



**SILESIA
UNIVERSITY**

SCHOOL OF BUSINESS
ADMINISTRATION IN KARVINA

STAKEHOLDER MANAGEMENT AND ENGAGEMENT

MEANING AND ORIGINS STAKEHOLDER – INFLUENCE ON CSR APPROACH

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Why governance and stakeholder involvement is important?

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RE-OPEN



WHY GOVERNANCE AND
STAKEHOLDER... 1/1



Learning outcomes from the lecture:

- gain knowledge of stakeholder identification,
- to have knowledge of how to create a stakeholder matrix and identify relationships with individual stakeholders,
- to be able to apply stakeholder analysis and to link stakeholders' interests to the company's strategy.

OUTLINE OF THE LECTURE

1. A stakeholder approach to CSR
2. The stakeholders participation
3. Four Levels of commitment to the stakeholder approach
4. Research examples – influence of CSR activities towards stakeholders

INTRODUCTION

- Stakeholder theory **challenges the traditional view of the firm:** **shareholders/stockholders** are the owners of the company. An inclusive stakeholder approach makes commercial sense, allowing the firm to maximize shareholder wealth, while also **increasing total value added**.
- Today, **CSR is focused on a stakeholder model** which has become widely accepted among contemporary business organizations.
- Stakeholder theory **argues that there are other parties involved with a legitimate “stake” in business decisions**, including:
 - Communities and their governmental bodies
 - NGOs and other community groups
 - Employees and unions
 - Suppliers and customers



INTRODUCTION

- **Organizations are expected to manage responsibly an extended web of stakeholder interest** across increasingly permeable organization boundaries and acknowledge a duty of care towards traditional interest groups as well as silent stakeholders – such as local communities and the environment.
- **CSR cannot be imposed against the will of enterprises**, but can only be promoted together with them under involvement of their stakeholders.
- **For most small and medium-sized enterprises**, especially microenterprises, the **CSR process is likely to remain informal** and intuitive.
- **Large companies** operate on international markets, **they have to be responsible for stakeholders** and more competitive to survive on these markets.

INTRODUCTION

Stakeholder **Identity**, **Power** and **Legitimacy**

- In general, who are the new stakeholders making claims on the business enterprise?
- What are their “missions”?
- What is the source of their legitimacy?
- What are their goals in a particular domain that affects our business?
- What is the source, “location” and legitimacy of their power in a particular situation?
- How likely are they to use their power in a given situation?

1. A STAKEHOLDER APPROACH TO CSR

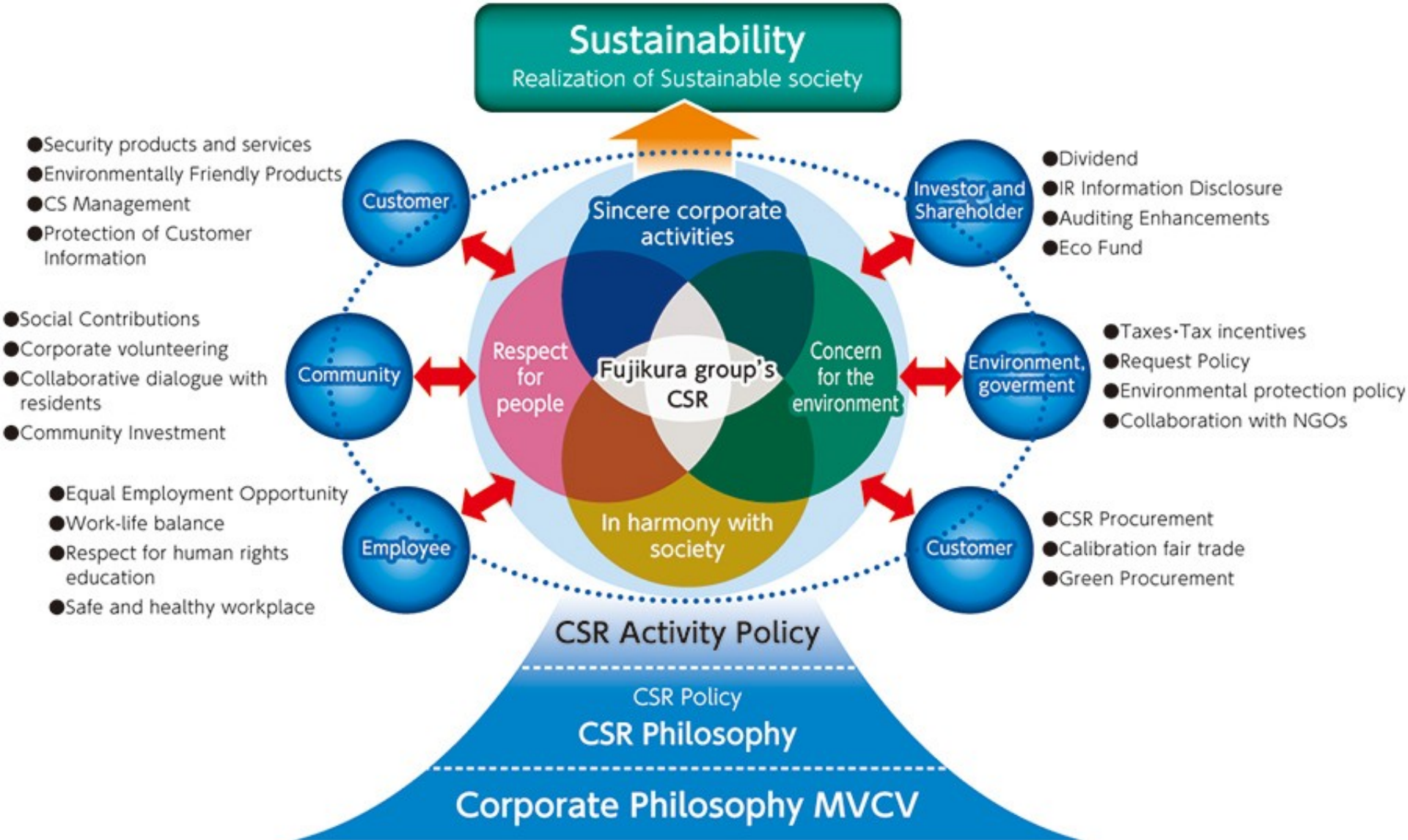
- The first definition of stakeholder approach was articulated by **Edward Freeman**, who in his 1984 book *Strategic Management: A Stakeholder Perspective* developed what has come to be known as *stakeholder theory*. <https://www.youtube.com/watch?v=epxmG3YRgok>
- Stakeholder theory addresses the question of **what or who really matters to corporations**.
- Like stakeholder theory, CSR implies that an **organization identifies its various stakeholder groups** and then attempts to balance their respective needs within the organization's overall strategy.
- Management should not only consider its shareholders in the decision making process, but also anyone who is affected by business decisions.

1. A STAKEHOLDER APPROACH TO CSR

- Clarkson's typology of stakeholders is the most widely cited and accepted.

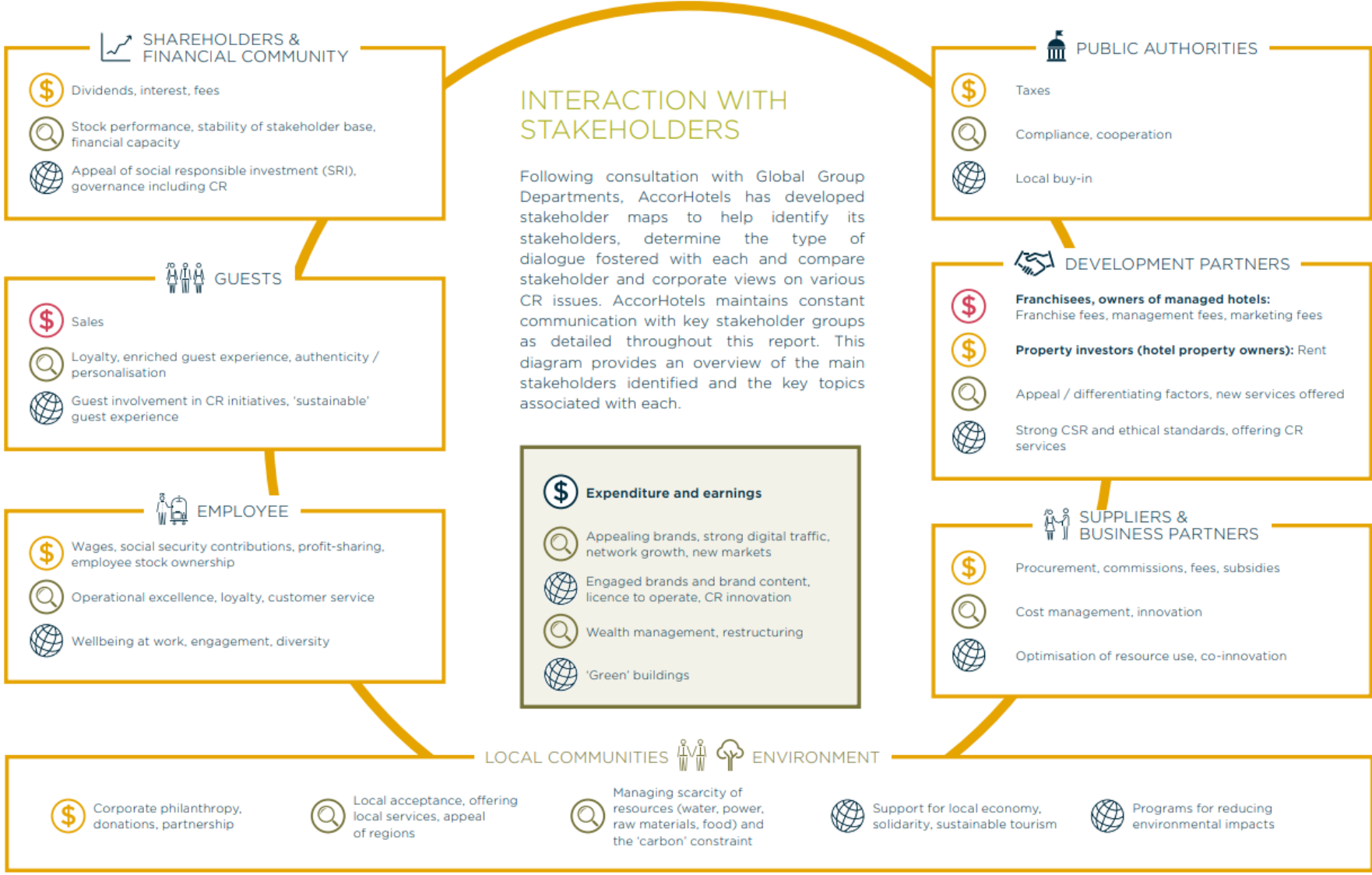
Clarkson (1995) distinguishes primary and secondary stakeholders.

- **Primary stakeholders** are those “*without whose continuing participation the corporation cannot survive as a going concern*” (**shareholders and investors, employees, customers and suppliers, and also governments and communities** „that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and other obligations may be due”);
- whereas **secondary stakeholders** are “*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*”.



Source: http://www.fujikura.co.jp/eng/csr/group_csr/communication.html

Fujikura corporation – stakeholders in detail



Cash flows from AccorHotels to stakeholders (as % of revenue)
 Cash flows from stakeholders to AccorHotels (as % of revenue)
 Value creation lever for AccorHotels
 CR levers that strengthen value creation

STAKEHOLDER MANAGEMENT AND ENGAGEMENT



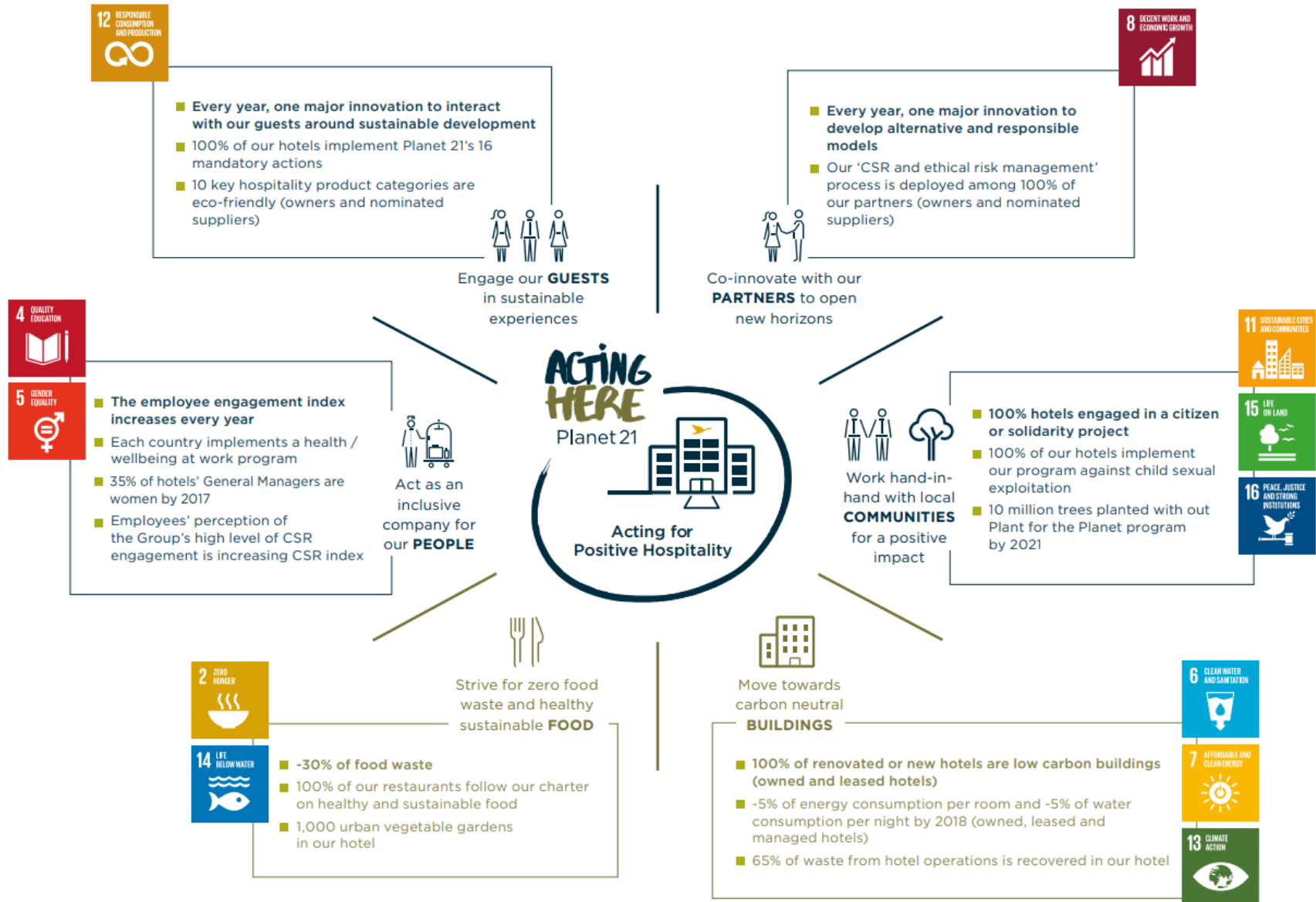
Source:

<https://images.jobsataccor.com.au/wp-content/uploads/AccorHotels-Corporate-Responsibility-Report-2017.pdf>

ACCOR HOTELS

Employees
 Suppliers
 Environment
 Guests
 Local communities
 Public authorities and civil society

STAKEHOLDER MANAGEMENT AND ENGAGEMENT



STAKEHOLDER MANAGEMENT AND ENGAGEMENT

CELEBRATING EVERY ACTION

The launch of the 2016-2020 Planet 21 program includes a new brand designed to engage stakeholders with our sustainable development journey. During a guest's stay, they will see 'Acting Here' markers around their hotel. These markers help identify our sustainable development actions including some that may also require participation by stakeholders.



Here, eco-friendly amenities reduce your impact



Here, your towel plants trees



Here, food waste is separated and sent to composting



Here, eco-friendly products are used to treat pool water



Here, vegetables and herbs are food mile free



Here, solar panels power your stay



Here, energy efficient lighting and appliances reduce energy consumption



Here, flow controls reduce toilets, taps and showerheads water consumption



Here, electric car charging cuts CO₂ emissions



Here, local, organic and seasonal products are on the menu



[ACCOR HOTELS video](#)

Corporate Responsibility ACCOR HOTELS

<https://group.accor.com/en/commitment/sharing-our-knowledge/csr-and-performance>

1. A STAKEHOLDER APPROACH TO CSR

- The difficulties in managing the relationships from the perspective of business management and stakeholders are issues such as:
 1. Divergent and often conflicting expectations between stakeholders.
 2. Contextual complexities, that are further complicated by varying interpretations arising out of different geographical regions and cultures.
 3. The challenge of identifying what might be considered to be “best practice” with regard to CSR stakeholder dialogue strategy and then communicating this to stakeholders.
- Cumulatively, the **expected benefits** to organisations that succeed in meeting CSR expectations of key stakeholder groups are increased company revenue and profitability, lower costs, easier access to finance, and a greater capability to innovate.

1. A STAKEHOLDER APPROACH TO CSR

These indicates **which interest groups are for business crucial:**

- *how they are treated;*
- *whether the mechanism of strategic CSR is developed;*
- *how are inform its stakeholders (stakeholder dialogue) about targeted activities;*
- *how to evaluate these activities (feedback to management or owners);*
- *are these findings regularly used to promote the interests of the company or for the benefit of a comprehensive approach to CSR in all areas?*

2. THE STAKEHOLDERS PARTICIPATION

The role of stakeholder engagement

- Engaging with stakeholders early ensures that issues addressed in the CR policy and report are the most meaningful.
- The insights gained from this exchange also provide new business opportunities.
- Corporate reputation is enhanced much more than by pushing forward the most charitable initiatives if these are unrelated to the main concerns of the stakeholders.
- The usual forms of engagement measurement (outreach, media analysis, social media evaluation ...) constitute very precious data for CSR reports. In particular those recommended in the **AA1000** (materiality, inclusivity, completeness).

2. THE STAKEHOLDERS PARTICIPATION

Phases and factors in engaging with stakeholders

- **Phases of managing stakeholder dialogue**
 1. Selection of stakeholders
 2. Stakeholder dialog
 3. Interpretation of information from dialogue
 4. Decisions about company actions
 5. Response to the dialogue through activities
- **Key factors in acting on stakeholder dialogue**
 1. Awareness that an issue exists
 2. Commitment to prioritize and resource an issue
 3. Capacity/availability of resources to tackle an issue
 4. Consensus amongst the company and its stakeholders over the issues and relevance of stakeholder dialogue in general

2. THE STAKEHOLDERS PARTICIPATION

- The **stakeholders' participation type covers information notification, specific consultation, communication and common action.**
- **Information notification** helps stakeholders gain a better understanding through information release and collect stakeholders' expectation.
- **Specific consultation** is to understand and respond to the stakeholders' expectation in a direct and effective approach through consultation on specific topics.
- It includes survey of stakeholders, comments and suggestions collected from stakeholders, active response to stakeholders' questions and participation in stakeholders' forum.

2. THE STAKEHOLDERS PARTICIPATION

- **Communication** is to make dialogues with the representatives of stakeholders to find out solutions and incorporate their advice into corporate decisions. It includes dialogues and meetings with stakeholders and high-level talks.
- **Common action** is to deepen cooperation, integrate resources, complement each other's advantages, jointly hedge risks and share benefits to achieve a *win-win situation*.
- It includes cooperation agreement signing, cooperation to propel sustained development plan and jointly launch social welfare activities for cooperation alliance.

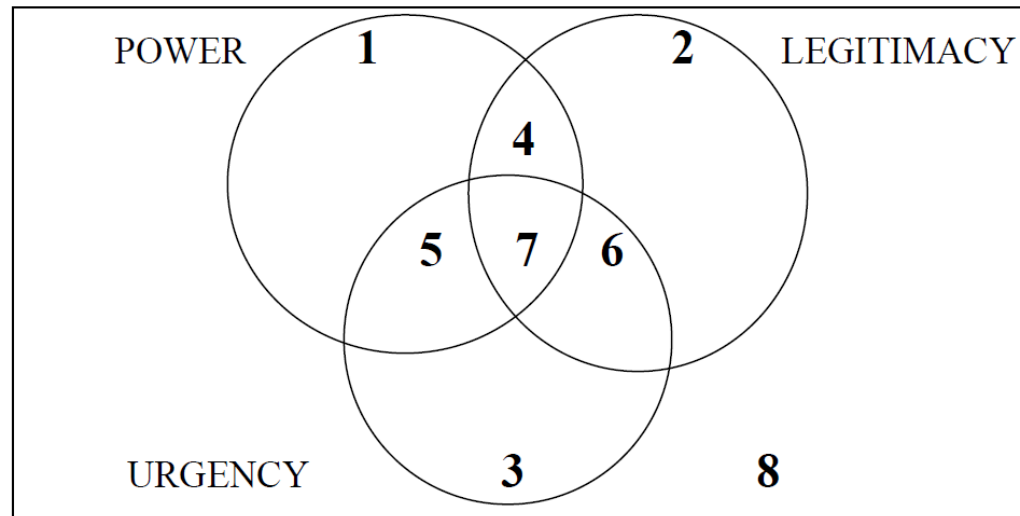
2. THE STAKEHOLDERS PARTICIPATION

- Managers perceive a variety of stakeholder groups. They give a high priority to a stakeholder, if they believe that this stakeholder has a **legitimate claim**, which calls for **immediate action** (i.e. urgent), and possesses the **power to influence** organization's activities.
- According to **Mitchell et al.'s classification of stakeholders**, if a stakeholder possesses only one of the three attributes, they are called latent stakeholders and have low stakeholder salience.

2. THE STAKEHOLDERS PARTICIPATION

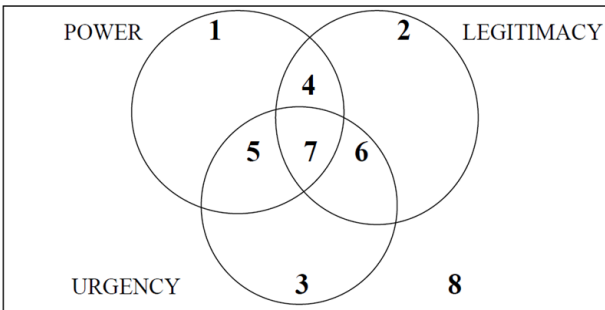
Model of stakeholder salience

- Further, the dynamic qualities are accommodated by explaining how stakeholders can shift between classes by attaining or losing one or more attribute.



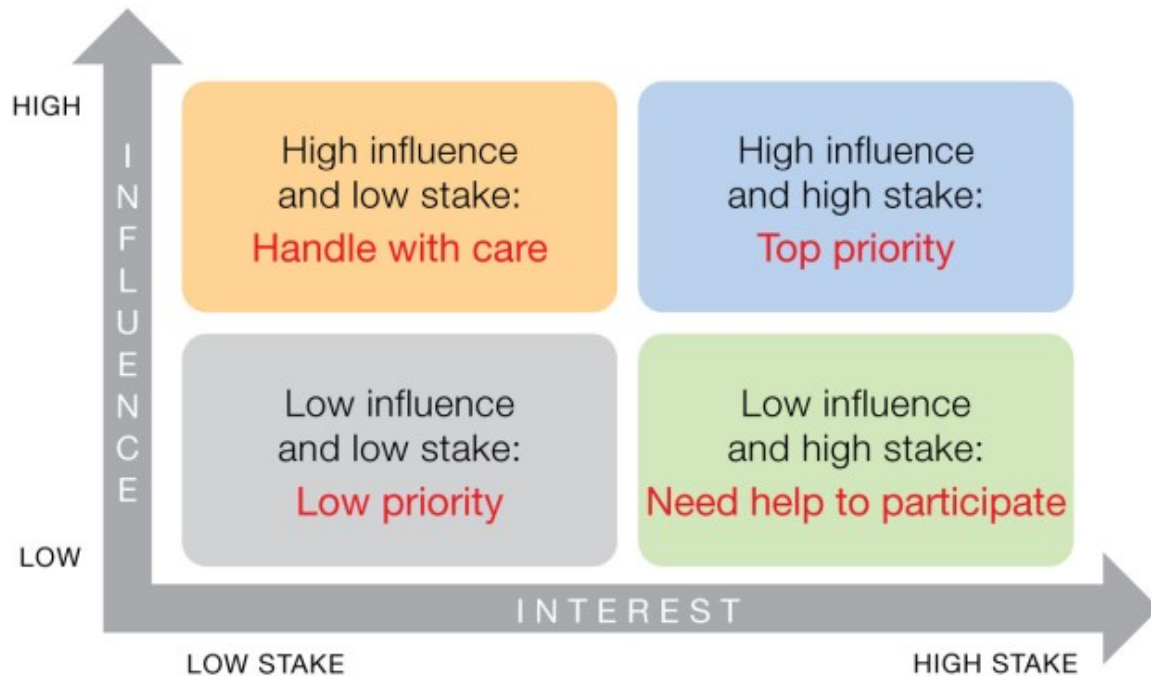
2. THE STAKEHOLDERS PARTICIPATION

- Among these **latent stakeholders**, if the only attribute is power, then they are called dormant stakeholders (Area 1);
- if their only attribute is legitimacy, they are called **discretionary stakeholders** (Area 2),
- and if their only attribute is urgency, then they are termed as **demanding stakeholders** (Area 3).
- Stakeholder salience is moderate if two attributes are present and such stakeholders are called **expectant stakeholders**. Among the expectant stakeholders, those having power and legitimacy are **dominant stakeholders** (Area 4);
- those having legitimacy and urgency are **dependent stakeholders** (Area 6) and those with power and urgency are called **dangerous stakeholders** (Area 5).
- **If all three elements are apparent in a stakeholder relationship** (Area 7), then management have a clear and immediate mandate to attend and give priority to that **stakeholder's claim**. Stakeholders that have none of the three attributes are identified as **non-stakeholders** (Area 8).



STAKEHOLDER MANAGEMENT AND ENGAGEMENT

Stakeholders matrix



Power-Interest Grid



2. THE STAKEHOLDERS PARTICIPATION

The approach of stakeholders participation

| participation type | approach of participation | stakeholders | basic requirement |
|--------------------------|--|--|---|
| Information notification | Staff training, correspondence, corporate brochure, corporate website, corporate publicity, news release and work report | Employees, investors, customers, governments, generation companies, vendors, communities, societies and news media | Appropriate approach to information disclosure and timely response to stakeholders' concerns |
| Specific consultation | Questionnaire, expert interview, specific forum and visit | Investors, customers, governments, generation companies and specific organizations | Full consideration of suggestions and opinions from all interested parties |
| Communication | Multi-party forum, high-level talks, collective negotiation and regular consultation | Employees, investors, governments, generation companies, vendors, communities and environmental protection societies | Mutual trust, dialogue on an equal footing, sufficient communication, agreement and win-win situation |
| Common action | Participation in association, project cooperation, joint campaign and alliance | Customers, governments, generation companies, vendors, communities and societies | Win-win cooperation for comprehensive value |

STAKEHOLDERS' PARTICIPATION PROCEDURES

- **Identify Topics:** Collect and sort out subjects.
- **Define Objectives:** Make clear the expectations on the role and result of stakeholders' participation.
- **Learn Expectations:** Expectations and requirements of stakeholders.
- **Analyze Impact:** Analyze the possible impacts from stakeholders.
- **Make Plans:** Specify participation rules, resource back-up and work plan.
- **Implement Plans**
- **Evaluate Performance:** Evaluate results and efficiency.
- **Improvement:** Timely summarize experiences, optimize regulations and process and keep progressing.



Customers

With its wide range of products - from electric devices to social infrastructure systems - Toshiba Group has a diverse range of customers, including individual and corporate customers as well as government and public bodies.

Global environment

We are promoting business activities in harmony with the global environment.

NPOs/NGOs

We cooperate with and draw on the strengths of NPOs and NGOs on areas such as the environment, human rights, and social contributions, and always endeavor to engage in constructive dialogue with them.

Governments and public bodies

Toshiba Group operates worldwide. Governments and public bodies of many countries are also our customers.

Local communities

Toshiba Group has major business sites in over 30 countries worldwide. In carrying out our business operations, we respect the cultures, history, and customs of people in each region.

Shareholders/Investors

Toshiba has 300,871 shareholders. Of the 6.52 billion shares issued, 9.2% are held by financial institutions, 16.0% by individuals and others, and 72.2% by foreign corporations (not including less-than-one-unit shares, as of March 31, 2018).

Suppliers

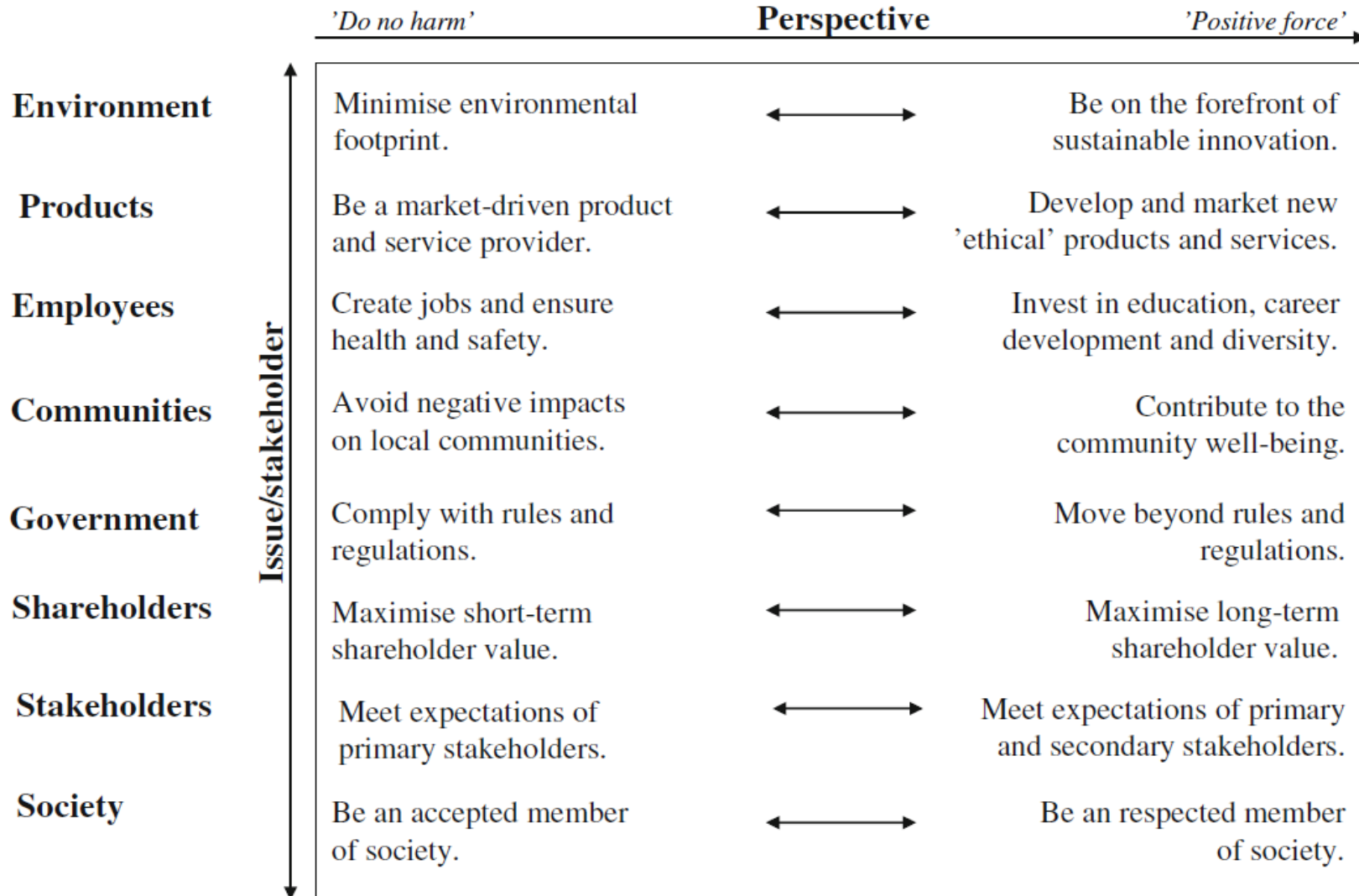
Toshiba deals continuously with some 4,600 suppliers worldwide (as of March 31, 2018)

Employees

Approx. 140,000 people work for Toshiba Group at 389 companies, including approx. 90,000 employees working in Japan and approx. 50,000 employees overseas (as of March 31, 2018).



SOCIETAL RESPONSIBILITIES AS A CONTINUUM



A PRACTITIONER-BASED MODEL OF SOCIETAL RESPONSIBILITIES

- The managers believe that the firm will be a good corporate citizen that creates value for the firm, the community and the wider society.
- The responsibilities for the products/services, workforce and environment are closely linked to the firm's internal operations, but also create value for a number of stakeholders in the firm's environment.
- Product and service provision satisfies customer needs, employees benefit from HR activities and environmental improvements make society better off.

3. FOUR LEVELS OF COMMITMENT TO THE STAKEHOLDER APPROACH

- Company stakeholder responsibility requires that companies be committed to a stakeholder approach to management on the following four levels:
 1. **Basic Value Proposition** - the entrepreneur or manager needs to understand how the firm can make the customer better off, and simultaneously offer an attractive value proposition to employees, suppliers, communities, and financiers.
 - How do we make our stakeholders better off?
 - What do we stand for?

3. FOUR LEVELS OF COMMITMENT TO THE STAKEHOLDER APPROACH

2. **Sustained stakeholder cooperation** - the competitive, macro-economic, regulatory, and political environments are so dynamic they necessitate constant revision of the initial stakeholder arrangements.
 - What are the principles or values on which we base our everyday engagement with stakeholders?

3. **An understanding of broader societal issues** - today's managers must recognize and respond to a rising number of international issues, without the moral compass of the nation, state or religion as a guide. A pro-active attitude is necessary towards all stakeholder groups.
 - Do we understand how our basic value proposition and principles fit or contradict key trends and opinions in society?

3. FOUR LEVELS OF COMMITMENT TO THE STAKEHOLDER APPROACH

4. **Ethical leadership** - recent research points to a strong connection between ethical values and positive firm outcomes such as sustained profitability and high innovation.

Proactive ethical leadership is possible only if there exists a deep understanding of the interests, priorities, and concerns of the stakeholders.

- What are the values and principles that inform my leadership?
- What is my sense of purpose? What do I stand for as a leader?

SUMMARY - TEN PRINCIPLES OF COMPANY STAKEHOLDER RESPONSIBILITY

1. Bring stakeholder interests together over time.
2. Recognize that stakeholders are real and complex people with names, faces and values.
3. Seek solutions to issues that satisfy multiple stakeholders simultaneously.
4. Engage in intensive communication and dialogue with stakeholders not just those who are “friendly”.
5. Commit to a philosophy of voluntarism - manage stakeholder relationships yourself, rather than leaving it to government.

SUMMARY - TEN PRINCIPLES OF COMPANY STAKEHOLDER RESPONSIBILITY

6. Generalize the marketing approach.
7. Never trade off the interests of one stakeholder versus another continuously over time.
8. Negotiate with primary and secondary stakeholders.
9. Constantly monitor and redesign processes to better serve stakeholders.
10. Act with purpose that fulfills commitments to stakeholders. Act with aspiration toward your dreams and theirs.

Recommended study:

- *Chandler, Werther, Jr. „Strategic Corporate Social Responsibility“, 2014, chapter 2.*
- *Blowfield and Murray, Corporate Responsibility, 2014 (chapter 9)*
- <https://simplystakeholders.com/stakeholder-matrix/>
- <https://askelsustainabilitysolutions.com/real-life-impact-5-stakeholder-engagement-success-stories/#4-starbucks>