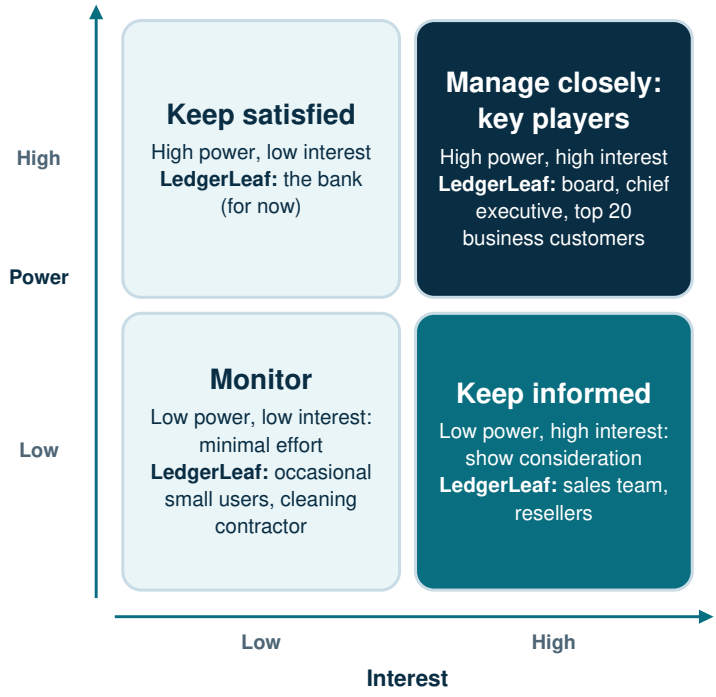
Managing stakeholders: power, interest and risk

MODULE 2 | PART A.2 | STUDENT COMPANION

- **Objectives of stakeholder management:** anticipate information needs; judge the value the management accountant can add; assess each stakeholder's importance; assess each stakeholder's power.

The stakeholder grid



LedgerLeaf (imagined) moves from licences to subscriptions

If lower first-year cash threatens a loan condition, the bank's interest jumps and it becomes a key player.

Stakeholders move between quadrants, so treat the grid as provisional and review it often.

Tailoring information to each quadrant: LedgerLeaf

Quadrant	Who	What they receive
Key players	Board, chief executive, top 20 customers	Revenue shift from licences to subscriptions; cash forecast; expected cancellations
Keep satisfied	Bank	Short, regular forecast of loan conditions with early warning
Keep informed	Sales team, resellers	Earnings calculators under the new model; answers to likely questions
Monitor	Small users, contractors	The general announcement

What makes a stakeholder salient?

Power
How far the stakeholder can influence the organisation
Example: the bank that lends to LedgerLeaf

Legitimacy
How justified the organisation considers the stakeholder's claim
Example: customers holding an earlier price promise

Urgency
How time-critical the stakeholder's support or claim is
Example: a regulator's deadline on data storage

Power can also be indirect: through contacts, or expertise the management accountant relies on

Interest changes too. If stakeholders expect an analysis to succeed, they may become enthusiastic and want to share in it; if the findings look awkward, they may lose interest to avoid being associated with them.

Case note: Optus, November 2023

On 8 November 2023 a network failure at Optus cut mobile and internet services for more than ten million customers for most of the day; some people could not reach emergency services and many businesses could not take card payments. The chief executive appeared before a Senate committee on 17 November and resigned on 20 November. Customers, politicians and regulators who might have been 'monitor' or 'keep informed' stakeholders became key players overnight.

Sources: Australian Computer Society Information Age and iTWire, 20 November 2023; InDaily, 21 November 2023.

Stakeholder risk management

Request	Likelihood	Impact	Priority
Forecast of the loan condition under subscriptions	Medium	Severe: the bank could demand repayment	1
New sales commission model	High	Major: a demotivated sales team could stall the change	2
Reseller lost-margin analysis	Medium	Moderate	3
Customer survey dashboard	Low	Minor	4

Identify the threat, assess its likelihood, judge its impact - and remember every hour has an opportunity cost

Practice questions

MODULE 2 | PART A.2 | TRY THESE BEFORE THE WORKED ANSWERS

Question 1 - Place each stakeholder on the grid

A regional private hospital plans to close its maternity ward.

Stakeholder	Quadrant	Level of effort
(a) The hospital board		
(b) Midwives who work in the ward		
(c) The state health department, which funds part of the service		
(d) Expectant parents in the district		
(e) The local member of parliament		
(f) The hospital's cleaning contractor		
(g) The hospital's bank		
(h) Doctors at a nearby hospital who would take extra births		

Question 2 - Moving between quadrants

Choose one stakeholder from Question 1 and explain an event that could move it to a different quadrant. What should the management accountant do differently afterwards?

Question 3 - Rank the requests

The management accountant receives four requests about the closure. Rank them 1 to 4 and explain the top choice.

Request	Likelihood	Impact	Your rank
(a) Cost of redeploying ward staff	High	Major	
(b) Forecast of lost birth revenue	High	Severe	
(c) Newsletter graphics on the change	Low	Minor	
(d) Effect on the hospital's accreditation	Medium	Severe	

Worked answers

MODULE 2 | PART A.2 | WORKED ANSWERS - ATTEMPT THE QUESTIONS FIRST

Question 1 - Place each stakeholder on the grid

Stakeholder	Suggested quadrant and effort
(a) Board	Key player: manage closely
(b) Midwives	Keep informed: high interest; some power through expertise
(c) Health department	Key player (or keep satisfied): funding gives high power
(d) Expectant parents	Keep informed: high interest, little individual power (could rise through media)
(e) Local member of parliament	Keep satisfied: high power, interest may be low until constituents complain
(f) Cleaning contractor	Monitor
(g) Bank	Keep satisfied
(h) Nearby hospital's doctors	Keep informed: interested in the extra workload

Placements are judgements; credit reasoned alternatives.

Question 2 - Moving between quadrants

Example: expectant parents organise a petition and media campaign. Their power rises sharply, so they become key players. The management accountant should prepare clear, accurate information on travel times, safety and alternatives, update the grid, and brief the board more often.

Question 3 - Rank the requests

1. (b) Lost birth revenue (high likelihood, severe impact) - the board cannot decide without it. **2. (d) Accreditation** (medium likelihood, severe impact). **3. (a) Redeployment costs** (high likelihood, major impact). **4. (c) Newsletter graphics** (low, minor). Some may rank (d) first if accreditation risk threatens the whole hospital; explain the trade-off and the opportunity cost of time.