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## Article

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# Defining and identifying stakeholders: Views from management and stakeholders

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The focus of an organisation's marketing efforts has shifted in recent years from satisfying customer needs to value creation for stakeholders. The purpose of this research is to establish how the senior management of an organisation define and identify stakeholders. The organisation's stakeholders are then asked to identify their role as stakeholders. The research employed a qualitative research design. The subjects being the senior management of the South African subsidiary of one of the world's largest paint manufacturers as well as a sample of the firm's stakeholders. The results reveal a set of primary and secondary stakeholders that include some differences from current stakeholder theory. The results also confirm the importance of legitimacy as well as the new finding of the importance of reciprocity in stakeholder attributes. From a marketing point of view the focus of the organisation should not be on customers alone but include all stakeholders. This will mean that organisations should focus on stakeholder satisfaction and developing strategies that recognize the importance of all legitimate stakeholders

## Introduction

The focus of an organisation's marketing efforts has shifted in recent years from satisfying customer needs to value creation for stakeholders. The American Marketing Association's definition of marketing is "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large" (AMA, 2013). While work on stakeholder theory is relatively well developed in the management literature, studies on stakeholders from a marketing perspective are relatively sparse (Hult *et al.*, 2011). There are also clear ambiguities in the literature on the basic concepts of stakeholder theory and stakeholder management. A number of difficulties in identifying stakeholders and defining the boundaries of the firm are a function of the intrinsic flexibility of the theory itself (Fassin, 2008). Studies have also been criticized for the lack of empirical evidence supporting theoretical claims. Research has often been conducted at the level of the organisation or in laboratory settings and lacks the involvement of actual stakeholders (Hillenbrand *et al.*, 2013). While the stakeholder approach starts from the premise that the firm needs to have respect, consideration, and fair treatment for all stakeholders, and that the firm has obligation and duties and responsibilities to its stakeholders, little has been said about reciprocity in these relationships (Fassin, 2012). In a recent major review of stakeholder theory, Laplume *et al.* (2008) makes a number of recommendations. According to Laplume *et al.* (2008, 1153), "stakeholder theory is timely yet adolescent, controversial yet important...Yet it is adolescent because empirical validity is yet to be established on several of its key propositions." They go on further to say that most

studies are applied to very large organisations and for it to come into its own as a theory of strategic management, it would need to be applied to more than just large, publicly held corporations (Laplume *et al.*, 2008). Another of their recommendations called for more qualitative narratives to gain a richer understanding of respondent viewpoints.

The purpose of this research is to add to our knowledge of stakeholder theory by addressing the issues and recommendations raised by Fassin (2012), Hillenbrand *et al.* (2013) and Laplume *et al.* (2008). We establish how the senior management of an organisation define and identify stakeholders. We then ask a sample of stakeholders to define a stakeholder as well as identify their role in relation to the organisation. A qualitative study was undertaken with the South African subsidiary (a relatively small enterprise) of one of the world's largest paint manufacturers based in Europe. The majority of stakeholder research has been conducted in developed economies. South Africa is an emerging market and is one of the BRICS countries. Thus this study will also fill a gap in the literature regarding stakeholders in developing countries.

## Defining stakeholders

There is fair agreement on general thoughts as to who qualifies as potential or actual stakeholders, they include persons; neighborhoods; institutions; groups; organisations; society; and the environment (Mitchell *et al.*, 1997). They note various definitions are evident, such as Freeman and Reed (1983, p.91) "an individual or group who can affect the achievement of an organisation's objectives or who is affected by the achievement of an organisation's objectives"; Alkhafaji (1989: 36) "groups to whom the

corporation is responsible"; Thomson, Wartic and Smith (1991: 209) defining stakeholders as groups "in relationship with an organisation.". Clarkson (1995: 106) identifies stakeholders as "persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future". These claims stem from dealings with the firm or organisation activities, and stakeholders with similar interests can be grouped together (Clarkson, 1995). Mitchell *et al.* (1997) argue that definitions entailing relationships, contracts, or transactions need a give-and-take effect which is lacking in the "stake" concept of "can affect or is affected by" as seen in the Freeman (1984) definition. They further state that those who have no effect, or are not affected by the firm, have no stake. Hill and Jones (1992: 133) define stakeholders as "constituents who have a legitimate claim on the firm", while Carroll (1993) states that by virtue of legitimacy; groups or individuals can be considered as stakeholders, of which the legitimacy could include power. Jenson (2001) interprets stakeholder theory as stating that managers should make decisions by accounting for the interests of all stakeholders in the organisation, and discusses whether or not organisations should maximize value. Mainardes *et al.* (2011) state that although the term "stakeholder" is widely used in business, media, and government, many who use the term lack the provision of evidence for their understanding of what a stakeholder actually is. They relate the concept to academic circles with many definitions proposed, yet there has never been a single definitive generally accepted definition. They do note that there are similarities within the definitions whereby organisations should consider the needs, interests, and influences of individuals or groups who affect, or can be impacted by, the organisations' decisions and actions. Strategically, the concept of stakeholder management encourages firms to consider the impact on stakeholders through their actions and decision making (Fassin, 2012). The definition used as a guide for our study is by Freeman (1984: 46) defining stakeholders as "any group or individual who can affect or is affected by the achievement of the organisation's objectives". This definition has become the most accepted of the definitions of a stakeholder (Fassin, 2008). For a comprehensive review of stakeholder definitions, see the work of Laplume *et al.* (2008) who reviewed 179 definitions and Miles (2011) who reviewed 435 definitions.

## Identifying stakeholders

The logic behind stakeholder theory is dependent upon assumptions that describe the relationship between an organisation and its environment, these assumptions are that organisations have relationships with various stakeholders; companies are run by top managers that make strategic decisions affecting stakeholders; competing interests between organisations and stakeholders can result in conflict; and organisations compete in markets that tend to navigate towards equilibrium (Hult *et al.*, 2011). According to Mitchell *et al.* (1997: 853), as descriptive as the concept of stakeholders is, there is limited consensus as to what Freeman (1984) calls "The principle of Who or

What Really Counts", to which Mitchell *et al.* (1997) explain as "who (or what) are the stakeholders of the firm? And to whom (or what) do managers pay attention?" Clarkson (1995) classified stakeholders into primary and secondary stakeholder groups:

### Primary stakeholders

Primary stakeholders are defined by Clarkson (1995: 106) as "one without whose continuing participation the corporation cannot survive as a going concern". These groups mainly include shareholders, employees, customers, and suppliers, and the public sector: the governments and communities that afford infrastructure, regulate organisational activity, and enforce taxes. The organisation and the primary stakeholders are highly dependent on one another. Clarkson (1995) further addresses the importance of managers to create value for each stakeholder group to ensure the continued relationship and stakeholder retention. Mitchell *et al.* (1997) state that these groups of stakeholders possess power that influences managerial decisions. Due to the contractual relationships firms have with primary stakeholders, they are highly visible: choices, opportunities, decisions, and the valuation of their demands are required by firms (Hult *et al.*, 2011). Fassin (2012) notes that primary stakeholders enjoy a direct and contractual relationship with the firm.

According to Webster (1992), customer relationships are one of the firm's most important assets, and organisations should take a long-term view considering innovation, quality, and service. Customer orientation is explained by Deshpandé, Farley and Webster (1993) as the set of principles that puts the customer's interests first, while still including all other stakeholders such as shareholders, managers, and employees, in order to develop a sustainable profitable enterprise.

If companies employ a diverse workforce as a stakeholder group, it can benefit from expanding its markets through relating to a broader customer base and improve productivity (Berman *et al.*, 1999). The successful management of employee relations by organisations can lead to reward, improved performance, and competitive advantage (Berman *et al.*, 1999). A company's success is driven through their employees, and how customers and employees identify with each other, impacts on service levels, customer willingness to pay, satisfaction, and ultimately improve company performance (Hult *et al.*, 2011).

Day and Fahey (1988) state that organisations have an obligation to shareholders of maximizing wealth, and that shareholders invest in companies expecting returns on their investments that are greater than alternative options with minimized risks. Companies should be accountable for their actions, as these contribute to shareholder value (Srivastava *et al.*, 1998). Maximizing returns to shareholders at the expense of other primary stakeholder groups is no longer an option for management; they are now accountable for

corporate responsibilities for all primary stakeholders (Clarkson, 1995).

A firm and its supplier relationships are critical to the firm's performance; conflict can affect the firm's performance and satisfaction negatively (Hult *et al.*, 2011). When the firm-supplier relationship involves collaborative communication, the supplier understands the firm's needs and enables commitment towards the firm, which, in turn, improves the supplier performance (Hult *et al.*, 2011).

Organisations that ignore community and social interests risk losing consumer support, which could result in boycotts, thereby negatively affecting the firm's reputation and performance (Garrett, 1987). Bloch (1995) stated that regulators imposing restrictions could affect marketing activities, causing additional costs through adherence, and so marketing strategies are adjusted accordingly. Increased pressure through regulation from government forces organisations to become more proactive when developing strategies to remain competitive and successful (Hult *et al.*, 2011). In South Africa, the Broad-Based Black Economic Empowerment Act 53 of 2003 (BBBEE) has compelled companies to view certain stakeholders differently (Esser & Dekker, 2008). They note that the act serves to promote social investment through corporate social responsibility and community empowerment, and to correct racial imbalances stemming from the discriminatory apartheid history in South Africa. Section 9 (2) of the Constitution specifically addresses the legislation designed to advance or protect people disadvantaged by previous discrimination (Esser & Dekker, 2008), and new pressure was applied to companies to commit to black economic empowerment due to the act.

## Secondary stakeholders

Clarkson (1995: 107) defines Secondary stakeholders as "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". Secondary stakeholder groups include competition, media, trade associations, and support groups (special interest). Although these groups have no contract or authority with the firm, and the firm is not dependent upon these groups for their survival, they can cause significant disruption to the firm (Clarkson, 1995).

Winn (2001: 137) argues that theoretically shared interests join groups of individuals which constitute stakeholder groups, the problem is that stakeholder groups have subgroups and persons who both have varying interests and support multiple roles, where "individuals wear different hats at different times". Furthermore, Winn (2001) believes there is value by assessing empirically how stakeholders and managers interact to determine what constitutes stakeholder groups. The dispute of deciding which groups are eligible to be included in the stakeholder concept is revised by Tullberg (2013), who agrees that to have a stake in an organisation is a reasonable demand for being a stakeholder, and further suggests that the concept of having a stake within a

company should be recognized as contributing an input to the company, and being part of its output - thereby a reciprocal link is present. Fassin (2012) states little has been written about reciprocity in stakeholder relationships, and that the reciprocal nature of responsibility has been overlooked in stakeholder theory. Tullberg (2013) suggests that stakeholders be differentiated by "influences" (powerful and important to the firm) and "claimants" (less powerful and vulnerable to the firm's actions), and agrees with Kaler (2002) that a narrow definition should exclude "influences" and only include "qualified claimants" (those that could exert power over the firm but lack a strong connection), upon which Tullberg (2013) suggests the exclusion of competitors, NGO's, and media. Tullberg (2013) agrees almost everyone can be indirectly affected by a firm, but considers this insufficient without making a contribution or having a role in the firm. This narrow view of who the stakeholders are includes: shareholders, customers, employees, suppliers, at times the community, and managers, due to the controversy surrounding self-interest (Tullberg, 2013).

## Stakeholder attributes

Mitchell *et al.* (1997) question if an organisation and stakeholders have a relationship, what could be the nature of that relationship? They state that various definitions show how the firm is dependent on the stakeholder for survival, or how the stakeholder is dependent on the firm, some include contractual relationships, power-dependence relationships, and a legal or moral right, or an interest. Influencing groups with power over the company could upset operations to a point where legitimate claims would be disregarded; hence the firm's survival would be at risk. Power and legitimacy are therefore core attributes of identifying stakeholders (Mitchell *et al.*, 1997). They explain further how power and legitimacy interact, and when urgency is included, how stakeholder behaviours influence the firm. Mitchell *et al.* (1997) suggest that to understand "the principle of Who and What Really Counts", stakeholder relationships should be evaluated in terms of the attributes of power, legitimacy, and urgency; to which managers perceive stakeholders on those attributes and the stakeholders become salient to the managers.

According to Mitchell *et al.* (1997), power is a relationship among parties whereby one party can get another party to do something they would have not originally intended to do. Due to its nature, power is a variable and not a stable state, and is therefore temporary: it can be gained or lost. Legitimacy refers to socially accepted norms and behaviours and is integrated with power when society evaluates relationships, and legitimacy is an assumption that an entity's actions are desirable, applicable, and socially accepted (Mitchell *et al.*, 1997). They explain that if a firm has a legitimate standing in society, or a stakeholder has a legitimate claim on a firm, if it does not have power to enforce its will or a perceived urgent claim, they would not fall within a manager's salience. From a disclosure perspective, Szwajkowski (2000) states that managers

should understand what stakeholders want and need to know, and stakeholders who demand disclosure but are unwilling to disclose themselves will lose legitimacy. Urgency refers to the extent to which stakeholder claims require immediate attention, and Mitchell *et al.* (1997) believe that it exists only when two conditions are encountered: firstly when a claim is of a time sensitive nature, and secondly when the claim is significant to the stakeholder. Neville, Bell and Whitwell (2011) argue that urgency as an attribute is a relevant component of prioritization regarding stakeholder salience, but not in identifying stakeholders as it is the urgency of the claim, not the stakeholder, that is relevant.

Frooman (1999) states that there is controversy surrounding the importance of legitimacy as a stakeholder attribute. The study by Agle *et al.* (1999) confirms that in the minds of Chief Executive Officers (CEOs), the stakeholder attributes of power, legitimacy, and urgency relate to the writings of Mitchell *et al.* (1997), who found urgency best predicted executive responses, and that shareholders, customers, and employees were viewed as the most important stakeholders. Friedman and Miles (2002) agree with Mitchell *et al.* (1997) regarding who or what are the stakeholders of the firm, but argue that they did not include the dynamics of the organisation. Hult *et al.* (2011) explain the identification of stakeholders through possessing a minimum of one of the three stakeholder attributes as presented by Mitchell *et al.* (1997), and refer to categorizing stakeholders, as depicted earlier by Clarkson (1995), within primary and secondary groups.

The research question developed is:

- Who are the firm's stakeholders and what stakeholder attributes of power, legitimacy, and urgency do they possess?

## Research methodology

In order to explore how managers define and identify stakeholders, this study adopts a case study design (Yin, 2009). A detailed in-depth interview based study is carried out to gain insight from both managers and stakeholders. This methodological approach allowed for depth of knowledge and richness in the information collected from the interviewees.

## Population and sample

The company studied is part of one of the largest paint companies in the world delivering a global turnover of 14 Billion Euros per annum, operating in over 80 countries, and employing 50,000 people. In South Africa, they are ranked within the top three paint manufacturing companies and have shown market growth higher than the South African Gross Domestic Product percentage growth levels for the past 5 years. There are 385 people employed by the South African company, and the company supplies paint to over 3700 retail stores and service 720 professional contractors.

A total of sixteen interviews were conducted, eight from the executive management team, and eight from stakeholders. For the executive team, the population chosen was the heads of departments from each functional area within the business. The participants share the following characteristics: They have vast executive experience; share a common vision and goal; and communicate globally within the company network. The entire executive team is over 40 years old with the youngest being 41 and oldest 59 years old. As a team, they have spent 57% of their career employed by the company, 25% of the team is female, and 75% of the team have a post graduate qualification. The cross-functional aspect offer different perspectives of the theory and assist in triangulation of primary data. Respondent participation was conducted face-to-face. Eight interviews from the company stakeholders' were also conducted comprising of three primary groups of stakeholders: Three customers, two suppliers, and three employees. The stakeholders interviewed are all over 35 years old and two of the eight interviewed were female. The average number of years the selected stakeholders have been influenced by or influenced the firm is 17 years, which is significant experience in dealing with the firm.

## The research instrument and data collection

Two separate discussion instruments were developed from the literature review, one for the executive management and the other for stakeholders. The questions were deliberately open-ended to allow the respondents to interpret and apply their knowledge and experience appropriately, offering non-biased information.

The interviews were conducted at the company Head Office in Johannesburg and at the manufacturing facility in Durban, South Africa. All interviews were scheduled two to three weeks in advance allowing sufficient time for the respondents to plan accordingly. All communication during the interview process was recorded with consent by the respondent, documented, and electronically saved for future reference. The instrument was used in tandem with the recording to assist with the interview process by providing prompts to remain within the research area, which avoided diverting to an unrelated subject. The total interview time was 570 minutes with an average time per interview of 36 minutes. Documentation and archival records, such as correspondence, extractions from minutes, and administrative documents was gathered where applicable to this study.

## Data analysis

Directed content analysis was applied to this study. Directed content analysis is used where existing theory or research is available about a phenomenon that is incomplete and would benefit from further research (Hsieh & Shannon, 2005). Blind double coding was performed with an external party, coded and compared for consistency and integrity. According to Hsieh and Shannon (2005), during interpretation the researcher can descriptively report the

percentage of codes that are supporting or non-supporting for each participant, and the prior research theory used will guide the discussion of findings. Any contradictory or new evidence of the phenomenon could refine, or enrich the theory (Hsieh & Shannon, 2005).

## Results

The words used most often by the senior managers and stakeholders are displayed in Table 1.

**Table 1: Common words used by both sets of respondents**

Word	Management	Stakeholders	All
	Frequency	Frequency	Total
Stakeholders	61	76	137
Legitimacy	51	13	64
Power	46	23	69
Urgency	46	21	67
Customers	42	31	73
Brand	37	3	40
Employees	36	18	54
Entity/Organisation/ Company	35	48	83
Claim	32	14	46
Impact	32	0	32
Business	31	23	54
Consumer	28	2	30
Product	26	9	35
Suppliers	21	21	42
People	16	10	26
Reputation	16	2	18
Influence	15	3	18
Management	15	2	17
Claimant	13	3	16
Secondary Stakeholders	11	13	24
Decision	9	9	18
Relationship	8	22	30
Primary Stakeholders	6	13	19

Legitimacy was used extensively more by the managers than the stakeholders, and the managers used legitimacy more frequently than they used power and urgency. Power and Urgency was used more often by the stakeholders than they used legitimacy. Relationship was a word used more frequently by the stakeholders than by management. Words such as “brand, employees, claim, impact, consumer, product, reputation, management, influence, and claimant” were used more frequently by management than by the stakeholders. One could suggest that managers are influenced by the firm’s objectives and strategy.

## Responses from executive managers

### Defining stakeholders

In defining what a stakeholder is, there was a general consensus relating to someone or something having a “stake” in the firm, and having the ability to either affect the

firm or be affected by the firm. Further to the manager’s interpretations of what a stakeholder is, reference to the firm was most common, and some of the statements revealed reciprocity when defining stakeholders.

The following definitions were stated by the executives’ respondents:

*“A stakeholder is anyone that has an interest in the organisation”*

*“Somebody who has a vested interest in the firm, and has something to lose in the business if they are not a stakeholder, so being a stakeholder they have some sort of reward attached”*

*“A stakeholder is someone who adds significant value to the business”*

*“Anybody that has got to do with the business, internal or external...because they all impact, potentially on your customer, your brand or brand reputation of the business...for me its about whom and what has got potential positive or negative impact on the brand and the brand reputation of the business”*

### Identifying stakeholders

When asked who the company’s stakeholders were, there was a general understanding by the managers, but initial responses generated leaned more towards the stakeholders that each manager personally dealt with. The following were some responses:

The CEO approached the topic as *“from your shareholder’s position in the business to your global headquarters internally, it will be your EXCO... employees from whichever level in the business are impacted and can impact, your supply base – impact or can impact and so do your service providers...whether it’s a supply of raw material or whether it’s the service provider”*

The R & D Executive wrote down the following: *“Customers, competitors, raw material suppliers, government legislation and tax authorities, the holding company, employees, environmental groups, NGO’s such as the South African Paint Manufacturers Association, the general community”*

The Finance Executive noted *“the holding company, shareholders, customers, employees, directors”*

The Exports Executive stated *“the company’s consumers first and foremost, and I am talking now not focusing on the immediate working environment, I am focusing on something broader than that. Customer consumers, suppliers, then I think broader than that the community and as well as organisations that governs the day to day business running and that would include your local municipalities and the immediate local authorities. And then*

*obviously the various stakeholders within the business itself if you move closer to the business environment"*

The managers were requested to categorize the stakeholders they had mentioned in terms of primary or secondary stakeholders.

The Procurement Executive differentiated between internal and external customers, and viewed internal customers as primary stating *"my customers are essentially the internal customers, people who use the materials that we procure"* and external customers as secondary stakeholders by stating *"customers are a minor stakeholder in the procurement function because the customers essentially feel the impact of what we do as a consequence of using our product...it has an impact on price to performance on quality"*

The HR Executive viewed this from a sustainability perspective of remaining a stakeholder of the company, she stated *"as long as there is strategic alignment, obviously the company, the legal entity, the board, so I think sub-committees to a lesser extent: suppliers I would say secondary, they can look for new people to service customers, well again I think there one might look at those customers who are 100% brand loyal, but I think the overall classification would still have to be secondary based on the fact that they can substitute for a competitor brand. Union would have to be secondary, employers' association secondary, and management: they are all primary stakeholders"*

When the respondents were asked what attributes would be present in classifying or identifying the company's stakeholders, there seemed to have been reference points based on the manager's role and experience within the company. A respondent referred to defining roles, responsibilities, and accountability which one could argue resembles that of legitimacy from an employer-employee relationship perspective. She referred to the CEO having power in terms of his interface with her, and this being due to the particular legitimate role that he plays within the business. Another manager referred to having a vested interest as an attribute, and something to gain or lose - which drives towards legitimacy and reciprocity. One respondent mentioned *"the fact that you are a stakeholder to any extent gives you degrees of power"* and believes that they need to be somehow impacted on by what the managers do, and states *"if your stakeholder is the shareholder that relationship is financial, he is there to make money out of his investment"* and therefore there is an expectation of benefiting from what you do as a manager. *"Legitimacy and commitment"* was regarded as attributes by one manager, and in so *"assisting the company to meet their ultimate objectives and goals"*. The Research and Development Executive believed that *"they should possess honesty and confidentiality and be legitimate with the dealings with the company"*. The Exports Executive identified legitimacy could include power, and added *"procurement for example benefits through engagement to negotiate better prices"* which would represent power, *"through your clarification of goals and ambitions"* which refers to legitimacy.

Reciprocity was raised within the discussions of identifying and classifying stakeholders with the respondents to allow for deeper insights within this context. All eight respondents agreed somewhat that reciprocity is required when identifying stakeholders, although some had reservations. Those that believed in reciprocity had the following responses:

*"The engagement with the stakeholder should deliver some sort of win-win situation"*

*"If I am going to use a supplier's product within my formulations, I expect reciprocity of confidentiality from the supplier due to the technical intellectual property"*

*"A supplier relationship has got to work two ways. In as much as they are a stakeholder for the fulfillment of my business objective I'm a stakeholder for the fulfillment of their business objectives...they have got a dependency on one another"*

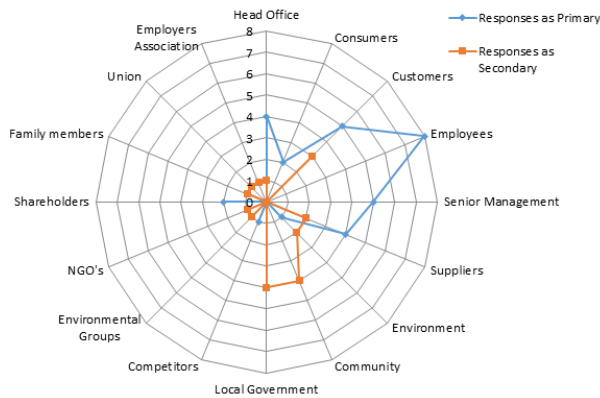
Different views from respondents showed reservations mainly on whether or not secondary stakeholders have a reciprocal nature. One respondent enlarged on the possibility that as you move from primary stakeholders to secondary stakeholders, the reciprocity with the secondary stakeholders could become situational, others stated:

*"From a primary stakeholder point of view reciprocity would apply, whereas not necessarily from a secondary stakeholder"*

*"Secondary stakeholders when it comes through the community and the social responsibility and the environment, where we have an ethical and a moral responsibility, we got to do what's right rather than actually work on a reciprocity basis"*

Each respondent was questioned whether or not someone or something could be identified or classified as a stakeholder if there was only legitimacy or urgency as an attribute, or no power. Information from the respondents suggests that legitimacy is the most relevant stakeholder attribute when identifying or classifying stakeholders. Power was not seen as a necessity, and urgency was irrelevant by itself without legitimacy present. One respondent stated that *"legitimacy is for me almost a subset of power, because almost invariably if you have legitimacy, you have some power of some description"*. It was also mentioned by a different respondent that a stakeholder could gain power going forward, another stated *"legitimacy is the one that can actually get you in the biggest trouble...if there is legitimacy then there's the backing of the law and there's backing of the rules and there's backing of policy"*.

The Legal Affairs Executive stated that *"if it's legitimate it has power"* and *"it's got like an inherent power"*. Figure 1 graphically depicts the company's stakeholders as viewed by the executive team.



**Figure 1: Company stakeholders: The executives view**

## Responses from company stakeholders

Various discussions were raised with the stakeholder respondents to identify their perception of what a stakeholder is. They were asked whether their stakeholder status should be primary or secondary, what attributes they should possess as being stakeholders' of the company, and whether or not reciprocity is required in identifying stakeholders. A clear understanding was sought after whether or not the respondents would identify someone or something as a stakeholder if there were limited attributes of power, legitimacy, or urgency present.

### Defining and identifying stakeholders

The following responses were stated regarding who or what a stakeholder is:

Suppliers stated:

*"A stakeholder is one of the suppliers to the company who form an integral part of their requirements"*

*"A stakeholder is someone who is part of their business, so if we supply a service to you that is both critical to yourselves and to ourselves, I would regard us as being a stakeholder in your business and you a stakeholder in our business"*

Employees stated:

*"somebody who has a vested interest in a particular area, as a stakeholder in this company I make sure I deliver what I can to other stakeholders in the company, if I don't do that I won't get paid"*

*"A stakeholder will be a customer or manager or senior manager or the holding company"*

*"An individual person or entity that has a direct or indirect relationship with a company. Meaning that should the company do well the stakeholder should also do well. There is a direct relationship between a company and stakeholder."*

Customers stated:

*"Somebody that you are linked to, they don't own a share in your company but are one of your suppliers, and we are reliant on them so that we can push their product and we feel like we are part of their company"*

*"A stakeholder is somebody who has got a vested interest, I see our supplier as one of the biggest paint manufacturing companies with all the back-up...they are a stakeholder in terms of the service and are a large part of my business"*

*"A stakeholder would be someone who has a relationship with a customer. Such as an employee, a customer, a supplier, people who live in the same area as the factory, they would in my view be seen as a stakeholder and obviously the shareholders or anybody that lend you money or something like that"*

All the stakeholders interviewed considered themselves as primary stakeholders, there was however some hesitation from one employee and one supplier. The employee at first felt that within the company studied an employee could be considered a secondary stakeholder, and said *"because they are not as permanent as your other stakeholders"*. The respondent then elaborated to say that due to recent global restructuring programs, employee job security is under threat, and stated *"I am talking your low-end level sort of employees; if they are seen as stakeholders"*. The respondent did however see herself as a primary stakeholder due to her current role not being easily replaceable, and then stated *"if you look at call centre staff, your credit control, your accounts payable - I think those people have moved away from primary stakeholders to secondary stakeholders"*.

The one supplier looked at the situation from a different perspective, where instead of viewing suppliers as an integral part of the company, he viewed suppliers as replaceable or substitutable. He stated *"if our company fell over there might a little bit of a stumble but it wouldn't be long before the company were up and going either with an alternate supplier or an alternate service provider"*. He believes switching costs to change certain suppliers are far higher than other suppliers, and where the cost is higher, those suppliers would be more permanent and therefore primary.

When identifying the attributes that each stakeholder respondent possessed, it was apparent that legitimacy was the over-riding attribute that each respondent explained they had.

The supplier of plant and equipment exhibited legitimacy through stating *"For us personally, service level, so good service levels and a good offering in terms of reliable, accurate equipment so if what we are supplying is equipment then it needs to work and we need to back it up with decent service much like any of the raw material suppliers if he's got a spec to achieve he needs to be supplying it in that spec, if it's not on spec then..."*



A discussion with the Audit Manager employee proved to steer more towards legitimacy as stated *“Well I think you should possess a commitment to whatever your role is as a stakeholder. So whether it is as an employee you need to be committed to doing your job and doing your job properly. Whether it is as a supplier you need to be committed to providing good quality on a service and if it is from a customer you should also then be committed to developing that underlying brand that you are a stakeholder in. I think it almost has to be a commercialistic basis. It is difficult for it to function on a one sided affair. And I think that, you know, so it is commitment, honesty, integrity, you know, all of those types of interactions”*

From the retail professional store customer’s perspective, he stated *“the company can’t be successful without people like us”* and *“because we are a large customer. We pay and we look after your customers. The legitimacy – I think we would also qualify for a number of things but I think more than anything else its legitimacy because we are possibly the best example of ambassadors you have for your brand and what you theoretically stand for”*. Although the statements made by the customer are more weighted towards legitimacy, there is an element of power displayed.

None of the stakeholder respondents mentioned anything that could resemble urgency as an attribute they personally exhibit.

Reciprocity was raised within the discussions of identifying and classifying stakeholders with the respondents to allow for deeper insights within this context. All eight respondents agreed that reciprocity is required in being identified or classified as a stakeholder. Two employees discussed the possibility that not all identified stakeholders could be reciprocal, and the possibility of those being secondary stakeholders.

The plant and equipment supplier clearly addressed this by stating *“I don’t think you can regard yourself as having a stake in a company or being a stakeholder if it really...if you’re not aiding that business or contributing to the success of that business and likewise you are not getting anything out of it in terms of success for your business. It’s the same as an employee being a stakeholder in a business he’s not doing it for nothing or for fun, I mean he is doing it to earn an income... and the company is benefiting from his skills and his services and work and so on. There has to be some form of backwards and forwards or give or take in the relationship to be able to classify as a stakeholder.”*

The trade professional customer stated that *“It’s definitely a two-way street, we do spend a lot of money with the company and yes, reciprocity, definitely. The company gives us leads and in some instances where we can specify, we refer to the company’s brand.”*

Each respondent was questioned whether or not someone or something could be identified or classified as a stakeholder if there was only legitimacy or urgency as an attribute, or no power.

The stakeholder respondents’ views had a similar pattern to that of the management respondents’ views; the most visible variance was that the management had a higher response to classifying someone or something as a stakeholder if they had no power as an attribute.

The response from one employee *“I don’t think all stakeholders necessarily have a significant degree of power. You can be a receptionist; you can be a stakeholder that is a stakeholder without all the decision making power or decision making ability. Even from a supplier or customer perspective, a supplier does not necessarily hold power but they are a stakeholder in terms of the value chain of the business”* is clear in communicating that without power, one can still be granted stakeholder status.

The professional trade respondent stated that *“If I’d bought a faulty product and I was a very small contractor, I would still consider it that I am a stakeholder in terms that I’ve used the Company’s product and they must honour it until the end.”* This statement refers to the legitimacy of the claim being able to stand alone where there is no immediate power present.

Thus, to answer the research question, the executive managers stated that the following are the firm’s primary stakeholders: employees; senior management; head office in Europe; consumers; shareholders; competitors; and suppliers. Secondary stakeholders were identified as: the environmental groups; community; local government; non-governmental organisations; family members and the labor unions.

Although there were some differences whether or not suppliers, customers, and the company head office should be considered as primary stakeholders, the over-riding consensus was that they should. The respondents who disagreed were categorizing the stakeholders from their individual role within the firm as opposed to the general stakeholder base of the company. The media were not mentioned by the respondents, which could be due to the fact that other than suppliers, the company has not received any media attention for some time and therefore is not considered as a stakeholder.

### **Classifying and identifying stakeholders through attributes**

When enquiring what attributes should be present in identifying and classifying a stakeholder, fifteen of the sixteen respondents referred to a type of legitimacy in their explanation.

Of the fifteen respondents, four of them discussed power: Two respondents referred to a type of inherent power stemming from the legitimacy; One respondent mentioned that being a stakeholder in itself allows some form of power; One respondent spoke of power based on the size of his business and spending power with the company, a type of power developed over time

When reciprocity was discussed with the respondents, the intention was to establish whether or not reciprocity could be an attribute when identifying or classifying a stakeholder. All sixteen respondents agreed the reciprocity should be used when identifying or classifying stakeholders. Four of the sixteen respondents did not believe that all stakeholders can be reciprocal, and suggested that primary stakeholders should be reciprocal, but not all secondary stakeholders. The managers suggested the possibility that as you move from primary stakeholders to secondary stakeholders, the reciprocity with the secondary stakeholders could become situational. As stated:

*“From a primary stakeholder point of view reciprocity would apply, whereas not necessarily from a secondary stakeholder”*

*“Secondary stakeholders when it comes through the community and the social responsibility and the environment, where we have an ethical and a moral responsibility, we got to do what’s right rather than actually work on a reciprocity basis”*

In order to identify the importance of power as a stakeholder attribute, the respondents were questioned whether or not they would still consider someone or something as a stakeholder if they had no power. Most respondents stated they would still consider someone or something as a stakeholder, as they believe power is not a necessity in being classified or identified as a stakeholder. The respondents’ over-riding responses were that urgency was irrelevant by itself without legitimacy present. Thirteen responses showed that someone or something cannot be classified or identified as a stakeholder based on urgency as an attribute alone. From the sixteen respondents interviewed, twelve believe that legitimacy alone can be used to identify or classify someone or something as a stakeholder. Comments made by the managers suggest that legitimacy is a type of power within itself. As stated:

*“Legitimacy is for me almost a subset of power, because almost invariably if you have legitimacy, you have some power of some description”.*

*“If a stakeholder has legitimacy they have an inherent power”.*

This suggests that legitimacy is the most relevant stakeholder attribute when identifying or classifying stakeholders. One could then question the relevance of urgency or power as a stakeholder attribute alone, if there is no legitimacy present.

## Discussion

### Who or what the firm’s stakeholders are

In assessing the statements made by the executive management, there are clear commonalities between them and what was originally defined by Freeman (1984).

Freeman (1984: 46) in his definition states “the achievement of the organisations’ objectives”, whereas the management did not look at it only from a one sided perspective being the organisation: they stated “*performance for the benefit of both parties*”, “*have something to lose or some reward attached*”, which in assessing the definitions from the executive team show a clear reciprocal nature. The stakeholders were given an opportunity to state their definition of who or what a stakeholder is, they stated “*supply a service to the business that is both critical to the business and ourselves*”, “*somebody who has a vested interest*”, an employee stated “*deliver what I can to other stakeholders in the company, if I don’t do that I won’t get paid*”, “*should the company do well the stakeholder should also do well*”, “*we are reliant on them so that we can push their product*”. Once again there was a lean towards reciprocity with what the external stakeholders had stated.

It is apparent that the company strategy could have an influence on who the managers view as stakeholders. The theory does not include competitors as primary stakeholders, yet the managers do believe that they are. This can only be from the competitors’ ability to affect the firm’s performance and management decision making on strategy. Clarkson (1995) states that a primary stakeholder is one that if the company does not have this stakeholder, the company will not be able to continue as a going concern - this is not the case with the competitor. Clarkson (1995) viewed government and communities as primary stakeholders, whereas the management team cited them mostly as secondary stakeholders who are affected by the firm’s actions from a secondary nature or subsequent affect. The findings of our study substantiate what Tullberg (2013) states, who the stakeholders are includes: shareholders, customers, employees, suppliers, at times the community, and managers due to the controversy surrounding self-interest. There is also a sense of what Tullberg (2013) states that almost everyone can be indirectly affected by a firm, but considers this insufficient without making a contribution or having a role in the firm. Having a contribution or a role in the firm was very evident from the respondents’ interpretation of who they determine their stakeholders are.

Our findings showed that the respondents had all mainly considered legitimacy as the primary attribute in classifying a stakeholder, followed by a type of power that is inherent and can develop due to the stakeholder having a form of legitimacy. Carroll (1993) stated that by virtue of legitimacy; groups or individuals can be considered as stakeholders, the legitimacy of which could include power. Our study shows that legitimacy needs to be present in order for there to be power, and that power is inherently present to some degree through legitimacy. Power can be gained, but as long as there is legitimacy - it cannot be completely lost. The over-riding responses were that urgency was irrelevant by itself without legitimacy present and cannot be seen as a stakeholder attribute in identifying a stakeholder. This study supports the Neville *et al.* (2011) argument that possessing urgency alone is insufficient to grant stakeholder status.

Findings from the comments made by the managers suggest that legitimacy has a type of power within itself. All managers believed that reciprocity was evident and required when identifying stakeholders, however there was a minority who stated that reciprocity is found more with primary stakeholders than with secondary stakeholders.

## Conclusions

The research revealed that legitimacy is the most recognized and important attribute that a stakeholder should possess in order to be granted stakeholder status. It also showed that the proposal by Neville *et al.* (2011) that possessing urgency alone is insufficient to grant stakeholder status holds true. The research showed that power is somewhat inherent in legitimacy, and that if stakeholders did not possess power, they would still be considered as stakeholders as long as they possessed legitimacy. The respondents showed that power is not required in identifying or classifying someone as a stakeholder. We found that power can be gained, but as long as there is legitimacy - it cannot be completely lost.

## Limitations and recommendations

The results from this study should not be generalized as they present findings from management in one company and from this company's stakeholders. This study is useful in building up theory. It would be useful to conduct a similar study with other organisations and their stakeholders in other industries and contexts. It is important to include the reciprocal nature of the organisation with its stakeholders in future studies. We found a clear reciprocal nature between an organisation and its stakeholders which has not been included in the stakeholder definition framework. We recommend the following definition of what a stakeholder is to be "any group, persons, or element who/which can affect or be affected by an organisations' actions for the benefit or non-benefit of either party's objectives in the present or future". Not only does this include reciprocity, the "element" highlights that a stakeholder does not need to only be an entity or individual, and "organisations" is a broader term to include entities that are not companies or firms.

From a marketing point of view, the traditional marketing concept of customer satisfaction needs to be expanded to stakeholder value, customer relationship management should be expanded to relationships with both primary and secondary stakeholders, where appropriate, and the traditional brand promise and corporate and brand identity elements need to take into account multiple stakeholders. This study highlights the legitimacy and power of stakeholders; the importance of employees, the supply chain, distributors and retailers. Managers need to develop a marketing strategy that enhances the corporate brand so that the firm's reputation amongst all the stakeholder groups is positive.

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