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Stakeholders' Analysis: A Proposed Model for Libyan Chemical and Petrochemical Industries

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Abstract- Nowadays, companies face great pressure from different actors to behave in particular way. These actors have great impacts on the ability of organizations to achieve their objectives. These impacts are variety in their power according to the variety of the actors. The limited time and resources make it is difficult to give the same attention of the different actors. This has led to the need of a tool that can be used to classify the different actors and identify their positive and negative influences on the companies, which is called stakeholder analysis. This paper provides in brief some of the characteristics of this analysis, and how this analysis can benefit the company. In addition, it presents example of how stakeholder analysis can be conducted. The results of this papers indicates that the stakeholder analysis is useful tool, which can help the managers in giving particular attention to particular stakeholders for the purpose to achieve particular objectives. The stakeholders can be classified into different groups depending on their possession, influences on the organization, power, legitimacy, and urgency of claims. The stakeholder analysis is a useful tool that enables the managers to focus on particular group and giving different levels of attention to different types of stakeholders. This can enhance the efficiency of decisions. Conducting stakeholders' analysis requires the identification of potential stakeholders and determination of their interests, influences, and interactions with the organization.

Index Terms- stakeholder analysis, stakeholder theory, Libyan chemical and petrochemical industries.

I. Introduction

Companies in their search to achieve their objectives have to maintain its relationships with different actors. Those actors play different rules, which can affect the company. The focus of companies today on what called stakeholders instead to shareholders. The term stakeholders mean any person or organization, which can be positively or negatively affected by, or cause an impact on the action of the company (www.en-wikipedia.org). The achievement of company objectives will not only depend on shareholders satisfaction. It extends in many cases to incorporate other players such as governments, suppliers, employees, competitors...Etc. This results in that companies have to identify their stakeholders to understand their positions, influence with other groups, and their interests in particular reform. The identification of stakeholders requires specific treatment to determine the main stakeholders of the company.

Although the importance of stakeholder's identification, this concept seems to be neglected in developing countries such as Libya. View studies have addressed the actual practices and the role of corporations' activities toward their stakeholders (Bayoud, et al., 2012; Elmogla, 2009). For instance, Elmogla (2009) found that the amount of corporate social responsibility disclosed by Libyan companies is low when compared to the disclosure practices in developed countries. Bayoud, et al. (2012) concluded that within the Libyan companies there is a significant and positive relationship between the total of social and environmental disclosure and the financial performance. However, none of previous mentioned studies has provided the actual picture of stakeholders of Libyan corporations. Therefore, this paper can improve the knowledge by highlighting the most actors those can affect or be affected by corporations' actions. By doing so, corporations can direct their efforts to satisfy their stakeholders instead to focus on specific group of shareholders.

Noticeable is that this paper is a part of a project for integration of environmental issues with the strategy management of chemical and petrochemical industries, for the purpose to assess the organizational performance.

II. Theoretical Considerations

Stakeholder theory

Stakeholder theory was originally detailed by Freeman and Reed (1983). The idea of the theory is that corporations should be run in ways that are sustainable. In other words, companies should be accountability not only to shareholders but also to the broader set of stakeholders. The theory grew in response to the economic theory of the firm, but contrasted with theory E, which assumed that economic value is dramatically and quickly enhanced through restructuring-tough, results-driven actions such as payoffs and closing facilities. Flak and Dertz (2005) pointed out that the stakeholder theory is a primarily management instrument; the attributes of power, urgency, and legitimacy of claims defining the corporations' stakeholders. The theory assumes that the corporation can enhance the interests of its stockholders without damaging the interests of its wider stakeholders. Therefore, it takes into account both groups stockholders and stakeholders.

Stakeholder theory defines a corporate stakeholder as a party that can affect or be affected by the actions of the business as whole. Moreover, the World Health Organization defines stakeholders as persons, groups or institutions with interests in a project or program. These definitions are too proad and considers almost everyone. This can be complex to managers to apply (Mitcheel, Agle, & Wood, 1997). One of the difficulties of stakeholder's theory is allocating importance to the values of different groups of stakeholders. Mitcheel et al (1997) believe that the identification of stakeholders can be narrow, and it can be found in the degree to which managers gives priority to competing stakeholder claims. Golder and Gawler (2005) defines stakeholders as "any individual, group, or institution who has a vested interest in the natural resources of the project area/ or who potentially will be affected by project activities and have something to gain or lose if conditions change or stay the same"(p.1). Freeman defines stakeholder as"any group or individual who can affect or is affected by the achievement of the organization's objectives" (1983: 46). The previous definitions of stakeholders exclude the actors those have no claims or powers on the organizations. Those difinitions depends on the narrow view to identify stakeholders, this view bases on that the identification of stakeholders should be done in terms of thier direct relationship to the company's core economic interests.

The definition of stakeholders can be differentiated between broad view of stakeholders and narrow view of stakeholders. According to Mitchell et al(1997) that broad view of stakeholders bases on the empirical reality which emphasize that organizations can indeed by vitally affected by, or they can vitally affect. This view becomes complex and even confuse for manages to apply. In contrast, the narrow view of stakeholders depends on the practical reality that there are limitations in the resources and manager's patient for dealing with external constrains.

Stakeholder analysis

Stakeholder analysis is term used to describe the process that aims to identify the individuals, actors, or groups those are likely to affect or be affected a proposal action. Those groups are selected according to both their impact on the firm and the impact will have on them (www.en-wikipedia.org). Rottger and Fritz (2006) define stakeholder analysis as *"an approach, a tool, or set of tools for generating knowledge about actors- individuals and organizations- so as to understand their behavior, intentions, interrelations and interests, and for assessing the influences and resources they bring to bear on decision- making or implementation processes"(p 33).* This analysis provides a clear picture about all actors related to the organization's activities. This helps mangers in focusing on those are highly salience and develop strategies to deal with their requirements. The World Health Organization considers the stakeholder analysis as a tool to identify the representatives those will influence the organization either positively or negatively, for the purpose of develop strategies to get the most effective support and reduce any obstacles to successful implementations.

The stakeholder analysis gives the mangers information about all primary and secondary stakeholders who have a vested interest in the organization's issues. This can help to assess who the interests of those stakeholders should be addressed in the activities and plans of the organization.

The aim of stakeholder analysis is the identification of those stakeholders and their interests and relationships with the organization. Therefore, to conduct this analysis deferent constituents have to be found and steps have to be followed. According to Golder and Gawler (2005) this analysis can be done by three common methods workshops, focus group and interviews. They add that that there is three basic steps to conduct stakeholder analysis (1) Identifying the key stakeholders and their interests (positive or negative) (2) assessing the influence of, importance of, and level of impact upon each stakeholder.(3) Identifying how best to engage stakeholders. Flak and Dertz (2005) believe the stakeholder analysis's components are: (1) Identification of stakeholder and their representative formers. (2) Position analysis- analysis of stakeholders' perception of the project and its potential consequences, of attitude to the other stakeholders, a picture of who has the actual power and influence, and a picture of stakeholders' expectations with the respect to influence. (3) Analysis of the company consequences for each stakeholder. This will also provide a picture of the anchoring and organizational change task. (4) Analysis of the need of influence the opinion, and attitude of the stakeholders, as a part of planning the anchoring and organizational change process. (5) Analysis of congruency of interests with a view to identifying potential coalitions for and against the company. (6) Analysis of the conflicts of interests and areas of tension, as a basis for planning the decision making process.

Salience of stakeholders

The emergency of stakeholders have represented in different forms. One view of the classification of stakeholders classifies stakeholders into three groups; primary stakeholders, are those who ultimately affected by an organization's actions; secondary stakeholders,are the intermediatries, which affected in indirect way by an organization's actions; the third group is the key stakeholders, which represents those who have significant influence with the organization's actions (www.en-wikipedia.org). In addition, Kochan and Rubinstein (2000), believe that the emergency of stakeholders depends on the role they play. They added that there are three criteria to identify the potential stakeholders. These criteria are the extent to which they contribute valuable resources to the organization, the extent to which they put these resources at risk and would realize costs were the enterprise to fail or their relationship with the organization terminate, and the third criteria is the power they have over the organization .

One of the most famous and poplar typology of stakeholders definition is the typology prepared by Mitchell et al (1997). They note that stakeholders can be identified depending on their influences or impacts. Those attributes represent in one, two, or all three of the following (1) the power of stakeholder to affect the firm (2) the stakeholder's legitimacy relationship with the firm (3) the claim's urgency of stakeholders on the firm. They believe that such typology can answer the main questions related to stakeholders, which group are stakeholders requiring manager's attention, and which are not?. Mitchell et al (1997) articulated that mangers can determine which stakeholders are salience and therefore, will receive the management focus and attention. The property of one, two, or three of the previous attributes (power, urgency, legitimacy) determine the class of stakeholders. Mitchell et al note that the analysis of stakeholders by adoption of previous attributes will result in three types of stakeholders **(1)** Latent stakeholders; who have only one of the attributes. This group incorporates three types of stakeholders- dormant stakeholders; they only have the power in their relevant attributes- discretionary stakeholders; they possess the attributes of legitimacy- demanding stakeholders; the urgency is the main relevant attribute of this group of stakeholders. **(2)** Expectant stakeholders; who have two of the attributes (legitimacy and power, legitimacy and urgency, power and urgency). This group can be classified into three types of expectant stakeholders- dominant stakeholders where the stakeholder are powerful and legitimate – dependent stakeholders those stakeholders who have legitimacy and urgency claims but they don't have power on the firm- dangerous stakeholders where the stakeholders have the power and the urgency in their relationship with the firm, thin, become dangerous stakeholders. **(**3) Definitive stakeholders; the stakeholders salience becomes high where the stakeholders have the three attributes (power, urgency, legitimacy) in their relationships with the firm. Mitchell et al (1997) concluded that

"we have argued that a definition of " the principle of who or what really counts" rests upon the assumption, first, the managers who want to achieve certain ends pay particular kinds of attention of various classes of stakeholders; second, that managers' perceptions dictate stakeholder salience; and third, that the various classes of stakeholders might be identified based upon the possession, or the attributed possision, of one, two, or all three of the attributes: power, legitimacy, and urgency" (p 872).

Table (1) represents the Mitchell typology of identification the stakeholders and their different degrees of the power, legitimacy and urgency as well as, the table provides the basis for this typology.

Table (1) The Mitchell typology of stakeholders

Stakeholder category	Stakeholder salience	Attributes	Stakeholder subcategory
Latent stakeholders with only one of the three attributes	Low	legitimacy	Discretionary stakeholders
		power	Dormant stakeholders
		urgency	Demanding stakeholders
Expectant stakeholders with two of the three attributes	moderate	power and legitimacy	Dominant stakeholders
		legitimacy and urgency	Dependent stakeholders
		power and urgency	Dangerous stakeholders
Definitive stakeholders with all the three attributes	high	power, legitimacy and urgency	

Interestingly, Agle, Mitchell, Sonnenfield (1999) tested empirically the Metchell typology of stakeholder and confirmed this typology. They used unique data of large 80 US firms to exam the relationship among the stakeholders attributes of power, legitimacy, urgency, and salience, and corporate performance. The study concluded that there is significant relationship between stakeholder attributes and salience and corporate performance.

Stakeholders power analysis

The identification of the interactions between the stakeholders and the organization for the purpose of understanding of how those stakeholders affect policies and the organizations, and how the policies and organizations affect those stakeholders requires stakeholder power analysis. According to Mayers (2005) "Stakeholder power analysis is particularly useful for assisting in decision-making situations where various stakeholders have competing interests, resources are limited, and stakeholder needs must be appropriately balanced"(p.2). He added that the identification of key stakeholders can be done by staff of key agencies and other knowledgeable individuals, population data, stakeholders' self-selection, or identification by other stakeholders. Rottger and Fritz (2006) mention that stakeholders can be classified into tow group internal/external, and direct/ indirect stakeholders. They add that internal stakeholders can represented by group incorporates all employees working in the organization, external stakeholders represents are those actors exerting influence on the organization (e.g. local population, local authorities), direct stakeholders are those exert direct influence on the organization such as the staff, and indirect stakeholders are those who exert indirect influence on the organization such as national government- see Table (2). Applying stakeholder power analysis requires following the next steps (1) identifying potential stakeholders. (2) determine the nature of their relationships with the firm; what are the influences they have on the firm, and how they impacted by the activities of the firm. (3) Determine the best way to engage stakeholders.

Table (2) types of stakeholders

View point	category
• Internal stakeholders. • External stakeholders.	• Direct stakeholders. • Indirect stakeholders.

Resource: Rottger and Fritz (2006) p.33.

III. Methodology

This study adopted qualitative approach by conducting 12 interviews with the environmental related departments in Libyan chemical and petrochemical corporations. The interview questions are adopted from Schmeer (1999), and replicated by the researcher to be suitable to use with the community of the study. Regarding the aexcpected stakeholders list is adopted from previous studies (Ahmad & Mousa, 2010; Salder et al., 2008; EU- Libyan Trade sustainability impact assessment; 2009).

IV. Concluding

The paper presents the baselines of the stakeholder analysis. Most stakeholders' definitions agreed that the term stakeholders represent any organizations or persons, which can influence positively or negatively the activities of the company, and can be affected by the company' activities. This definition represents the broad view of stakeholders. In contract, the narrow view of stakeholders assumes that the identification of stakeholders should be done in terms of thier direct relationship to the company's core economic interests. Therefore, this view excludes the actors those have no power or claims on the company.

The stakeholders can be classified into different groups depending on their possession, influences on the organization, power, legitimacy, and urgency of claims. The stakeholder analysis is a useful tool that enables the managers to focus on particular group and giving different levels of attention to different types of stakeholders. This can enhance the efficiency of decisions. Conducting stakeholders' analysis requires identification of potential stakeholders and determination of their interests, influences, and interactions with the organization. The results of this study can provide the chemical and petrochemical industries with the main actors; those may affect their actions toward the environment.

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Appendixes

Stakeholder power analysis of Libyan chemical and petrochemical industries

The Libyan chemical and petrochemical companies' websites do not mention clearly their stakeholders. Therefore, the researcher depended on the previous literature, which related to such subjects about the stakeholders of these companies. The main resources of this determination are the EU- Libyan Trade sustainability impact assessment (2009), Ahmad and Mousa (2010), and Salder et al (2008). These resources have mention to the potential stakeholders of these industries see Table (3).

Table (3) the potential stakeholder of Libyan chemical and petrochemical industries and their interests and influences.

Potential stakeholders: internal, external, direct, indirect	Characteristics			
	Involvements in the company.	Interests in the company	Degree of influence (power) kind	Impact of the company on the actor
Staff				
Industrial mineralization secretary				
Institute of public sector				
General planning board				
Libyan central bank				
Secretary of economic				
Environmental general authority				
suppliers				
competitors				
Customers				
Researchers				
People living adjacent to the company				
Shareholders				
Creditors				
International				
Others				

Interview guidelines of chemical and petrochemical industries stakeholder analysis

1. Introduction to the interview

This study considers the integration of environmental issues with the strategy management of chemical and petrochemical industries, for the purpose to assess the organizational performance. Since the organizational performance can be represented by the satisfaction of stakeholders, this interview aims to identify the main stakeholders. It aims to explore the opinions of several important actors who are interested in the improved performance of Libyan chemical and petrochemical industries. It is important for us to get your opinion; we plan to conduct 12 interviews to produce general report on the opinions of the major Libyan chemical and petrochemical industries actors. The information obtained through these interviews will be for the direct use of the analysis.

2. Interview' questions

We would now like to ask you a few questions about your opinion regarding the integration of environmental issues with the strategic management of chemical and petrochemical industries.

1- What do you understand "the integration of environmental issues with the strategic management" to mean?
2- What are the potential benefits to you and your organization of the integration of environmental issues with the strategic management?
3- What are the potential disadvantages to you and your organization of the integration of environmental issues with the strategic management?
4- Which of the following categories best describes your opinion on the integration of environmental issues with the strategic management?

a) I strongly support it
b) I somewhat support it
c) I do not support nor oppose it
d) I somewhat oppose it
e) I strongly oppose it

<u>**If answers a, b, or c, continue below. If answers d or e, pass to question 7.**</u>

5- for the issue that you support,

a) In what manner would you demonstrate this support?

b) Would you take the initiative in supporting the integration of environmental issues with the strategic management, or would you wait others to do so?
c) Do you have financial or human resources available to support this issue?
d) Which resources are available and how quickly can they be mobilized?
e) Would this support be public?
f) What conditions would have to exist for you to express this support?
g) Would you ally with any other persons or organizations in these actions?
h) If yes, which persons/ organizations?

6- Under what conditions would you choose not to support the integration of environmental issues with the strategic management?

For those who answered d or e to question 4,

7- for your opposition,

a) In what manner would you demonstrate your opposition?
b) Would you take the initiative in opposing the integration of environmental issues with the strategic management, or would you wait others to do so?
c) Do you have financial or human resources available to oppose this issue?
d) Which resources are available and how quickly can they be mobilized?
e) Would this opposition be public?
f) What conditions would have to exist for you to express this opposition?
g) Would you ally with any other persons or organizations in these actions?
h) If yes, which persons/ organizations?

8- Under what conditions would you choose to support the integration of environmental issues with the strategic management?

Other supports:

9- What other organizations, departments, within an organization, or persons do you think would support the integration of environmental issues with the strategic management?
10- What do you think these supports would gain from the integration of environmental issues with the strategic management?
11- Which of these supports would take the initiative to actively support the integration of environmental issues with the strategic management?

Other opposes

12- What other organizations, departments, within an organization, or persons do you think would oppose the integration of environmental issues with the strategic management?
13- What do you think these opponents would gain from the integration of environmental issues with the strategic management?
14 Which of these opponents would take the initiative to actively support the integration of environmental issues with the strategic management?

Stakeholder's distribution matrix