

EXPLORING THE ROLES OF STAKEHOLDER ENGAGEMENT AND STAKEHOLDER MANAGEMENT IN CSR PRACTICE

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ABSTRACT

This paper attempt to explore the link between stakeholder engagement and CSR practice considering the best ways of achieving effective CSR implementation and creation of relationship through SE (Stakeholders engagement) which is an element of stakeholder management (Stakeholder management). The issues for consideration under SE are geared towards achieving a meaningful and participatory engagement of stakeholders by effective communication, introduction of an engagement process reflecting items agreed upon for decision making and legitimising or strategising stakeholders needs for organisational goals achievement. SM as a major issue aids in identifying the stakeholders based on their power to influence, urgency of claims and legitimacy of their relationship with the organisation. The identification process is only complete and relevant when the three attributes are utilised for prioritizing the stakeholders as latent, expectant and definitive stakeholders. The paper finally reviewed a three phase approach of stakeholder engagement and brought up a framework for achieving an effective CSR implementation by way of stakeholder engagement.

Keywords: *Stakeholder identification, Stakeholder prioritisation, Stakeholder engagement, Stakeholder management, Stakeholder salience, CSR practice*

1.0 - INTRODUCTION

Managers on a continuous basis are devoting organisational resources to CSR initiatives. This presents an unending demand and pressure on managers from stakeholders. They represent a variety of interests as stated by Mullins (2002) under six headings; shareholders, employees, government, consumers, suppliers, community, the environment, trade unions, the media, business associates and competitors. The response given by managers on stakeholders demand promotes CSR. The reason why managers respond to stakeholders demand is because of the influence they have on achieving organisational objectives (Clarkson 1995) and the relevance of multiple stakeholders to good decision making (Mitchell et-al 1997; Donaldson & Preston 1995).

The group of stakeholders constitute a set of bodies or people that affect or get affected by actions of an organisation (Freeman 1984). Employees tend to support safety, adequate working facilities and good labour policies as CSR (McWilliams & Siegel 2001) on the same issue. (Moskowitz 1972; Parket & Eilbert 1975) noted that satisfying employee's results into increase productivity and morale accompanied with increased workers loyalty. The ability of an organisation to recruit skilful workers and retain them lies in its ability to meet employees demand through CSR (Siegel 1999). Governments also exhibit favouritism in dealing with environmental friendly organisations by stating environmental protection rules that organisations need to comply with as a pre-requisite for getting some benefits like entitlement to sign major contracts and secure credit facilities (McWilliams & Siegel 2001). The consumers reward organisations with increased loyalty (Brown & Dacin 1997; Rahizah et-al 1997; Lafferty et-al 1999). The process of engaging stakeholders like

customers in CSR decisions provide the organisation with information about their satisfaction with the products they were offered to get their patronage and continuous loyalty (Conley & Williams 2005).

The nature of pressure exerted by stakeholders leads to the stakeholder's salience which prompts managers to choose a group of stakeholders to urgently attend to (Angle et-al 1999; Patten 1992). Engaging stakeholders because of their power of influence and the benefits the organisation stands to gain through CSR practice is regarded as the best approach in building bridge between stakeholders and the organisation to achieve its goals and objectives (Lindgreen & Swaen 2010). Translating stakeholders demand into CSR policies and practices shows how an organisation regard stakeholder oriented concept of CSR implementation. In translating the demands, managers are expected to at times give more than what is expected or change the stakeholder's demands to a new and better expectation (Lamberg et-al 2003).

1.1 - Stakeholder Management (Identification & Prioritisation)

The process of identifying who a stakeholder is and prioritisation of stakeholders by a firm is the first step in stakeholder management (Weiss 2006). Mitchell et-al (1997) in an attempt to identify and prioritise stakeholders proposed three attributes which stakeholders possess; the power to influence the firm, the urgency of the claim they have on a firm, the legitimacy of the stakeholders relationship with the firm. The attribute of urgency is measured by the rate at which any delay in attending to the claim of stakeholders is unacceptable to them, urgency at the same time refers to the rate of time which a claim from stakeholders needs to be attended to. Legitimacy is the perception that actions of a firm are proper and acceptable within some specific beliefs, values and norms as defined by the stakeholders. The three attributes were transformed into a framework that defines and prioritise stakeholders into seven categories; dormant, dominant, discretionary, definitive, dependent, dangerous and demanding stakeholders.

Dormant stakeholders – They possess the attributes of power to impose their will on the organisation but lack the legitimacy to have urgent claims which render their power not yielding a recognisable salience. Managers are expected to take into cognisance the possibility of dormant stakeholders to assume more salience if they possess legitimacy or urgency attribute.

Discretionary stakeholders – These set of stakeholders lack urgent claims and power to impose their will but their rights or claims are legitimate. Managers are expected to be indifferent towards them because their claims are part of discretionary or philanthropic responsibilities (Carroll 1991).

Demanding stakeholders – This refers to the set of stakeholders with extreme demand of urgent claims but lacks legitimacy and power to enforce their will on the organisation. They constitute what could be termed as “so discomfoting, bothersome and noise making like buzzing of mosquitoes in the ears of managers” without posing dangerous conditions to warrant latency (Mitchell et al 1997).

Dominant stakeholders – They combine power to influence and a legitimate claim on the organisation but at the same time they lack urgency in putting forward their claims, they are regarded as dominant and managers recognise them as those possessing both legitimate claims and power to influence. Their expectations matters a lot to managers when it comes to stakeholder management.

Dangerous stakeholders – This refers to the stakeholders lacking legitimacy of claim but possess the power and urgency to claim. This makes them to be dangerous because their claim are urgent coupled with the presence of the ability to enforce their will. Managers are expected to identify this set of stakeholders with the intention of mitigating the occurrence of an uncertainty or risky situation. Unnecessary strikes and sabotage by employees are common examples of risks posed by dangerous stakeholders.

Definitive Stakeholders – They are the set of stakeholders possessing all the three attributes in determining stakeholders' salience. They are the ones having rights and will to challenge the management team of an organisation on policy formulation and every aspect relating to the day to day running of the organisation.

Based on the seven categories stakeholders could be latent if they possess only one attribute, while expectant stakeholders have two attributes they could be passive or active. The level of engagement between managers and expectant stakeholders is expected to be high, therefore managers are expected to recognise their existence

and attend to their claim. The implication here is that managers if confronted with the need to reduce CSR practice they can ignore the latent stakeholders because their claim to stakeholder's right is very weak. Definite

stakeholders are those expected to receive the highest attention and consideration because they possess all the three attributes, they have urgent claims, they have powerful influence on the firm and they also have influence on organisational legitimacy.

Dependent stakeholders can assume a definitive status or position once they have support of government or a regulatory body. Expectant stakeholders can also become definitive once they acquire the third missing attribute. Latent stakeholders are excluded from changing positions because they are identified with a single attribute which they possess.

1.2 - Principles of Stakeholder Management

The central theme behind the idea of stakeholder management is the coordination of joint efforts from the stakeholders and managers to implement CSR practice in a way that profitability and stakeholders demands are met. There are three levels of commitments to the stakeholder approach as the foundation for building the principles of stakeholder management, namely; understanding of societal issues, ethical leadership and sustaining stakeholder cooperation. The ten principles advocated by Freeman et-al (2006) for managing the stakeholder approach are;

1. Bringing stakeholders interest together after long-term observation of their interest
2. Recognising that stakeholders are real and complex in nature represented by people with names, values and different interests
3. Seeking solutions that satisfies multiple stakeholders simultaneously
4. Ensuring full and active participation of stakeholders from all groups
5. Managing stakeholders personally without introducing governmental partnership
6. Generalisation of marketing approach or strategies
7. Refraining from prioritisation of stakeholders from a single group over a long time
8. Engaging all stakeholders (i.e- the external and internal equally)
9. Constant monitoring and redesigning of the best strategies in managing stakeholders
10. Combining organisational primary objective (profit maximisation) and stakeholder's satisfaction simultaneously without leaving any one of the two unfulfilled.

2.1 - Stakeholder Engagement

According to (Noland & Phillips 2000) stakeholder engagement received less attention in the stakeholders theory literatures. Greenwood (2007) observed that attributes of stakeholders and organisations is well attended to but less emphasis is given to the relationship between stakeholders and firms. Little is known when it comes to understanding the way firms engage or relate with stakeholders especially the external ones (Waritimi 2012).

Lerbinger (2006) explained that stakeholder's engagement is about developing and sustaining relationship between firm and its stakeholders. Greenwood (2007) stated that stakeholder's engagement is the involvement of stakeholders in organisational activities. In the same vein, Friedman & Miles (2006) defines stakeholder's engagement as "the process of effectively eliciting stakeholder's views on their relationship with the organisation." For an effective stakeholder engagement to be meaningful and achievable, stakeholders should be given an opportunity to express their opinion without being influenced by any group (Rollof 2008). Honesty, open and fair engagement of stakeholders is very vital for organisations to function properly (Phillips et-al 2003; Freeman & Evan 1990). The process of stakeholder's engagement is determined by three factors;

(i) Communication – This is regarded as the way in which an organisation understand the expectation of the stakeholders. It is the most efficient tool in understanding stakeholder's expectations and the way to relate with the stakeholders. As the rate of communication and dialogue increases between an organisation and its stakeholders, trust is built and stakeholder participation is encouraged. Engaging stakeholders should involve recognition and respect to their views, interacting with them on an individual basis which reduces expressions under influence and provides a framework for obtaining the essence of engaging stakeholders (Mainardes et-al 2011).

(ii) Engagement Vs Decision making – There must be a conformity between the engagement of stakeholders and decisions made by the organisation. This means all decisions made by an organisation must reflect the input from the process of engaging stakeholders. Zadek and Raynard (2002) noted that an effective stakeholder's engagement is measured by the extent to which policies and practices reflects or are adjusted to meet

stakeholder's expectations. Therefore, it is expected that an effective stakeholder engagement process must reflect a link between it and decision making. The outcome of decision making through policies and practices of the organisation express whether issues of concern to stakeholders are taken into consideration (Friedman & Miles 2006).

(iii) Legitimacy/Strategy – The issue of legitimacy in stakeholder engagement arises as a result of trying to get a genuine representative of the entire body of stakeholders which an organisation deals with. Engaging stakeholders who are not representative to other stakeholders or who do not share common interest with majority of the stakeholders group could ultimately invalidate the entire process of stakeholder engagement. Similarly, Doyle & Stern (2006) pointed out that stakeholder engagement should be a collective process with an acceptable representativeness whereby no stakeholder group interest would be left unattended or not considered. Gibson (2002) on the other hand added that individual interests and preferences are to be regarded as unique features for changing modes of engagement and more understanding of distinct features of different stakeholders for future stakeholder engagement and decision making. Organisations at times tries to exert influence on outcomes of stakeholder engagements as a strategy to overcome an unfavourable outcome, this is considered as manipulation (Zakhem 2007) and a way of avoiding moral engagements which leaves the organisation at a disadvantaged position (Foster & Jocker 2005). The reason for having a moral stakeholder engagement is to ensure an agreement and understanding between parties considering all those affected in an engagement process. A moral stakeholder engagement should be devoid of manipulations and subjection to being driven by strategic goals.

The success of CSR initiatives is often linked to stakeholder engagement and ideas that occur repeatedly in discussions of best CSR practice. Stakeholder engagement serves as an avenue that brings together representatives of business, non-governmental and public sectors in order to identify and address aspects of corporate responsibility (Blowfield & Frynas 2005).

2.2 - The Process of Stakeholder Engagement

Stakeholder engagement is implemented by identifying the stakeholders according to their salience and broadly based on prioritisation of different stakeholders, and then the managers need to fully comprehend the reasons for stakeholders' engagement like strategising through effective CSR initiatives, finding solutions to problems and crisis situation, improvement of relationship between the organisation and its stakeholders etc.

Josh (2013) explained 5 ways of improving stakeholder engagement in CSR practice by finding the stakeholders, stating clearly the process and strategy for implementation, infusion of external stakeholder engagement as part of organisation culture, establishment of performance measurements and finally maintaining engagement and interaction with stakeholders as part of a normal continuous process in CSR implementation. When organisations are confronting or trying to solve multi dimensional problems which affect different sets of stakeholders, engaging in a multi stakeholder dialogue accords an effective solution through learning the best approach from different stakeholders' perspectives (Burchell & Cook 2006).

Accordingly, Gable & Shireman (2005) mentioned a process of operationalising stakeholder engagement in three phases;

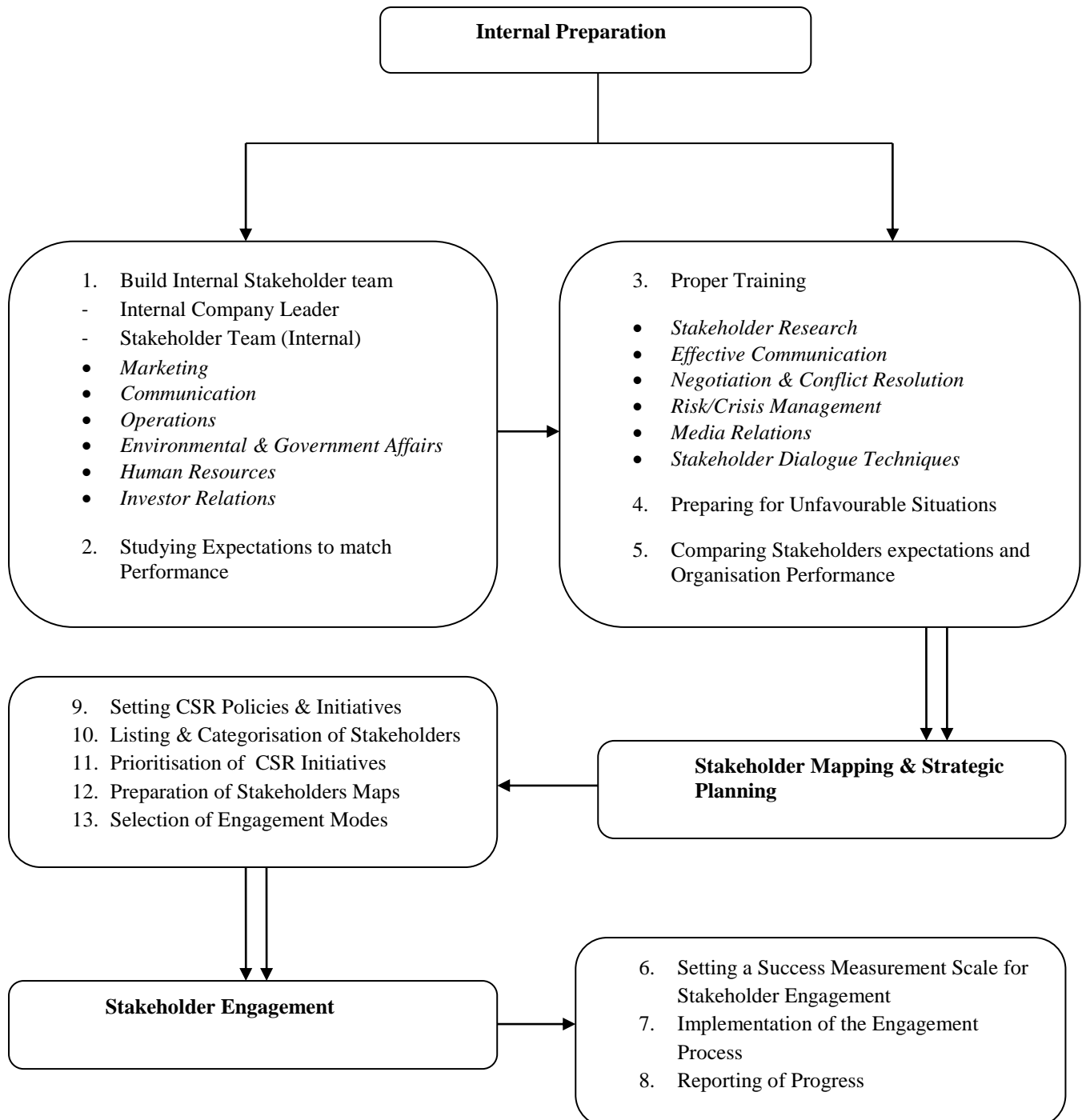
Internal preparation – This is the appointment of the right set of people to lead and formulate all policies in an organisation. Training the lead team follows and then the comparing of stakeholders expectations with organisational performance.

Strategic planning and stakeholder mapping – This is achieved by identifying and keeping a record of all sets of stakeholders the organisation deals with and their roles in achievement of organisational objectives. Then use the information obtained from the identification process to draw a strategic plan in CSR implementation.

Implement the engagement – This is the process of executing the stakeholders' engagement after the two aforementioned phases to reach organisational objectives, quantify and observe the results and disseminate it to the appropriate targets.

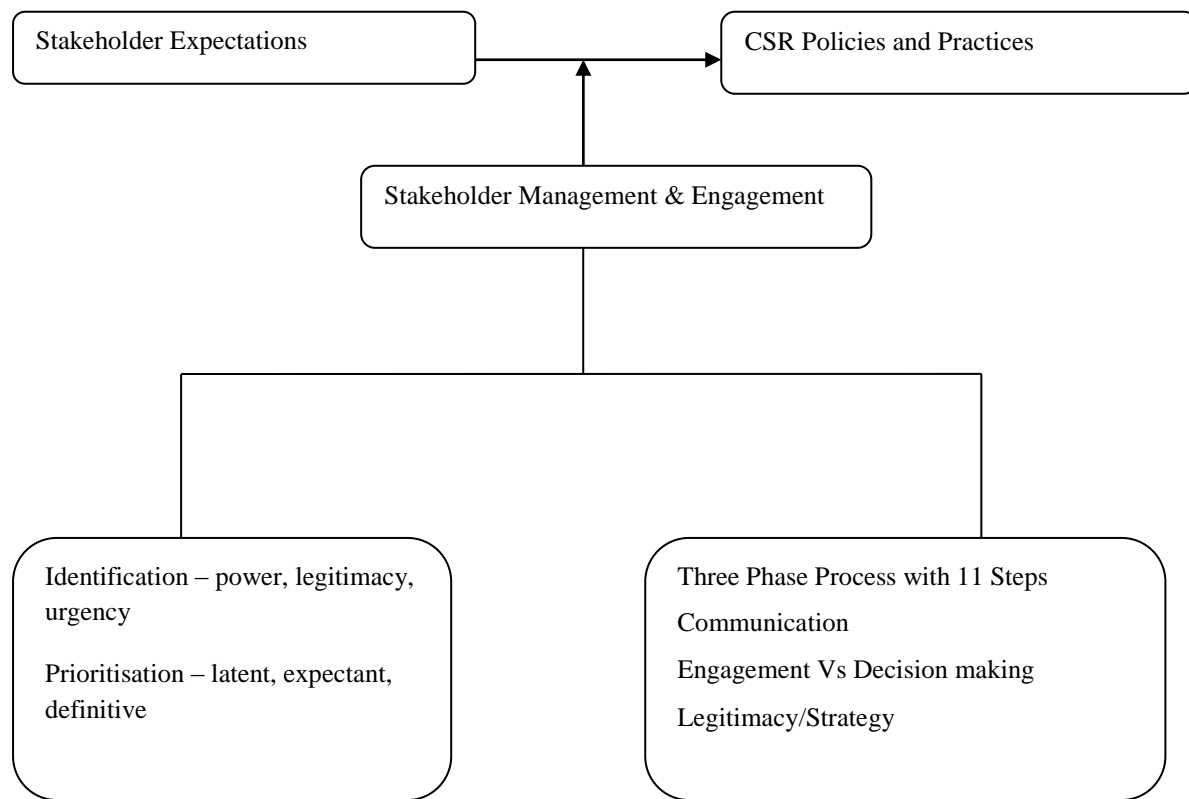
The stakeholder engagement process in three phases is further categorised into a step by step approach as depicted below

Fig 1 - Process of Stakeholder Engagement



The framework below conveys the idea of creating a link between stakeholder's needs and expectations with CSR policies and practices. The two concepts are linked through SE (Stakeholders engagement) and SM (Stakeholders management). In order to make SE realisable or functional three factors need to be taken into consideration; communication, engagement versus decision making and legitimacy/strategy. To manage stakeholders (i.e – the process of stakeholder relationship management) there is the need to identify the categories of stakeholders based on three attributes; power, legitimacy and urgency, after the identification stakeholders are prioritised based on their degree of possession of the three attributes into seven categories which defines the stakeholder's salience.

Fig 2 - The Conceptual Framework for Stakeholder Management and Engagement



3.1 - Conclusion

The whole idea behind stakeholder management is to identify stakeholders based on the three attributes which defines their power to influence decision making and enforce their will, the legitimacy of the claims or rights they possess to expect fulfilment from the organisation, and the urgent nature in which they require the satisfaction of their needs and expectations. Subsequently, the need to engage them in order to meet their expectations after identifying and prioritising the stakeholders require the diligent observation and adoption of the 11 steps approach in engaging the stakeholders starting with creating or appointing the internal leadership team of internal stakeholders representing different departments of the organisation like; marketing, communication, operational unit, human resources, investor relations and environmental/government affairs etc, limiting expectations to a realistic level, conducting a proper training through learning effective communication skills, stakeholder research, collective bargaining and good industrial relations, adequate knowledge on crisis and risk management, public relations, dialogue techniques as it relates to different sets of stakeholders, realising the possibility of facing unavoidable mistakes, comparing stakeholder perceptions and expectations with organisational performance. There is also the issue of setting clear CSR policies and initiatives which gives the stakeholders a glimpse of what to expect from the organisation, listing and classification of stakeholders, prioritisation of different CSR initiatives bearing in mind the different nature of stakeholders the organisation deals with, preparation of stakeholders maps follows then lastly in the second phase there is the selection of the best and most suitable engagement mode to adopt.

The proper implementation of stakeholders' engagement process culminates with the introduction of a proper yardstick or scale of measurement to determine a successful engagement process. The proper implementation is constantly monitored and reviewed by managers if there is a need based on the progress report received after every suitable period for evaluating the effectiveness of the engagement process.

The stakeholder engagement process is therefore summarised in major three phases; internal preparation, stakeholder mapping and strategic planning then finalising with the implementation of the actual engagement process. The outcome of the framework designed above can also be subjected to a contextual background and

research survey to get empirical findings. The expected result could define or shed more light on how engaging stakeholders and managing stakeholder relationship will lead to stakeholder's expectations or needs tallying with the CSR policies and practices of organisations.

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