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Stakeholder management in reality: Moving from conceptual frameworks to operational strategies and interactions

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ABSTRACT

Established management systems are believed to be useful for CSR practise and in this context the benefits of integrating all aspects of CSR into one sustainability management system (SMS) are often highlighted. Stakeholder management is a managerial framework for dealing with CSR by interacting with stakeholders in order to create value. Although efforts have been made to integrate stakeholder management and SMS, the resulting frameworks are almost always conceptual and seldom describe how stakeholder management can be performed.

This is an important empirical addition, in that it describes how a company reacts to and adopts stakeholder management theory. The focus is on the practical rather than theoretical implications. The paper provides practitioners with a stakeholder management theory that can be purposefully applied within a management system approach and offers a way of working that categorizes, systematizes and makes stakeholder management more effective. A case study based on interactive workshops shows how the planning phase in the PDCA (Plan, Do, Check, Act) methodology, i.e. the identification of stakes and the development of effective strategies to best manage stakeholders, can be performed. The stakes and strategies thus constitute the primary base on which SMS is built. The study shows how these stakes and strategies can be translated into objectives, targets, programmes, procedures and practises for the implementation of CSR in ongoing everyday activities. It also demonstrates that theory can easily be practised and can generate interesting discussions when a company is forced to look at stakeholders from different perspectives.

Keywords: Stakeholder management; Corporate social responsibility; CSR; Management system; Sustainability management system

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1. Introduction

Corporate social responsibility (CSR) means that companies integrate social and environmental concerns in their business operations and in their interactions with stakeholders (Dahlsrud, 2008). CSR needs to be integrated into all business operations if it is to be successful (Castka et al., 2004; Azapagic, 2003; Asif et al., 2013). However, CSR practise is often shown as codes of conduct, sustainability reports and

community involvement (Ranängen and Zobel, 2014) and the literature on how CSR is systematically integrated is limited (Asif et al., 2013). Therefore, there is a need for further research on how CSR can be integrated into core business processes.

Established management systems are believed to be useful for CSR practise (Esquer-Peralta et al., 2008; Rocha et al., 2007; Castka et al., 2004) and refer to the management of an organization in a comprehensive, systematic, planned and

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documented way. This includes looking at the organizational structure, the planning and resources that need developing and implementation and maintenance of CSR policy, for example relating to social and environmental concerns. The PDCA methodology (Deming, 1986), including the four steps “Plan, Do, Check and Act”, is often applied so that continual improvements are made.

The benefits of integrating all the aspects of CSR into a sustainability management system (SMS) are often highlighted (Rocha et al., 2007; Asif et al., 2013) in order to enhance sustainability performance (Esquer-Peralta et al., 2008).

Stakeholder management is regarded as a managerial framework for dealing with CSR (Freeman, 1984) by interacting with stakeholders in an action-oriented way to create value (Freeman et al., 2007). Efforts to integrate stakeholder management and SMS have been made. For example, Singh et al. (2007) talk about stakeholder mapping and stakeholder consultation, Asif et al. (2011) advocate an identification of key stakeholders, Rocha et al. (2007) see stakeholders as the “battery” that powers the rest of the SMS, while Asif et al. (2013) recommend ‘top-down’ and ‘bottom-up’ approaches to CSR that identify stakeholders’ needs. Nevertheless, these SMS frameworks are almost always conceptual and seldom describe how stakeholder management could be performed. More empirical research is needed to establish how these frameworks unfold in practise (Asif et al., 2013) and are translated into CSR objectives, policies and practise (Castka et al., 2004).

This paper explores how a company reacts to and adopts stakeholder management theory and in this sense makes an important empirical contribution to the understanding of stakeholder management. The focus is on the planning phase of the PDCA methodology, i.e. the identification of stakes and the development of effective strategies to best manage stakeholders (Louche and Baeten, 2006). The stakes and the strategies constitute the primary base on which SMS is built and are important for the implementation of CSR in ongoing everyday activities.

The theoretical framework is presented in the next section and is followed by the methodology and the organizational context. The empirical findings are presented in the results section. In the final section the findings of the study are discussed and some conclusions drawn.

2. Theoretical framework

The theoretical framework centres on the literature that can be purposefully applied within a management system approach and that contributes to the planning phase of the PDCA methodology, i.e. the identification of stakes and the development of strategies to manage stakeholders. The book ‘Managing for stakeholders: Survival, reputation, and success’ (Freeman et al., 2007) forms the basis of the study because it not only offers a theory for the identification of stakes and the development of strategies to manage stakeholders, but also indicates how the theory can be practised. It describes the theory in some detail and is therefore useful in an interactive approach. Both the new edition and the original version are well-cited.¹ The original version is often described as ‘a

classic’ (Laplume et al., 2008; Weber and Wasieleski, 2003; Minoja, 2012) and the formal academic genesis of stakeholder theory (Donaldson and Preston, 1995).

Freeman et al. (2007) describe seven practical techniques aimed at helping organizations to manage stakeholders: stakeholder assessment, stakeholder behaviour analysis, understanding stakeholders in more depth, assessing stakeholder strategies, developing specific strategies for stakeholders, creating new modes of interaction with stakeholders and developing integrative value creation strategies. Four of these techniques have been practised in this paper and are presented below.

2.1. Stakeholder assessment

Stakeholder assessment is a guideline for understanding the environment in stakeholder terms and consists of the following four tasks: stating the corporate mission, identifying stakeholder issues and concerns, assessing corporate strategies for stakeholders and adjusting stakeholder priorities (Freeman et al., 2007).

The corporate mission is the statement of corporate purpose that is meaningful and acceptable to top executives. A stakeholder map can be drawn and the degree of detail can vary depending on the depth of stakeholder understanding. A list of stakes must be developed for each stakeholder group. Resources such as historical records, experiences, interviews with stakeholders and an analysis of public records can all be used in the compilation of the list. Assessing corporate strategies means identifying how stakeholders’ stakes are met in a business unit, division, or by the managers who are responsible. The final task is validation with stakeholders in order to assess the results of employee surveys, customer satisfaction polls and focus groups, feedback from industry analysts and stakeholder dialogues and match these against current strategies and identified stakes (Freeman et al., 2007).

This technique is supported in the model created by Louche and Baeten (2006), which offers a path from stakeholder analysis to strategic implementation. A much simpler version is suggested by Karlsen (2002) in his six-step project stakeholder management process, where only the identification of stakeholders is recommended.

2.2. Stakeholder behaviour analysis

In the analysis stakeholder behaviour is divided into three categories, which results in a more in-depth understanding. The first category includes behaviour that has been observed in a particular stakeholder. The second, cooperative potential (CP), asks managers to list behaviour that could help the organization to achieve its objectives on the issue in question. The third category, competitive threat (CT), includes listing behaviour that could in some way prevent the organization from achieving its goals (Freeman et al., 2007).

This procedure is supported by Savage et al. (1991), who also suggest assessment along the two dimensions of CP and CT. However, Louche and Baeten (2006) advocate another path, where the information from the stakeholder assessment is aggregated in a power/interest matrix (Johnson et al., 2014).

2.3. Assessing stakeholder strategies

Freeman et al. (2007) suggest categorizing stakeholders according to their capacity for change. Stakeholders are ranked

¹ This new edition of the book has been quoted 437 times on Google Scholar since October 2014. The original version (Freeman, 1984) was quoted 16,063 times on Google Scholar in the same time period.

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