Putting Stakeholder Management into Practice
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With 64 Figures
Preface

Stakeholder Management in turbulent times

Stakeholder Management has proved to be a useful management tool, even in economically difficult times, as a means for controlling the profitability of businesses and for exerting influence over the different interest groups, such as customers, shareholders and suppliers. The primary concern here is not so much with improvements in customer retention or relations with other stakeholder groups as the economic situation of the business. For instance, measures taken within the framework of customer retention must be directed towards achieving savings without reducing existing customer retention. An intelligent approach to Stakeholder Management is therefore not solely suited to revealing improvement potential, but also conversely to identifying the savings potential that causes the least possible damage to customer relations.

Excepted from this general development are relationships with staff. Businesses that conduct staff surveys as a type of alibi have stopped doing them, whilst others have stepped them up, being aware of the close interrelation between employee commitment and profitability. In these companies, measures to enhance staff commitment are implemented in highly targeted ways.

In this regard, as part of our general research plans, we have investigated the relationship between employee commitment and leadership quality on the one hand, and internal service quality on the other hand. A central result from all of this - at least in Germany - was that leadership quality has an approximately 50% influence on employee commitment. A result of this type was to be expected as a general tendency, but what is surprising about it is how strongly good leaders influence the engagement of the staff and how close this interrelationship really is.

These findings point to the increasing significance of Stakeholder Management. However, in turbulent times every business must
focus on the essential, or - as Jack Honomichel, the critical American observer of the market research scene calls it - the imperative data that are indispensable for a business. The payment of bonuses to managers on the basis of performance figures relating to customer satisfaction and employee commitment shows that, thanks to their early-warning character, these data have almost as high a priority as financial data. Stakeholder Management has thus become an important management information system in many businesses.

In a number of businesses, Stakeholder Management has also found its way into strategic financial management where the links between the key figures of Stakeholder Management, turnover and profitability are given far more credence than they previously were.

A further-reaching analysis of worldwide data on Stakeholder Management shows that the direct influence of customer retention on profitability is surprisingly high, at 10 – 20%. Apart from customer retention, however, factors such as the market position of a business, the presence of competitors, pricing aggressiveness in the market and the business's own price positioning and brand play an important part.

![Diagram: Human Resources Management as basis of economic success]

Fig. 1: Human Resources Management as basis of economic success
The design of internal processes is ascribed roughly the same level of significance as customer retention. But, as a result of ever further adaptation of process quality in the course of business reengineering, it has proved to be the case that this has no more influence on profitability than customer retention does.

One is on much firmer ground when analysing the influence of employee commitment on profitability. For an industrialised country like Germany, at least, with relatively high levels of pay and a large degree of engagement by all those involved, employee commitment plays an exceptionally important role in profitability. A direct influence is brought to bear through shorter sick times and through the enhanced performance of committed employees over any given period. However, this employee commitment also has a significant effect on customer retention, on the one hand, and on internal process quality, on the other hand. Committed employees are the basis for every customer retention strategy and they enable even imperfectly designed processes to function, whilst demotivated staff are fully capable of scuppering even the best processes. It is therefore apparent that 20 – 40% of the profitability of a business is attributable to the commitment of the employees, and in some cases this influence may even reach 50%.

Further interesting results have come out of an analysis of the link between employee commitment and leadership. If leadership quality is observed from the standpoint of investigations into stakeholder management, it is apparent that what counts is not only individual leaders, their skilful action and their authenticity, but also that the framework conditions of leadership exert a decisive influence on leadership quality. This has led to the development of a system of instruments that is able not only to measure the leadership quality of an individual person and ultimately to optimise it, but also to analyse organisational framework conditions that are able to function as adjusting factors for the leadership quality of a whole hierarchy level.

A stakeholder group that has never been at the focus of attention although it substantially influences the efficiency of an increasingly leaner business is the suppliers or the outsourced divisions of the business in other companies. As has always been the case, busines-
ses change their suppliers on the basis of relatively small price differences without thinking what costs a change of supplier may bring about in their own organisation. A partnership with their own suppliers enables businesses to utilise many unused cost advantages. It is often the case that greater cost advantages may be achieved by optimising relationships with existing suppliers than through tough purchasing negotiations.

All these examples show how strong the interaction is between the individual stakeholder groups and what an influence they bring to bear on the profitability of a business.

TRI*M which stands for Measuring, Managing, Monitoring is one of the leading branded solutions in the area of Stakeholder Management worldwide.

The articles contained in this volume provide an overview of the variety of Stakeholder Management programmes in different companies. The authors come from Austria, Canada, the Czech Republic, Germany, Switzerland, the United Kingdom and the United States and report on their experiences in managing stakeholders within their businesses.

Since such a publication is a highly collaborative venture, we want to thank all the authors for their enormous efforts they put in this publication.

We are especially grateful to Sabine Kuhnt who has organised the whole layout of the manuscripts. Finally it was very helpful to work with Martina Bihn at Springer who supported the idea of this book from the very beginning and gave us a helping hand whenever needed during the whole process.

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