidence stemming from the research included the classification of stakeholders through primary and secondary groups; stakeholder attributes of power and urgency; and "dangerous stakeholders" within stakeholder salience. There is a gap in the literature involving the effect of corporate reputation with regards to management salience and prioritising stakeholder demands.

Sixteen semi-structured in-depth interviews were executed in a leading South African paint manufacturing company that forms part of a large global organisation. The respondents consisted of eight executive managers of the company, each from a different functional area, and eight stakeholders of the company comprising employees, suppliers, and customers. As a leading company within their industry, they frequently experience claims of various natures which the directors deal with on a regular basis, many of which have the potential to harm the corporate reputation. Real life cases are transcribed and reflected upon within this research report.

The research findings show that the company's corporate reputation has a direct influence on how managers prioritize and attend to stakeholder claims, mainly based on legitimacy as a core attribute. Furthermore, that managers identify their stakeholders differently to what the literature proposes, and that there are more learnings to be taken from reciprocity in stakeholder relationships.

DECLARATION

I, Shaun Benn, declare that this research report is my own work, except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in Strategic Marketing in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

SHAUN BENN

Signed at ……

On the …….. Day of …… 2013

DEDICATION

To my wife Tara,

and my two girls Kirsten and Keira:

The sacrifices and support you gave me

to make this dream a reality will live with me forever.

ACKNOWLEDGEMENTS

Thank you to my supervisor, Professor Russell Abratt, for your encouragement to keep going, especially when times became difficult. Your guidance assisted me greatly in achieving this goal, and has grown me as an individual.

Thank you to the company I work for, firstly, for allowing me this opportunity to develop myself further, and to my colleagues at my workplace, customers, and suppliers that allowed me the time to interview you for this research, your participation was most valuable and educating. Thank you to my study group at Wits Business School, this has been an adventure - your support was greatly appreciated.

Thank you to each lecturer from Wits Business School that assisted me in this journey, your efforts have not only assisted me, but also the organisation for which I work.

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CHAPTER 1: INTRODUCTION

1.1 PURPOSE OF THE STUDY

The purpose of this research is to establish how managers in a South African (SA) organisation prioritize different stakeholder demands that impact on corporate reputation.

There has been a multitude of academic writings regarding stakeholder theory, from which the various models and definitions have been developed. There has not been a consensus reached on a single theory or model that illustrates the stakeholder concept itself, or the pressure management and stakeholders influence on one another, or stakeholder identification. Academic writings suggest there are shortcomings of the theoretical aspects within the framework of stakeholder theory, and that stakeholder theory has not yet been fully developed.

1.2 CONTEXT OF THE STUDY

South Africa is an emerging market and is one of the BRICS countries (Brazil; Russia; India; China; and South Africa), all of which are seen as developing countries or newly industrialized countries that have shown, or have potential to show, reasonable economic growth. According to Nakata and Sivakumar (1997), South Africa, as an emerging market, qualifies with the characteristics that describe emerging markets. Emerging markets are attractive to global organisations and investors for the following reasons: firms with strong global reputations penetrate more easily through existing knowledge of consumers; developed markets are mature and showing little growth; and the rising strength of emerging economies (Nakata & Sivakumar, 1997). Commonalities in emerging markets include basic needs for development relating to food, water, housing, health, education, human rights, gender equality, and democracy (Nakata & Sivakumar, 1997; Dopers & Halme, 2009). One of the key South African characteristics that impacts stakeholder demands is the Broad-Based Black Economic Empowerment (BBBEE) legislative framework that forces SA managers to consider when dealing with stakeholders (Esser & Dekker, 2008).

The concept that organisations have stakeholders has increasingly become an area of academic and management research, citations in Freeman (1984) “Strategic Management: A Stakeholder Approach” has encouraged interest and research in stakeholder theory in the literature (Donaldson & Preston, 1995; Rowley, 1997; Frooman, 1999; Steurer, 2006; Mainardes, Alves & Raposo, 2011; Hult, Mena, Ferrell & Ferrell, 2011).

Freeman (1984, p.46) defines a stakeholder as “any group or individual who can affect or is affected by the achievement of the firm’s objectives” (Donaldson & Preston, 1995; Rowley, 1997; Jones & Wicks 1999; Jenson, 2001; Pesqueux & Damak-Ayadi, 2005; Mainardes et al. 2011).

Every organisation has different stakeholders, and possible organisational outcomes are dependent on managerial decision-making regarding these multiple relationships. Clarkson (1995) shows that stakeholders can be divided into primary and secondary stakeholders.

Mitchell, Agle and Wood (1997) state that what is needed is a theory that can reliably identify stakeholders and separate them from non-stakeholders. They looked at who or what the firm’s stakeholders are and the descriptive characteristics of who or what do managers focus on as explained by Donaldson and Preston (1995), and incorporated the bases in their “stakeholder salience” model. In their article, Mitchell et al. (1997, p.869) define stakeholder salience as “the degree to which managers give priority to competing stakeholder claims”, and they believe it means more than questioning stakeholder identification. They explain further that the stakeholder relationship dynamics engage complex considerations that are not explained in the present stakeholder framework. Within their stakeholder salience model, Mitchell et al. (1997) propose identifying stakeholders by classifying them by their recognized possession of some or all of following attributes: *power, legitimacy, and urgency,* further to which they propose a theory of stakeholder salience. Because of the increasing complexity in business, Mainardes et al. (2011) noted that managers should respond by considering the interests of the stakeholders when making strategic decisions. In addition, the term stakeholder has been highly publicized in all organisation types and media, yet there is minimal evidence proving a clear understanding by these parties of what a stakeholder is (Mainardes et al. 2011).

Mainardes et al. (2011) stated that the work of only five different authors contained 66 different views for the term “stakeholder”, however even though the term is defined differently by each researcher, a similar principle applies whereby companies should consider the needs, influences, interests of those who could be influenced by the company’s decisions or policies.

Corporate reputation is viewed as how stakeholders evaluate a firm over time, and develops through the experiences that stakeholders have encountered with the firm, and the stakeholders’ exposure to various forms of communication and symbolism that make available information about the firm’s actions and that of competitors (Gotsi & Wilson, 1999; Bick, Jacobson & Abratt, 2003). The role that employees play within organisations is important regarding exposure to stakeholders, especially from a sales and marketing perspective regarding customer contact (Bick et al., 2003).

In light of the information stated, it seems clear that there are mixed interpretations of stakeholder theory and the components thereof, specifically, the theories displayed do not show their effects on corporate reputation in an emerging market.

1.3 PROBLEM STATEMENT

1.3.1 Main problem

The purpose of the research is to establish how managers prioritise different stakeholder demands in a South African corporate organisation to create a clear understanding of the impact through corporate reputation.

1.3.2 Sub-Problems

The first sub-problem is to identify who the stakeholders are in the company and what stakeholder attributes of power, legitimacy, and urgency they possess.

The second sub-problem is to establish how the executive managers of the company manage corporate reputation when prioritising stakeholder demands, and whether the stakeholder manager relationships are aligned with the concept of stakeholder salience or not.

1.4 SIGNIFICANCE OF THE STUDY

According to Clarkson (1995), models and frameworks assist in explaining theories, concepts, and constructs, and there is a need to establish the validity of a model, therefore further research is important. Laplume et al. (2008) are encouraging more qualitative research regarding stakeholder theory such as demonstrated by Winn (2001) and Parent and Deephouse (2007) which utilize interviews, direct observation, and secondary data. They feel the advantages offered by qualitative research include a richer understanding of cognisance and discourse via analysis and information that quantitative methods are unable to provide, and the ability to expedite the understanding of what motivates behaviours and actions instead of proposing interpretations of researchers that lack observed behaviour. Laplume et al. (2008) promote the use of secondary data to assist in the comprehension of processes, and create evidence by cross validating data from various stakeholders. With the expanding interest displayed in stakeholder theory, the limited consensus reached between various theories relating to stakeholder theory, and the shortcomings of the theoretical aspects within the framework of stakeholder theory; this study establishes how stakeholder theory is practiced by a large corporate company in an emerging market environment as it influences the firm's corporate reputation. The significance of this study is the empirical value added to stakeholder theory by testing the theory within an organisation in an emerging market.

The company chosen for the research is one of the leading paint manufacturing companies in South Africa and sub-Saharan Africa. One of the world's largest decorative paint organisations owns the company. In South Africa it deals with a wide variety of stakeholders: business to business customers (including export customers across Africa), consumers, local and offshore suppliers, employees, inter-company global reporting structures, global shareholders, government authorities, media, social welfare, green federations, trade associations, and many competitors. The benefits of this study show a greater understanding of how executive managers of a large company strategically manage stakeholders and consequently the reputation of the firm.

1.5 DELIMITATIONS OF THE STUDY

A single large South African company was studied, who manufacture paint and form part of the largest global company within that industry. The managers are exposed to a variety of stakeholders from a global reporting level, to an emerging market level. Eight executive managers from the company were interviewed, as well as eight key internal and external stakeholders of the company.

1.6 DEFINITION OF TERMS

CONSTRUCT	DEFINITION	SOURCES
Stakeholder	Any group or individual who can affect, or is affected by, the achievement of the firm's objectives	Freeman (1984)
Salience	The extent to which managers prioritise competing stakeholder demands	Mitchell et al. (1997)
Descriptive	How firms interact with and manage stakeholders	Donaldson and Preston (1995)
Instrumental	Shows how to achieve company goals through managing stakeholders	Donaldson and Preston (1995)
Normative	How firms should treat stakeholders using moral guidelines	Donaldson and Preston (1995)
Power	A relationship among parties whereby one party can get another part to do something they would have not originally intended to do	Mitchell et al. (1997)
Legitimacy	An assumption that an entity's actions are desirable, applicable, and socially accepted	Mitchell et al. (1997)
Urgency	The extent to which stakeholder claims require immediate attention	Mitchell et al. (1997)

Table 1: Definition of Terms

1.7 ASSUMPTIONS

- The executive managers and selected key company stakeholders are adequately skilled to understand the area of research and have the ability to clearly articulate answers to the questions presented to them.
- The respondents have sufficient experience within their organisation to adequately represent their organisation in their responses.
- Responses from respondents are without bias and are truthful.
- Each stakeholder attribute can change for any entity or relationship and is therefore a variable.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

The following literature review identified various concepts related to stakeholder theory, and the different perceptions of how managers prioritise varying stakeholder demands. The literature highlighted the shortcomings of the theoretical and practical aspects within the framework of stakeholder theory and explained the characteristics of corporate reputation. The first part of this review discussed the background of the stakeholder concept and definitions. The second part illustrated various academic theories and principles involving who stakeholders are. The third part explained corporate reputation in relation to stakeholders, and detailed the "stakeholder salience" model by Mitchell et al. (1997), proposing how managers prioritise stakeholder relationships and predictions of managerial behaviour related to stakeholder class.

2.2 BACKGROUND DISCUSSION AND DEFINITIONS

It has become commonly noted in academic and professional literature that organisations have stakeholders (Donalson & Preston, 1995). There is a consensus amongst academics that Freeman (1984) was at the forefront of stakeholder theory with his stakeholder theory concepts (Donaldson & Preston, 1995; Clarkson, 1995; Rowley, 1997; Mitchell et al., 1997; Agle, Mitchell and Sonnenfeld, 1999; Frooman, 1999; Jones & Wicks 1999; Gibson, 2000; Jenson, 2001; Friedman & Miles, 2002; Pesqueux & Damak-Ayadi, 2005; Steurer, 2006; Gregory, 2007; Hult et al. 2011; Mainardes et al. 2011). According to Mainardes et al. (2011), stakeholder theory has gained momentum with various works by Clarkson (1995), Donaldson & Preston (1995), Mitchell et al. (1997), Rowley (1997), and Frooman (1999), which has evolved and enabled improved insight into the theory, and become a management tool used by many market related organisations. They noted that stakeholder theory remains a relatively recent and evolving subject in the management field, creating debates in the academic literature, and has not been completely developed.

According to Rowley (1997), the common objectives in researching stakeholders are to identify who the organisation's stakeholders are, how they influence the

organisation, and how the organisations or management respond to these influences. Mitchell et al. (1997) stated that stakeholder theory poses questions regarding which stakeholder groups deserve or depend on management attention, and which do not. Mitchell et al. (1997) state that there is fair agreement on general thoughts as to who qualifies as potential or actual stakeholders, they include persons; neighborhoods; institutions; groups; organisations; society; and the environment. They note various definitions are evident, such as Freeman and Reed (1983, p.91) “an individual or group who can affect the achievement of an organisation’s objectives or who is affected by the achievement of an organisation’s objectives”; Alkhafaji (1989, p.36) “groups to whom the corporation is responsible”; Thomson, Wartic and Smith (1991, p.209) defining stakeholders as groups “in relationship with an organisation”. Mitchell et al. (1997) argue that definitions entailing relationships, contracts, or transactions need a give-and-take effect which is lacking in the “stake” concept of “can affect or is affected by” as seen in the Freeman (1984) definition. They further state that those who have no affect, or are not affected by the firm, have no stake. Hill and Jones (1992, p.133) define stakeholders as “constituents who have a legitimate claim on the firm”, while Carroll (1993) states that by virtue of legitimacy; groups or individuals can be considered as stakeholders, of which the legitimacy could include power. Jenson (2001) interprets stakeholder theory as stating that managers should make decisions by accounting for the interests of all stakeholders in the organisation, and discusses whether or not organisations should maximize value. Mainardes et al. (2011) clarify that although the term “stakeholder” is widely used in business, media, and government, many who use the term lack the provision of evidence for their understanding of what a stakeholder actually is. They relate the concept to academic circles with many definitions proposed, yet there has never been a single definitive generally accepted definition. They do note that there are similarities within the definitions whereby organisations should consider the needs, interests, and influences of individuals or groups who affect, or can be impacted by, the organisations’ decisions and actions. Strategically, the concept of stakeholder management encourages firms to consider the impact on stakeholders through their actions and decision making (Fassin, 2012). The definition used as a guide for this study is by Freeman (1984, p.46) defining stakeholders as “any group or individual who can affect or is affected by the achievement of the organisation’s objectives”.

2.3 IDENTIFYING LEGITIMATE STAKEHOLDERS

The logic behind stakeholder theory is dependent upon assumptions that describe the relationship between an organisation and it's environment, these assumptions are that organisations have relationships with various stakeholders; companies are run by top managers that make strategic decisions affecting stakeholders; competing interests between organisations and stakeholders can result in conflict; and organisations compete in markets that tend to navigate towards equilibrium (Hult et al. 2011).

According to Mitchell et al. (1997, p. 853), as descriptive as the concept of *stakeholders* is, there is limited consensus as to what Freeman (1984) calls "The principle of Who or What Really Counts", to which Mitchell et al. (1997, p. 855) explain as "who (or what) are the stakeholders of the firm? And to whom (or what) do managers pay attention?"

The following section focuses on the stakeholders, to understand the theory behind the first part of the question, the "who (or what) are the stakeholders of the firm?"

2.3.1 Who (or what) stakeholders are

Although Freeman (1984, p. 46) defines stakeholders as "any group or individual who can affect or is affected by the achievement of the organisation's objectives", Clarkson (1995, p. 106) identifies stakeholders as "persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future". These claims stem from dealings with the firm or organisation activities, and stakeholders with similar interests can be grouped together (Clarkson 1995). Using this concept, Clarkson (1995) classified stakeholders into primary and secondary stakeholder groups:

2.3.1.1 Primary Stakeholders

Primary stakeholders are defined by Clarkson (1995, p.106) as "one without whose continuing participation the corporation cannot survive as a going concern". These groups mainly include shareholders, employees, customers, and suppliers, and the

public sector: the governments and communities that afford infrastructure, regulate organisational activity, and enforce taxes. The organisation and the primary stakeholders are highly dependent on one another. Clarkson (1995) further addresses the importance of managers to create value for each stakeholder group to ensure the continued relationship and stakeholder retention. Mitchell et al. (1997) state that these groups of stakeholders possess power that influences managerial decisions. Due to the contractual relationships firms have with primary stakeholders, they are highly visible: choices, opportunities, decisions, and the valuation of their demands are required by firms (Hult et al. 2011). Fassin (2012) notes that primary stakeholders enjoy a direct and contractual relationship with the firm.

Customers: According to Webster (1992), customer relationships are one of the firm's most important assets, and organisations should take a long-term view considering innovation, quality, and service. Customer orientation is explained by Deshpandé, Farley and Webster (1993) as the set of principles that puts the customer's interests first, while still including all other stakeholders such as shareholders, managers, and employees, in order to develop a sustainable profitable enterprise.

Employees: If companies employ a diverse workforce as a stakeholder group, it can benefit from expanding its markets through relating to a broader customer base and improve productivity (Berman, Wicks, Kotha & Jones, 1999). The successful management of employee relations by organisations can lead to reward, improved performance, and competitive advantage (Berman et al. 1999). A company's success is driven through their employees, and how customers and employees identify with each other, impacts on service levels, customer willingness to pay, satisfaction, and ultimately improve company performance (Hult et al. 2011).

Shareholders: Day and Fahey (1988) state that organisations have an obligation to shareholders of maximizing wealth, and that shareholders invest in companies expecting returns for their investments that are greater than alternative options with minimized risks. Companies should be accountable for their actions, as these contribute to shareholder value (Srivastava, Shervani & Fahey, 1998). Maximizing returns to shareholders at the expense of other primary stakeholder groups is no longer an option for management; they are now accountable for corporate

responsibilities for all primary stakeholders (Clarkson, 1995).

Suppliers: A firm and its supplier relationships are critical to the firm's performance; conflict can affect the firm's performance and satisfaction negatively (Hult et al. 2011). When the firm-supplier relationship involves collaborative communication, the supplier understands the firm's needs and enables commitment towards the firm, which, in turn, improves the supplier performance (Hult et al. 2011).

Government and Communities: Organisations that ignore community and social interests risk losing consumer support, which could result in boycotts, thereby negatively affecting the firm's reputation and performance (Garrett, 1987). Bloch (1995) stated that regulators imposing restrictions could affect marketing activities, causing additional costs through adherence, and so marketing strategies are adjusted accordingly. Increased pressure through regulation from government forces organisations to become more proactive when developing strategies to remain competitive and successful (Hult et al. 2011). In South Africa, the Broad-Based Black Economic Empowerment Act 53 of 2003 (BBBEE) has compelled companies to view certain stakeholders differently (Esser & Dekker, 2008). They note that the act serves to promote social investment through corporate social responsibility and community empowerment, and to correct racial imbalances stemming from the discriminatory apartheid history in South Africa. Section 9 (2) of the Constitution specifically addresses the legislation designed to advance or protect people disadvantaged by previous discrimination (Esser & Dekker, 2008), and new pressure was applied to companies to commit to black economic empowerment due the act.

2.3.1.2 Secondary Stakeholders

Clarkson (1995, p.107) defines Secondary stakeholders as "those who influence or affect, or are influenced or affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival". Secondary stakeholder groups include competition, media, trade associations, and support groups (special interest). Although these groups have no contract or authority with the firm, and the firm is not dependent upon these groups for their survival, they can cause significant disruption to the firm (Clarkson, 1995).

Winn (2001, p.137) argues that theoretically shared interests join groups of individuals which constitute stakeholder groups, the problem is that stakeholder groups have subgroups and persons who both have varying interests and support multiple roles, where “individuals wear different hats at different times”. Furthermore, Winn (2001) believes there is value by assessing empirically how stakeholders and managers interact to determine what constitutes stakeholder groups. The dispute of deciding which groups are eligible to be included in the stakeholder concept is revised by Tullberg (2013), who agrees that to have a stake in an organisation is a reasonable demand for being a stakeholder, and further suggests that the concept of having a stake within a company should be recognized as contributing an input to the company, and being part of its output - thereby a reciprocal link is present. Fassin (2012) states little has been written about reciprocity in stakeholder relationships, and that the reciprocal nature of responsibility has been overlooked in stakeholder theory. Tullberg (2013) suggests that stakeholders be differentiated by “influences” (powerful and important to the firm) and “claimants” (less powerful and vulnerable to the firm’s actions), and agrees with Kaler (2002) that a narrow definition should exclude “influences” and only include “qualified claimants” (those that could exert power over the firm but lack a strong connection), upon which Tullberg (2013) suggests the exclusion of competitors, NGO’s, and media. Tullberg (2013) agrees almost everyone can be indirectly affected by a firm, but considers this insufficient without making a contribution or having a role in the firm. This narrow view of who the stakeholders are includes: shareholders, customers, employees, suppliers, at times the community, and managers, due to the controversy surrounding self-interest (Tullberg, 2013).

2.3.2 Stakeholder attributes

Mitchell et al. (1997) question if an organisation and stakeholders have a relationship, what could be the nature of that relationship? They state that various definitions show how the firm is dependent on the stakeholder for survival, or how the stakeholder is dependent on the firm, some include contractual relationships, power-dependence relationships, and a legal or moral right, or an interest. Influencing groups with power over the company could upset operations to a point where legitimate claims would be disregarded; hence the firm’s survival would be at risk.

Power and legitimacy are therefore core attributes of identifying stakeholders (Mitchell et al. 1997). They explain further how power and legitimacy interact, and when urgency is included, how stakeholder behaviours influence the firm. Mitchell et al. (1997, p. 872) suggest that to understand “the principle of Who and What Really Counts”, stakeholder relationships should be evaluated in terms of the attributes of power, legitimacy, and urgency; to which managers perceive stakeholders on those attributes and the stakeholders become salient to the managers.

2.3.2.1 Power

According to Mitchell et al. (1997), power is a relationship among parties whereby one party can get another party to do something they would have not originally intended to do. Due to its nature, power is a variable and not a stable state, and is therefore temporary: it can be gained or lost.

2.3.2.2 Legitimacy

Legitimacy refers to socially accepted norms and behaviours and is integrated with power when society evaluates relationships, legitimacy is an assumption that an entity's actions are desirable, applicable, and socially accepted (Mitchell et al. (1997). They explain that if a firm has a legitimate standing in society, or a stakeholder has a legitimate claim on a firm, if it does not have power to enforce its will or a perceived urgent claim, they would not fall within a manager’s salience. From a disclosure perspective, Szwajkowski (2000) states that managers should understand what stakeholders want and need to know, and stakeholders who demand disclosure but are unwilling to disclose themselves will lose legitimacy.

2.3.2.3 Urgency

Urgency refers to the extent to which stakeholder claims require immediate attention, and Mitchell et al. (1997) believe that it exists only when two conditions are encountered: firstly when a claim is of a time sensitive nature, and secondly when the claim is significant to the stakeholder.

Neville, Bell and Whitwell (2011) argue that urgency as an attribute is a relevant component of prioritization regarding stakeholder salience, but not in identifying

stakeholders as it is the urgency of the claim, not the stakeholder, that is relevant. They further argue that legitimacy needs to be reassessed as it appears to be vague in that it should be interpreted morally, and distinguished between the positions of pragmatic and moral legitimacy. Building on Eesley and Lenox's (2006) view, Neville et al. (2011) argue that the moral legitimacy of the claim is what is relevant to stakeholder salience, and when researching empirical measures of pragmatic legitimacy, they were unable to find a measure. They argue that powerful but illegitimate stakeholders are "derivatively" legitimate because of their ability to affect other legitimate stakeholders.

Frooman (1999) states that there is controversy surrounding the importance of legitimacy as a stakeholder attribute. The study by Agle et al. (1999) confirms that in the minds of Chief Executive Officers (CEOs), the stakeholder attributes of power, legitimacy, and urgency relate to the writings of Mitchell et al. (1997), they found urgency best predicted executive responses, and that shareholders, customers, and employees were viewed as the most important stakeholders. Friedman and Miles (2002) agree with Mitchell et al. (1997) regarding who or what are the stakeholders of the firm, but argue that they did not include the dynamics of the organisation or stakeholder relation. Hult et al. (2011) explain the identification of stakeholders through possessing a minimum of one of the three stakeholder attributes as presented by Mitchell et al. (1997), and refer to categorizing stakeholders, as depicted earlier by Clarkson (1995), within primary and secondary groups.

The first research question developed is therefore:

Who are the firm's stakeholders and what stakeholder attributes of power, legitimacy, and urgency do they possess?

2.4 HOW MANAGERS PRIOROTIZE STAKEHOLDER DEMANDS

2.4.1 Aspects of Stakeholder Theory

Stakeholder management and theory is explained by different authors in various ways, and is either supported or argued with different or contradictory evidence (Donaldson & Preston, 1995). Analysing who the stakeholders are, what their

interests are, and how they act is important to organisations today to ensure organisational survival (Hill & Jones, 1998). According to Clement (2005), organisations are facing increased pressure from various stakeholders in terms of their demands, and are constantly interacting with the organisations. There are three pressures presented by Waddock, Bodwell and Graves (2002): the pressure of improved social investment and environmental control; employee attitudes of where to work; and the trend of customers who prefer to purchase from responsible firms. Clement (2005) suggests that responsible firms are governed by executive directors who embed a culture of ethical practices, lead the way themselves, and reward employees for engaging in ethical practices. The stakeholders may provide the firms with resources or contributions but also require their needs or interests to be met (Mainardes et al., 2011).

A distinction is made between normative, derivative, dangerous or dormant stakeholders by Phillips (2003), where:

Normative stakeholders are those that a firm has a moral obligation to uphold, of fairness and ethics. Derivative stakeholders can benefit or cause harm to the firm, but the firm has no moral obligation to the stakeholders, and can include competitors, the media, and activists. Philips (2003) states that dangerous or dormant stakeholders have the ability to cause harm to the firm.

Donaldson and Preston (1995) note that managerial decision-making is a core function of stakeholder theory, and that multiple theories need to be considered. They explain three approaches to stakeholder theory: normative, descriptive, and instrumental.

2.4.1.1 Descriptive approach

Donaldson and Preston (1995) clarify that descriptive theory is used to describe and explain specific behaviours and traits of the organisation. This entails the nature of the organisation; managerial thoughts and behaviours; executive interests; and how the organisations are managed. They suggest that evidence shows that many managers practice stakeholder management, many of whom believe it is unethical to solely focus on shareholder value without considering other stakeholder's needs.

Fassin (2012) notes that from a descriptive standpoint, some stakeholders will display some degree of reciprocal behaviour.

2.4.1.2 Instrumental approach

The instrumental approach, used with descriptive data, identifies the links between stakeholder management and achieving traditional corporate objectives of prosperity. Donaldson and Preston (1995) state that studies have shown that adherence to stakeholder principles and practices by managers, achieve these corporate performance objectives, and competitive advantage. They articulate that the instrumental approach is somewhat hypothetical by explaining that if the organisation plans to achieve a certain objective, they would have to adopt certain principles and practices regarding managing stakeholders. Jones (1995) notes that the instrumental approach shows what could transpire if organisations behave in a certain manner, this theory further predicts that if companies can relate to their stakeholders and develop trust and collaboration, they will benefit from competitive advantage over those firms that behave differently. Fassin (2012) states that from an instrumental perspective, an organisation's fair treatment of its stakeholders will lead to some form of positive reciprocity by its stakeholders.

2.4.1.3 Normative approach

Donaldson and Preston (1995) explain normative theory as interpreting how a corporation functions through the corporation's moral guidelines via management. Jones and Wicks (1999) state that one of the core aspects of the normative approach is that organisations should not only consider the needs of shareholders, but the needs of other stakeholders. Hult et al. (2011) note that the normative approach conveys the firm's intention, and how it should act responsibly regarding processes and society, which relates to ethical obligations. Fassin (2012) believes that from a normative outlook, there is no obligation by stakeholders to offer reciprocity because philosophically this is practiced as good management and conviction. The approach to stakeholder management by Fassin (2012) is based on normative bases due to reciprocity and stakeholder responsibility to the firm, because other stakeholders fall within the ethical category of stakeholder theory. Hasnas (2013) believes that the central normative inferences of stakeholder theory

are that managers do not have limited fiduciary duty to any single stakeholder group, but their role is to create value for all primary stakeholders who themselves influence managerial decisions that establish how the firm endeavours to create value.

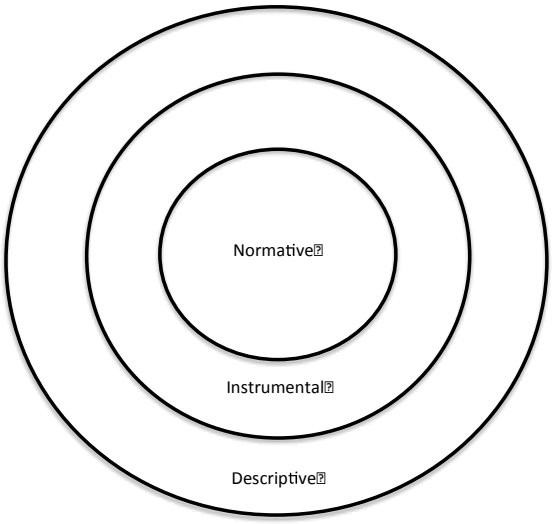

Figure 1: Three Aspects of Stakeholder Theory (Donaldson & Preston, 1995, p.74)

With reference to figure 1, according to Donaldson and Preston (1995), who view the three aspects of stakeholder theory as integrated within each other. The descriptive aspect is seen as the outer shell and represents the relationships organisations are exposed to in the external world. The instrumental aspect in the second level supports the descriptive accuracy by offering predictive value, whereby particular actions establish particular results. The normative aspect is the core of the theory, whereby the theory's descriptive accuracy presumes that managers act with the notion that all stakeholders' interests have inherent value. Donaldson and Preston (1995) believe that stakeholder management has an ultimate normative base through recognising the fundamental moral values and obligations.

Jones and Wicks (1999) believe that none of the emerging forms of stakeholder theory are complete without the others, and propose a "convergent" stakeholder theory, which incorporates the normative and instrumental aspects of the theory. They believe there should be no acute distinctions between the normative, instrumental, and descriptive theories. Jones and Wicks (1999) state that evidence could be gathered opposing descriptive theories that prove managers do not behave as if stakeholders have valid claims against firms, and that the descriptive aspect

should be put aside. They believe that instrumental theory without the moral specific normative foundation disrupts the bases of stakeholder theory. Donaldson (1999) responded by stating that although the effort by Jones and Wicks (1999) is critical in growing the literature on stakeholder theory, he remains positive that the descriptive component will be sustainable. Freeman, et al. (2010) argues that we cannot completely distinguish between the three branches of stakeholder theory, as they all have elements of one another entrenched within them.

Frooman (1999) assessed stakeholder theory from the stakeholder's perspective, and their influencing strategies on firms. He believes for a firm trying to manage its stakeholders; it would be useful to the firm for stakeholder theory to provide insight as to how stakeholders try to manage a firm. Rowley (1997) suggests that there is a network of relationships within stakeholder groups whereby multiple and direct relationships exist with the firm and each other, this offers the opportunity for these stakeholders to easily form coalitions creating more power and greater effectiveness of action against the firm. Waddock (2004) argues that stakeholder theory mainly conveys how stakeholders should be managed by firms as though they are internal processes or employees, this becomes problematic for stakeholders attempting to influence the firms, and not be dominated by firms, she further recognizes that the mutuality of relationships are not fully considered. Frooman (1999) identifies two general ways of controlling a firm: deciding whether or not a firm gets the resources it requires, and if the firm can use the required resources appropriately. Frooman explains these two strategies as withholding and usage strategies:

Withholding strategies: by a stakeholder translates to whether or not a stakeholder chooses to withhold or allocate its resource, the stakeholder has the power to refuse or withdraw its resource.

Usage strategies: refer to stakeholders continuing to supply a resource, but with conditions attached.

In both cases, the stakeholder leverages its power to change the firm's behaviour, further to which from the firm's perspective, in both strategies, the stakeholders exert power over the firm to satisfy their demands (Steurer, 2006; Peloza & Papania, 2008; Mainardes et al., 2011; Hult et al., 2011; Fassin, 2012). The responsibility of stakeholders towards firms has been neglected in stakeholder research, where the

theory has been more focused towards the responsibility of the firm to its stakeholders (Fassin, 2012), without showing that stakeholders can also affect the firm. Fassin (2012) states that ethics and moral actions work both ways, the stakeholders also have a contractual or loyal obligation to fulfill, and at times they do not adhere to their responsibilities.

2.4.2 Prioritising stakeholder demands

Referring to Mitchell et al. (1997, p. 855), questioning, “who (or what) are the stakeholders of the firm? And to whom (or what) do managers pay attention?” Since the normative aspect of “who (or what)” has been reviewed, the focus of this section is on the second part of the question: “to whom (or what) do managers pay attention?” The second part of the question as viewed by Mitchell et al. (1997, p. 864) is “a descriptive aspect of stakeholder salience”. Stakeholder salience is defined as “the degree to which managers give priority to competing stakeholder claims” (Mitchell et al. 1997, p. 878).

2.4.2.1 The role of managers

According to Balmer and Greyser (2006), the concern with varying exchange relationships with multiple stakeholder networks and groups is a core attribute of corporate marketing. Szwajkowski (2000) clarifies that most stakeholders are people who are not always right, and that managing stakeholder matters is not meeting every demand or acting on every demand, because each stakeholder operates within their own environment as an open system that keeps them in line. Mitchell et al. (1997) note that managers have limited resources to attend to all stakeholder demands at the same time, and are influenced by players that control much needed resources and have the attention of managers. Hill and Jones (1992) state that managers are responsible for resolving conflicting interests by strategically deciding on, and allocating resources that are most coherent with the claims of the other stakeholder groups. Although Mitchell et al. (1997) proposed that stakeholders could be identified due to their possession of power, legitimacy, and urgency relative to the firm, their view is that it is the management of the firm who establish which stakeholders are “salient” and therefore receive attention. Although stakeholders can be identified based on attributes, managers may (or may not) perceive their power,

legitimacy, or urgency in the same manner. Those stakeholders gaining management attention could be perceived by managers as highly salient (Mitchell et al. 1997). They therefore propose that manager perceptions of a stakeholder's attribute are important to how the manager views the stakeholder salience.

2.4.2.2 Stakeholder classes

Mitchell et al. (1997) argue: firstly, that managers pay varied attention to certain stakeholders to achieve a result, secondly, the manager's perceptions play a decisive role in stakeholder salience, and thirdly that various stakeholder classes could be identified based on their possession of power, legitimacy, and urgency.

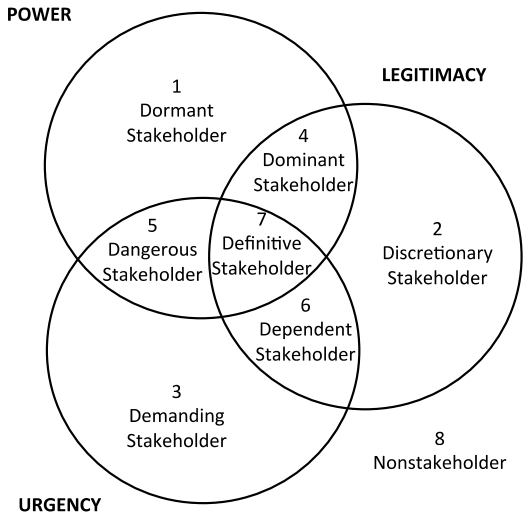

Figure 2: Stakeholder Typology: One, Two, or Three Attributes Present (Mitchell et al. 1997, p.874)

Figure 2 from Mitchell et al. (1997) shows seven types of stakeholder classes based on one, two, or all three of the stakeholder attributes. The stakeholder classes explained by Mitchell et al. (1999) are as follows:

<u>Latent Stakeholders:</u>

Referring to figure 2, low salience classes: termed "latent" stakeholders are areas 1, 2 and 3. These stakeholders possess only one of the three attributes.

Mitchell et al. (1997) explain that firms with limited resources cause managers to pay little attention to these stakeholders.

Dormant stakeholders possess power and can impose their will on the firm, but without a legitimate or urgent claim the power remains dormant. Their salience will increase with managers if they acquire a second attribute.

Discretionary stakeholders have legitimacy, but without power or urgency managers can choose not to engage with them, the salience would be purely discretionary, such as non-profit organisations requesting financial assistance from a manager.

Demanding stakeholders have urgent claims but do not have power or legitimacy, when they are unable or reluctant to acquire power or legitimacy for their claim to become more salient, their claim is insufficient for manager attention.

Expectant stakeholders:

Moderate salient classes: possess two of the attributes and are termed “expectant” stakeholders because they expect something, they are represented within areas 4, 5, and 6 of figure 2. Mitchell et al. (1997) explain when combining two attributes the stakeholder moves towards an active claim; the firm’s response increases accordingly resulting in a higher level of managerial engagement.

Dominant stakeholders hold both power and legitimacy, which assures influence on the firm. Mitchell et al. (1999) state that they may never act on their claims, but these stakeholders are important to managers, and offer examples such as board members, noteworthy creditors, community leaders, employees, and investors.

Dependent stakeholders do not have power, but have urgent and legitimate claims. They “depend” on either other stakeholders or the firm’s managers for the power required in exercising their claim. Mitchell et al. (1999) state that internal management values play a role regarding these stakeholders.

Dangerous stakeholders lack legitimacy, but have power and urgency; Mitchell et al. (1999) show that the stakeholder could be intimidating or aggressive thereby being “dangerous”. They give examples of wildcat strikes, sabotage, and terrorism.

Definitive stakeholders:

Highly salient classes (definitive): fall into area 7 as represented in figure 2, and possess all three attributes.

Mitchell et al. (1997) propose stakeholder salience will be high where all three of the stakeholder attributes - power, legitimacy, and urgency - are perceived by managers to be present. Any stakeholder that possesses power and legitimacy would already be within a firm's dominant relationship. When this type of stakeholder's claim becomes urgent, they state that managers would give priority to the stakeholder's claim. They state that the most likely occurrence is for a "dominant" stakeholder to move into the "definitive" class. They explain further that if any expectant stakeholder acquires their missing attribute, they will shift to the definitive class.

Further to their stakeholder salience model, Mitchell et al. (1997) request further research into examining actual stakeholder-manager relationships. From a resource based perspective, Hillman and Keim (2001) recommend researching the understanding of stakeholder demands and how managers prioritize them.

Neville et al. (2011) identify and explain problems with Mitchell et al.'s (1997) stakeholder salience framework:

2.4.2.3 A different view of stakeholder classes

Urgency:

Eesley and Lenox (2006) believe that there is a distinction between the claim and the stakeholder. Neville et al. (2011) argue that possessing urgency alone is insufficient to grant stakeholder status, but urgency assists in prioritising stakeholder claims, and if the claimant lacks the power to influence the firm or lacks a legitimate claim against the firm, then managers will not consider them as stakeholders and there will be no salience. Neville et al. (2011) note that some may argue that those that possess urgency only could have the potential to possess power or legitimacy in the future and would therefore remain in manager's minds, however they question whether or not "potential" to access power or legitimacy should be classified with "actual" possession of power or legitimacy. Parent and Deephouse (2007, p.2) define power as being "the (potential) ability of stakeholders to impose their will". Neville et

al. (2011) argue that urgency alone is insufficient as an attribute for identifying legitimate stakeholders, and that managers base their identification of stakeholders on the stakeholder's possession of power or legitimacy with their ability to affect the firm.

Based on Mitchell et al.'s (1997) stakeholder classes model, Neville et al. (2011) revised a typology of stakeholder classes where "demanding stakeholders" (Mitchell et al. 1997) are reclassified as "non-stakeholders". The dotted lines show their view of urgency not providing a foundation for identifying stakeholders:

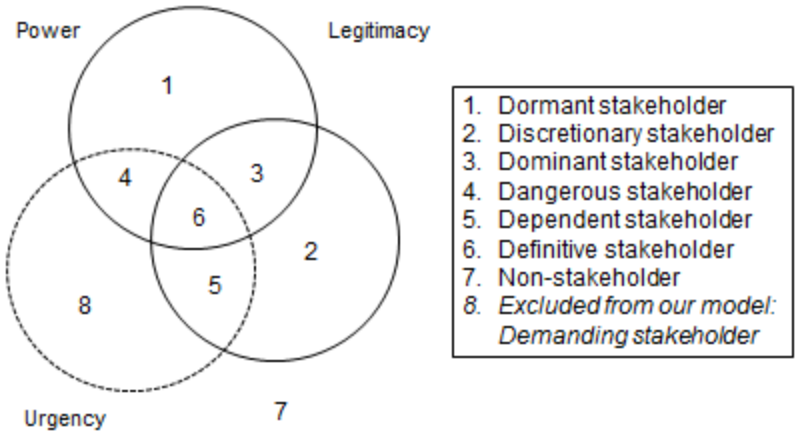

Figure 3: Revised typology of stakeholder classes (Neville et al. 2011, p.363)

Legitimacy:

Neville et al. (2011) find between the legitimacy of the stakeholder and the legitimacy of the claim there is a lack of difference and clarity, and moral legitimacy should have been clarified as the attribute, and exclude pragmatic and cognitive legitimacy when being defined. Neville et al. (2011) suggest that the stakeholder's legitimacy is secondary in nature, which enhances or reduces the assessments of the legitimacy of the claim by the managers. When assessing the descriptive model of stakeholder salience (i.e. what managers do) and that of the normative variant (i.e. what managers should do), the manager's focus should be on the legitimacy of the claim. Neville et al. (2011) clarify this by explaining that it is the content of the claim more than the legitimacy of the stakeholder themselves. In summary, they argue that if the claim is normatively legitimate but the stakeholder is not, then the claim will still be salient and attended to by the managers. This is because if the claim is morally

legitimate, then it is the right thing to do for managers to attend to (and not because of the impact on the firm), and other stakeholders could take up the cause and exert pressure on the firm. Neville et al. (2011) dismiss pragmatic legitimacy as they find it being related to the firm's dependence on a particular stakeholder, which then brings power into effect (the ability of stakeholders to withdraw, supply, or support resources). Neville et al. (2011, p.369) revise a definition of legitimacy attribute as "The moral legitimacy of a stakeholder's claim is an assessment by managers of the degree to which a claim exceeds a threshold of desirability or appropriateness within some personally, organisationally, and socially constructed system of ethical norms, value, beliefs and definitions".

In summary, Neville et al. (2012) view legitimacy in stakeholder salience as moral legitimacy. They state that legitimate claims deserve managerial attention because of the manager's views and attention of the benefits and rights being inherent within the claim, and not due to the impact upon the organisation.

Degree of possession of the attributes:

Neville et al. (2011) see the interaction of the power, legitimacy, and urgency attributes as a weakness, in that all three of the attributes possessed determines the highest salience in that it could be more complex. They argue that power, moral legitimacy, and urgency are evaluated on a range of levels, and not as dichotomous variables. They view this as inaccurate and potentially harmful to the organisation, and that the varying levels of each attribute is not captured within the framework. Neville et al. (2011) argue that there is no differentiation between stakeholders with varying levels of any single attribute, the stakeholders are simply all classified accordingly: all stakeholders possessing power are all grouped together even though some may be more powerful than others. They state that since organisational resources are limited, managers should, in detail, assess stakeholder salience in order to prioritise appropriately. From a legitimacy perspective, Neville et al. (2011) note that legitimacy ranges from highly legitimate to illegitimate and that legitimacy could be continuous, with this view they state that managers should identify different degrees of moral legitimacy in terms of ethics, consequences, motivations, and procedures. Further to the arguments presented by Neville et al. (2011, p.369), they present a definition of stakeholder salience as "the prioritization of stakeholder

claims by managers based on their perception of the degree of power of the stakeholder and the degree of moral legitimacy and urgency of the claim". They reiterate that the incorrect assessment of salience with its attributes could result in mismanaging stakeholders by managers, possibly causing financial and reputational detriment to the organisation. Neville et al. (2011) suggest further research adopts a more realistic or critical perspective of stakeholder salience, and the possibility of exploring managerial misperceptions of stakeholder attributes and salience.

A case study, researched by Winn (2001), on a forest industry company suffering with a tarnished reputation, competing in an industry facing grave challenges, the salience changed within management to concede to pressure applied by environmentalists and several international boycotts. Winn (2001) found that the concept of urgency by Mitchell et al. (1997) was relevant to the study, but driven by a company-wide crisis, ending in an awareness of urgency affecting stakeholder relations. Legitimacy was rebuilt through an improvement in reputation via management actions, leading to improved financial returns, satisfied workforce, credibility amongst environmentalists, and an easier ability of the company to access resources (Winn, 2001).

According to Laplume et al. (2008), the stakeholder salience model by Mitchell et al. (1997) has received reasonable empirical support (Agle, et al., 1999; Eesley & Lenox, 2006; Knox & Gruar, 2007; Parent & Deephouse, 2007; Winn, 2001) by further research. Parent and Deephouse (2007) found an order of the attributes affecting salience, firstly power, followed by urgency, and then legitimacy. Driscoll and Starik (2004) challenged the comprehensiveness of Mitchell et al.'s (1997) work in terms of the long and short term, actual and potential; and others arguing salience as a function of corporate culture and commitment (Buysse & Verbeke, 2003; Henriques & Sadorsky, 1999).

2.4.3 Corporate Reputation

It has been noted that an organisation's sustainability is reliant on reputation, and when reputation is tarnished, organisations find it difficult to recover (Firestein, 2006). Lange and Lee (2011) state that an organisation's relationships with its stakeholders is influenced by the organisation's reputation and changes in its

reputation, they quote Warren Buffet (1995, p.109) as stating “It takes twenty years to build a reputation and five minutes to ruin it”. Observations from Fombrun (1996) are that organisations enjoy greater financial returns when managers focus on positively developing the organisation’s reputation (Abratt & Kleyn, 2012). Stakeholders are more likely to support firms perceived as mature and that have a positive reputation (Choi & Shepard, 2005; Laplume, Sonpar & Litz, 2008). Walker (2010) states that corporate reputation can be positive or negative, and base this on the statement that corporate reputation represents what is known by internal and external stakeholders. Gibson, Gonzales and Castanon (2006) state that reputation is arguably the single most valued organisational asset. Lange and Lee (2011) acknowledge many researchers describing reputation as an organisational asset; however show caution in using the term “asset” to avoid implying that reputation has only positive outcomes for the organisation.

Developing corporate reputation is primarily practiced through promoting appealing organisational images (Scott & Lane, 2000). In changing stakeholders’ images and stakeholder perceptions of reputation, organisations will need to consider their strategic choices, culture, and/or their corporate expression: which includes the organisation’s visual identity, brand personality and promise, and how communication of these elements to stakeholders will be performed (Abratt & Kleyn, 2012). Openness by the firm shows legitimacy with stakeholders and evidence of fairness when dealing with sensitive issues, which results in establishing and maintaining trust, and builds reputation (Szwajkowski, 2000).

Bick et al. (2003, p. 841) define image as “the immediate impression of an organisation”, and Dowling (1993) interprets image as the total impression a firm makes on individuals. Images often change and can result in stakeholders speedily attaining perceptions of a firm, while reputations are fairly stable and are developed over time through a multiple of images (Rindova, 1997). Stuart (1999) distinguishes reputation from image by saying that corporate reputation is the overall image developed over time. Bick et al. (2003, p. 841) define reputation as “a stakeholder’s overall assessment of the organisation’s ability to meet pre-defined criteria (set by the stakeholder) such as integrity”. Gotsi and Wilson’s (1999, p.17) definition is “a corporate reputation is a stakeholder’s overall evaluation of a company over time. This evaluation is based on the stakeholder’s direct experiences with the company,

any other form of communication and symbolism that provides information about the firm's actions and/ or a comparison with the actions of other leading rivals". Since not all organisations are companies, Abratt and Kleyn (2012, p.1,057) define corporate reputation as "a stakeholder's overall evaluation of an organisation over time. This evaluation is based on the stakeholder's experiences with the organisation and its brand(s), relationships with these and the organisation's employees and representatives, memberships of brand communities and any other perceived communication and symbolism that provides information about the organisation's actions and /or a comparison with the organisation's rivals."

Bick et al. (2003) state that all staff are important in terms of the role they play within the organisation due to their exposure to stakeholders, especially from a customer contact perspective. They state that since the corporate image is momentary views of a firm, the customer's overall view of a firm may differ, therefore corporate image and reputation should be distinct from one another. Corporate reputation supports long term business survival, and is the long-term view of the organisation - once established, differentiation and competitive advantage can be achieved (Bick et al., 2003). Waddock (2004) maintains that stakeholder relationships are an integral part of the perceptions that develop corporate reputation. Building improved relations with primary stakeholders could lead to improved financial returns through increased loyalty among suppliers, employees, and customers, which in turn improves corporate reputation. Through a firm's consistent performance, their corporate reputation evolves over time, and points to a value judgement regarding the firm's attributes (Gray & Balmer, 1998; Bendixen & Abratt, 2007). Organisations convey signals concerning their behaviours either directly, or through other communication forms which determine their current reputation (Bendixen & Abratt 2007). Firms generate many performances and qualities which influence observers' perception of those firms, and therefore can have many reputations (Mitnick & Mahon, 2006), they could have a superior reputation for leading quality products and a poor reputation for customer service levels. Abratt and Kleyn (2012) state organisations striving to achieve positive reputations perceived by their stakeholders, need to understand the factors on which their stakeholders evaluate reputation. They include the factors as (not limited to) the firm's citizenship activities, performance, innovation, products and services, work environment, governance and ethics, and customer service. Fombrun

and van Riel (1997) state that reputation management strategy should provide more information that is consistent with the firm's actions, and understandable to the stakeholders. Walker (2010) observes that an organisation may have differing reputations between stakeholder groups, which further complicates managing reputation.

According to Brown, Dacin, Pratt and Whetten (2006), positioning a firm in the minds of stakeholders is one of the most important strategic decisions managers make. Corporate reputation involves multiple stakeholders and their perceptions of the organisation, and there is interaction between the stakeholders, such as interaction between employees, customers, and communities. Therefore, when organisations manage their corporate reputation, they should consider their stakeholder relationships, and observe how the stakeholders influence one another (Dutton, Dukerich & Harquail, 1994; Hillenbrand & Money, 2007). In their study relating to organisational restructuring, Dentchev and Heene (2004) state that organisations should convey consistent information signals over time that stakeholders believe, share and trust, furthermore, that the correct signals are sent to the correct stakeholders. They further state that reputation results from a complex network of interactions between organisations and their stakeholders as well as between the stakeholders themselves. Due to the complexity of these interactions, some stakeholders (or groups) may not interpret the information as intended, and therefore challenge the effectiveness of managing reputation.

The second research question developed is therefore:

How do the managers of the company prioritize stakeholder demands and how are the relationships aligned with the stakeholder salience theory?

2.5 CONCLUSION OF LITERATURE REVIEW

The literature review highlights that there has not been a consensus reached on a single theory or model that illustrates the stakeholder concept itself, or the pressure management and stakeholders place on one another, or stakeholder identification. The literature suggests there are shortcomings of the theoretical aspects within the framework of stakeholder theory, and that stakeholder theory has not yet been fully developed.

Emerging markets are attractive to global organisations and investors, and South Africa fits the profile of an emerging market. South African company managers have the additional regulation of BBBEE when considering stakeholders needs and marketing strategies.

Employees are important in the role they play within the organisation in terms of exposure to stakeholders, especially within customer contact (Bick et al. 2003). Corporate reputation involves multiple stakeholders and their perceptions of the organisation, and there is interaction between the stakeholders (Hillenbrand & Money, 2007). When organisations manage their corporate reputation, they should consider their stakeholder relationships, and observe how the stakeholders influence one another (Dutton, Dukerich & Harquail, 1994).

The definition of stakeholders by Freeman (1984) has been widely cited and referred to as being at the forefront of stakeholder theory. This literature review shows various theories have been developed since then: Clarkson (1995) showed that stakeholders can be divided into primary and secondary groups; Donald and Preston (1995) argue three aspects of stakeholder theory (Descriptive, Instrumental, and Normative); Jones and Wicks (1999) propose combining elements of normative and instrumental stakeholder theory to form “convergent” stakeholder theory; Frooman (1999) addresses the theory from a stakeholders perspective with a view on how stakeholders manage a firm; Mitchell et al. (1997) propose identifying stakeholders by classifying them by their recognized possession of *power, legitimacy, and urgency,* further to which they propose a theory of “stakeholder salience”, and they request further research into their theory.

Neville et al. (2011) argue elements within the stakeholder salience framework proposed by Mitchell et al. (1997): they state that possessing urgency alone as an attribute is insufficient in identifying and classifying stakeholders, and that legitimacy should be limited to moral legitimacy due to the normative behaviour of managers. Furthermore, that power, legitimacy, and urgency should not be viewed as dichotomous variables since they all have varying levels within each attribute which is not captured within the salience framework.

Mainardes et al. (2011) noted that managers should respond by considering the interests of the stakeholders when making strategic decisions. In addition, the term

stakeholder has been highly publicized in all organisation types and media, yet there is minimal evidence proving a clear understanding of what a stakeholder is.

Given the various stakeholder theories and models, there is a need for further research of the problems companies face with prioritising different stakeholder demands, particularly when corporate reputation is at risk. Harrison and Freeman (1999) state the need for more stakeholder theory building to create rich and thorough cases that could lead us to see the overall stakeholder relationship as an involved and complex phenomenon. Laplume et al. (2008) recommend that the qualitative research should focus on top management because it provides the opportunity for a reciprocal information transfer between researchers and managers. They state that future research should attend to the development of stakeholder management as a capability that produces accomplishment, legitimacy, and a good reputation.

2.5.1 Research Question 1

Who are the firm's stakeholders and what stakeholder attributes of power, legitimacy, and urgency do they possess?

2.5.2 Research Question 2

How do the managers of the company prioritize stakeholder demands and how are the relationships aligned with the stakeholder salience theory?

CHAPTER 3: RESEARCH METHODOLOGY

This section discusses the methodology used to appropriately answer the two research questions raised in chapter 2. The research explores and offers an understanding of how the executive managers in a South African company manage the corporate reputation when dealing with stakeholder demands, and how key stakeholders to the organisation categorise themselves in relation to the theory. The research identifies the managers' perception regarding stakeholders in different categories, as proposed by Mitchell et al. (1997), and includes their understanding of the term "stakeholders". The relevance of the managers' own values is considered to generate knowledge of why they respond to stakeholders the way they do, regardless of their stakeholders' demands, and the corporate reputation. The view from the company's stakeholders is incorporated in the analysis in terms of how they see themselves being managed by the company's senior management.

In this research report the research methodology used is the case study method, since a specific company in South Africa will be studied over a specified time period.

3.1 QUALITATIVE RESEARCH

This research report engages the qualitative research approach in order to raise the necessary information to answer both research questions presented. Researchers who conduct qualitative studies pursue an understanding of a phenomenon, process, or the perspectives from the sample involved (Merriam, 1998). A broad definition of qualitative research is "any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification" (Strauss & Corbin, 1990, p.17). Qualitative research creates findings taken from real world environments where the phenomenon of interest unfolds naturally (Patton, 2002), and the researchers embrace their involvement and their role within the research. Qualitative research methods are increasingly becoming acknowledged in both academic circles and by business practitioners to enable valid insights, theory development, and assist in effective decision-making (Goulding, 2005).

Yin (1994) explains a case study is an observed enquiry that investigates an existing or possible phenomenon within its real-life context, especially when the boundaries

between phenomenon and context are not distinct. Case study research develops an in-depth and appropriate understanding of the case, and relies on various sources of data (Yin, 2003). Case study research is known as a qualitative approach where the researcher investigates a case (or cases) over a period of time using detailed data collection from various sources (observation, interviews, documents, and reports), and develops a case description (Golafshani, 2003). According to Stake (1995), a single instrumental case study is where the researcher concentrates on an area and identifies one bounded case to exemplify the issue.

The explanations as stated regarding qualitative and case study research methodology and the need for further qualitative research as established in the literature review is the reason the case study method has been chosen for research purposes. The case study methodology allows an in-depth study of how the executive managers of the South African company interpret stakeholders and manage the corporate reputation when prioritising their stakeholder demands in their natural setting.

The assumptions are, firstly, that the respondents will be truthful in the information they share during the interviews, secondly, that the respondents are sufficiently knowledgeable to answer the questions appropriately, and thirdly, that a cross-functional view of the subject will be determined due to the managers' role and responsibilities for each functional area within the organisation.

3.2 RESEARCH DESIGN

Since the research requires the personal input, understanding, and actual representation of how managers understand, identify, and prioritise stakeholders in their natural environment, the research design is by way of personal interviews with the executive managers and key company stakeholders. This enabled the researcher to gain insight and in-depth information on the organisation's top managers' knowledge; perception; and actions relative to the subject, and enabled the researcher to evaluate the findings that deal with the operational links relative to the theory presented to date. The stakeholders interviewed offered a clear view of the managers' understanding and perception of their key stakeholders, and how management decisions affect their businesses given limited resources. The firm's

stakeholders' view of their stakeholder salience is highlighted, as well as their view on the firms' reputation.

The advantage of using in-depth interviews is to gain knowledge of the actual experience and scenarios managers are faced with in an emerging market context on a regular basis, and how they deal with various scenarios given the limited resources from a business perspective.

The fact that each management respondent represents a different functional department within the organisation could be an advantage because their stakeholder salience could differ depending on how they identify their stakeholders relative to the other functional managers, and thus offer further insight to the study.

Focusing mainly on the executive management of the organisation could be a disadvantage, as the study will not provide input from other levels within the organisation. Since the purpose of this study is from a top management perspective, the researcher believes that they have the knowledge, experience, and understanding to offer non-bias and in-depth information on the subject.

From the firm's primary stakeholder perspective, diverse interests are explored which include customers, suppliers, and employees. This is due to the literature presented by Clarkson (1995, p.106) defining a primary stakeholder as "one without whose continuing participation the corporation cannot survive as a going concern". These groups include employees, customers, and suppliers where the organisation and the primary stakeholders are highly dependent on one another. Clarkson (1995) further addresses the importance of managers to create value for each stakeholder group to ensure the continued relationship and stakeholder retention.

3.3 POPULATION AND SAMPLE

3.3.1 Company and interviews

The company studied is part of one of the largest paint companies in the world delivering a global turnover of 14 Billion Euros per annum, operating in over 80 countries, and employing 50,000 people. In South Africa, they are ranked within the top three paint manufacturing companies and have showed market growth higher

than the South African Gross Domestic Product percentage growth levels for the past 5 years. There are 385 people employed by the South African company, and the company supplies paint to over 3700 retail stores countrywide, and service 720 professional contractors.

For the executive team, the population chosen for the case is the heads of department from each functional area within the business. The interviews were conducted at the company Head Office in Johannesburg and at the manufacturing facility in Durban, South Africa. From a stakeholder perspective, the participants show varied cross-functional linkages from an accountability and structural fit within the organisation where not all functional areas report directly to the CEO in South Africa.

The participants share the following characteristics: Within the firm they are all permanent employees and form the executive team; Have vast executive experience; Share a common vision and goal; Communicate globally within the company network.

The company stakeholders were interviewed in a convenient location and environment that was suitable to each respondent.

3.3.2 Sample and sampling method

Purposive sampling strategies are known to enhance the understanding of the selected groups' or individuals' experience(s), and researchers achieve this goal through identifying and selecting information rich cases (individuals, groups, organisations, or behaviours) that offer the most insight into the research question (Devers & Frankel, 2000). They note that *typical cases* are viewed as *normal* or *average*, are one of the three cases (the others being *extreme* or *disconfirming*). For the purpose of this study the participants selected would fall under the typical cases profile due to their ongoing daily engagement with various stakeholders. Devers and Frankel (2000) state that additional cases can be added if necessary to further explore unexpected findings.

Due to the seniority and business experience of the selected participants from all functional areas of the organisation, they are most appropriate to deliberate their views on their corporate reputation and stakeholder theory as practiced by them in

real scenarios. The entire executive team is over 40 years old with the youngest being 41 and oldest 59 years old. As a team, they have spent 57% of their career employed by the company, 25% of the team is female, and 75% of the team have a post graduate qualification.

The cross-functional aspect offer different perspectives of the theory and assist in triangulation of primary data. Respondent participation was conducted face-to-face, with a total of 8 interviews that took place (this represents the entire executive management team).

Table 2 represents the respondents' functional department and location:

Position	Department	Location	Respondents
CEO	Corporate strategy	Johannesburg	1
Sales & Marketing Executive	Sales & Marketing	Johannesburg	1
R & D Executive	R & D Technical	Johannesburg	1
Exports & Africa Executive	Exports & Africa	Johannesburg	1
Finance Executive	Finance	Johannesburg	1
HR Executive	Human resources	Durban	1
Purchasing Executive	Purchasing & HSEQ	Durban	1
Legal Executive	Legal Affairs	Johannesburg	1

Table 2: Profile of respondents (Firm)

Table 3 represents the company stakeholders' profile of respondents comprising of three primary groups of stakeholders: customers, suppliers, and employees. Respondent participation was conducted face-to-face with a total of 8 interviews that took place:

Position	**Stakeholder Type**	**Location**	**Respondents**
Owner Manager	Customer	Johannesburg	1
Owner Manager	Customer	Johannesburg	1
Manager	Supplier	Johannesburg	1
Manager	Supplier	Johannesburg	1
Management Accountant	Employee	Johannesburg	1
Finance manager	Employee	Johannesburg	1
Owner Manager	Customer	Durban	1
LAN Administrator	Employee	Durban	1

Table 3: Profile of respondents (Stakeholders)

The stakeholders interviewed are all over 35 years old, two from the eight interviewed, were female. The average number of years the selected stakeholders have been influenced by or influenced the firm is 17 years, which is significant experience in dealing with the firm. Mainly the internal stakeholders have post graduate qualifications at the time of the research.

In summary, the respondents fell into the following categories:

- The executive management team
- The company stakeholders, comprising of:
    - Customers (external stakeholders)
    - Suppliers (external stakeholders)
    - Employees (internal stakeholders)

3.4 THE RESEARCH INSTRUMENT

According to Devers and Frankel (2000), there are various factors that influence the structure and type of research instrument in a qualitative study. They note that the first factor is the purpose of the study: when a study is exploratory or attempts to correlate or refine theories or concepts, an open-ended type of instrument could be considered. The second factor is the amount of existing knowledge on the subject, and the third is the available resources pertaining to time, number, and complexity: all of which can affect the structure (Devers and Frankel, 2000). Instruments that are designed to facilitate faster data analysis and reporting of results (pre-structured) present the danger of settling upon an explanation too early and could miss pertinent information (Miles & Huberman, 1994).

According to Merriam (1998), it is important to conduct pilot interviews to identify any problems with the instrument. Within the firm, the instruments were tested with two non-executive senior managers within the organisation from different functional areas to establish if the depth of the data is sufficient for the purpose of the research: one as an employee (stakeholder) of the company and one as a manager of the company who has played a senior roll within the business over the past six years. The instruments were validated accordingly with one minor change to the

management instrument: the need to identify management's understanding of what a stakeholder is.

Two separate discussion instruments were formed to allow the opposite effects of the stakeholder/management relationships, the discussion instruments used are provided in Appendix B. This allowed the confirmation of varying realities between the management and external stakeholders. The questions formed in the instruments were deliberately open-ended to allow the respondents to interpret and apply their knowledge and experience appropriately, offering non-bias information.

3.4.1 The management discussion instrument

The intention of the instrument is to understand how the leadership of the business interpret and apply the concepts of stakeholder theory and the influence of prioritising stakeholder demands on corporate reputation in an emerging market. The questions covered in the instrument were phrased in a manner allowing saturation of information to enable the researcher to answer the research questions raised in chapter two. Key areas covered by the instrument include:

- Managements' understanding of who their stakeholders are and what the stakeholder attributes are
- How the executives categorise stakeholders
- The importance of reciprocity
- The influences between the claim and the claimant
- The firm and management behaviour regarding normative and instrumental aspects
- Managing corporate reputation given various stakeholder demands
- The manager's view of corporate reputation

3.4.2 The stakeholder discussion instrument

The intention of the instrument is to understand how the stakeholders of the business interpret and apply the concepts of stakeholder theory themselves. Discussions revolved around how they view themselves as stakeholders, their view of the firm and how salient management are to various actual claims or demands they have presented in the past. Key areas covered by the instrument include:

- How they interpret themselves as stakeholders of the company, and the stakeholder attributes they should possess
- The role of reciprocity
- The stakeholders' interpretation of corporate reputation, and how the firm deals with reputational risk
- How the executives have dealt with previous claims in prioritising stakeholder demands (given limited resources)
- The stakeholders' view of the firm and management from a normative and instrumental perspective
- The stakeholders' view of their influence on the management of the firm

3.5 PROCEDURE FOR DATA COLLECTION

2.5.1 Interviews

All interviews were scheduled two to three weeks in advance allowing sufficient time for the respondents to plan accordingly. Within the firm's executive management respondents, six of the eight respondents were interviewed in Johannesburg, and the remainding two were in Durban. Various meeting rooms were booked for the interviews to prevent interruptions during the sessions. Of the eight company stakeholders interviewed, six were conducted in Johannesburg at their convenience and in private areas to prevent interruptions, and two in Durban. All communication during the interview process was recorded with consent by the respondent, documented, and electronically saved for future reference. The instrument was used in tandem with the recording to assist with the interview process by providing prompts to remain within the research area, which avoided diverting to an unrelated subject. The total interview time was 570 minutes with an average time per interview of 36 minutes. The shortest interview in duration was 22 minutes and the longest was 63 minutes.

2.5.2 Documentation and Archival Records

According to Yin (2009), case study evidence can come from many sources and include interviews, documentation, and archival records. He states that the major

strength of a high quality case study will be the use of a variety of sources, and which will allow the researcher to identify a broadened range of historical and behavioural issues.

Documentation and archival records, such as correspondence, extractions from minutes, and administrative documents was gathered where applicable to this study and these conform to the ethical standards of the University.

3.6 DATA ANALYSIS AND INTERPRETATION

Data analysis is seen as simultaneous activity in qualitative research, starting with the first interview and document read (Merriam, 1998).

Content analysis is viewed as being a quantitative technique that measures the frequency and variety of messages and key words from communication, and is used to characterize and compare documents (Merriam, 1998). The analysis is seen as inductive where initially categories and variables guide the study, and others are expected to emerge during the study (Altheide, 1987; Merriam, 1998).

Directed content analysis was applied to this study. Directed content analysis is used where existing theory or research is available about a phenomenon that is incomplete and would benefit from further research (Hseih & Shannon, 2005). As explained by Hseih and Shannon (2005), the following process was followed:

- Existing research or theory was used to identify key concepts or variables for initial coding categories.
- Operational definitions for each category were determined through use of the theory
- Interview data used open ended questions with probing questions about the categories
- The transcripts were read and highlighted where applicable to the research
- All highlighted passages were coded using the predetermined codes
- Text unable to be categorized into a code was given a new code

Blind double coding was performed with an external party, coded and compared for consistency and integrity. According to Hseih and Shannon (2005), during

interpretation the researcher can descriptively report the percentage of codes that are supporting or non-supporting for each participant, and the prior research theory used will guide the discussion of findings. Any contradictory or new evidence of the phenomenon could refine, or enrich the theory (Hseih & Shannon, 2005).

3.7 LIMITATIONS OF THE STUDY

The study proposed to address a single South African organisation only, the author was not attempting to generalize but rather to create an insight of how the real life context of the phenomenon is performed. The purpose of case study methodology is to add to the building of theory by adopting analytical generalization (Yin, 2009).

Within the firm, a sample of 8 respondents was interviewed, consisting of executive managers only, who offer significance in management control of the organisation. The 8 company stakeholders interviewed included employees, customers, and suppliers. The researcher trusts that the respondents were comfortable to answer truthfully, and this would eliminate any possible bias.

Using the theory has some limitations where researchers approach the data with an informed bias, which could create the likelihood that researchers find supporting evidence of the theory rather than unsupporting (Hseih & Shannon 2005), in answering probing questions, some respondents might get cues to answer in a manner that pleases the researcher.

3.8 VALIDITY AND RELIABILITY

Ensuring validity and reliability in qualitative research entails conducting the research ethically (Merriam, 1998). In case studies, various tactics should be adopted when dealing with validity and reliability, and should be applied throughout the case study research and not only at the beginning (Yin, 2009).

3.8.1 External Validity

External validity is knowing if the findings from a study are generalizable beyond the immediate study (Merriam, 1998; Golafshani, 2003; Yin, 2009). According to Yin (2009), external validity has been a problem and key barrier when doing case

studies and that critics state that single cases are a poor base for generalizing. He further states that those critics are comparing the research to that of surveys, which are intended to generalise to a large population. Yin (2009) argues that this comparison of samples and populations is incorrect when dealing with case studies because case studies rely on analytical generalisation, and the case study researcher uses a particular set of results to a broader theory in order to generalise. Merriam (1998) argues that a single case is selected because the researcher is seeking an understanding of the depth, not what is generally true for many.

Based in the literature addressed, the author drove towards external validity through using the theory relative to the results obtained in the study. The author, in addition, provided rich, thick descriptions to enable readers to match situations, and used two sites (Durban and Johannesburg) coupled with executives from various functional areas to provide diversity and variation. The key stakeholders of the firm interviewed correlated their relationship to the firm, and offered their view of how they influence stakeholder salience towards the management, and the theory adapted within this research report.

3.8.2 Internal Validity

Internal validity deals with how the research findings match reality, what is being detected in qualitative research, and how the researcher assesses the validity (Merriam, 1998). Internal validity is viewed as a strength in qualitative research because people are the primary instrument of data collection and analysis, with interpretations of reality directly accessed through observations and interviews (Lincoln & Guba, 1985; Merriam, 1998; Yin, 2009). Merriam (1998) recommends the following strategies for ensuring reliability, which the author adopted in this study in order to maximize internal validity:

- *Triangulation*: using multiple sources of data to confirm the emergent findings.
- *Member checks*: confirming the data and tentative interpretations with the relative respondents.
- *Peer examination*: ask colleagues to comment on findings as they emerge.

3.8.3 Reliability

Reliability questions that if the study is repeated, whether or not the same results will appear (Merriam, 1998; Golafshani, 2003; Yin, 2009), the goal of reliability is to minimize errors and bias. Lincoln and Guba (1985) suggest that results that are consistent and dependable are more applicable to qualitative research, rather than demanding external researchers achieve the same results. Merriam (1998) recommends that the emphasis should be on whether the findings are consistent with the information collected, the following techniques were adopted in this study:

- *The investigators position*: the researcher should explain the theory behind the research, their relationship with the sample, and basis for selection.
- *Triangulation*: using multiple methods of data collection and analysis.
- *Audit trail*: stringent documenting of how data was collected, how categories were derived, and how decisions were made, in order to offer the ability to explain how the author arrived at the results.

Furthermore, blind double coding was applied to enhance reliability of coding (Miles & Huberman, 1994).

3.9 ETHICS

In relation to the study, the researcher committed to protecting the respondents and the company from harm, their right to privacy and consent, and free from deception. It is further noted that the researcher acted free from bias, and performed, collected, and analysed the information as accurately and honestly as possible. Exposure of the case through possible publication or other means has been discussed with the company concerned, and authorization has been granted within the limits of authority.

CHAPTER 4: PRESENTATION OF RESULTS

4.1 INTRODUCTION

The results are presented by using direct quotations from respondents, graphs, tables, and extracts from source documents for triangulation purposes. A total of sixteen interviews were conducted using the following structure:

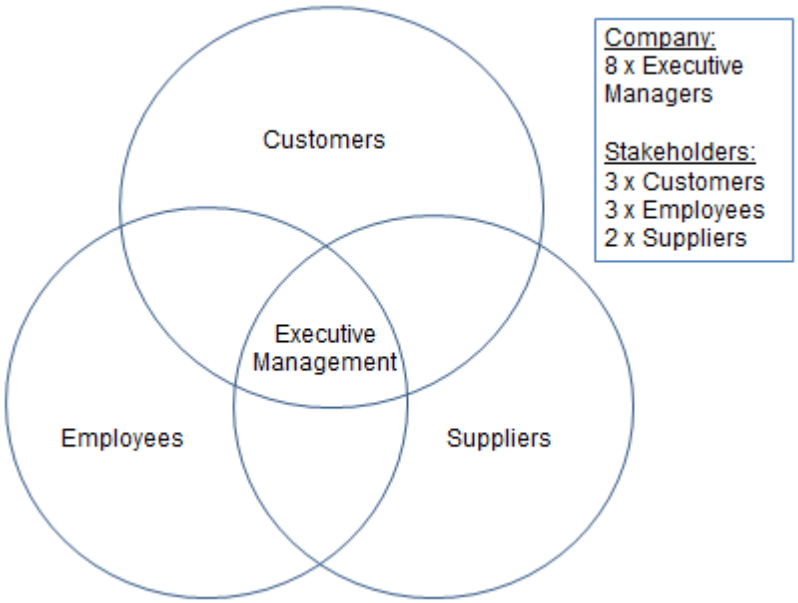

Figure 4: Interview respondents' structure

4.1.1 Executive Manager Respondents

Eight Senior Executive Managers of one of South Africa's leading coatings companies were interviewed: six interviews were conducted at the business head office premises in Johannesburg, followed by two interviews conducted at the manufacturing and warehouse facility in Durban. The functional departments lead by the executives' interviewed are the following:

- General and Strategic management
- Marketing and Sales department
- Exports and Africa
- Legal Affairs

- Financial Affairs
- Human Resource
- Supply Chain and Procurement
- Research and Development

The managers interviewed have been employed by the company for an average of 14.3 years each, and therefore are representative of a well experienced executive team who are knowledgeable about the organisations' stakeholders, and the relative conflict that has risen in the past and has been attended to by them. The cross functional nature of the respondents' functional responsibilities assists in creating diverse views and input regarding the aspects researched within this research report.

Table 4 represents the functional area and responsibility:

Function	Responsibility Brief
General Management	Leading and controlling the South African and African businesses, meeting all business objectives as agreed by the global management sector, formulating and executing strategic business plans, and fiduciary requirements
Sales and Marketing	Achieving marketing aspirations of being one of the South Africa's most loved brands, top of mind consumer awareness, driving growth for the number 1 branded paint product in volume and revenue
Exports and Africa	Strategic planning in key growth countries with licensing partners, and focus on the African businesses owned outside of South Africa
Legal Affairs	All legal affairs and dealings with all stakeholders concerned
Finance	All financial affairs in line with corporate policy and South African legislature
Human Resource	All HR affairs with BBBEE objectives, employee engagement and equity, statutory and fiduciary obligations
Supply Chain and Procurement	Fundamental procurement, production, warehouse, and distribution strategic planning, cost saving initiatives, and customer service level targets, statutory accountabilities
Research and Development	Focus on managing technology and innovation, new product development, continuous improvement, tinting strategy, and global alignment

Table 4: Business functions and responsibilities

4.1.2 Stakeholder Respondents

Eight of the firm's primary stakeholders were interviewed at their work premises at their convenience, and fall within the following stakeholder groups:

- Business to Business Customers: Professional Trade and Retail
- Employees: IT and Business Software (Specialist), and Finance (Auditing and Business Analyst)

- Suppliers (Independent Small to Medium South African businesses)

Table 5 represents the stakeholder respondent characteristics:

Stakeholder Type	Area	Characteristics
Customer	Retail Professional	Vast experience, 95% loyalty to the firm, trades with mainly professional users, and acts as a depot for the firm, largest single tinting outlet
	Retail Consumer	Vast experience, 25% loyalty to the firm, trades mainly with DIY consumers, one of the smaller scale operators
	Trade Professional	Vast experience, 50% loyalty, professional coatings applicator, operations in Africa, has a direct trading account with the firm, draws stock from the Retail professional store
Supplier	Plant and Equipment	7 years' experience as a supplier and stakeholder to the firm, deals with most of the firm's competitors, plays an intricate role in the functioning of the firm's tinting platform
	Brand Collateral	Vast experience as a stakeholder, most of the supplier's business is through the firm, produces brand and colour collateral, and assets for the firm and offers a service function
Employee	Business Software	21 years' experience as an employee to the firm, deals with internal and external customers, and has 2 international sub-ordinates
	Auditing	3 Years' experience with the firm, professional qualification, heads up most financial tasks, is responsible for Africa and reports to the Financial Executive Director
	Business Analyst	14 Years' experience with the firm, analyses sales and marketing statistics, owns the pricing function, and assists with strategic and financial planning

Table 5: Stakeholder respondent characteristics

Further to the stakeholder respondents, the following information is applicable:

<u>Selected customers</u>

The customers selected are differentiated in the following manner:

The *retail professional store* is known by the firm as a "preferred stockist". This particular type of customer has a loyalty of 95% share on shelf to the firm and acts as a direct warehouse for the firm's professional trade sector. The customer selected is the single biggest user of tint bases on behalf of the firm, and is of strategic importance to the firm.

The *retail consumer store* is known by the firm as an independent; this type of store is independently owned and managed. The store selected for this research has 25% loyalty (share on shelf) towards the firm, and has an additional 2 competitor products

in-store. This particular store type trades mainly with DIY consumers and on a small scale with trade professionals. This type of stakeholder was important for this study as they are not strategically important to the firm, and offers an opposite perspective from the more loyal and larger “preferred stockist” store.

The *trade professional* is a professional painting contracting company, and one of the largest of its type in South Africa. The company is owner managed and has had a long-standing relationship with the firm. This customer uses the firm for 50% of their coating requirements; the balance of their purchases is between two other large manufacturing coating companies. This particular stakeholder brings a different dimension to the study because they are the end user of the product purchased, whereas the other two customers selected procure and re-sell.

Selected suppliers

The *plant and equipment* supplier is the South African agent for one of the leading tinting equipment manufacturers and in-store software license distributers. This particular supplier is contracted by most firms competing within the South African coatings industry. Their trading with the firm has been under pressure due to high demands made by the firm which stem from the firm’s global pressure on cost reduction and the use of innovative plant and equipment within the market as part of the company strategy. On this basis, this particular supplier has the ability to offer insight into how the firm’s managers apply pressure through managing them as a stakeholder.

The *brand collateral* supplier specialises in the manufacture and distribution of colour display stands, shelving, signage, and servicing. This particular supplier has had over 20 years’ experience as a supplier of the firm and is reliant on the firm’s business to remain a sustainable venture. This is relevant to the study as it relates to aspects of the theme “organisational elements” and the normative aspects of the firm’s management.

The larger raw material suppliers of the firm were not applicable to this study due to the structured contracts negotiated on a global level from Europe.

Selected Employees

The selected employees as respondents all fall within middle management at the firm. They all have varied time spent at the firm and have differing roles and responsibilities. They are well educated and have a good understanding of business theory and application, therefore have the ability to understand the topics during discussion. All three selected employees are characteristically open and willing to talk freely on any subject, which made them good candidates for discussion where sensitive issues may have arisen.

4.2 DEMOGRAPHIC PROFILE OF RESPONDENTS

4.2.1 Management Demographics

From the 8 executive managers interviewed: one small change was made where there were two executive manager respondents planned for interviewing from procurement and supply chain, and the one candidate was substituted with the respondent from legal. This decision was two-fold, firstly the original candidate planned for was abroad at the time of interviewing, and secondly the respondent from legal deals with a diverse range of stakeholders with direct reputational relationships. One representative respondent from Supply chain and Procurement allows sufficient saturation from that particular functional department. Table 6 represents the demographics of the executive managers:

Respondents	CEO	Sales and Marketing	Exports	Legal	Finance	HR	Supply Chain	R & D	% of Population
Age 40+	1	1		1	1		1		63%
Age 50+			1			1		1	38%
Gender Male	1	1	1		1		1	1	75%
Gender Female				1		1			25%
Language English		1		1	1	1	1	1	75%
Language Afrikaans	1		1						25%
Education Post Graduate	1	1	1	1			1	1	75%
Education Graduate					1	1			25%
Work Experience Internal	5	22	20	3	3	16	22	24	57%
Work Experience External	16	0	16	18	19	7	0	10	43%

Table 6: Respondents demographics: Executive Managers

The demographic profile of the executive team reveals the following:

Age: The entire executive team is over 40 years old, the youngest respondent being 41 and the oldest being 59 years old. With 38% of respondents being over 50 years old, there is a distinct mix between youth and experience.

Work experience: the statistics show that within the executive managers interviewed, they have spent 57% of their work life career employed by the current company. Their knowledge of the stakeholder base and demands within this experience is valuable for this study.

Gender: the information reveals that 75% of the executive team interviewed is male versus the 25% female. One could argue this being representative of the paint industry in South Africa, but this has little or no effect on the outcome of this study.

Education: 75% of respondents have post graduate education (the legal executive has a professional qualification), and can be viewed positively from this study's perspective due to their broader understanding of theory and business experience combined. On this premise the researcher believes that the information received from the respondents will be valuable with reference to the research questions raised in chapter 2.

4.2.2 Stakeholder Demographics

From the 8 company stakeholders interviewed, the focus was on primary stakeholders, being those that are most affected by or can mostly affect the business. This allows triangulation and comparison between the manager responses and behaviours and the external stakeholders responses and behaviours. Table 7 represents the demographic profiles of the external stakeholders:

Stakeholder Respondents	Suppliers	Employees	Customers	% of Population
Age 25 to 35		1		25%
Age 35+	2	2	3	75%
Gender Male	2	1	3	75%
Gender Female		2		25%
Education Post Graduate		2		25%
Education Graduate	2	1	1	50%
Ave Years as stakeholder	16	13	22	Average 17

Table 7: Respondents demographics: Stakeholders

Age: 75% of the stakeholder respondents are over 35 years old, four of whom are over 50 years old who have dealt with the coatings company for over 20 years each. This experience will be pertinent to the relevance of the participants within this study.

Gender: The male gender dominates the supplier and customers stakeholder segment associated with the company studied, the researcher specifically chose two female employees to create equity within the stakeholders.

Education: qualifications are higher within the employees interviewed due to the skills required from the business and the type of role performed by the employee respondents. This enabled detailed and concise discussions between the interviewer and the respondents.

Stakeholder years: this statistic details the number of years the stakeholders have been affected by or affected the firm, the average number of years of 17 is significant and relevant to the study as it proves experience regarding dealings with the firm.

4.3 RESULTS RELATING TO RESEARCH QUESTION 1

> Who are the firm's stakeholders and what stakeholder attributes of power, legitimacy, and urgency do they possess?

The discussion instruments used as represented in appendix B illustrate the questions raised relative to research question 1. Upon reviewing the transcribed discussions, there are particular trends that are apparent which is discussed in chapter 5.

The words used most often which relate to question 1 are displayed in table 8. There is a clear distinction through the words most frequently used between the executive managers and their stakeholders:

Legitimacy: was used extensively more by the managers than the stakeholders, and the managers used legitimacy more frequently than they used power and urgency.

Power and Urgency: was used more often by the stakeholders than they used legitimacy.

Relationship: was a word used more frequently by the stakeholders than by management.

Other anomalies: words such as “brand, employees, claim, impact, consumer, product, reputation, management, influence, and claimant” were used more frequently by management than by the stakeholders. One could suggest that they are influenced by the firm’s objectives and strategy.

Word	Management	External Stakeholders	All
	Frequency	Frequency	Total
Stakeholders	61	76	137
Legitimacy	51	13	64
Power	46	23	69
Urgency	46	21	67
Customers	42	31	73
Brand	37	3	40
Employees	36	18	54
Entity/Organisation/Company	35	48	83
Claim	32	14	46
Impact	32	0	32
Business	31	23	54
Consumer	28	2	30
Product	26	9	35
Suppliers	21	21	42
People	16	10	26
Reputation	16	2	18
Influence	15	3	18
Management	15	2	17
Claimant	13	3	16
Secondary Stakeholders	11	13	24
Decision	9	9	18
Relationship	8	22	30
Primary Stakeholders	6	13	19

Table 8: Common words used: Question 1

4.3.1 Responses from Executive Managers

There were various discussions raised in defining what a stakeholder is, sufficient time was allocated to allow the respondents to identify who their company’s stakeholders are and the respondents were requested to write them down (Appendix C represents an example from one of the respondents), and to prioritize them in terms of primary and secondary stakeholders. They were then requested to identify

what attributes would be present in classifying or identifying the company's stakeholders, and whether or not reciprocity is required in identifying stakeholders. A clear understanding was sought whether or not the respondents would identify someone or something as a stakeholder if there were limited attributes present: power, legitimacy, or urgency.

Identifying Stakeholders

In defining what a stakeholder is, there was a general consensus relating to someone or something having a "stake" in the firm, and having the ability to either affect the firm or be affected by the firm.

The following definitions were stated by the respondents:

"*A stakeholder is anyone that has an interest in the organisation"*

"Somebody who has a vested interest in the firm, and has something to lose in the business if they are not a stakeholder, so being a stakeholder they have some sort of reward attached"

"The various groups or individuals that have or are influenced by my role in the business. The people I service within the business and outside the business and the community at large around me who have an impact or who are impacted on by the work that I do".

"They have some direct bearing or influence on the commercial entity"

"A stakeholder is somebody that directly or indirectly makes an impact on your performance for the benefit of both parties"

"A stakeholder is someone who adds significant value to the business"

"Anybody that has got to do with the business, internal or external…because they all impact, potentially on your customer, your brand or brand reputation of the business…for me its about whom and what has got potential positive or negative impact on the brand and the brand reputation of the business"

Further to the manager's interpretations of what a stakeholder is, reference to the firm was most common, and some of the statements revealed reciprocity when defining stakeholders.

When asked who the company's stakeholders were, there was a general understanding by the managers, but initial responses generated leaned more towards the stakeholders that each manager personally dealt with in and around the firm. The following were some responses:

The CEO approached the topic as "*from your shareholder's position in the business to your global headquarters internally, it will be your EXCO… employees from whichever level in the business are impacted and can impact, your supply base – impact or can impact and so do your service providers…whether it's a supply of raw material or whether it's the service provider"*

The R & D Executive wrote down the following: "*Customers, competitors, raw material suppliers, government legislation and tax authorities, the holding company, employees, environmental groups, NGO's such as the South African Paint Manufacturers Association, the general community"*

The Finance Executive noted "*the holding company, shareholders, customers, employees, directors"*

The Exports Executive stated "*the company's consumers first and foremost, and I am talking now not focusing on the immediate working environment, I am focusing on something boarder than that. Customer consumers, suppliers, then I think broader than that the community and as well as organisations that governs the day to day business running and that would include your local municipalities and the immediate local authorities. And then obviously the various stakeholders within the business itself if you move closer to the business environment"*

The managers were requested to prioritize the stakeholders they had mentioned in terms of primary or secondary stakeholders. With reference to table 9, there is a slight difference of opinion between certain stakeholders that are generally viewed as primary stakeholders, where some of the respondents classed them as secondary stakeholders. These differences related to customers and suppliers. Upon enquiring further during the interviews, the following was apparent:

The Procurement Executive differentiated between internal and external customers, and viewed internal customers as primary stating "*my customers are essentially the internal customers, people who use the materials that we procure"* and external customers as secondary stakeholders by stating *"customers are a minor stakeholder in the procurement function because the customers essentially feel the impact of what we do as a consequence of using our product…it has an impact on price to performance on quality".*

The HR Executive viewed this from a sustainability perspective of remaining a stakeholder of the company, she stated "*as long as there is strategic alignment, obviously the company, the legal entity, the board, so I think sub-committees to a lesser extent: suppliers I would say secondary, they can look for new people to service customers, well again I think there one might look at those customers who are 100% brand loyal, but I think the overall classification would still have to be secondary based on the fact that they can substitute for a competitor brand. Union would have to be secondary, employers' association secondary, and management: they are all primary stakeholders".* Table 9 represents the results from the eight respondents:

Stakeholder	Responses as Primary	Responses as Secondary	Total
Head Office	4	1	5
Consumers	2	0	2
Customers	6	2	8
Employees	8	0	8
Senior Management	5	0	5
Suppliers	4	1	6
Environment	1	2	3
Community	0	4	4
Local Government	0	4	4
Competitors	1	0	1
Environmental Groups	0	1	1
NGO's	0	1	1
Shareholders	2	0	2
Family members	0	1	1
Union	0	1	1
Employers Association	0	1	1

Table 9: Primary and Secondary Stakeholder Classification: by managers

When the respondents were asked what attributes would be present in classifying or identifying the company's stakeholders, there seemed to have been reference points based on the manager's role and experience within the company.

A respondent referred to defining roles, responsibilities, and accountability which one could argue resembles that of legitimacy from an employer-employee relationship perspective. She referred to the CEO having power in terms of his interface with her, and this being due to the particular legitimate role that he plays within the business.

Another manager referred to having a vested interest as an attribute, and something to gain or lose - which drives towards legitimacy and reciprocity.

One respondent mentioned "*the fact that you are a stakeholder to any extent gives you degrees of power"* and believes that they need to be somehow impacted on by what the managers do, and states *"if your stakeholder is the shareholder that relationship is financial, he is there to make money out of his investment"* and therefore there is an expectation of benefiting from what you do as a manager.

"*Legitimacy and commitment*" was regarded as attributes by one manager, and in so "*assisting the company to meet their ultimate objectives and goals".*

The Research and Development Executive believed that "*they should possess honesty and confidentiality and be legitimate with the dealings with the company".*

The Exports Executive identified legitimacy could include power, and added "*procurement for example benefits through engagement to negotiate better prices"* which would represent power, *"through your clarification of goals and ambitions"* which refers to legitimacy.

With reference to chapter 2, the theory states that having a stake within a company should be seen as contributing an input to the company, and being part of its output- and therefore a reciprocal link is present, and that reciprocity has been much overlooked within stakeholder theory.

Reciprocity was raised within the discussions of identifying and classifying stakeholders with the respondents to allow for deeper insights within this context. All eight respondents agreed somewhat that reciprocity is required when identifying

stakeholders, although some had reservations. Those that believed in reciprocity had the following responses:

"The engagement with the stakeholder should deliver some sort of win-win situation"

"If I am going to use a supplier's product within my formulations, I expect reciprocity of confidentiality from the supplier due to the technical intellectual property"

"A supplier relationship has got to work two ways. In as much as they are a stakeholder for the fulfillment of my business objective I'm a stakeholder for the fulfillment of their business objectives…they have got a dependency on one another"

"Reciprocity is inherent in relationships"

Different views from respondents showed reservations mainly in whether or not secondary stakeholders have a reciprocal nature. One respondent enlarged on the possibility that as you move from primary stakeholders to secondary stakeholders, the reciprocity with the secondary stakeholders could become situational, others stated:

"*From a primary stakeholder point of view reciprocity would apply, whereas not necessarily from a secondary stakeholder"*

"*Secondary stakeholders when it comes through the community and the social responsibility and the environment, where we have an ethical and a moral responsibility, we got to do what's right rather than actually work on a reciprocity basis"*

Each respondent was questioned whether or not someone or something could be identified or classified as a stakeholder if there was only legitimacy or urgency as an attribute, or no power. Table 10 displays the responses received by the respondents.

Attribute	Yes: Classified	Not Classified	Maybe Classified
No power present	5	2	1
Only legitimacy present	7		1
Only urgency present		7	1

Table 10: Stakeholder Attributes: Management Perception

Information from the respondents suggests that legitimacy is the most relevant stakeholder attribute when identifying or classifying stakeholders. Power was not seen as a necessity, and urgency was irrelevant by itself without legitimacy present.

One respondent stated that *"legitimacy is for me almost a subset of power, because almost invariably if you have legitimacy, you have some power of some description".*

It was also mentioned by a different respondent that a stakeholder could gain power going forward, another stated "*legitimacy is the one that can actually get you in the biggest trouble…if there is legitimacy then there's the backing of the law and there's backing of the rules and there's backing of policy".*

The Legal Affairs Executive stated that *"if it's legitimate it has power"* and *"it's got like an inherent power".*

4.3.2 Responses from company stakeholders

Various discussions were raised with the stakeholder respondents to identify their perception of what a stakeholder is. They were asked whether their stakeholder status should be primary or secondary, what attributes they should possess as being stakeholders' of the company, and whether or not reciprocity is required in identifying stakeholders. A clear understanding was sought after whether or not the respondents would identify someone or something as a stakeholder if there were limited attributes of power, legitimacy, or urgency present.

The following responses were stated regarding who or what a stakeholder is:

Suppliers

"A stakeholder is one of the suppliers to the company who form an integral part of their requirements"

"A stakeholder is someone who is part of their business, so if we supply a service to you that is both critical to yourselves and to ourselves, I would regard us as being a stakeholder in your business and you a stakeholder in our business"

Employees

"somebody who has a vested interest in a particular area, as a stakeholder in this company I make sure I deliver what I can to other stakeholders in the company, if I don't do that I won't get paid"

"A stakeholder will be a customer or manager or senior manager or the holding company"

"An individual person or entity that has a direct or indirect relationship with a company. Meaning that should the company do well the stakeholder should also do well. There is a direct relationship between a company and stakeholder.

Customers

"Somebody that you are linked to, they don't own a share in your company but are one of your suppliers, and we are reliant on them so that we can push their product and we feel like we are part of their company"

"A stakeholder is somebody who has got a vested interest, I see our supplier as one of the biggest paint manufacturing companies with all the back-up…they are a stakeholder in terms of the service and are a large part of my business"

"A stakeholder would be someone who has a relationship with a customer. Such as an employee, a customer, a supplier, people who live in the same area as the factory, they would in my view be seen as a stakeholder and obviously the shareholders or anybody that lend you money or something like that"

All the stakeholders interviewed considered themselves as primary stakeholders, there was however some hesitation from one employee and one supplier.

The employee at first felt that within the company studied an employee could be considered a secondary stakeholder, and said "*because they are not as permanent as your other stakeholders".* The respondent then elaborated to say that due to recent global restructuring programs, employee job security is under threat, and stated "*I am talking your low-end level sort of employees; if they are seen as stakeholders".* The respondent did however see herself as a primary stakeholder due to her current role not being easily replaceable, and then stated "*if you look at call centre staff, your credit control, your accounts payable - I think those people have moved away from primary stakeholders to secondary stakeholders".*

The one supplier looked at the situation from a different perspective, where instead of viewing suppliers as an integral part of the company, he viewed suppliers as replaceable or substitutable. He stated "*if our company fell over there might a little bit of a stumble but it wouldn't be long before the company were up and going either with an alternate supplier or an alternate service provider".* He believes switching costs to change certain suppliers are far higher than other suppliers, and where the cost is higher, those suppliers would be more permanent and therefore primary.

When identifying the attributes that each stakeholder respondent possessed, it was apparent that legitimacy was the over-riding attribute that each respondent explained they had. Figure 5 reflects all stakeholder respondents' exhibit legitimacy, and two show power as an additional stakeholder attribute.

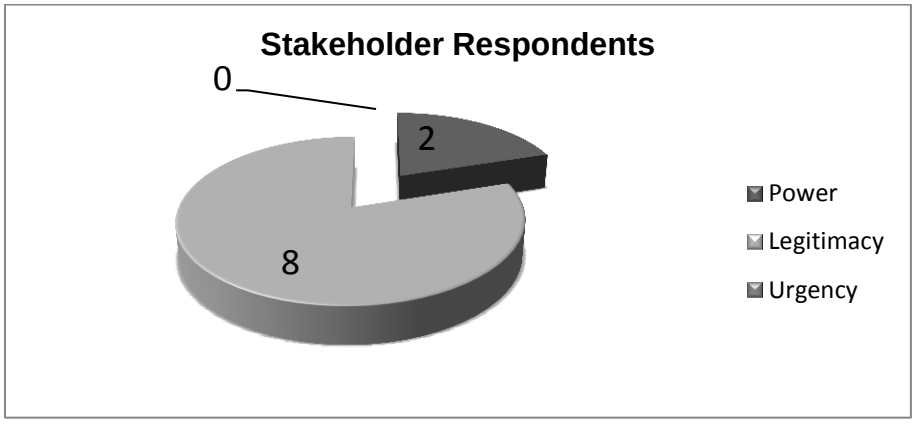

Figure 5: Stakeholder respondents' own attributes

The supplier of plant and equipment exhibited legitimacy through stating "*For us personally, service level, so good service levels and a good offering in terms of reliable, accurate equipment so if what we are supplying is equipment then it needs to work and we need to back it up with decent service much like any of the raw material suppliers if he's got a spec to achieve he needs to be supplying it in that spec, if it's not on spec then....*"

A discussion with the Audit Manager employee proved to steer more towards legitimacy as stated "*Well I think you should possess a commitment to whatever your role is as a stakeholder. So whether it is as an employee you need to be committed to doing your job and doing your job properly. Whether it is as a supplier you need to be committed to providing good quality on a service and if it is from a customer you should also then be committed to developing that underlying brand that you are a stakeholder in. I think it almost has to be a commercialistic basis. It is difficult for it to function on a one sided affair. And I think that, you know, so it is commitment, honesty, integrity, you know, all of those types of interactions"*

From the retail professional store customer's perspective, he stated "*the company can't be successful without people like us"* and "*because we are a large customer. We pay and we look after your customers. The legitimacy – I think we would also qualify for a number of things but I think more than anything else its legitimacy because we are possibly the best example of ambassadors you have for your brand and what you theoretically stand for".* Although the statements made by the customer are more weighted towards legitimacy, there is an element of power displayed.

None of the stakeholder respondents mentioned anything that could resemble urgency as an attribute they personally exhibit.

Reciprocity was raised within the discussions of identifying and classifying stakeholders with the respondents to allow for deeper insights within this context. All eight respondents agreed that reciprocity is required in being identified or classified as a stakeholder. Two employees discussed the possibility that not all identified stakeholders could be reciprocal, and the possibility of those being secondary stakeholders.

The plant and equipment supplier clearly addressed this by stating "*I don't think you can regard yourself as having a stake in a company or being a stakeholder if it really...if you're not aiding that business or contributing to the success of that business and likewise you are not getting anything out of it in terms of success for your business. It's the same as an employee being a stakeholder in a business he's not doing it for nothing or for fun, I mean he is doing it to earn an income... and the company are benefiting from his skills and his services and work and so on. There has to be some form of backwards and forwards or give or take in the relationship to be able to classify as a stakeholder."*

The trade professional customer stated that "*It's definitely a two-way street, we do spend a lot of money with the company and yes, reciprocity, definitely. The company gives us leads and in some instances where we can specify, we refer to the company's brand."*

Each respondent was questioned whether or not someone or something could be identified or classified as a stakeholder if there was only legitimacy or urgency as an attribute, or no power. Table 11 displays the responses received by the respondents.

Stakeholder Attributes	Yes: Classified	Not Classified	Maybe Classified
No power present	4	4	
Only legitimacy present	5	3	
Only urgency present	1	6	1

Table 11: Stakeholder Attributes: Stakeholder's Perception

The stakeholder respondents' views had a similar pattern to that of the management respondents' views; the most visible variance was that the management had a higher response to classifying someone or something as a stakeholder if they had no power as an attribute.

The response from one employee "*I don't think all stakeholders necessarily have a significant degree of power. You can be a receptionist; you can be a stakeholder that is a stakeholder without all the decision making power or decision making ability. Even from a supplier or customer perspective, a supplier does not necessarily hold power but they are a stakeholder in terms of the value chain of the business"* is clear in communicating that without power, one can still be granted stakeholder status.

The professional trade respondent stated that "*If I'd bought a faulty product and I was very small contractor, I would still consider it that I am a stakeholder in terms that I've used the Company's product and they must honour it until the end."* This statement refers to the legitimacy of the claim being able to stand alone where there is no immediate power present.

Conclusion to Research Question 1

Defining stakeholders

The managers' perception of a stakeholder was more in line with the theory than the company stakeholders' perception. They showed a general consensus relating to someone or something having a "stake" in the firm, and having the ability to either affect the firm or be affected by the firm. In most cases, reciprocity was referred to, and in one case reputation.

The stakeholder respondents referred to reciprocity, but had more of an emphasis on direct relationships, and included primary stakeholders as part of their understanding as those stakeholders have a direct bearing on them and their environment, such as suppliers and customers.

Who the company's stakeholders are

Further to the manager's beliefs of who the actual stakeholders are of the company, table 12 represents their view.

Primary Stakeholders	Secondary Stakeholders
Employees	Environment
Senior Management	Community
Head Office	Local government
Consumers	Environmental groups
Shareholders	NGO's
Competitors	Family members
Suppliers	Union
Customers	Employers association

Table 12: The Company's Stakeholders

Although there were some differences whether or not suppliers, customers, and the company head office should be considered as primary stakeholders, the over-riding consensus was that they should. The respondents who disagreed were categorizing

the stakeholders from their individual role within the firm as opposed to the general stakeholder base of the company. The media were not mentioned by the respondents, which could be due to the fact that other than suppliers, the company has not received any media attention for some time and therefore is not considered as a stakeholder at this point in time. Figure 6 graphically depicts the company's stakeholders as viewed by the executive team.

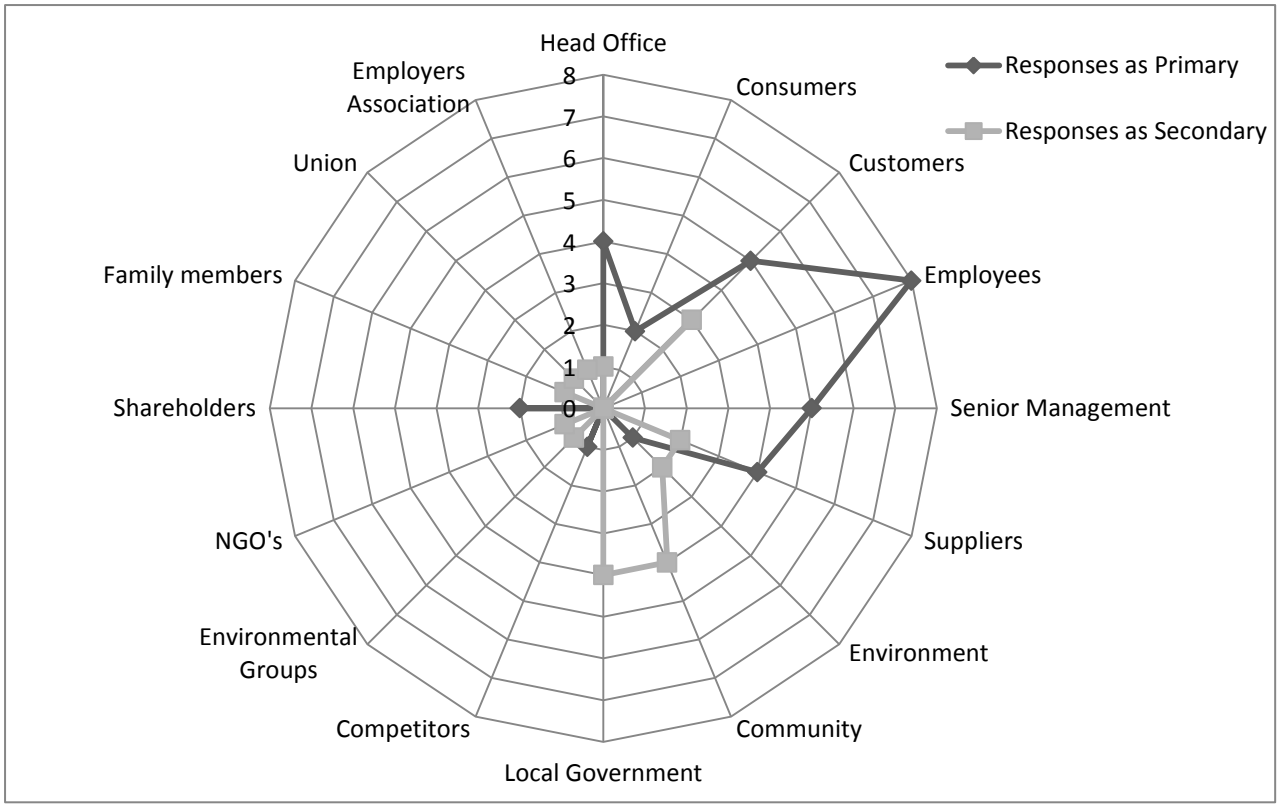

Figure 6: Company Stakeholders: The Executives View

Classifying and identifying stakeholders through attributes

When enquiring what attributes should be present in identifying and classifying a stakeholder, fifteen of the sixteen respondents referred to a type of legitimacy in their explanation. One respondent failed to understand and answer the question. Figure 7 clarifies the most recognized attributes.

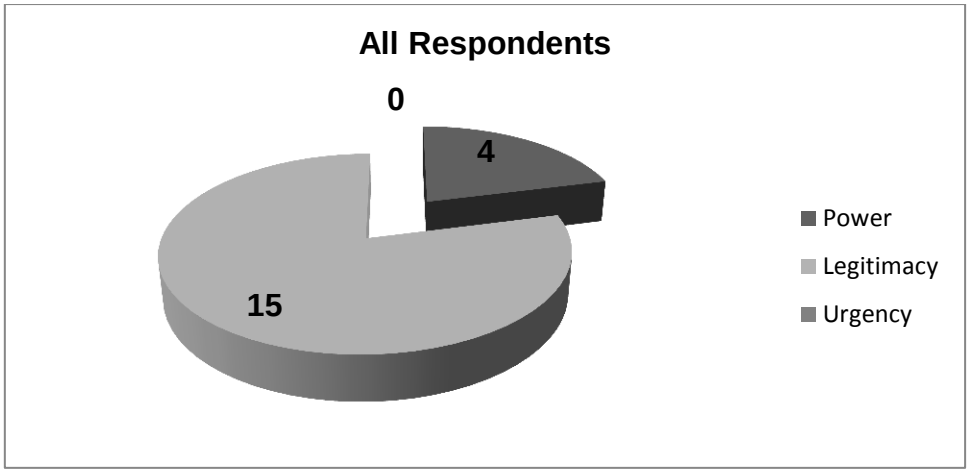

Figure 7: Recognition of Stakeholder Attributes: All Respondents

Of the fifteen respondents, four of them discussed power:

- Two respondents referred to a type of inherent power stemming from the legitimacy
- One respondent mentioned that being a stakeholder in itself allows some form of power
- One respondent spoke of power based on the size of his business and spending power with the company, a type of power developed over time

When reciprocity was discussed with the respondents, the intention was to research whether or not reciprocity could be an attribute when identifying or classifying a stakeholder. All sixteen respondents agreed the reciprocity should be used when identifying or classifying stakeholders. Four of the sixteen respondents did not believe that all stakeholders can be reciprocal, and suggested that primary stakeholders should be reciprocal, but not all secondary stakeholders. The managers suggested the possibility that as you move from primary stakeholders to secondary stakeholders, the reciprocity with the secondary stakeholders could become situational. As stated:

"*From a primary stakeholder point of view reciprocity would apply, whereas not necessarily from a secondary stakeholder*"

"*Secondary stakeholders when it comes through the community and the social responsibility and the environment, where we have an ethical and a moral*

responsibility, we got to do what's right rather than actually work on a reciprocity basis"

Upon researching deeper to the relevance of the stakeholder attributes of power, legitimacy, and urgency; used as identifying or classifying stakeholders, figure 8, 9, and 10 highlights the observations.

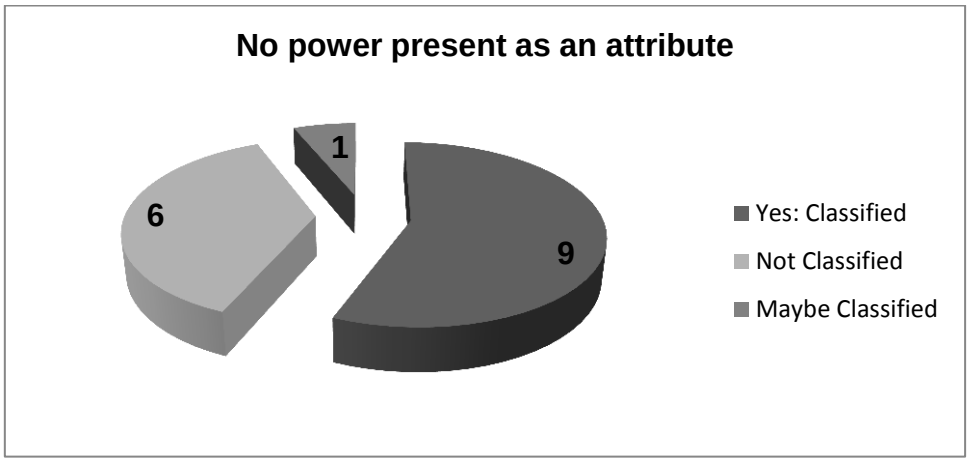

Figure 8: No power as a stakeholder attribute: All responses

In order to identify the importance of power as a stakeholder attribute, the respondents were questioned whether or not they would still consider someone or something as a stakeholder if they had no power. Most respondents stated they would still consider someone or something as a stakeholder, as they believe power is not a necessity in being classified or identified as a stakeholder.

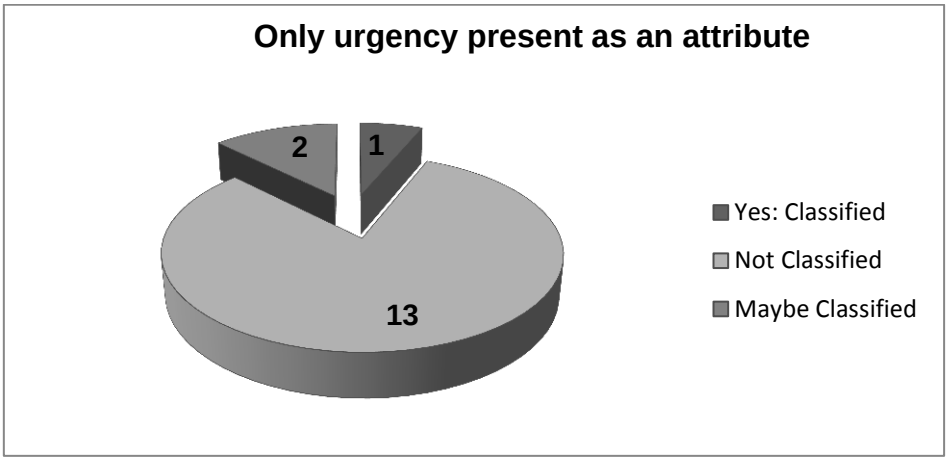

Figure 9: Urgency as the only attribute: All Respondents

The respondents' over-riding responses were that urgency was irrelevant by itself without legitimacy present. Thirteen responses showed that someone or something cannot be classified or identified as a stakeholder based on urgency as an attribute alone.

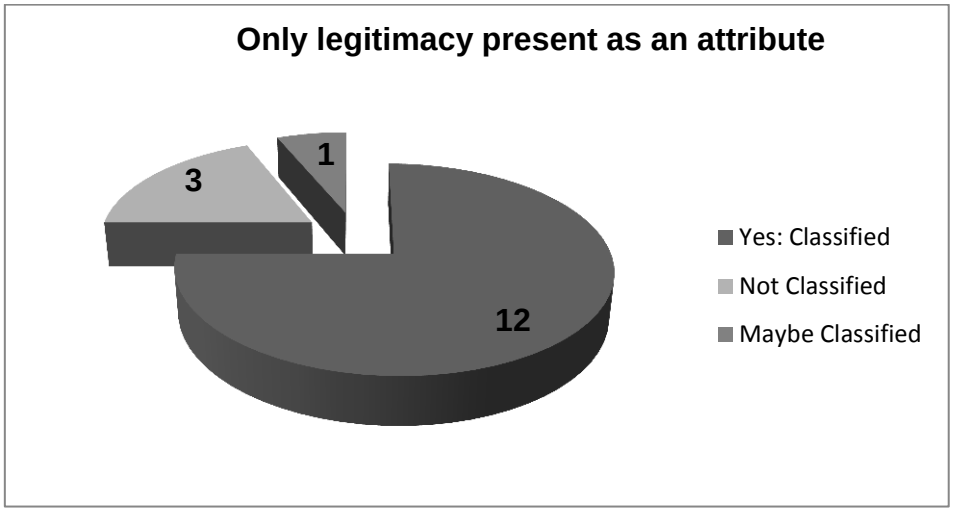

Figure 10: Legitimacy as the only attribute: All respondents

From the sixteen respondents interviewed, twelve believe that legitimacy alone can be used to identify or classify someone or something as a stakeholder. Comments made by the managers suggest that legitimacy is a type of power within itself. As stated:

"Legitimacy is for me almost a subset of power, because almost invariably if you have legitimacy, you have some power of some description".

"*If a stakeholder has legitimacy they have an inherent power".*

This suggests that legitimacy is the most relevant stakeholder attribute when identifying or classifying stakeholders. One could then question the relevance of urgency or power as a stakeholder attribute alone, if there is no legitimacy present.

4.4 RESULTS RELATING TO RESEARCH QUESTION 2

How do the managers of the company prioritise stakeholder demands and how are the relationships aligned with the stakeholder salience theory?

As represented in question 1, a similar approach was used in question 2 where the most common words used by respondents are noted and represented in table 13.

Words	Management Frequency	Stakeholders Frequency	Total Frequency
Stakeholders	8	8	16
Customers	8	6	14
Claim	8	5	13
Legitimacy	8	5	13
Suppliers	7	6	13
Business	5	8	13
Employees	8	4	12
Reciprocity	6	4	10
Relationship	3	7	10
Claimant	6	3	9
Reputation	8	1	9
Entity/Organisation	6	3	9
“Company A”	7	1	8
Consumer	6	2	8
Product	5	3	8
Influence	5	2	7
People	4	3	7
Quality	4	3	7
Shareholders	4	3	7
Brand	4	2	6
Decision	3	3	6

Table 13: Common words used: Question 2

Once again, there are a few distinct differences between management and their stakeholders on word frequency: managers mentioned their primary stakeholders often, reputation was used more often by the managers than by the stakeholders. Generally, the stakeholders mentioned fewer distinct words than management which could be to the nature of their discussion being from a different perspective. The only distinct word that stands out for the stakeholders more than for the managers is ‘relationships’, which they possibly view as an important part of the manager/stakeholder dynamics.

In order to research and establish results for question 2, various themes had to be applied due to the broad range of elements that affect and influence how managers

deal with and prioritise stakeholder demands, and due to the extensive scope of stakeholder theory. These themes included:

- Organisational elements
- Corporate reputation
- Managing stakeholders

4.4.1 Responses from Executive Managers

Organisational Elements

The respondents were asked what the company's objectives were, and were clear with the following responses:

"To grow the company, grow the market share, grow the brand"

"To increase volumes and drive profits"

"There are financial objectives, there are brand objectives, from my perspective, and there are SLA objectives to customers, in terms of delivery and promises, over and above the financial objectives. And then there are objectives for sustainability on what we need to deliver, environmental issues, so it is quite wide. But, I mean, if I had to distil out the key ones it is brand, financial and customer objectives"

"It is about profit, whereby the profit is already set by the business and the cluster, it is a critical part that we drive out to stretch. The biggest objective we have got is to grow the brand, and second inherent in everything is quality and obviously HSE is critical. The other big area we are looking at from a company objective is growing the trade side. On the branded side we said we will be number one."

All responses were driven towards company growth and market leadership, and some managers indicated that objectives are driven from the top down, being from the global head office. (Appendix D shows the company sustainability drive)

Based on the company objectives, the respondents were asked whether or not the company objectives determine how they manage their stakeholders. One respondent mentioned "*to a large degree yes",* and that management do what is required in order to meet those objectives. This includes treating people correctly, training and

taking care of them so that they can deliver the company objectives. Another respondent mentioned *"and how we behave, yes"* and added that morals and ethics play a large role within the company.

The Procurement Executive stated that the business is aligned in terms of its objectives and the way that the executive team behaves, and financial and growth objectives obviously has an impact on how they manage their stakeholders.

To establish how the company operates from a descriptive, normative, and instrumental perspective, the respondents were asked to describe the organisation from a behavioural perspective regarding stakeholders: Whether the senior managers' thoughts, behaviours and interests are geared more towards moral and ethical thoughts and behaviours, or more towards traditional objectives of prosperity for the company and the shareholders.

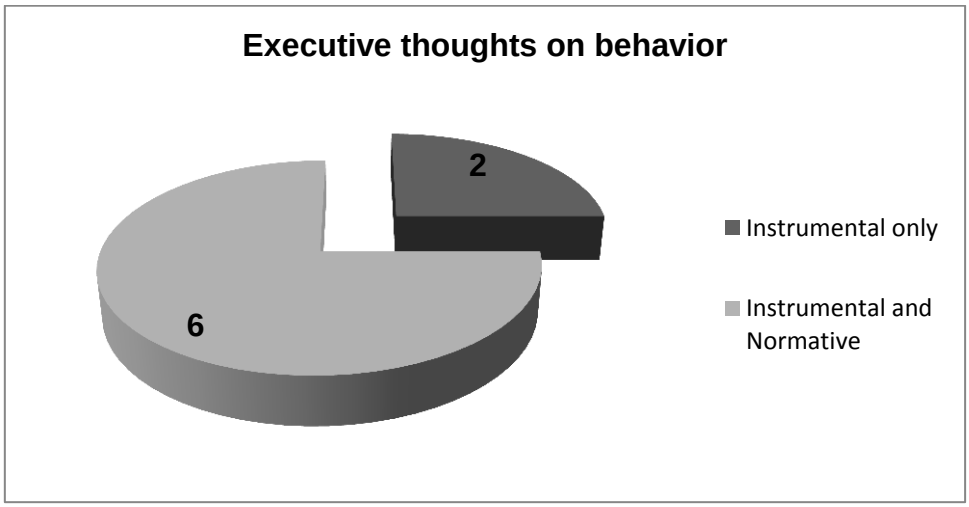

Figure 11: Instrumental and Normative behaviour: Executive thoughts

As depicted in figure 11, only two of the eight respondents felt that the company was driven from an instrumental perspective. The Finance Executive stated that the company is geared more towards traditional objectives of prosperity and shareholder wealth, and elaborated by mentioning the "*performance targets that are in place and need to be met…there's obviously a reward and that essentially drives behaviour".* The second observation being an executive who felt that the business was driven from an instrumental perspective. He stated *"They will summarily decide to cut out a full department because it is being serviced from Europe with no regard to the*

employees that suffer as well as their families that suffer as well as the impact on the greater community."

The other six respondents believed the company had a balanced approach between instrumental and normative behaviour. There was agreement that the business is there to ultimately create wealth for its shareholders, but at the same time will not sacrifice ethical and moral obligations to achieve their objectives. As one respondent stated "*the global company itself is very structured in terms of its ethical principles and guidelines…and as a commercial entity profitability never goes away, and that is still the primary purpose of being in business - to make money".*

Another perspective added "*these things cannot be done in isolation because business objectives as a cost to morality is flawed with risk, and the consequences of getting the morality bit wrong can be damaging to your reputation",* he suggested that a balance is required.

The Marketing Executive stated that "*moral and ethics play a big role but within the framework our company objectives"* and gave an example from the company where the company was the first to initiate "*lead free paint"* in the African market. It cost the company more from a raw material cost implication, but the ethics drove the decision in a market where all the competitors continued manufacturing paint containing lead, thereby giving the competitors a cost advantage.

From the CEO's standpoint, he stated "*I maintain the business should have a very high moral ground and ethics is non-negotiable, in my mind".*

Assessing the descriptive side of the business, it was said that the business has a history of giving away free paint to customers who complain about a potential problem, and *"in one sense you are sorting the customer out - fantastic. The other sense is you are creating problems for the future because you are not addressing and understanding the problem properly."*

From the procurement standpoint when dealing with suppliers, the executive manager stated that at times they can be a little hard on suppliers, but they will always be fair as he believes they are also in business to make money and to have a sustainable future. As he said *"You know you can drive someone to the ground to the extent that they will have to give in because they've got no choice but it's not*

sustainable. As a business ethics principal with my suppliers I will not hold an axe over your head."

Since the business was acquired in 2009, it is still seen as being in a transitional mode, it was stated *"we obviously view our business as being quite dynamic and in transition for a number of years, so I think to get stability in terms of the behavioural norms and the culture, I would say that is still to be re-aligned to the holding company and Deco aspirational sort of position on behavioural norms."*

From a descriptive perspective, the respondents were questioned whether the company has stakeholder objectives. The respondents claimed that there are stakeholder objectives, but not formally published as a whole. They are present within functional strategies in the business, such as procurement strategies, sales strategies, export strategies, and marketing strategies. As stated "*I think they're implied. They may not be explicit in everyone's minds but they're definitely implied and understood" and "there's one document that says here are my stakeholder objectives where everything is put into one, not evident".*

Corporate reputation

To enable a view of the executive team's understanding of corporate reputation, they were requested to explain their understanding. This is important to establish participation relevance for the future information they would contribute to this study.

Overall there was a clear understanding of what corporate reputation is, in two instances there was a link to brand reputation. In the context of this company in South Africa, it is quite possible because the brand name and the registered company name are the same. The executive managers described corporate reputation as:

> *"When do you have a corporate reputation? Only when you have something to lose; it's got something to do with your brand equity that you have in the marketplace. If you've got something to lose you have a set of values that you stand for and that that brands represents and you try to live that and do that in the way you run the business"*

"Corporate reputation is the view that the public have of that company. So if they look at the company, you get these massive cases that end up in the media about companies who neglected their social responsibility and they never bothered about, for example, now pollution cases where they messed up rivers and they, the companies dumped. They filled it with pollution and people and animals actually died but it was for them to further the growth of their company and for that materialistic wealth…and then it's splashed out in the media and it goes globally and then everybody starts discussing it and then your reputation, your… It sort of tarnishes the reputation of the company and it can be quite serious depending how big the issue was."

"There's people behind the brand, which essentially make up the reputation, so corporate reputation, to me, is something that people can look upon, let's say what our company stands for: has got integrity, has high standards, looks after the environment, how are we seen in the consumers' eyes at the end of the day, as well as from the suppliers and a customer perspective."

"Corporate reputation is the long term standing in terms of integrity in the market."

"Corporate reputation for me is something separate from Brand reputation. Although I think the two are very close together. So I think corporate reputation for me more plays in the arena of ethics… I see that as something separate to brand which is obviously more our life blood in terms of our commercial viability and sustainability going forward, it needs to be

Further to the corporate reputation enquiries, there was a general agreement amongst the respondents that a company can have more than one reputation with the exception of two respondents.

The one respondent that disagreed had the following to add: "*I think from a consumer's perspective, if you say the company's name; they have one thing in their mind. And if you have had a bad rap in the media about something that you did*

wrong or harmed the environment or harmed somebody because of your products, that becomes the default position if it gets enough media attention. The one that made the company stand out was an individual and how we treated that to our advantage to get media out of the misfortune of somebody else. And even today, I mean this individual passed away a couple of weeks ago and even the newspapers today refer to the company that used him as advertising and as punishment they had to set up a trust fund for this person. It was a negative reputation for that period. We got massive media coverage but for the wrong reasons. It is not the reputation that we wanted to portray."

The other respondent looked at corporate reputation as a view from outside of the business only, and stated "*a successful, responsible company and again I am saying ethical company will do all the right things for health and safety, will make sure that it produces quality that goes to the upper level, but sometimes maybe how we treat our people may not be visible on the outside, and if anyone looks at us from the outside they would say what a terrific company".*

One of the respondents who agreed that a firm can have more than one reputation looked at the situation in a similar setting regarding employees as the one who disagreed, but addressed it from the point of view of all company stakeholders, opposing the thinking of viewing corporate reputation from an external viewpoint only, and stated "*I think reputation is in the eye of the beholder, so we might think that we have a particular reputation which we try and build and put forward, but that is subject to interpretation by the different stakeholders. So we might believe we are a fantastic employer because we look at certain elements in terms of our remuneration positioning in the market, but employees might think we are not good for other reasons: like we are autocratic. You know that's on the employee engagement side so, you might have certain fundamentals where you think that you are good, but that might not be saleable in that shape and form to various stakeholders who have slightly different emphasis in terms of their interests."*

Managing stakeholders

The discussions with the Executive Managers were centered on the stakeholder salience theory as proposed by Mitchell (1997). Three situations were requested relating to actual experiences had by the managers, and questions were prompted to

deeply understand what influenced the decisions made by the managers. Each of the three situations were posed in a manner that would bring forward, where possible, situations of Definitive stakeholders, Expectant stakeholders, and Latent stakeholders.

High Salience Situations

All respondents explained situations they had experienced that were highly salient to them, some of which are shared in this research report.

- The Northern Cape Mall

One particular situation was unknowingly raised by two of the respondents: the CEO and the Legal manager. This situation therefore brings a very high level of salience, and offers the opportunity of understanding how each manager personally dealt with the situation.

The situation was a shopping mall that was painted in the Northern Cape region of South Africa. The professional painting contractor had purchased the product that was tinted (mixed to a specific colour) from a small retail professional paint store in 2007. Unfortunately the store had used the incorrect formulation which was meant for interior use only, this lead to colour fading after a short period post being applied on the exterior of the building. As the legal manager stated "*we had to do very in depth investigations and our evidence was pointed to the fact that the store actually made the error with the formulation, so we actually tried to address it in that regard to the contractor who was suing us because the developer then sued the contractor."*

The claim was raised by the painting contractor in 2008, because the developer refused to pay the contractor due to the paint fading and up until 2012, the claim had not been resolved. The developer served the company with a summons out of the high court.

As the Legal Manager stated "*very serious because it, the cost involved of defending a high court summons and it means the start of high cost litigation. I can't even tell you the cost but it can, you know, to get an advocate. I was very worried. I had to discuss it with global bosses because the moment they it goes to high court it's in the*

public domain and you can have negative publicity." (Appendix E refers to communication from the complainants' attorneys)

For the company this was a top priority, the Legal Manager said "*I remember clearly I had to leave all my other matters and my first priority, what my global management said to me was that my first priority was to get it out of the high court."*

The CEO had joined the company only after the initial claims were sent through by the contractor, and he had to be detailed on what the situation was. He said that "*The situation developed and progressed from people writing letters to each other to the degree that it eventually came back to my desk and we just didn't make any progress."*

According to the Legal Manager, they managed to get the case out of the high court and she said "*we got them to agree to have a round table to see if all parties can reach an amicable solution."*

The CEO said that "*eventually the R & D Director and I flew to the area to meet all the stakeholders on site."* He stated that "*this was a massive claim, I think it was a 700,000 (ZAR) or 800,000 (ZAR) claim."*

After more investigation and the on-site meetings, the company agreed as a gesture of goodwill to assist with a donation of paint, which would be sufficient to complete the affected areas, and *"make a contribution towards labour."*

According to the CEO, "*Okay, an ex-contribution. We put that in writing, etc. but therefore we need a letter to say that you are comfortable with this and there are no further claims and that was more than a year ago and we've had nothing back from them."* The Legal manager said the same, and added "*we don't want to have a negative reputation that people will say what, how come there's such a big mess at the mall and it was Brand X Paint."*

When the CEO was questioned about the corporate reputation at the time of this situation, his response was "*this potentially could have had quite a big impact on future business and corporate reputation, both. It is therefore, after understanding everything and analysing, what we believe is fair and equitable. So that we, and most probably more fair and equitable than what the reality was. And that was that*

type of behaviour, I think, is what drives therefore responsibility from the brand, corporate image and those kinds of things."

Excluding the labour contribution, the estimated value of paint required as the donation was in the region of 50,000 (ZAR), the CEO questions if that sum of money is "*worth damaging, the potential damage, corporate damage, brand damage, etc. and/or future loss of business? But you can only make that decision if you understand the problem."*

Corporate reputation at the time was a major contributor to the salience of this claim, as the Legal Manager stated "*The corporate reputation was very important both for the global company and the local view was that the reputation of the company was at risk, and the brand. Management didn't want the brand to be looked at in a bad negative light or that it's inferior to other brands which we know, you know, we didn't want that to happen."*

In this particular case, the stakeholder with the claim against the company had power, legitimacy, and urgency: all three of the stakeholder attributes were present creating the highest level of salience from a definitive stakeholder.

In unbundling this particular situation, the company had ended up in this situation by default. It was their retail customer that supplied the contractor using the incorrect formulation; however the company's reputation was now at risk of harm through no fault on their part. The company could have fought this in court, and had a strong case due to them not being at fault; however the end result could have been losing the retail store through liquidation (they are too small to absorb the cost of the claim), and having the case in the public domain which would have created awareness of their paint failure, therefore the possibility causing harm to their reputation. The risk of harming the corporate reputation was driving the salience in this case.

The urgency was driven by the need to protect their reputation and keep the claim out of the high court because a summons gives a limited time period in which to respond. The power was driven by the legitimacy of the actual fading complaint, and the summons in the high court.

- Government Building in Kimberley

This situation was raised by the Sales and Marketing Executive, where a government building in Kimberley was painted and a claim against the company was raised 3 or 4 years ago. A site meeting with all the relevant stakeholders was held, and it became apparent that there was a problem with the coating (leaching), but the relevant cause was not properly established. Most often there is preparation problems, high moisture content in the substrate, and incorrect paint systems used. According to the respondent, in order to assist the customer and asset owner, the company had originally decided to repaint the affected areas and make good all areas of concern, as stated by the respondent "*well if you paint the entire building it is going to cost you R400.000, and that thinking made them make the decision to say they are only going to go and paint the affected areas and not the entire building"*

What had transpired since then, is no resolution was ever adopted or executed by either party, and the claim had now become 4 years old. This was a poor performance issue by the company technical department responsible for resolving the issue.

According to the respondent, "*the government department had put the pressure on the contractor, not wanting to pay him and putting through the claims. The contractor put the pressure back onto the store saying it's your fault. The store had come back to us and said that it's our problem because the product had leached and, from a technical perspective, yes, the product had leached."*

The Sales and Marketing Executive was now concerned about the corporate reputation because Kimberley is a small town, and as he stated "*the building is really looking pathetic. Everybody knows it's been painted with Brand X so I only got the information last week."* He then reflected that there was some internal conflict as to why the claim was not settled and to what extent the company had committed to make good, and there was miss-communication and confusion between what the company said we would do and had not done anything and stated "*I then made a decision yesterday to say well we will repaint the entire building, although it is going to cost us R200.000 extra."*

He elaborated on the issue further by stating "*we've actually dragged this claim for so long that it wasn't fair on the customer, where the contractor bought the paint from, I mean, the relationship is destroyed. The contractor is highly annoyed. The government building is looking pathetic and they are upset so, I mean, it's the whole chain of events that needed to be rectified."*

The respondent said there were two things driving this: "*corporate reputation (one) because there's various stakeholders and word of mouth is actually quite dangerous, especially in a place like Kimberley or in any area. You also put the reputation of our company at stake with your customer, right, where you could lose potential business. So there's an impact on business, with the contractor as well and I think, from an ethical/moral point of view, if your staff are saying, "This is what we agreed in the meeting." You cannot go back on your word."*

When questioned whether his decision to rectify the situation was based on moral and ethical grounds or business objectives, the respondent stated "*I would say the driver would have been probably more moral. If the meeting occurred where we were categorically saying, "Listen," from day one, "We are only going to be repainting the affected areas," which was probably the right thing to do. Then I would stand by saying, "We wouldn't repaint the whole building." But the mere fact that you've actually agreed to the contractor that this is what you are going to do; he's gone back to the customer and the customer has gone back to his customer – I think that is where the horse has bolted."* (Appendix F refers to internal communication regarding the project)

The respondent reflected in saying "*I think what we do is the minute we see that these are big claims we kind of just stretch it and it does a lot of damage in the long run."* He emphasized and alluded to that as a company in the future they must admit when there is a problem, and execute a faster resolution to avoid any reputational damage.

This situation is another example of a high salience claim, and shows all three attributes of power, legitimacy, and urgency, but again reputation is viewed at risk by the manager.

Where this situation differs from the mall, is that the pressure exerted by the stakeholders with the Kimberley case is not as dramatic as with the mall because there were no legal implications yet with this case. Because of the extent of the legitimacy of the claim (the paint had failed) an inherent power was at play, and this power was coupled with the threat of damage to the reputation. The urgency was driven by poor past performance from the company in this regard (the delay in resolving the issue when it originally arose, and false promises), which also had an impact on the reputation, and the respondent had to make good as quickly as possible.

- Other Highly Salient Situations

The Procurement Executive spoke of a situation where the company had a claim on the raw material supplier for supplying faulty raw material. The net effect was faulty products were produced and sent to market and in-store. The impact was claims by consumers and professional contractors due to product failures, and reputational harm - and a financial claim against the supplier, "*it was all legitimate traceable referenced and we ended up with a sizable payback."* From a corporate reputation perspective, he stated that "*whenever you have customer complaints like this corporate reputation is paramount so that is why the speedy resolution, the extent to which we're out there in the cold phase ensuring that we resolve those claims and we know about it and they're legitimate. You know, with a sense of urgency. You know and we basically pay for the resolution of the problem, helps you protect your reputation."*

The remainder of the respondents all gave examples of past experiences where their salience was high due to all three attributes of power, urgency, and legitimacy being present. They all alluded to the fact that when the corporate reputation was at risk of being harmed, the salience increased, and this was mainly driven by the legitimacy of the claim.

<u>Moderate Salience Situation</u>

- Time and Resource Management

The CEO said that, depending on the situation, if it is not highly salient he will delegate the situation to one of the Executives or Managers to resolve. As he said "*If*

everybody for everything demands my immediate attention I'm going to work 37 hours a day, flat out, and I won't get everything done." He further stated "*what I have done, especially internal, when someone asks me for X, Y and Z internally or send me things; I sometimes ignore it completely because I think it is completely utter nonsense."* In evaluating his comments, it is clear that legitimacy would not be present in those situations.

- A Supplier Situation

The Procurement Executive gave an example of the Aerosol manufacturer who toll manufactures the spray paint for the company. He stated "*we know is not a good supplier but, you know, it's a case of he's the best of the worst."* This immediately implies that there is legitimacy lacking. He further stated "*we have intermittent supplier problems and things like that and it's also a case of saying, you know, really we either got to accept what we get and we deal with it as and when the issue has come up or alternatively, you know, if we start to put undue pressure on the supplier they'll simply put their hands up and walk away."*

"It gets limited attention but it does have stakeholder impact on the other side when we don't have stock available. But then we discussed it as a business and questioned what the impact of reputational damage is if we don't have any more of aerosols in the market place? and the business has agreed that based on its number of resources and the ability to deal with this particular issue we are not going to pursue it. It's not worth the effort and the impact on the business from a reputational perspective is small." He then stated the business will attend to any aerosol product claims when and where they arise.

- A Customer Situation

The Sales and Marketing Executive gave an example of an experience he had with a retail customer. This customer had been long standing for a number of years, but felt that the company had breached his contractual territory by allowing a new retail outlet of the same business profile to open in his area.

The respondent explained "*This customer was a paint specialist of ours for quite a few years. He actually bought one of our stores and he was our primary distribution into the trade market in a specific area. Then when I took over in January I*

discovered that the sales rep that used to service him, that we appointed him as the Preferred Stockist cutting this guy's territory in half. But the problem was this company was over a period of time actually in breach of contract because he was buying other paint selling and it. He was actually using his market position to promote his own, to promote the competitor brand and we had an issue with that."

"He was threatening us to close his account, he was threatening to throw us out and replace us with another brand and he was putting a lot of pressure on… legal pressure, legal letters that we got that we were in breach of contract, that we are deliberately sabotaging his business, all sorts of claims while we were still supporting this guy. I mean he phoned me at night, and every now and then I received a phone call, I could not get rid of the guy. He was on my case. And then I visited him once and then afterwards me and another colleague of mine had a meeting and we started debating what we should do. Should we react, should we give in or do we just wait and see what happens if he doesn't want to play it out. And we decided just to wait and ignored him flat out."

"Eventually the pressures of doing business and generating a continuous profit were stronger than him. You know he was urgent by trying and see if he could not get concessions out of us…he is still a customer and better today. I actually think that experience did him a lot of good because it made him realize who his real partners are in business and the last time I heard, there is a lot less of the competitors stock in his shop and he is playing ball with us now." (Appendix G refers to legal action taken by the customer)

The above discussion was clear that the customer tried to influence the manager through use of legal power and withholding strategies. The customer lacked legitimacy in terms of his claims; the net result was not receiving concessions from the company and the manager not attending to his claims.

From all respondents interviewed, when describing their situations of moderate salience: 7 out of 8 examples lacked legitimacy, 2 of which lacked urgency as a result of lack of legitimacy, and 1 only lacked urgency alone. The situation that lacked urgency alone was an internal situation between the Finance Director and employees managing reporting deadlines.

Low Salience Situation

- A Potential Supplier Situation

The R & D Executive gave an example of a potential supplier who was trying to sell raw materials to the company: "*a raw material supplier who has given me things on a regular basis, samples to test. As far as I am concerned they give me a lot of things and they want me to test it, I had one this morning. He has phoned me about half a dozen times, it was his father, he said that his son spoke to me: his son never spoke to me. In that case, all I do is ignore it. It happens on a regular basis."*

As far as the pressure the supplier applies, the respondent stated "*phone calls, and asking me to evaluate their products. I am weighed up in internal priorities."*

The respondent was asked whether or not this particular supplier deserved stakeholder status, his answer was "*No"* and he confirmed that he has never paid any attention to their claim or demand. He stated that his decision not to accommodate the supplier was based on business objectives, and that there was no potential negative impact on the corporate reputation.

- A Subsidiary Company Situation

The Exports Executive raised a situation where the company has an operation in Malawi. It is a separate entity belonging to the group, and manufactures and distributes its own paint products locally within Malawi. The raw materials are procured and sold to them by the South African company. The situation was explained as "*the company is a subsidiary company in Malawi, their demand is that we have got to be lenient towards them in them paying their account. Obviously in holding up the fact that the country is in dire straits and they can't raise enough money and I think the way we are treating them is with firmness so that they understand that they have got to take responsibility for managing the business. And I mean it is now six months, we have not supplied them but they are delivering the numbers. I don't know how they do it."*

The Exports Executive is accountable for their results and stated that at times one needs to make very difficult decisions, and he explains the pressure Malawi is exerting on them whereby "*they keep on reducing their latest view forecasts. Not*

giving us the numbers that we should be getting, claiming that they are not getting stock. But we know they have to pay salaries, they have to pay their bills, they have got to make it work. Actually what we have done, thinking about it, we have actually matured them, that they can actually wash their own faces, they are not a kid anymore. I think for too long we have treated them with kid gloves not forcing them to take responsibility for their own wellbeing. And what it is proving now is that they have matured through all of this. They are getting the raw material through from somewhere, they are making the sales, they are producing what they need to produce, they pay their accounts, they have reduced their account in South Africa and they are delivering profits." He maintains that there has been no impact on the corporate reputation.

Essentially, in this case, the Malawi business clearly had urgency, but lacked legitimacy because they were always defaulting on their payments, and to some degree lacked power because they were unable to get the manager to supply the materials they require to continue manufacturing. There is a clear withholding strategy in place by the South African business as a means of influencing the Malawi business as a stakeholder. (Appendix H refers to the debtor's statement for Malawi)

- An Ex-customer Situation

The Legal Manager spoke of a prior employee who resigned from the company to open a paint retail store. This customer had a contractual agreement (Preferred Stockist Agreement) with the company, and therefore was entitled to certain benefits.

"*The problem is he ran into huge financial difficulties and we had to serve him with a notice of termination of his preferred stockist agreement."*

The following pressure was exerted by the customer to try and create power: *"He has gone to his attorney and has been threatening us with letters so I've been responding diligently to those letters and then recently there's no merit. He doesn't have a case. We don't owe him anything… I used to respond and then I've reached a point where I'm tired of this because he has not been honest with his lawyer for one."* The customer continues claiming that the company owes him money for credits from stock returns and commission, she stated that upon investigation *"We don't owe him anything; he's saying that we owe him things and he can't show the proof of*

it. He can't come up with any documentation. We've got all the proof on our side that everything has been attended to on our side."

The respondent in this case no longer attends to this individual's claims, the company views the claims as having no legitimacy, the individual is attempting to create power, and the sense of urgency could still be present because the respondent stated that "*the lawyer stopped sending letters and is now making phone calls."* (Appendix I refers to communication from the firm to the customers' attorney in response to the claims by the customer)

Legitimacy

Research was done in terms of whether or not a claim would still be attended to if the claim was seen as legitimate, but the claimant not, and if it would be attended to from a moral perspective. All respondents believed that the claims should be addressed from a moral perspective. One respondent stated that both the claim and the claimant would need to be legitimate for him to attend to the claim, the other 7 respondents said the legitimacy of the claim is what needs to be addressed.

A respondent stated "*the driving factor would be the claim that has essentially been made",* and another stated "*Let's say it is a claim where it impacts on the environment negatively or the health of someone. Morally yes because in order to have a legitimate organisation you are morally obligated to make sure that you handle all sorts of claims*." Figure 12 shows the management response based on: the claim only or both the claim and the claimant need to be legitimate.

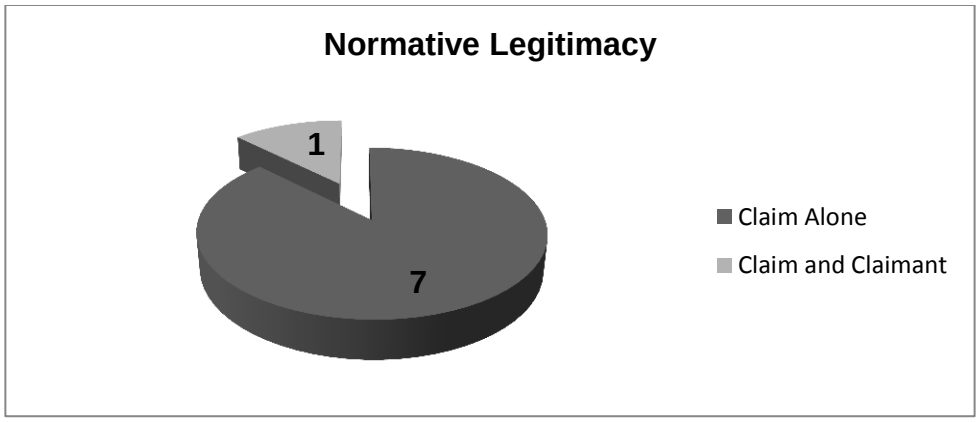

Figure 12: Normative Legitimacy: Manager's perspective

4.4.2 Responses from Stakeholders

To further research, and establish results for question 2, various themes were applied due to the broad range of elements that impact on how the stakeholders are affected by management actions and decisions based on actual stakeholder demands, and due to the extensive scope of stakeholder theory. These themes included:

- Organisational elements
- Corporate reputation
- Managing stakeholders
- Stakeholder Influences

Organisational Elements

In understanding the descriptive, normative, and instrumental aspects of the company from a stakeholder's perspective, the stakeholders were asked if they believed:

- That the company's objectives are geared more towards meeting shareholders' requirements
- That the company's objectives determine how they are managed as a stakeholder
- The company's management drive ethical and moral behaviour when managing you as a stakeholder

Figure 13 depicts an interpretation of the responses received from the respondents. Although not all respondents were in a position to offer their viewpoint on the statements, none of the respondents disagreed with any of the statements. The scoring on the normative aspect was low, and given no bias, could result in the stakeholders not having experienced any situations that would produce normative behaviour.

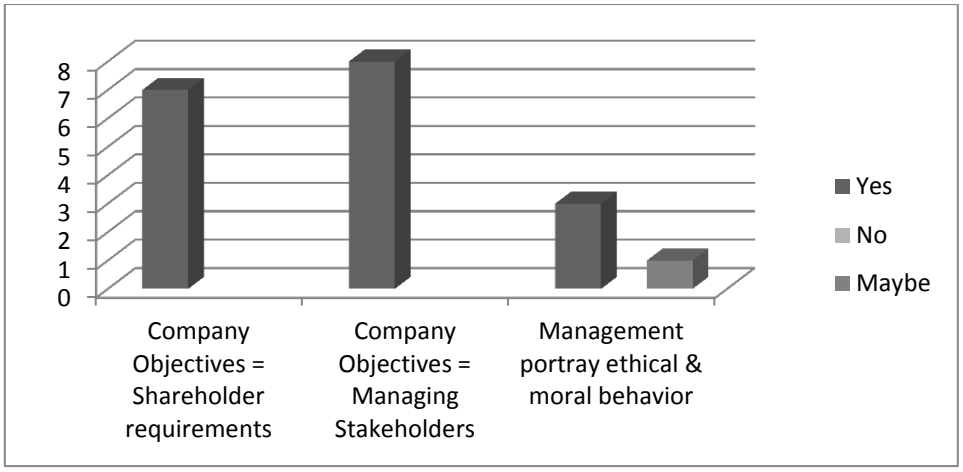

Figure 13: Organisational Elements: The Stakeholder's View

From an instrumental perspective, the one employee responded with "*If I look at something like Project X, where jobs have been scaled down and people just get more work thrown at them. There's a reason for that and that is things like Project X, Project Y, all of these projects where they, yes, they do get rid of people or they combine five jobs into one."*

Two comments from a normative perspective were:

"*Certain items that I've manufactured for them or designed for them, specifically for them, they will only buy from me. They won't take my design and give it to somebody else to manufacture, even though they could possibly get it somewhere else cheaper. And likewise, items that they get manufactured by somebody else, they don't give to me to price for them, because I know I could make them cheaper. So, I think ethically they are … I think sometimes from a price perspective; they will stick with you, even though the price could be beaten by someone else. Price can always been beaten, but I think ethically they would stay with you, because ethically you've been dealing and designing and developing things with them and they would stay with you."*

"When I was still working for the U.K. business my mum got diagnosed with cancer and it was never heard of that I can go and work in a different country but they accommodated it, and I came to work in South Africa for 3 months while I helped my mum recover."

Corporate Reputation

To establish relevance for future discussions, the respondents understanding of corporate reputation was explored. The following responses were stated:

Employees

"Corporate reputation is how unrelated independent third parties react to your brand or how your company is being portrayed in the media or press releases or even to a degree your product… If we painted the Empire State Building and it went green, you know it would, that would damage our corporate reputation."

"My understanding of corporate reputation is what people actually think of the company. So it is if you have to ask a stranger what they think of Company A they will give you a certain answer. If you ask your clients what do they think of Company A it is, I think, how the external community perceives the company."

Customers

"I'm not quite sure there is one. I'm not quite sure that the corporation or the organisation has a reputation. I think individuals who work for a company have a reputation."

"I would say it is the people that are running the company and it is how they represent themselves."

Suppliers

"It's all about image in terms of how you're seen by the shareholders and stakeholders, be it the public out there or your customers and your fellow shareholders and businesses in the way that they see you behaving in business, so be it either environmental issues or corporate moral issues in terms of bribery, corruption, fraud. So I think it's the way the greater public or your customers and shareholders view you as a business and how you behave."

Overall, there was a general understanding by the stakeholders of what corporate reputation is, with the exception of one customer who believed there is no such concept. Further to the reputation enquiries, there was a general agreement amongst the respondents that a company can have more than one reputation with the exception of that one respondent. Some perceptions from employees were:

"*I think that they are to a degree like people. They can, for lack of a better word, manipulate their image in certain areas when it comes to certain things."*

"I think our company has a reputation that they do look after their employees. There is a feeling of care from senior management. That everyone is not just a number and the senior manager actually knows most of the employees. However, if you look at the global company I don't think they actually care about anyone in their smaller divisions. I think it is getting the best output from the least amount of people, money, effort and all of that."

One supplier mentioned that a company could have a reputation of supplying a great product, but also have a reputation of being expensive or a bad employer.

Managing Stakeholders

The discussions with the eight stakeholders were centered on the stakeholder salience theory as proposed by Mitchell (1997). Three situations were requested relating to actual experiences held by the stakeholders where they raised a demand, claim, or issue with the management of the company. Questions were prompted to deeply understand what influenced the decisions made by the managers. Each of the three situations were posed in a manner that would bring forward, where possible, situations of Definitive stakeholders, Expectant stakeholders, and Latent stakeholders.

High Salience Situations

- Arrears in Company Tax

An employee explained a situation where shortly after joining the firm he realised that the company tax was not compliant. He stated "*I realised what a disaster our tax was in, so I raised the issue and made the demand that we need to get this sorted out, we had not submitted tax since 2007, and this was probably around 2011 when*

this all came out." The employee proposed a solution to management to solve the problem, and pressurised management for an action plan based on what was evident. There were not many alternatives regarding the situation, management agreed and assisted in facilitating corrective action. According to the respondent, both moral grounds and business objectives were at play, "*there was a moral obligation in terms of being a good corporate citizen and having your tax house in order, as well as business obligations in terms of you have to have a tax certificate to tender or maintain accounts with big clients."*

According to the respondent, corporate reputation was a large driver of salience, "*it would be a problem if the company landed in the headlines because SARS was taking us to court… if our largest customer asked where our tax clearance certificate is and if we said no, that does not look very good on us as a corporate citizen, so I think in terms of managing your relationship with your customers, as well as your broader reputation in terms of your government and local authorities I think they were very aware of that."*

The outcome was that the company became 100% compliant, as the respondent said, "*we got our house in order."* (Appendix J refers to the valid company tax clearance certificate)

In this situation, the stakeholder, being the employee, had legitimacy (the company was not legally compliant with legislation), which along with his skills gave him power, and the risk of harming corporate reputation drove the urgency.

- Incorrect Software Updates

The supplier of plant and equipment (for tinting) owns the distribution rights in South Africa for the software used at point of sale for in-store tinting (colour matching). The company uses this supplier for managing the formulation database. The formulations used to mix colours are updated regularly in-store so that all retail outlets have the most recent and accurate formulations. If the formulations are incorrect, the company accepts liability and claims can run into large sums of money through replacing product and labour claims. "*Tagging*" is a term used for differentiating between interior and exterior formulations, if an interior formulation is used for exterior paint, the colour will fade within a few months of application.

The supplier noticed that a new formulation update was produced that did not include the appropriate "tagging", which would have costly consequences if the formulations went to market. The respondent stated:

"*Recipe updates that went out was sent to us and was a complete mess just in terms of the way the tagging had come through, so you weren't even getting a selection of colours; so from 12000 odd colours I think the thing dropped down to about 4600 colours …and the recipe updates were going to all the customers."*

"I went straight back to the lab and told them "you can't send that out". They had cut the discs and given it to the reps already but luckily none of them had gone out and actually issued the discs so we could stop it. The R & D Director could recall all of the discs and we could re-issue."

The respondent said that the response was extremely fast from the company, and from a reputational perspective, he stated "*they would have looked like idiots."*

This situation showed high salience with a legitimate problem, power in that the company could lose money and harm their reputation, and urgency due to the timing of the update.

<u>Moderate Salience Situations</u>

- Product Claim

The professional contracting customer had painted a house, patchiness had become visible under wet conditions, and streaks would appear once dry, the customer stated:

"*It might not be per the technical people; it might not be a problem; it might just be a phenomenon without any integrity of the product. It still does the job, but the aesthetic appearance is not right. This problem has been going on, I think, for over a year, probably two years. We have addressed it. The company has dragged their feet in resolving the problem. It might only be a small, little house in Johannesburg, whereby maybe 10 drums or 8 drums of paint is required to rectify the problem, I just feel that The company haven't played their part properly in coming to the party and offering to re-paint this house. We understand that this might just be a one-off home-owner and you might never do business with that person again, but in this*

case it was a little different, because the person's house happens to be the PA of the MD of a large building company and I don't think it went down in sort of good taste."

The respondent stated that the technical people from the company had done their part of the investigation, and stated that nothing was forthcoming from the manager who makes the decision. As he stated, "*management didn't react quick enough*".

Pressure exerted by the customer was telephone calls and dealings with his sales representative, and the Trade Sales Manager was kept informed as he was copied on email.

The customer believes that the sales manager did not view the situation in a serious light. He still had not had an outcome, and this was the 3rd or 4th time that this had been raised. (Appendix K refers to the paint failure complaint)

This situation clearly has legitimacy, the urgency is apparent but the customer is not being treated fairly. The customer has power due to his company's annual spend and relationship with the company; however he has not utilised his power to influence any senior managers. The sales manager and the technical department both showed poor performance with this situation, and have created risk for the corporate reputation. If this was escalated to a senior manager, the salience would most likely be high with immediate effect.

All other respondents raised situations that lacked urgency, any risk of harm to corporate reputation was minimal, and power was dependent on the legitimacy of the situation.

Low Salience Situations

One of the employees explained the company head office move, which brought about changes that employees needed to adapt to. One of the changes was an automated coffee machine that contains only powdered milk. There was no longer going to be fresh milk available for employees.

The employee explained "*I raised it and said, "Guys, for the amount of money that you are going to spend the morale you are going to save by just allowing them to have their fresh milk. They've always had their fresh milk in the offices."*

“And it was completely squashed, completely. And a lot of people are frustrated and irritated because there is no fresh milk on site because the company has always supplied them with fresh milk.”

The employee felt that it was wrong of management to take away the perk, because employees have made other sacrifices to move with the company to the new premises, and management were not interested in changing the status quo.

In this situation, there is some form of legitimacy, however there is an automated coffee machine available. Urgency is apparent, but power is not present to enhance the salience. Corporate reputation will not be harmed, as this is not something that will end up in the media - a few disgruntled employees. The employee stated that the staff members could have collectively influenced management from a stronger position if they all stood together instead of talking about it in the corridors.

None of the other stakeholders had a situation to speak of, most said that the company’s management will always communicate or try to resolve a problem – they have never been ignored. One customer stated “we will just keep on at the managers until we get some feedback, it doesn’t necessarily mean it is going to be in our favour.”

Legitimacy

Research was done in terms of whether or not the respondents believed that a claim would still be attended to if the claim was seen as legitimate, but as the claimant they were not, and if it would be attended to from a moral perspective.

Two respondents stated that both the claim and the claimant would need to be legitimate for managers to attend to the claim; the other 6 respondents said the legitimacy of the claim is what would be addressed.

The 6 respondents suggested it would be from a moral perspective.

Figure 14 shows the stakeholders’ responses based on: the claim only (yes management will attend to the claim); or both the claim and the claimant need to be legitimate.

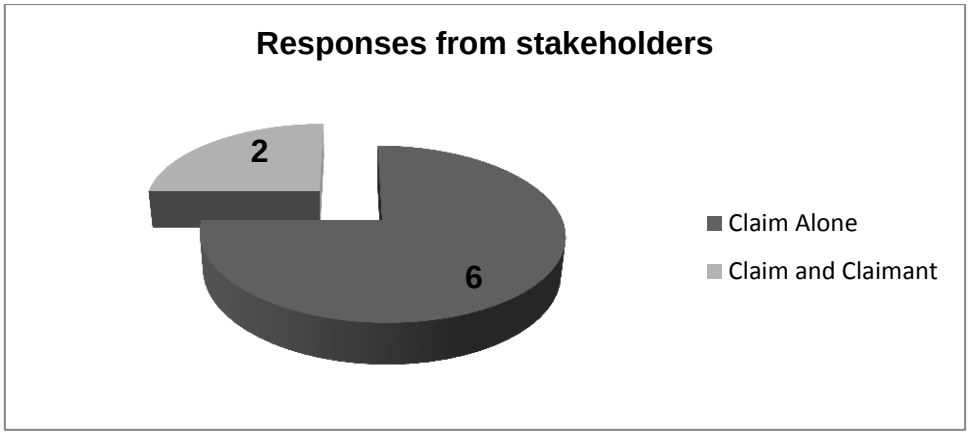

Figure 14: Normative Legitimacy: Stakeholders' perspective

Stakeholder Influences

The theory states that stakeholder coalition is where a network of stakeholders collectively create greater power to influence the organisations (Rowely, 1997). The example used by the employee regarding the low salience "milk" situation is related to what Rowely (1997) wrote, she stated that *"if all the employees stood together and raised that concern it would have been addressed".*

A supplier stated that he can influence the company to use his services over and above his competitors through servicing the company's customers better than his competitors and creating relationships with the company's customers. In this way, the company's customers will influence the company on his behalf. He stated "*I'm hoping that I'm getting your customer to force you to use me."* He would be using a network of stakeholders to influence the company.

An employee raised a similar situation regarding the move of the company head office: The company ruled that there was going to be no additional transport compensation for any employees who have to travel further to the new head office. Some lower paid employees jointly called a union meeting to address the situation, as they felt it would no longer be viable to work for the company if this was the case. They jointly requested additional compensation with a number of reasons. The management noted their demand and decided with a view of motivation to assist them with an additional R500 per person per month.

The stakeholders were questioned on how they could influence the company from a stakeholder perspective; withholding and usage strategies as explained by Frooman (1999) were identified.

A supplier suggested that they could withhold their supply of skills in saying "*listen I don't want to store those shakers, I don't want to install those shakers, the fact that they are breaking in the field"* as a way of influencing the company to purchase his equipment instead.

The other supplier suggested that if you are not satisfied with what a company is doing, "*you've just got to non-supply… So, if you're not getting paid by them, you put them on stop and you withhold your resources",* which is an example of a usage strategy.

Conclusion to Research Question 2

Organisational Elements

Information gathered on the company falls within the scope of the descriptive, instrumental, and normative theory by Donaldson and Preston (1995).

The views from the 16 respondents showed consensus that companies are in business to create wealth for the shareholders, and besides restructuring initiatives that have occurred in the past, the respondents showed that the company does not create shareholder wealth at the expense of the stakeholders.

All respondents agreed that there are company objectives in place, and that the stakeholders are managed accordingly.

The CEO stated: "*I maintain the business should have a very high moral ground and ethics is non-negotiable, in my mind",* and the culture in the organisation is driven from the top down.

Figure 15 shows all the respondents' views on executive thoughts and behaviours regarding instrumental and normative aspects.

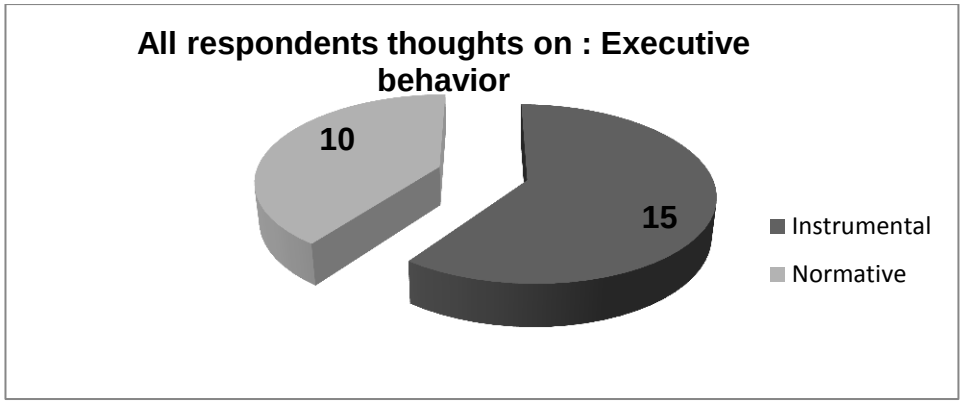

Figure 15: Instrumental and Normative behaviour: All respondents

Information revealed in the high salience case studies show executive management applying the necessary resources to protect and enhance corporate reputation. Many of the situations were ethical by nature and viewed by the management as the right thing to do.

Corporate Reputation

Upon reviewing the explanations given by the respondents of their understanding of corporate reputation, overall the respondents showed a general understanding - except one customer did not believe there is such a concept as corporate reputation. The following elements were evident from their explanations:

- *"When you have something to lose"*
- *"A set of values that you stand for"*
- *"The view that the public have of that company"*
- *"What the company stands for: integrity, looks after the environment"*
- *"Plays in the arena of ethics…something separate to brand which is more our life blood…needs to be safeguarded in a different way"*
- *"How your company is being portrayed in the media"*
- *"It is the people that are running the company"*
- *"How you are seen by the shareholders and stakeholders"*
- *"Environmental issues or corporate moral issues in terms of bribery, corruption, fraud"*
- *"The long term standing in terms of integrity in the market"*

The respondents' understanding was important from a relevance perspective because the respondents were questioned on corporate reputation when looking at various real life cases and experiences. 13 out of the 16 respondents explained that a company can have more than one reputation, two of the respondents disagreed and viewed corporate reputation holistically from an external perspective, believing an organisation can only have one reputation.

Managing Stakeholders

This section is most critical in answering question 2 as it relates to direct activities and situations that the executive directors and stakeholders have experienced with the organisation. It relates to the *to whom (or what) do managers pay attention?* part of the theory and is seen as the descriptive aspect of stakeholder salience (Mitchell et al. 1997). As mentioned in chapter 2, stakeholder salience is defined by Mitchell et al. (1997, p. 869) as "the degree to which managers give priority to competing stakeholder claims".

High Salience Class: Definitive Stakeholders

- Three situations were addressed in detail by the managers, and the following was observed:

From a stakeholder class perspective all three cases represented the definitive stakeholder class as seen in the theory. Within each claim the attributes urgency, legitimacy, and power were present.

An observation outside of the theory is that in all three cases, and other cases stated by the other five managers: is that corporate reputation was a driving factor in view of the salience.

An inherent power was also visible in the claims based on the legitimacy of these claims.

- From the stakeholders' situations, the following was observed:

All three situations described represented the definitive stakeholder class where all three attributes of urgency, power and legitimacy were present.

Again, an observation was noted that corporate reputation was a key driving force in the salience.

Moderate Salience Class: Expectant stakeholders

- Situations explained by managers

In the three situations addressed, legitimacy was the one attribute lacking, but the other two attributes of power and urgency were evident and therefore these situations correspond with the expectant stakeholder class.

According to Mitchell et al. (1997), these stakeholders would be dangerous stakeholders due to legitimacy lacking, such as wildcat strikes, sabotage, and terrorism. In these cases, the theory does not correspond to the responses.

Another observation is that, in all three cases, corporate reputation was not at risk.

- Situations explained by stakeholders

The situations explained by the stakeholders proved that urgency was the one attribute missing in most cases. The theory states that they would fall into the expectant stakeholder class by having only two attributes, and because urgency is missing, they would be classified as dominant stakeholders. The cases corresponded to the theory.

In these cases, corporate reputation was at risk in only one situation, being the product claim. If the customer had created awareness of the claim with senior management, then the claim would have become more salient due to the risk of harming the reputation. This would have then become an example of stakeholders moving between classes, from the expectant stakeholder class to the definitive stakeholder class.

Low Salience Class: Latent stakeholders

- Situations explained by managers

All of the three cases explained only had urgency; they were missing the two attributes of power and legitimacy. According to Mitchell et al. (1997) they would be

classed as latent stakeholders for only having one of the attributes, and would be seen as demanding stakeholders.

The theory adopted by Neville et al. (2011) argues that a stakeholder possessing urgency alone should not be granted stakeholder status because, if they lack power to influence the firm and legitimacy as a claim, then managers will not consider them as stakeholders and there will be no salience.

Using the case with the potential raw material supplier, when the respondent was questioned whether or not he would give the supplier stakeholder status, his answer was "*no*" and that he had never paid any attention to their claim or demand. This corresponds to the theory presented by Neville et al. (2011).

There was no risk of harm to the corporate reputation.

- Situations explained by stakeholders

There was only one situation raised that falls within the scope of latent stakeholders. In this case, there was only legitimacy to an extent based on prior benefits the employees received at work (fresh milk supplied by the company), and low employee morale. There is an impact on how the affected employees view the corporate reputation, but does not hold sufficient ground to influence the management.

In this case, they would fall under discretionary stakeholders who correspond to the theory, and they have the ability to gain power through stakeholder coalition by standing together as a network of stakeholders to influence the management.

This would then move them to the expectant stakeholder class, as dominant stakeholders, and their claim would have a higher chance of being addressed.

None of the other respondents could recall situations to discuss.

Normative Legitimacy

Research was done in terms of whether or the respondents believed that a claim would still be attended to if the claim was seen as legitimate, but as the claimant they were not legitimate, and if it would be attended to from a moral perspective.

An executive manager stated "*the driving factor would be the claim that has essentially been made",* and another stated "*Let's say it is a claim where it impacts on the environment negatively or the health of someone. Morally yes because in order to have a legitimate organisation you are morally obligated to make sure that you handle all sorts of claims*."

A stakeholder said that it was the claim one should look at first, and thereafter the claimant.

In total, 81% of the respondents stated that the legitimacy of the claim is what is important, even if the claimant is not legitimate, the claim should still be attended to by management. They believed the claim should be addressed because it is morally correct and the right thing to do.

The research corresponds to theory proposed by Neville et al. (2011), where if the claim is normatively legitimate but the stakeholder is not, then the claim will still be salient and attended to by the managers.

Figure 16 shows all respondents view of normative legitimacy.

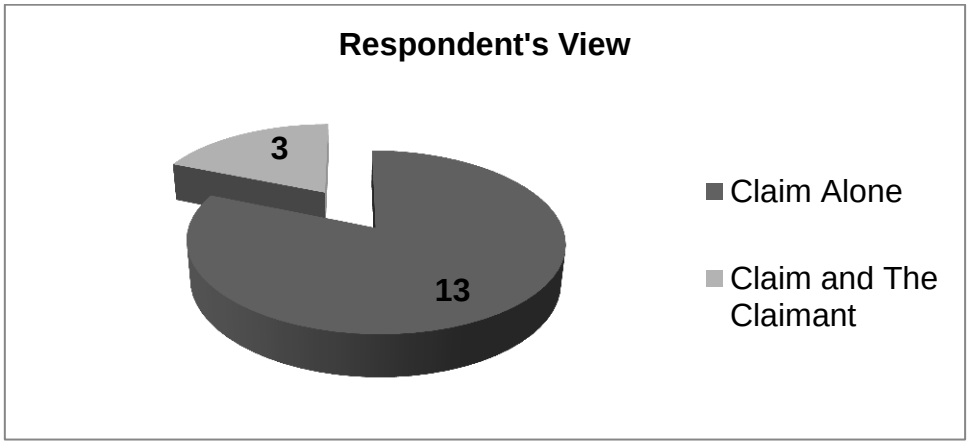

Figure 16: Normative Legitimacy: All respondents

Stakeholder Influences

Further to the theory stating that stakeholder coalition is where a network of stakeholders collectively create greater power to influence the organisations (Rowely, 1997), the research conducted substantiates the theory based on the following:

The example used by the employee regarding the low salience “milk” situation where she stated that *“if all the employees stood together and raised that concern it would have been addressed”.*

The supplier that gave the example of using networking with the company’s customers to retain and grow his business with the company stated “*I’m hoping that I’m getting your customer to force you to use me.”*

The situation regarding the move of the company head office: The employees collectively used the union to gain additional compensation from the company for travel costs. The management noted their demand and decided with a view to motivation to assist them with an additional R500 per person per month.

The theory of stakeholder influencing strategies includes withholding and usage strategies as explained by Frooman (1999), findings show that the research substantiates the theory as follows:

A supplier suggested that they could withhold their supply of skills by saying “*listen I don’t want to store those shakers, I don’t want to install those shakers, the fact that they are breaking in the field”* as a way of influencing the company to purchase his equipment instead. This would be considered a withholding strategy.

A respondent suggested that if you are not satisfied with how a company is behaving, “*you’ve just got to non-supply… So, if you’re not getting paid by them, you put them on stop and you withhold your resources”,* which is an example of a usage strategy.

CHAPTER 5: DISCUSSION OF THE RESULTS

5.1 INTRODUCTION

The questions raised in chapter 2 are discussed within this chapter through comparing the findings from the interviews with the 16 respondents interviewee details in chapter 4, and with the topics addressed in theory raised in chapter 2. According to Patton (2002), qualitative research creates findings taken from real world environments where the phenomenon of interest unfolds naturally. The purpose is to identify how the senior managers and various stakeholders of the South African company behave in real life situations, how this information can be interpreted in order to answer the questions raised, and how the information correlates to the theory presented.

For referencing purposes the research questions from chapter 2 are repeated:

Research Question 1

Who are the firm's stakeholders and what stakeholder attributes of power, legitimacy, and urgency do they possess?

Research Question 2

How do the managers of the company prioritise stakeholder demands and how are the relationships aligned with the stakeholder salience theory?

5.2 DISCUSSION PERTAINING TO RESEARCH QUESTION 1

5.2.1 Who or what the firm's stakeholders are

An objective was to identify who the executive management believes who or what their company's stakeholders are, when asked for a definition of a stakeholder from their perspective, the following key elements were stated:

A stakeholder should "*have a vested interest in the organisation", "have something to lose or some reward attached", "have an impact on or are impacted by the firm", "have some direct bearing or influence", "directly or indirectly makes an impact on performance for the benefit of both parties", "adds significant value to the business", "who or what has got potential positive or negative impact on the brand reputation".*

In assessing the statements made by the executive management, there are clear commonalities between what was originally defined by Freeman (1984) and them. Freeman (1984, p.46) mentions *"*who can affect or is affected by*",* the management team strongly mention "*directly or indirectly impact or impacted by"*, and "*vested interest"* (having a stake). Freeman (1984, p.46) in his definition states "the achievement of the organisations' objectives*",* whereas the management did not look at it only from a one sided perspective being the organisation: they stated "*performance for the benefit of both parties", "have something to lose or some reward attached",* which in assessing the definitions from the executive team show a clear reciprocal nature.

The stakeholders were given an opportunity to state their definition of who or what a stakeholder is, they stated "*supply a service to the business that is both critical to the business and ourselves", "somebody who has a vested interest",* an employee stated "*deliver what I can to other stakeholders in the company, if I don't do that I won't get paid", "should the company do well the stakeholder should also do well", "we are reliant on them so that we can push their product".* Once again there was a lean towards reciprocity with what the external stakeholders had stated.

A summary of who the managers believe their company's stakeholders are, and how they perceived them as primary versus secondary stakeholders can be referred to in table 12.

It is apparent that the company strategy could have an influence on who the managers view as stakeholders. The theory as mentioned in chapter 2 does not include competitors as primary stakeholders, yet the managers do believe that they are. This can only be from the competitors' ability to affect the firm's performance and management decision making on long and short term strategy. Clarkson (1995) states that a primary stakeholder is one that if the company does not have this stakeholder, the company will not be able to continue as a going concern - this is not

the case with the competitor. Yet management view competitors as having the ability to strongly affect the firm and classes them as primary stakeholders. Consumers and customers are shown separately within this case due to the business to business nature of the firm, the firm does not trade directly with consumers rather through retail outlets, yet views consumers as primary stakeholders because they create the demand. Head office is shown as a primary stakeholder due to the influence on the management decision making from a global reporting perspective.

With reference to figure 6, employees were the most cited stakeholders, followed by senior management which would be themselves in relation to the global structure, and customers. Thereafter the suppliers and the company global headquarters were the most important. Clarkson (1995) viewed government and communities as primary stakeholders, whereas the management team cited them mostly as secondary stakeholders who are affected by the firm's actions from a secondary nature or subsequent affect. The findings in this research substantiate what Tullberg (2013) states, where this narrow view of who the stakeholders are includes: shareholders, customers, employees, suppliers, at times the community, and managers due to the controversy surrounding self-interest. There is also a sense of what Tullberg (2013) states that almost everyone can be indirectly affected by a firm, but considers this insufficient without making a contribution or having a role in the firm. Having a contribution or a role in the firm was very evident from the respondents' interpretation of who they determine their stakeholders are.

5.2.2 Classifying stakeholders through attributes (power, legitimacy, urgency)

In chapter 2, Mitchell et al. (1997) question if an organisation and stakeholders have a relationship, what could be the nature of that relationship? They state that various definitions show how the firm is dependent on the stakeholder for survival, or how the stakeholder is dependent on the firm; some include contractual relationships, power-dependence relationships, and a legal or moral right, or an interest. Mitchell et al. (1997) suggest that to understand "the principle of Who and What Really Counts", stakeholder relationships should be evaluated in terms of the attributes of power, legitimacy, and urgency; to which managers perceive stakeholders on those attributes and the stakeholders become salient to the managers.

The respondents were all interviewed to determine their perception of whether or not they considered identifying someone or something as a stakeholder based on the three attributes of power, legitimacy, and urgency.

When enquiring what attributes they thought a stakeholder should possess, one respondent failed to answer the question, while the remaining 15 respondents all referred to legitimacy as an attribute. Four of the respondents discussed power within their explanation:

- Two respondents stated that there is an inherent power stemming from the stakeholder having legitimacy
- One respondent mentioned that being a stakeholder in itself allows some form of power, which refers to there being different degrees of power
- One respondent spoke of power based on the size of his business and spending power with the company, a type of power developed over time. This substantiates what Mitchell et al. (1997) stated that power is a variable and not a stable state, and it can be gained or lost.

The research showed strongly that the respondents had all mainly considered legitimacy as the primary attribute in classifying a stakeholder, followed by a type of power that is inherent and can develop due to the stakeholder having a form of legitimacy. Carroll (1993) stated that by virtue of legitimacy; groups or individuals can be considered as stakeholders, the legitimacy of which could include power. In developing a clearer understanding of the results and identifying whether similar results appeared to the prior statements made by the respondents, the researcher raised questions on each stakeholder attribute as an isolated attribute and questioned the respondents accordingly. An example of a question raised is ‘would you consider someone or something as a stakeholder if the only stakeholder attribute present is legitimacy?’. Figure 17 represents a consolidated dashboard of the respondents’ views on the stakeholders attributes.

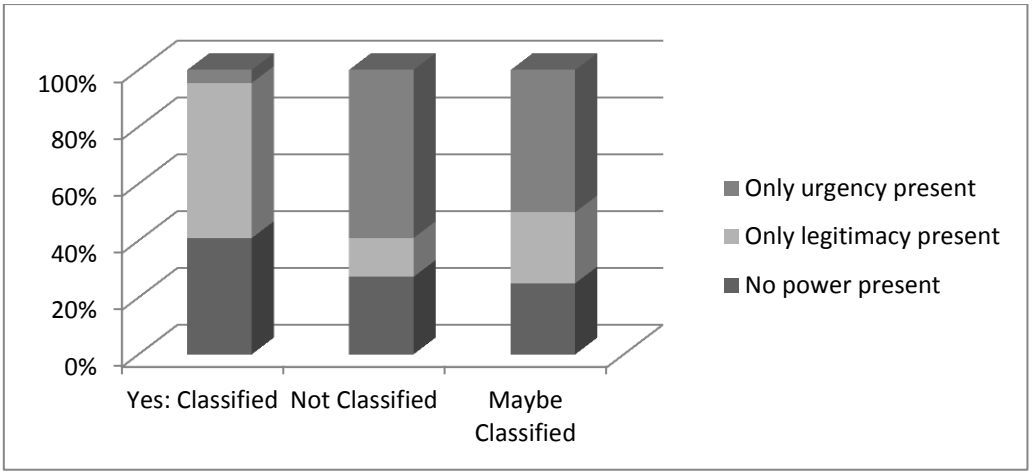

Figure 17: Possession of Stakeholder Attributes

No power present as an attribute

Most respondents stated that they would still consider someone a stakeholder if they did not possess power, and believed that power is not necessary in identifying or classifying someone as a stakeholder. This does not match the theory presented by Mitchell et al. (1995) as power being an attribute in identifying or classifying someone or something as a stakeholder. The findings from the research show that legitimacy needs to be present in order for there to be power, and that power is inherently present to some degree through legitimacy. The research does agree that power can be gained, but as long as there is legitimacy - it cannot be completely lost.

Urgency as the only attribute

Only one respondent said that they would classify someone as a stakeholder if they had only urgency as an attribute, and 13 respondents said they would not. The over-riding responses were that urgency was irrelevant by itself without legitimacy present and cannot be seen as a stakeholder attribute in identifying a stakeholder. This research conforms to what Neville et al. (2011) argues that possessing urgency alone is insufficient to grant stakeholder status.

Legitimacy as the only attribute

From the sixteen respondents interviewed, twelve believe that legitimacy alone can be used to identify or classify someone or something as a stakeholder. This

suggests that legitimacy is the most relevant stakeholder attribute when identifying or classifying stakeholders. Findings from the comments made by the managers suggest that legitimacy has a type of power within itself.

This information, coupled with the research based on the respondent's own interpretation of what attributes should be possessed to be classified a stakeholder, where 15 from the 16 respondents referred to legitimacy shows that legitimacy is the one attribute that can be relied upon when granting stakeholder status.

One respondent identified that legitimacy could include power, and added "*procurement for example benefits through engagement to negotiate better prices"* which would represent power, *"through your clarification of goals and ambitions"* which refers to legitimacy.

The dispute of deciding which groups are eligible to be included in the stakeholder concept is revised by Tullberg (2013), who agrees that to have a stake in an organisation is a reasonable demand for being a stakeholder, and further suggests that the concept of having a stake within a company should be recognized as contributing an input to the company, and being part of its output - thereby a reciprocal link is present. Fassin (2012) states that little has been written about reciprocity in stakeholder relationships, and that the reciprocal nature of responsibility, has been overlooked in stakeholder theory.

Due to the reciprocity evident in the respondent's views of identifying stakeholders, the researcher sought further detailed and rich information on the reciprocity. This was to identify to what extent reciprocity is evident and if it would have any impact on identifying and classifying stakeholders.

All managers believed that reciprocity was evident and required when identifying stakeholders, however there was a minority who stated that reciprocity is found more with primary stakeholders than with secondary stakeholders.

5.2.3 Conclusion to research question one

Who the company's stakeholders are

The theory looks at defining stakeholders as those that contribute to achieving organisational objectives, whereas the management did not look at it only from a one sided perspective, being the organisation: they looked at both parties benefiting from their interaction, which in assessing the definitions from the executive team, there is a clear reciprocal nature present. The company stakeholders also showed a strong reciprocal link when identifying stakeholders. When researching reciprocity further, there was an indication that reciprocity could somewhat be inherent in primary stakeholders, and situational in secondary stakeholders. The research reflects the writings of Tullberg (2013), more than that of Clarkson (1995), due to the respondents taking a more narrow perspective when identifying primary stakeholders. The research shows competitors as primary rather than secondary stakeholders which is not reflected in the theory. Table 14 represents a consolidated view of the company stakeholders.

Primary Stakeholders	Secondary Stakeholders
Employees	Environment & activists
Senior Management	Community
Customers	Local government
Shareholders	Family members
Suppliers	NGO's
Competitors	Union & Employer Associations

Table 14: Company stakeholders consolidated

The attributes that the stakeholders possess

The research revealed that legitimacy is the most recognized and important attribute that a stakeholder should possess in order to be granted stakeholder status. It also showed that the proposal by Neville et al. (2011) that possessing urgency alone is insufficient to grant stakeholder status holds true. The research showed that power is somewhat inherent in legitimacy, and that if stakeholders did not possess power, they would still be considered as stakeholders as long as they possessed legitimacy. The respondents showed that power is not required in identifying or classifying

someone as a stakeholder. The research agrees that power can be gained, but as long as there is legitimacy - it cannot be completely lost.

5.3 DISCUSSION PERTAINING TO RESEARCH QUESTION 2

5.3.1 Organisational elements

Donaldson and Preston (1995) note that managerial decision-making is a core function of stakeholder theory, and that multiple theories need to be considered. They explain three approaches to stakeholder theory: normative, descriptive, and instrumental.

When the respondents were asked what the company's objectives were: All responses were driven towards company growth and market leadership, and some managers indicated that objectives are driven from the top down, these being set by the global head office. It was clear that the business objectives determined how the stakeholders were managed, how the managers behave, and that morality and ethics play a large role within the company.

To establish how the company operates from a descriptive, normative, and instrumental perspective, the respondents were asked to describe the organisation from a behavioural perspective regarding stakeholders. Overall the company represented what was stated in the theory by Donaldson and Preston (1995) where the company is driven morally and ethically from a top-down approach that systematically takes care of shareholder requirements but not at the expense of its stakeholders.

Most respondents believed the company had a balanced approach between instrumental and normative behaviour. There was agreement that the business is there to ultimately create wealth for its shareholders, but at the same time will not sacrifice ethical and moral obligations to achieve their objectives. The CEO stated that very high moral grounds and ethics in non-negotiable when dealing with stakeholders.

From a descriptive perspective, the respondents were questioned whether the company has specific stakeholder objectives. The respondents claimed that there are stakeholder objectives, but not formally published as a whole. They are present

within functional strategies in the business, such as procurement strategies, sales strategies, export strategies, and marketing strategies.

5.3.2 Corporate Reputation

The objective of incorporating corporate reputation into this research was to identify an appropriate link between manager's actions and reactions, and stakeholder theory.

Upon reviewing the explanations given by the respondents of their understanding of corporate reputation, overall the respondents showed a general understanding. All of the elements described in the corporate reputation definition by Abratt and Kleyn (2012) were evident as a combination of the respondents' interpretation of corporate reputation. The respondents' understanding was important from a relevance perspective because the respondents were questioned on corporate reputation when looking at various real life cases and experiences. Most respondents explained that a company can have more than one reputation which was representative of the theory by Mitnick and Mahon (2006) and Walker (2010).

5.3.3 Managing Stakeholders and prioritising their demands

As highlighted in chapter 4, this section is most critical in answering question 2 as it relates to direct activities and situations that the executive managers and stakeholders have experienced with the organisation. It relates to the "to whom (or what) do managers pay attention?" part of the theory and seen as the descriptive aspect of stakeholder salience (Mitchell et al. 1997, p. 855).

<u>High Salience Class: Definitive Stakeholders</u>

In total, six situations were addressed in detail by the executive managers and company stakeholders who were interviewed, and the following was observed:

From a stakeholder class perspective, all six cases represented the definitive stakeholder class as seen in the theory. Within each claim the attributes urgency, legitimacy, and power were present.

An important observation outside of the theory is that in all the cases, corporate reputation was a key driving force in view of the management's salience. An inherent power was also visible in the claims based on the legitimacy of these claims.

Moderate Salience Class: Expectant stakeholders

Situations explained by the managers:

In the three situations addressed, legitimacy was the one attribute lacking, but the other two attributes of power and urgency were evident and, therefore, these situations correspond with the expectant stakeholder class as proposed by Mitchell et al. (1997).

According to Mitchell et al. (1997), these stakeholders would be dangerous stakeholders due to lacking legitimacy, such as wildcat strikes, sabotage, and terrorism. In these cases, the theory does not correspond because there was legitimacy lacking. The examples of the situations given in chapter 4 do not represent any such threat. The lack of salience by the managers raises the question of whether or not the managers consider the claimants as stakeholders, given the observation in question one that the managers did not consider someone or something as a stakeholder if they did not have legitimacy, or if their claim does not have legitimacy.

Another observation is that in all three cases, corporate reputation was not at risk, which contributed to the lack of management salience.

Situations explained by stakeholders

The situations explained by the company stakeholders proved that urgency was the one attribute missing in most cases. The theory states that they would fall into the expectant stakeholder class by having only two attributes, and because urgency is missing they would be classified as dominant stakeholders. The cases corresponded to the theory. The theory by Mitchell et al. (1997) states that dominant stakeholders have both power and legitimacy, which assures influence on the firm.

In these cases corporate reputation was at risk in only one situation, being the product claim. If the customer had created awareness of the claim with senior management, then the claim would have become more salient due to the risk of

harming company reputation. The example fits the definition by Parent and Deephouse (2007, p.2) of power as being “the (potential) ability of stakeholders to impose their will”. This would have then become an example of stakeholders moving between classes, from the expectant stakeholder class to the definitive stakeholder class.

Low Salience Class: Latent stakeholders

Situations explained by the managers

All of the three cases explained only had urgency; they were missing the two attributes of power and legitimacy. According to Mitchell et al. (1997) they would be classed as latent stakeholders for only having one of the attributes, and would be seen as demanding stakeholders.

The theory adopted by Neville et al. (2011) argues that a stakeholder possessing urgency alone should not be granted stakeholder status because if they lack power to influence the firm and legitimacy as a claim, then managers will not consider them as stakeholders and there will be no salience.

Using the case with the potential raw material supplier, when the respondent was questioned whether or not he would give the supplier stakeholder status, his answer was “*no*” and that he had never paid any attention to their claim or demand. This corresponds to the theory presented by Neville et al. (2011).

Again this research has supported the findings in question 1 that urgency alone should not be considered as an attribute in identifying or giving someone or something stakeholder status, but that urgency has a role to play in prioritising stakeholder claims.

There was no risk of harm to the corporate reputation, which had no impact on creating salience.

Situations explained by stakeholders

There was only one situation raised that falls within the scope of latent stakeholders. In this case, there was only legitimacy to an extent based on prior benefits the employees received at work (fresh milk supplied by the company), and low employee

morale. There is an impact on how the affected employees view the corporate reputation, but does not hold sufficient ground to influence the management.

In this case, they would fall under discretionary stakeholders who correspond to the theory. According to Mitchell et al. (1997), discretionary stakeholders have legitimacy, but without power or urgency, managers can choose not to engage with them, the salience would be purely discretionary, such as non-profit organisations requesting financial assistance from a manager.

They have the ability to gain power through stakeholder coalition by standing together as a network of stakeholders to influence the management. This would then move them to the expectant stakeholder class, as dominant stakeholders, and their claim would have a higher chance of being addressed.

Normative Legitimacy

Neville et al. (2012) view legitimacy in stakeholder salience as moral legitimacy. They state that legitimate claims deserve managerial attention because manager's views and attention of the benefits and rights are inherent within the claim, and not due to the impact upon the organisation.

Research was done in terms of whether or not the respondents believed that a claim would still be attended to if the claim was seen as legitimate but as the claimant they were not legitimate, and if it would be attended to from a moral perspective.

In total 81% of the respondents stated that the legitimacy of the claim is what is important, even if the claimant is not legitimate - the claim should still be attended to by management. They believed the claim should be addressed because it is morally correct and the right thing to do.

The research corresponds to theory proposed by Neville et al. (2011), where if the claim is normatively legitimate but the stakeholder is not, then the claim will still be salient and attended to by the managers.

Stakeholder Influences

As Frooman (1999) assessed stakeholder theory from the stakeholder's perspective, and their influencing strategies on firms: the respondents gave examples of

withholding strategies relating to withdrawing of skills and resources in order to pressurize the firm into attending to their claim. From a stakeholder class perspective they would be increasing power and urgency, given that their claim is legitimate.

There were three clear examples relating to Rowely (1997) where the stakeholders formed a coalition to increase their power to gain higher salience from management. Interestingly, a supplier used the company's customers as a driving force of power by developing relationships with the customers and allowing them to promote his services on his behalf.

5.3.4 Conclusion to research question 2

Organisational Elements

Further to the theory by Donaldson and Preston (1995) providing descriptive, instrumental, and normative approaches used by managers: overall the information given by the managers supports the theory where the company is driven morally and ethically, and from that, systematically takes care of shareholder requirements, but not at the expense of its stakeholders.

Corporate Reputation

All of the elements described in the corporate reputation definition by Abratt and Kleyn (2012) were evident as a combination of the respondents' interpretation of corporate reputation. Most respondents explained that a company can have more than one reputation, which was representative of the theory by Mitnick and Mahon (2006) and Walker (2010). There was a strong element from the respondents of employees and management in particular being at the forefront of corporate reputation of a firm, mainly because of their interaction with various stakeholders.

How the executive managers prioritize stakeholder demands

There was reference to the theory by Mitchell et al. (1997) and Neville et al. (2011) referring to the three stakeholder classes of low, moderate, and high salience. Research was conducted with the respondents to identify real life cases where all three classes were identified and rich information gathered.

- High salience class: definitive stakeholders

There were in total 14 cases extrapolated, all of which matched the theory by Mitchell et al. (1997) of all three attributes (power, urgency, and legitimacy) being present.

In these cases, the managers were extremely salient to the claims and personally attended to the claims, and in most cases, urgently. However, there were two main findings that are not represented in the stakeholder salience model:

1) Corporate reputation was the main driver of the urgency, and hence the salience to the extent that one can deduce that urgency is a subset of corporate reputation from a salience perspective.
2) An inherent power is observable in the legitimacy of these claims to an extent that one can deduce that legitimacy in itself forms power, and therefore power can be seen as a subset of legitimacy.

- Moderate salience class: expectant stakeholders

The situations explained by managers all lacked legitimacy, yet power and urgency were strongly evident. Mitchell et al. (1997) referred to these type of stakeholders as being “dangerous stakeholders” and explained situations of “wildcat strikes, sabotage, and terrorism”. In these situations, the cases do not support the theory.

The managers in these cases did not show much salience or attention to the claims; they delayed efforts or passed them off to lower level employees to attend to.

The lack of salience by the managers raises the question of whether or not the managers consider the claimants as stakeholders, given the observation in question 1 that the managers will not give someone or something stakeholder status if they do not have legitimacy, or if their claim does not have legitimacy.

The cases explained by the stakeholders showed support of the theory where legitimacy and power was present, only urgency absent. As per the theory, these stakeholders fell within the expectant stakeholder class and there was relevance from one of the cases supporting the definition of power by Parent and Deephouse (2007).

A third observation was that in all moderate salience cases, corporate reputation was not under any serious threat and could be moderately dealt with.

- Low salience class: latent stakeholders

The cases researched by managers only showed urgency as an attribute, and the managers showed minimal salience, and minimal intention of addressing the stakeholder claims to their satisfaction. Once again, there was legitimacy lacking and the theory adopted by Neville et al. (2011) argues that a stakeholder possessing urgency alone should not be granted stakeholder status was once again established.

A case explained by a stakeholder showed only one attribute of legitimacy - this gained management attention, but the claim was not agreed upon by management. This case matched the theory by Mitchell et al (1997) of discretionary stakeholders having legitimacy, yet lacking power and urgency. In this case, the stakeholders could have gained power through stakeholder coalitions, as mentioned by Rowely (1997), since that was not achieved there is no evidence within this case.

There was no risk of (or potential) reputational harm to the company.

Normative Legitimacy

The observations from the management, support the theory by Neville et al. (2011), where if there is a legitimate claim, the managers believed that it would be morally and ethically correct to address the claim as it is the right thing to do. The majority of management was more interested in the claim than the claimant, provided that the claim is legitimate. It was evident in the highly salient cases that normative legitimacy was at play, especially where the company was not at fault, but was still compensating for paint failures.

Stakeholder influences

Stakeholder influences were researched and observed as being true to the theory where stakeholders are able to influence management through various tactics such as forming coalitions with other stakeholders, and using withholding strategies. There were no cases identified of usage strategies within this research.

5.4 CONCLUSION

Further to the research conducted on the company, it is clear from an organisational perspective that the senior management is not only interested in satisfying shareholder wealth, but also stakeholder requirements from a moral and ethical perspective. This is also evident from a top down approach with the statement from the CEO as "*I maintain the business should have a very high moral ground and ethics is non-negotiable, in my mind".*

Reciprocity has been clear throughout the research, even from a definition perspective of who or what a stakeholder is, management still looked at all parties benefiting from the relationship. Reciprocity could however be inherent in a primary stakeholder relationship, and situational from a secondary stakeholder relationship perspective - this could be researched further.

In identifying the company's stakeholders, classification of primary and secondary stakeholders somewhat supports the theory, but differences seem to be dependent on managerial situations and who their immediate stakeholders are within their role in the company. Within this company, competitors were identified as primary stakeholders which differs from the theory.

The research revealed that urgency alone is insufficient to grant stakeholder status, and that legitimacy is the single most important attribute in identifying or classifying a stakeholder. Observations from the management support the theory where if there is a legitimate claim, the managers believed that it would be morally and ethically correct to address the claim as it is the right thing to do, and is seen as normative legitimacy. As noted, an inherent power is observable in the legitimacy of these claims to an extent that one can deduce that legitimacy in itself forms power, and therefore power can be seen as a subset of legitimacy. The stakeholder themselves decide whether or not to impose their power, which should be a management concern. Figure 18 shows the company's primary and secondary stakeholders.

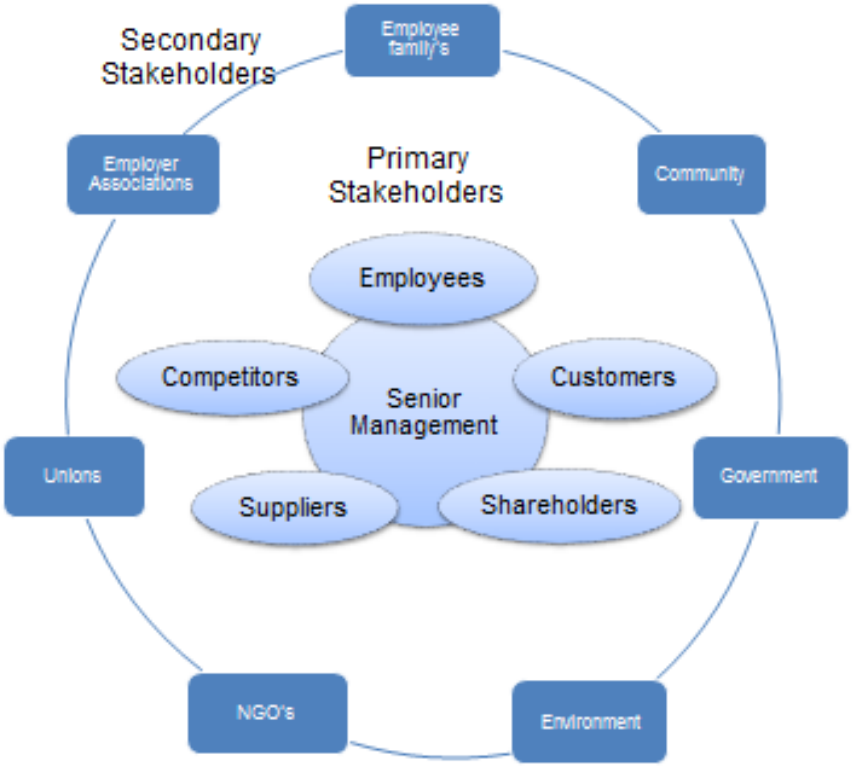

Figure 18: The firm's Primary and Secondary Stakeholders: A holistic view

Respondents view the corporate reputation of the company as one of its most important assets. The management team has a clear understanding of what corporate reputation is, and their views correspond to the theory. The research showed that corporate reputation plays a highly influential role in management salience - when the corporate reputation is at risk, the salience and urgency increases. In the cases where low salience and moderate salience existed, the corporate reputation had limited risk within a similar perspective of the level of salience. As stated in chapter 2, a case study researched by Winn (2001) on a forest industry company suffering with a tarnished reputation competing in an industry facing grave challenges, the salience changed within management to concede to pressure applied by environmentalists and several international boycotts. Winn (2001) found that the concept of urgency was driven by a company-wide crisis ending in an awareness of urgency affecting stakeholder relations. Legitimacy was rebuilt through an improvement in reputation via management actions, leading to improved financial returns, a satisfied workforce, credibility amongst environmentalists, and an easier ability of the company to access resources (Winn, 2001).

The term “dangerous stakeholders” by Mitchell et al. (1997) did not prove true within the research conducted in this study, mainly because the research revealed if legitimacy is absent then the claim has very little salience with the managers, and in most instances will be disregarded as stakeholders effect a claim.

Stakeholder influences were apparent within the cases researched, where the stakeholders were able to influence corporate reputation through stakeholder coalition - they were successful in increasing salience and having their claims attended to.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

There has been a multitude of academic writings regarding stakeholder theory, of which the various models and definitions have been developed. There has not been a consensus reached on a single theory or model that illustrates the stakeholder concept itself, or the pressure management and stakeholders influence on one another, or stakeholder identification. Academic writings suggest there are shortcomings of the theoretical aspects within the framework of stakeholder theory, and that stakeholder theory has not yet been fully developed.

The purpose of this study was to identify a large South African business and evaluate, based on the theory, how relevant the theory is in relation to a South African business and its stakeholders. One principal element to be researched is how corporate reputation evolves within the theory presented in chapter 2. Notwithstanding the research questions that were developed to guide the study in gaining rich and insightful information from the executive managers of the company studied, and their stakeholders. Elements to be established were who the stakeholders of a typical large South African organisation are, as viewed by senior management and how they determine that in reality, and how they understand the stakeholder concept, all in relation to the theory presented in chapter 2. Furthermore, how managers in a South African organisation prioritize different stakeholder demands, and on what basis do they attend to any given claim, or not - and how the research correlates to the theory presented in chapter 2.

6.2 CONCLUSIONS OF THE STUDY

The research conducted showed that most elements presented in the theory in chapter 2 were evident within the study. Figure 19 represents a dashboard of findings relative to the research conducted.

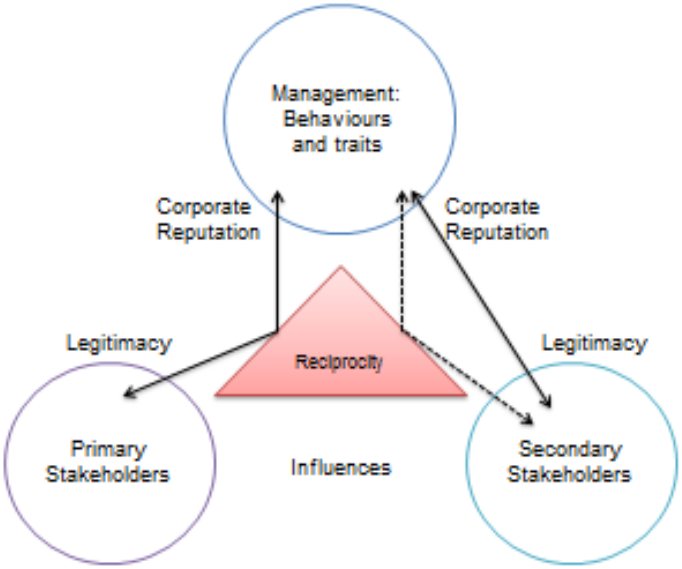

Figure 19: Stakeholder and management interaction

Figure 19 represents a broad view of the stakeholder-manager relationship as revealed in the research.

Management: the management circle depicts how the management behaves from a normative, instrumental, and descriptive perspective as proposed in the theory by Donaldson and Preston (1995), the research findings correlate with the theory.

Primary stakeholders: are not only those that the company cannot continue without, as according to the respondents, competitors are considered as primary stakeholders due to their strong influence on the firm and management strategic decision making. Reciprocity was found to be prominent between management and primary stakeholders; therefore figure 19 has a solid arrow connecting the three constituents.

Secondary Stakeholders: are those that can affect or be affected by the firm, but do not necessarily have a contractual relationship. Reciprocity is situation dependent; therefore a dotted line is represented on figure 19 connecting the three constituents.

Corporate Reputation: remains with the firm as ownership, and is the largest driver of salience with management when at risk of being harmed. The research suggests that corporate reputation drives urgency.

Legitimacy: was the single most important attribute that a stakeholder requires to be considered as a stakeholder. The research showed that if legitimacy was not present as an attribute then there would be very little or no manager salience. Power is not shown alone on this figure because the research showed that power is inherent in legitimacy, and is a variable (can increase or decrease) that can be used at a stakeholder's will. Power can only be completely lost if legitimacy is lost. Therefore legitimacy is written next to each stakeholder group in figure 19. Normative legitimacy, as proposed by Neville et al. (2011), was supported by the case study research by way of it being the claim that the management consider rather than the claimant, and attending to a legitimate claim is the right thing to do which is a normative behaviour.

Influences: remain with the stakeholders as they use various techniques to influence management that their claims are worth management attention. The research supported the theory in that stakeholder influences were apparent within the cases researched, where the stakeholders were able to influence management attention through stakeholder coalition and withholding strategies.

6.3 RECOMMENDATIONS

Freeman (1984, p.46) defines a stakeholder as "any group or individual who can affect or is affected by the achievement of the firm's objectives". Amongst many definitions, Clarkson (1995, p.106) identifies stakeholders as "persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future".

Upon reviewing the research conducted in this study, there is a clear reciprocal nature which has not been included in the stakeholder definition framework. It would be a recommendation to expand the definitions of what a stakeholder is to read "any group, persons, or element who/which can affect or be affected by an organisations' actions for the benefit or non-benefit of either party's objectives in the present or future". Not only does this include reciprocity, the "element" highlights that a stakeholder does not need to only be an entity or individual, and "organisations" is a broader term to include entities that are not companies or firms.

Further to the concept of stakeholder salience and managing stakeholders, Neville et al. (2011) argue that there is no differentiation between stakeholders with varying levels of any single attribute, the stakeholders are simply all classified accordingly: all stakeholders possessing power are all grouped together even though some may be more powerful than others. They state that since organisational resources are limited, managers should assess in detail stakeholder salience in order to prioritize appropriately.

- **Recommendation to managers**

In light of the theory presented and the research conducted in this study, it is important that managers understand who or what their stakeholders are. Neville et al. (2011) reiterate that the incorrect assessment of salience with its attributes could result in mismanaging stakeholders by managers, possibly causing financial and reputational detriment to the organisation. Figure 20 shows an alternative perspective to the current theoretical models.

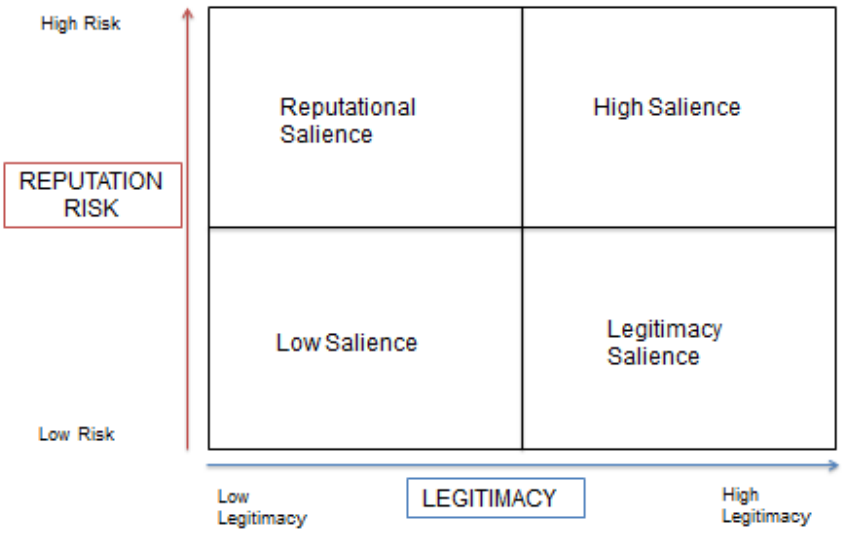

Figure 20: Stakeholder Classes: Corporate Reputational Perspective

Given the limited resources available in organisations, it seems imperative the correct decisions are made to avoid unnecessary costs and, from a marketing perspective, reputational damage through miss-management.

With reference to figure 20, the following applies:

Stakeholder Classes: Corporate Reputational Perspective

Y-Axis: Reputation risk

The research showed that corporate reputation plays a highly influential role in management salience - when the corporate reputation is at risk, the salience and urgency increases. In the cases where low salience and moderate salience existed, the corporate reputation had limited risk within a similar perspective of the level of salience. Therefore in this model, urgency is viewed as being inherent in corporate reputation.

One could argue that there are urgent matters that need to be attended to that will have no effect on corporate reputation; however the theory states that companies can have more than one reputation which was supported by this case study. Urgent matters that have legitimacy in all likelihood will lead to some form of reputational harm.

X-Axis: Legitimacy

In the cases explained by managers where legitimacy lacked, yet power and urgency were strongly evident; the managers showed very little salience or attention to the claims. They either delayed efforts to attend to the claims or passed them off to lower level employees to attend to.

The observation showing the lack of salience by the managers when no legitimacy exists shows that power and urgency alone (without legitimacy) is insufficient for management attention. Therefore legitimacy is the driving force on the X-axis of the model represented in figure 20. Furthermore, according to the research, legitimacy is the single most important attribute in identifying or classifying a stakeholder. When considering power, an inherent power is observable in the legitimacy of these claims to an extent that one can deduce that legitimacy in itself forms power, and therefore power can be seen as a subset of legitimacy. It was noted that stakeholders at will have the ability to impose their power, but the degree of power will depend on the nature and legitimacy of their claim, and the stakeholders' ability to create more power through increased legitimacy and by using stakeholder influencing strategies, such as coalitions and withholding strategies.

The Salience Classes

- High Salience

According to the model, salience will be highest when the corporate reputation is at the highest risk of being harmed, and where legitimacy is at its highest. An example from chapter 4 would be the high cost paint failure claim (high legitimacy) in the high court (high potential reputational harm), which received urgent senior management attention.

- Reputational Salience (Moderate Salience)

There are two areas of moderate salience, Reputational Salience is where high reputational harm exists but with low levels of legitimacy. An example from the study in chapter 4 is where the long standing customer had a contractual territorial claim which could have gone legal (potential reputational harm), but the customer was in breach of contract due to brand loyalty clauses (low legitimacy).

- Legitimacy Salience (Moderate Salience)

The other area of moderate salience is Legitimacy Salience where the situation has low potential reputational harm, but high legitimacy. An example from the study in chapter 4 involves the product claim whereby the consumer's house was painted and had become patchy (high legitimacy). The technical department had taken longer than expected to resolve the claim causing low-moderate reputational risk as the claim should have been simple and easily resolved.

- Low Salience

The low salience situation involves low potential risk to reputation and low legitimacy. An example from the study in chapter 4 relates to the company head office move: where fresh milk was no longer freely available to staff because an alternative free of charge vending machine was installed (low legitimacy), the staff complained and no reputational harm was evident.

- Moving between salience classes

The model supports movement between classes of either increasing potential risk of reputational damage, and hence urgency, and (or) increasing legitimacy of the claim

which would inherently increase power. This would be possible by using stakeholder influencing strategies such as coalitions and withholding strategies.

Further to the arguments presented, the model allows for a definition of stakeholder salience as “the prioritising of stakeholder claims by managers established by the risk of potential corporate reputational harm and the legitimacy of the claim presented”.

- **Guidelines for Managers**

When faced with complex or uncomplicated claims, managers are often faced with decisions that need to be made that will either negatively affect the organisation’s corporate reputation or somewhat improve it: either way the decision will present a cost. The cost would either be a resource or financial cost, or a corporate reputation cost.

Based on the information presented, there are guidelines that managers from all functional areas should benefit from when assessing situations of salience and maintaining moral and ethical business practices of fairness and equity.

<u>Evaluate and understand</u>

- Understand the problem, or the situation, through appropriate research through conversing with all relevant stakeholders: who (or what) and how will they be affected.
- Assess the legitimacy of the claim, inherent power, and potential concealed power.
- Understand the current and potential corporate reputational harm or risk that the situation or stakeholder poses, evaluate the urgency to act based on the understanding.

<u>Identify and simulate scenarios</u>

Where in the model the situation evaluated fits, and identify potential harm or recovery for the organization based on various options and situations:

High salience quadrant

If the claim falls within the high salience quadrant, the corporate reputation is at high risk and the claim is of high legitimacy. The manager should identify the options available for the business to resolve the claim with the objective of a win-win outcome. Act immediately with a focus on reputation recovery; treat the legitimacy with a normative view.

Moderate salience quadrants

Reputational Salience

If reputational risk is evidently high, urgency will be high and legitimacy will be low to moderate, evaluate actions based on the legitimacy of the claim and the potential of increased legitimacy. Communicate to the stakeholder to avoid reputational harm, this allows a time delay in attending to the claim.

Legitimacy Salience

If legitimacy is high and reputational risk is low, urgency will be low. Attention by management can be delayed, communication to the stakeholder of potential progress is important. There may be a risk of increased reputational harm if left unattended for too long a duration of time.

Low salience quadrants

Depending on the situation, evaluate whether or not the situation has the potential to evolve and move to higher salient classes. If it does, communicate and postpone for further action. If no legitimacy exists, the manager might not consider stakeholder status and ignore the claim completely.

6.4 SUGGESTIONS FOR FURTHER RESEARCH

Although various aspects of the theory were researched within this case study, there are areas where future research will assist the literature:

A further potential study could be a qualitative approach to Power as a stakeholder attribute by itself, as per the stakeholder classes model by Mitchell et al. (1997):

would managers identify and classify someone or something as a stakeholder if they only had power as an attribute? Would they be considered as future potential stakeholders only or current stakeholders too?

Further to the research illustrated within this study, it was highlighted that reciprocity could be inherent in a primary stakeholder relationship, and situational from a secondary stakeholder relationship perspective - this could be researched further and in more detail, to establish the effects of reciprocity in stakeholder relationships and whether or not the trends correspond to the findings in this study.

From a corporate reputation perspective, it would be interesting to research multiple reputations, as stated by Walker (2010), who observes that an organisation may have differing reputations between stakeholder groups, which further complicates managing reputation. This would have a direct link with management salience to the given stakeholder claim and assist managers in building the corporate reputation of the firm. This should be researched in detail from a primary and secondary stakeholder perspective. A rich and deep understanding of reputation, as established from qualitative research, would assist in developing the theory further.

6.5 LESSONS LEARNED

The lesson learned from the case study that would assist the managers of the company studied, is to timeously attend to claims and to apply the model presented in figure 20. This should assist managers to prioritise the competing claims and to reduce further corporate reputation damage and unnecessary additional costs. They would be able to identify who their stakeholders are, the extent of the legitimacy of their claim, the actual power the stakeholders have stemming from the legitimacy, and the potential power that can be gained through stakeholder coalitions. The status of the corporate reputation would become apparent, and the potential harm or good that could avail from actions taken to alleviate the situation will be known.

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APPENDIX A

CONSISTENCY MATRIX

Research problem: is to establish how managers prioritize different stakeholder demands in a South African corporate organization to create a clear understanding of the impact on corporate reputation.					
Sub-problem	**Literature Review**	**Research questions**	**Source of data**	**Type of data**	**Analysis**
The first sub-problem is to identify who the stakeholders are in the company and what stakeholder attributes of power, legitimacy, and urgency they possess.	Clarkson (1995) Mitchell et al. (1997) Esser and Dekker (2008) Mainardes et al. (2011) Hult et al. (2011)	Who are the firm's stakeholders and what stakeholder attributes of power, legitimacy, and urgency do they possess?	Personal interviews with executive directors, sourced documentation and archival records	Qualitative Data	Directed content analysis
The second sub-problem is to establish how the executive managers of the company manage corporate reputation when prioritizing stakeholder demands and if the stakeholder manager relationships are aligned with the concept of stakeholder salience.	Bick et al. (2003) Hillenbrand and Money (2007) Donaldson and Preston (1995) Mitchell et al. (1997) Frooman (1999) Jones and Wicks (1999) Mainardes et al. (2011)	How do the managers of the company prioritize stakeholder demands and how are the relationships aligned with the stakeholder salience theory?	Personal interviews with executive directors, sourced documentation and archival records	Qualitative Data	Directed content analysis

APPENDIX B

Discussion Document: Executive Managers

What is your work title, and briefly explain your role within the organisation.

Identifying stakeholders

- Who (or what) are your organisation's stakeholders?
- How would you categorize these stakeholders (who are they and how important are they)? (Freeman, 1984; Clarkson, 1995)
- In your role, who are the most important to you and why? (Tullberg, 2013)
- Do you believe reciprocity is required in identifying or classifying stakeholders?
- In order to identify someone or something as a stakeholder, what stakeholder attributes do you think they should possess? (Mitchell et al, 1997; Neville et al, 2011)
- If the claimant does not possess power (as an attribute) would you still consider them as a stakeholder?
- If urgency alone is the only attribute someone or something has, would you consider them a stakeholder? Why…can you give an example? (Mitchell et al, 1997; Neville et al, 2011)
- If legitimacy alone is the only attribute someone or something has, would you consider them a stakeholder? Why…can you give an example? (Mitchell et al, 1997; Neville et al, 2011)
- Is it only the legitimacy of the claim that is important to you, or is it the legitimacy of the claimant? Why? (Mitchell et al, 1997; Neville et al, 2011)
- If the claimant is not legitimate but the claim is, would the claim still receive your attention and be addressed? (Mitchell et al, 1997; Neville et al, 2011)
    - Would this be from a moral/ethical perspective, or due to the impact on the organisation and (or) the organisation's reputation? (Neville et al, 2011)

Prioritising stakeholder demands

Theory states that organisations have limited resources, and are facing increased pressure from various stakeholders who have various demands and constant interaction with organisations and each other.

What are the company's main objectives? (Clement, 2005)

Do your company objectives determine how you manage your stakeholders?

Or

Are you driven from more ethical or moral obligations when managing stakeholders?

Do you have an example?

Does your organisation have stakeholder objectives? (Build up to theory testing)

- If yes, what are they?

What is your understanding of corporate reputation? (To be linked with stakeholder classes & getting an understanding of their interpretation of reputation)

Do you believe organisations can have more than one reputation?

- Please give an example from your organisation

Think of a situation where a stakeholder (or stakeholders) has strongly received your attention: (Mitchell et al, 1997; Neville et al, 2011; Donaldson & Preston, 1995; Jones & Wicks, 1999; Frooman, 1999; Swajkowski, 2000; Hill & Jones, 1992: testing theory of stakeholder classes and linking corporate reputation)

- What was the situation or stakeholder demand?
- What internal or external pressures were evident?
- What did you do to resolve the conflict/demand?
- What were the alternatives regarding your decisions?
- Was your decision based on moral grounds or business objectives?
- Did you consider the corporate reputation when dealing with the situation?
- What was the outcome, and was there an impact on the corporate reputation?

Think of a situation where a stakeholder (or stakeholders) received your attention, but there were more important/urgent issues to attend to: (Testing theory of stakeholder classes & linking corporate reputation)

- What was the situation or stakeholder demand?
- What internal or external pressures were evident?
- What did you do to resolve the conflict/demand?
- What were the alternatives regarding your decision?
- Was your decision based on moral grounds or business objectives?
- Did you consider the corporate reputation when dealing with the situation?
- What was the outcome, and was there an effect on the corporate reputation?

Think of a situation where a stakeholder (or stakeholders) demanded your attention, but you ignored their demands or delayed until a future date: (Testing theory of stakeholder classes & linking corporate reputation)

- What was the situation or stakeholder demand?
- What internal or external pressures were evident?
- Did the claimant deserve stakeholder status? Why?
- Did you ever pay attention to the issue/demand?
- If you did, what did you do to resolve the conflict/demand?
- What were the alternatives regarding your decision?
- Was your decision based on moral grounds or business objectives?
- Did you consider the corporate reputation when dealing with the situation?
- What was the outcome, and was there an effect on the corporate reputation?

Discussion Document: Company Stakeholders

What is your relationship to company X, briefly explain…

Identifying stakeholders

- Do you identify yourself as one of company X's stakeholders?
- How would you categorize yourself as a stakeholder to company X (how important are you)?
- Do you believe reciprocity is required as being identified or classified as a stakeholder? Explain…
- As stakeholder of company X what attributes do you think you should possess?
- If you had no power (as an attribute) would you still consider yourself as a stakeholder? Why?
- If urgency alone is the only attribute you had as a stakeholder, do you think management of company X would still grant you stakeholder status? Why?
- If legitimacy alone is the only attribute you had as a stakeholder, do you think management of company X would still grant you stakeholder status? Why?
- Do you think it is only the legitimacy of the claim that is important to management of company X, or is it the legitimacy of you as the claimant? Why?
- If you as the claimant are not legitimate but your claim is, would your claim still receive attention from company X management and be addressed?
    - Would this be from a moral/ethical perspective, or due to the impact on company X and (or) company X's reputation? Explain…

Prioritising stakeholder demands

Theory states that organisations have limited resources, and are facing increased pressure from various stakeholders who have various demands and constant interaction with organisations and each other.

What are your main objectives as a stakeholder of company X?

Do you think company X's objectives determine how you are managed as a stakeholder?

Or

Does company X's management drive from more ethical or moral obligation when managing you as a stakeholder?

Do you have an example?

What is your understanding of corporate reputation?

Do you believe organisations can have more than one reputation?

- Please give an example from your perspective of company X

Think of a situation where you as stakeholder of company X had demanded something from company X that received management attention as a priority:

- What was the situation or your demand?
- What pressures did you exert?
- What did management do to resolve the conflict/demand?
- What were the alternatives regarding your situation?
- Do you feel management decisions were based on moral grounds or business objectives? Why?
- Do you think management considered the corporate reputation of company X when dealing with the situation? Why?
- What was the outcome, and was there a change in how you viewed company X's corporate reputation thereafter?

Think of a situation where you as a stakeholder of company X had demanded something from company X, but your demand did not seem to get immediate management attention and was only attended to at a later stage:

- What was the situation or your demand?
- What pressures did you exert?
- What did management do to resolve the conflict/demand?
- What were the alternatives regarding your situation?
- Do you feel management decisions were based on moral grounds or business objectives? Why?
- Do you think management considered the corporate reputation of company X when dealing with the situation? Why?

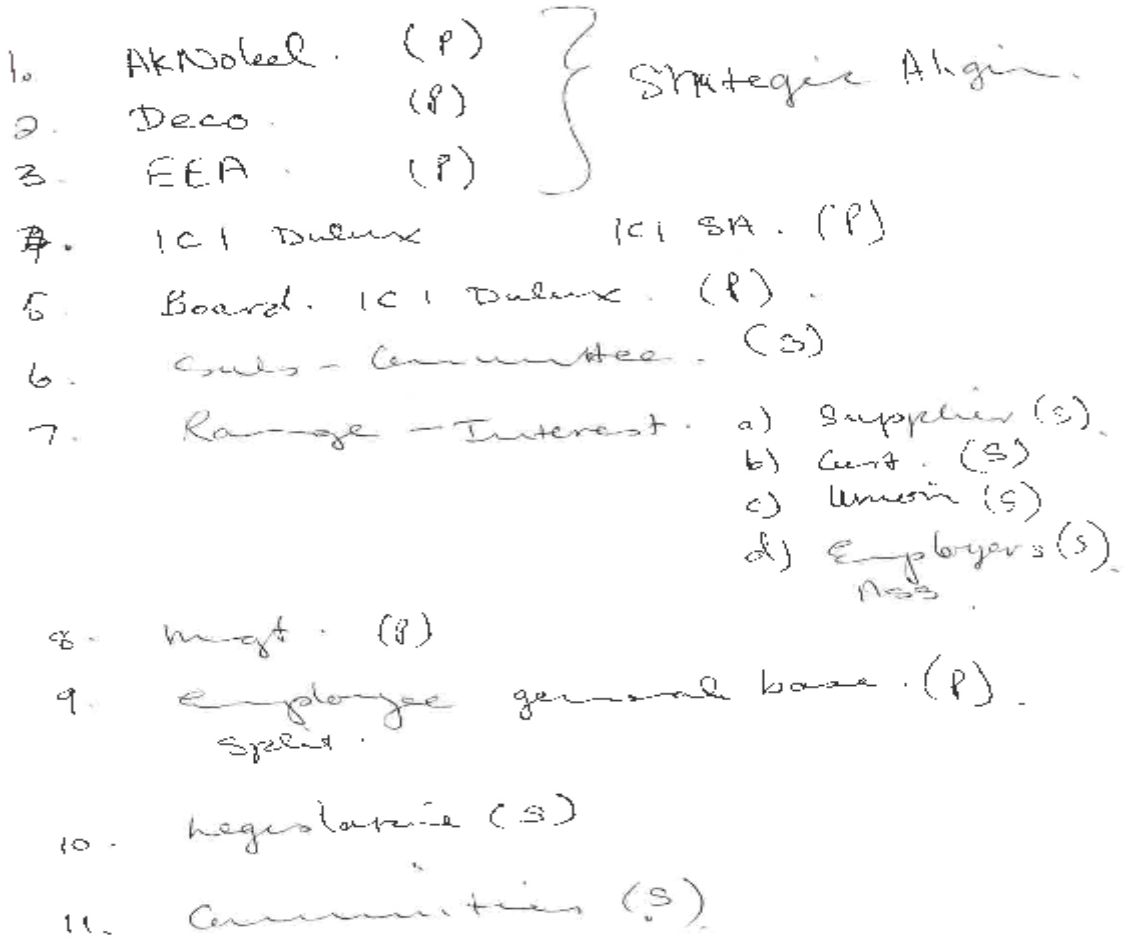
- What was the outcome, and was there a change in how you viewed company X's corporate reputation thereafter?

Think of a situation where you as a stakeholder of company X demanded management attention, but your demand was not attended to within your satisfaction or not at all:

- What was the situation or your demand?
- What pressures did you exert?
- Did management ever pay attention to the issue/demand?
- If they did, what did they do to resolve the conflict/demand?
- Do you feel your demand truly deserved faster management attention? Why?
- What were your alternatives regarding your situation?
- Do you feel management decisions were based on moral grounds or business objectives? Why?
- Do you think management considered the corporate reputation of company X when dealing with the situation? Why?
- What was the outcome, and was there a change in how you viewed company X's corporate reputation thereafter?

APPENDIX C

Management Stakeholder Descriptive



APPENDIX D

Company Sustainability

[redacted]
ACC

[redacted]
P.O.Box [redacted]
1570 [redacted]
The [redacted]

T [redacted]
F [redacted]
www.[redacted]

[redacted]

Announcement

[redacted] retains DJSI Number one ranking

Amsterdam, September 12, 2013

[redacted] has again been ranked in the number one position on the influential Dow Jones Sustainability Indices (DJSI), heading the newly named Materials industry group (previously the Chemicals supersector).

The latest DJSI listing, published today, represents our eighth consecutive year in the top three rankings and underlines the company's commitment to continuous improvement.

Regarded as one of the world's foremost sustainability indices, the DJSI World Index benchmarks the sustainability performance of leading companies based on environmental, social and economic performance, including forward-looking indicators.

It assesses various criteria, including supply chain management, operational eco-efficiency, product stewardship, human capital development and occupational health and safety.

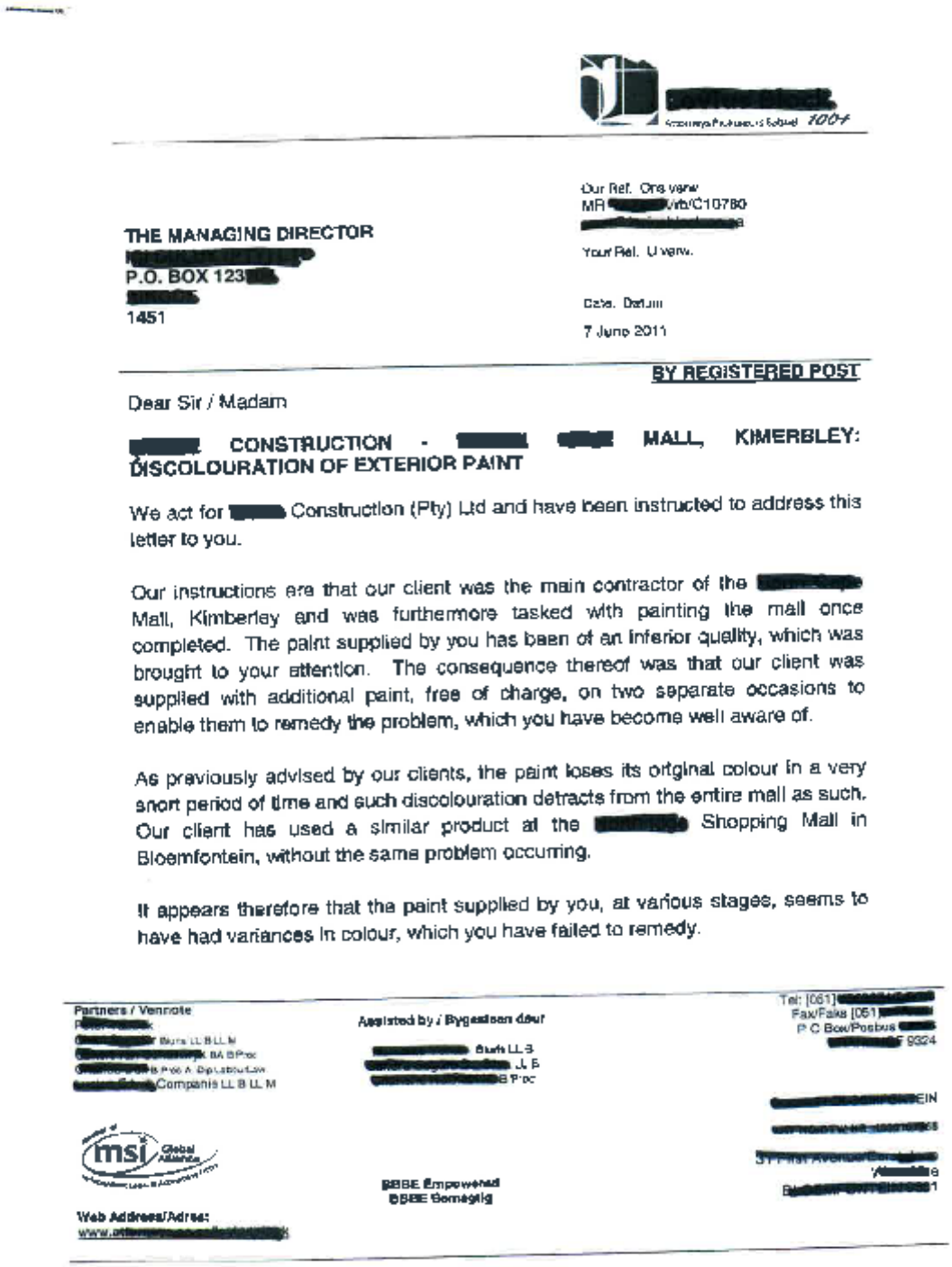
"I am delighted and extremely proud that [redacted] is once again placed first in such a prestigious and influential ranking," said CEO [redacted]. "Sustainability is fundamental to our strategy of connecting value creation to resource efficiency, and maintaining our DJSI leadership status underscores our belief that sustainability is business and business is sustainability."

[redacted] went to say that all employees deserve huge credit for helping to make sustainability an integral part of our business activities and company culture. "Everyone should be proud of what we have achieved in being ranked first for the last two years," [redacted] said. "Together, we are working hard to better understand the changing needs of the global marketplace, which in turn drives the development of innovative technologies that meet our customers' needs."

However, he also emphasized that, despite the success, more improvements are needed to accelerate the rate at which we can take advantage of sustainable growth opportunities. "This will involve entering into even closer partnerships with our customers and suppliers to help drive sustainable innovations," he explained. "We must also remain fully focused on further improving our performance in order to take the next major leap forward on our journey to creating more value from fewer resources."

APPENDIX E

Customer Claim: Kimberley Mall



Our Ref. Ons verw
MR [redacted]/vb/C10780

Your Ref. U verw.

Date. Datum
7 June 2011

THE MANAGING DIRECTOR
[redacted]
P.O. BOX 123[redacted]
[redacted]
1451

BY REGISTERED POST

Dear Sir / Madam

[redacted] CONSTRUCTION - [redacted] MALL, KIMERBLEY: DISCOLOURATION OF EXTERIOR PAINT

We act for [redacted] Construction (Pty) Ltd and have been instructed to address this letter to you.

Our instructions are that our client was the main contractor of the [redacted] Mall, Kimberley and was furthermore tasked with painting the mall once completed. The paint supplied by you has been of an inferior quality, which was brought to your attention. The consequence thereof was that our client was supplied with additional paint, free of charge, on two separate occasions to enable them to remedy the problem, which you have become well aware of.

As previously advised by our clients, the paint loses its orginal colour in a very short period of time and such discolouration detracts from the entire mall as such. Our client has used a similar product at the [redacted] Shopping Mall in Bloemfontein, without the same problem occurring.

It appears therefore that the paint supplied by you, at various stages, seems to have had variances in colour, which you have failed to remedy.

Partners / Vennote
[redacted]
Companis LL B LL M

Assisted by / Bygestaan deur
[redacted] Barb LL B
J. B
B Proc

Tel: [061] [redacted]
Fax/Faks [061] [redacted]
P O Box/Posbus [redacted]
[redacted] 9324

[redacted]EIN

msi Global Alliance

BBBE Empowered
BBBE Bemagtig

Web Address/Adres:
[redacted]

APPENDIX F

Customer Claim: Government Building

From:
Sent: 27 June 2013 06:50 PM
To:
Cc:
Subject: RE: TSD decision on ..... building

My understanding at the conclusion of the meeting was to rectify the complete building. This action was then taken forward to the contractors site meeting.

Regards,

National Technical Service Manager South Africa

T +27
M +27 83
E

The information contained in this message, including any attachments, may be privileged and confidential and is intended only for the use of the individual and/or entity identified in the address of this message. If you are not an intended recipient, please notify the sender and delete and destroy this message, including any back-up copies. Please refer to .....for further legal information regarding the sending entity if from the EU, Croatia, Norway, Turkey, Ukraine or Switzerland.

From: L
Sent: 2013/06/27 10:46
To: T
Cc: P
Subject: RE: TSD decision on .... building

Hi,

Thanks for the feedback.

Please also forward me your understanding of what was agreed as a solution at the meeting ie. Did we agree to paint the entire building or only the problematic areas ?

Regards,

APPENDIX G

Customer Contractual Disagreement

04-APR-2012 14:24 From: [redacted] ATTORNEYS To: [redacted] Page: 1/1

[redacted] ATTORNEYS

[redacted] Chambers
[redacted]
Bloemfontein 9301

PO Box [redacted]
Bloemfontein
9300
[redacted]
Bloemfontein

Tel: 051 403 [redacted]
Fax: 051 433 [redacted]
E-mail: [redacted]@[redacted].co.za
www.[redacted].co.za

04 April 2012

[redacted] (PTY) LTD
[redacted]
[redacted]
By e-mail: info@[redacted].co.za
By Fax: 011[redacted]

Your Reference:

Our Reference:
[redacted]/mdp

Dear Sirs

PREFERRED STOCKIST AGREEMENT - [redacted] (PTY) LTD / [redacted] PAINT t/a [redacted] PAINT [redacted] (BLOEMFONTEIN)

We act on behalf of our abovementioned client, [redacted] Paint [redacted], who has instructed us to record the following concerns regarding the new Agreement presented for signature:

1. The original contract was to continue for an indefinite period after the completion of the first 36 months. The proposed new contract terminates on the 31st December 2012.

2. The previous contract contained a highlighted geographic area in Annexure G thereto, which was the area intended for our client. The proposed new contract has no such provision.

3. Whilst the previous contract at para 2.3 of Annexure B states : '[redacted] shall use its best endeavours to ensure that the [redacted] Direct Customers purchase their requirement of [redacted] products from the Preferred Stockist', the new contract has no such provision. Furthermore [redacted] has now appointed the person previously in charge of Direct Sales in our client's region as a Preferred Stockist.

The prejudice to our clients business as Preferred Stockist arising herefrom needs no elaboration.

In the circumstances we shall be pleased to receive your comments and/or proposals regarding the above.

Yours faithfully,

[redacted] ATTORNEYS
PER: [redacted]

50 years of dedicated service

DIRECTORS: [redacted]
ASSOCIATES: [redacted]
ASSISTANTS: [redacted]

[redacted] & PARTNERS INC.

APPENDIX H

Malawi Business Debtor Statement

[redacted] (Pty) Limited
Johannesburg
PO Box [redacted]
Gauteng, South Africa
T 27-1[redacted]
F 27 [redacted]
http://www.[redacted]
http://www[redacted]

REG. NO. [redacted]
VAT NO. [redacted]

[redacted]

STATEMENT

[redacted] Ltd-Malawi
Masaulco Chipembele highway
BLANTYRE-Chichiri

Account number	9001486
Contact person	FA
Date	02.09.2013
Page	1/1
Open at key date	31.08.2013

Your Reference	Date	Document Nr.	Document Type	Allocation Number	Amount
	23.08.2013	4800002482	Clearing documents	326	1,865.20-
ROTS8390457957	05.12.2012	1800000257	Customer invoice	1800000257	57,640.41
INV 8390468715	12.02.2013	1800000347	Customer invoice	1800000347	61,080.69
ROYALTIES Q2 2013	30.06.2013	1800000566	Customer invoice	1800000566	120,262.26
PO00000544	26.09.2012	8390388717	Billing doc.transfer	8390388717	192,097.72
PO00000547	28.09.2012	8390388643	Billing doc.transfer	8390388643	284,710.50
PO00000532	12.10.2012	8390400307	Billing doc.transfer	8390400307	7,136.18
PO00000543	12.10.2012	8390400306	Billing doc.transfer	8390400306	86,736.44
PO00000548	12.10.2012	8390400305	Billing doc.transfer	8390400305	83,240.42
PO00000549	23.11.2012	8390441935	Billing doc.transfer	8390441935	135,391.36
PO00000550	23.11.2012	8390441934	Billing doc.transfer	8390441934	5,275.53
PO00000546	23.11.2012	8390441933	Billing doc.transfer	8390441933	78,257.36
PO00000552	23.11.2012	8390441932	Billing doc.transfer	8390441932	104,871.30
PO00000550	23.11.2012	8390441931	Billing doc.transfer	8390441931	4,499.96
PO00000547	23.11.2012	8390441928	Billing doc.transfer	8390441928	6,048.48
PO00000547	04.12.2012	8390451957	Billing doc.transfer	8390451957	28,828.75
PO00000525	04.12.2012	8390451958	Billing doc.transfer	8390451958	16,842.39
PO00000549	04.12.2012	8390451959	Billing doc.transfer	8390451959	81,126.30
PO00000550	04.12.2012	8390451960	Billing doc.transfer	8390451960	35,710.35
PO00000553	04.12.2012	8390451961	Billing doc.transfer	8390451961	70,718.73
PO00000550	04.12.2012	8390451962	Billing doc.transfer	8390451962	22,202.82
PO00000555	04.12.2012	8390451963	Billing doc.transfer	8390451963	22,062.75
PO00000552	04.12.2012	8390465406	Billing doc.transfer	8390465406	6,240.43
PO00000550	03.01.2013	8390469715	Billing doc.transfer	8390469715	37,361.26
PO00000552	03.01.2013	8390469718	Billing doc.transfer	8390469718	70,389.78
PO00000556	03.01.2013	8390469719	Billing doc.transfer	8390469719	20,038.75
PO00000555	03.01.2013	8390469720	Billing doc.transfer	8390469720	23,294.40
PO00000558	03.01.2013	8390469721	Billing doc.transfer	8390469721	130,954.90
PO00000557	03.01.2013	8390469722	Billing doc.transfer	8390469722	78,428.09
INV 8390485406	12.07.2013	8390630240	Billing doc.transfer	8390485406	6,873.24-
INV 8390485568	12.07.2013	8390630242	Billing doc.transfer	8390485568	440.87-

Amount Owing
2,152,596.31

Please note that [redacted] office will be relocating to [redacted] Gracestone [redacted] from 01 July 2013. Further details will follow in due course

APPENDIX I

Ex-customer Claim: Bloemfontein

[redacted] Associates Attorneys
Westdene
Bloemfontein
[redacted]

Dear Sirs

By email: [redacted]@icon.co.za Without Prejudice

13 June 2013

Dear Sirs

Re: [redacted] Paints Studio (Pty) Ltd – Account No. 268[redacted] - [redacted] Specialist Paint Centre Agreement

We refer to your letter of 16 May 2013, and our response thereto on 20 May 2013, and wish to advise as follows:-

1. As per our standard terms and conditions of trade, we are entitled to a 20% handling fee for collection of stock returns. Pursuant to the deduction of this fee, your client's account has been brought to a NIL balance, therefore, no credit will be passed.

2. With regard to [redacted] direct sales for the period December to January 2013 where you alleged that credits to the value of R83 630.14 were outstanding, we advise that credits were already passed and we attach hereto a list/ breakdown of the credit notes passed.

3. Our rights are reserved.

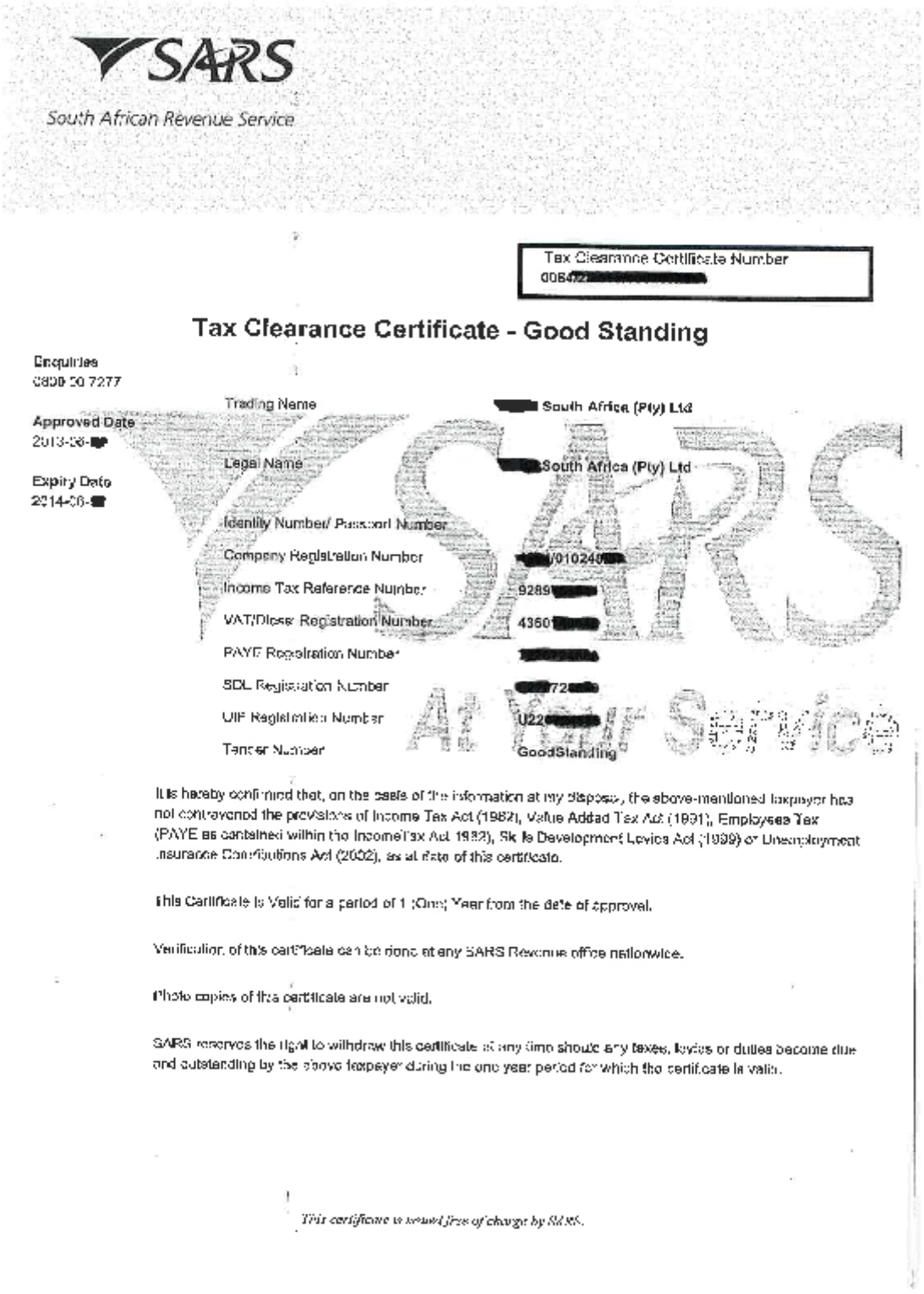
Yours faithfully

[redacted]
Legal Services Manager

[redacted]

APPENDIX J

Tax Clearance Certificate



SARS

South African Revenue Service

Tax Clearance Certificate Number
0084[redacted]

Tax Clearance Certificate - Good Standing

Enquiries
0800 00 7277

Approved Date
2013-08-[redacted]

Expiry Date
2014-08-[redacted]

Trading Name	[redacted] South Africa (Pty) Ltd
Legal Name	[redacted] South Africa (Pty) Ltd
Identity Number/ Passport Number	
Company Registration Number	[redacted]/010240[redacted]
Income Tax Reference Number	9289[redacted]
VAT/Diesel Registration Number	4360[redacted]
PAYE Registration Number	[redacted]
SDL Registration Number	[redacted]72[redacted]
UIF Registration Number	U22[redacted]
Taxpayer Number	GoodStanding

It is hereby confirmed that, on the basis of the information at my disposal, the above-mentioned taxpayer has not contravened the provisions of Income Tax Act (1962), Value Added Tax Act (1991), Employees Tax (PAYE as contained within the Income Tax Act 1962), Skills Development Levies Act (1999) or Unemployment Insurance Contributions Act (2002), as at date of this certificate.

This Certificate is Valid for a period of 1 (One) Year from the date of approval.

Verification of this certificate can be done at any SARS Revenue office nationwide.

Photo copies of this certificate are not valid.

SARS reserves the right to withdraw this certificate at any time should any taxes, levies or duties become due and outstanding by the above taxpayer during the one year period for which the certificate is valid.

This certificate is issued free of charge by SARS.

APPENDIX K

Paint Failure House Claim

Name of Claimant: **I.D. No:** **Contact No:** **Address:** **E-Mail:**	**Date:** 03-05-2013 **CID:** **Store's Name:** [redacted]

Product Code & Product Description:

Pack Size and Quantity used:
_10x20l

Colour Name/Code:
_ S8005Y20R & – S5010Y10R

Batch No:
_3/10/9/9

Formulation used:
_S8005_, -3Y20, 12Y21, -14Y30, - Y20
_S5010_, -6Y20, M-7Y4, 2Y20

Dear Sir/Madam,

As per your request I visited the above mentioned address to conduct an inspection on your area of concern/s below;

Complaint description:
The coating is streaky on the external walls

Site inspection observations:
The coating has discoloured in varies areas on the walls. This could have been caused by dust contamination on the horizontal surfaces of the walls.
Leaching is still evident on some walls

Photographic evidence:



Materials used

[redacted]
[redacted] Ltd Reg. No. [redacted] (Managing),
[redacted]