

Essential Elements Regarding the Management of Company Stakeholders

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Abstract: *Focus on the stakeholders is a new management dimension of the best contemporary competitive companies. A new management approach based on stakeholders is fast developing. This study identifies the main company stakeholders and highlights their management interests. Based on the analysis of the manager - stakeholder relationship specificity and on their role in the organization, the main ways to involve stakeholders in company activities are identified - differentiated for internal and, respectively, external stakeholders. The final part of the study reveals the main advantages and limitations associated with the management of stakeholders (which represents a new feature of the professional management).*

Keywords: *stakeholders; organization; manager; relationship; performances; SMEs.*

I. Introduction

The management of the beginning of the 21st century, records rapid and numerous changes at the level of all organizations. Under the influence of the transition to knowledge-based economy and society, of intense internationalization in all areas of activity, management becomes more and more innovative, flexible and comprehensive¹. This trend is most pronounced at the level of enterprises - the type of organization most widespread - with a decisive contribution to the development of the economy and society. Such an evolution is an essential condition for management to be able to ensure the functionality and competitiveness of enterprises.

In our study, we focused on the inclusion of stakeholders in the core business management concerns. We chose this topic due to the proliferation of stakeholder approach, both at the level of management in organizations, and in specialized studies. The stakeholders' approach is multidimensional, with an emphasis on economic, social and ethical aspects, highlighting the major role that management has in capitalizing on its great potential for development.

¹ Nicolescu, O., Nicolescu, C. *Organization and management based on knowledge* (Bucharest: Pro Universitaria Publishing House, 2011), 158-159.

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II. Methodology used

On the basis of analyzes and conclusions included in this study are the following main **methodological elements**:

- a) Identify and analyze of studies from specialty literature regarding stakeholders
- b) Interviews with business executives of enterprises and other managers regarding the content and ways of approaching the relationships with the main stakeholders of the organization
- c) Interviews with executants from enterprises on the way they are treated by direct managers, the content and the running manner of decisional, actional and behavioral processes in relations with their managers
- d) Qualitative analysis of certain categories of managerial relationships with stakeholders from enterprises in order to identify their content and way of manifestation
- e) Analysis some motivation elements of the internal and external stakeholders of the enterprise
- f) Empirical research on a representative sample of firms at national level regarding certain categories of external stakeholders, mainly clients and suppliers. Within the representative sample were investigated 1096 SMEs², having the structures shown in figures 1, 2 and 3.

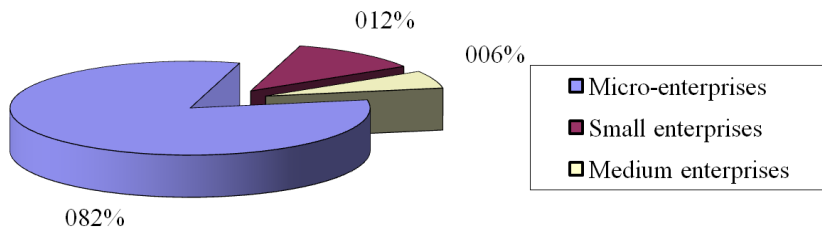


Fig. 1. Structure of the sample according to the size of SMEs

Source: Nicolescu, O., Nicolescu, C., Truică, P.T., Urătu, D., Corcodel, Ș., *White Charter of SMEs* (Bucharest: Sigma Publishing House, 2016), 16.

² Nicolescu, O., Nicolescu, C., Truică, P.T., Urătu, D., Corcodel, Ș. *White Charter of SMEs* (Bucharest: Sigma Publishing House, 2016), 16-18.

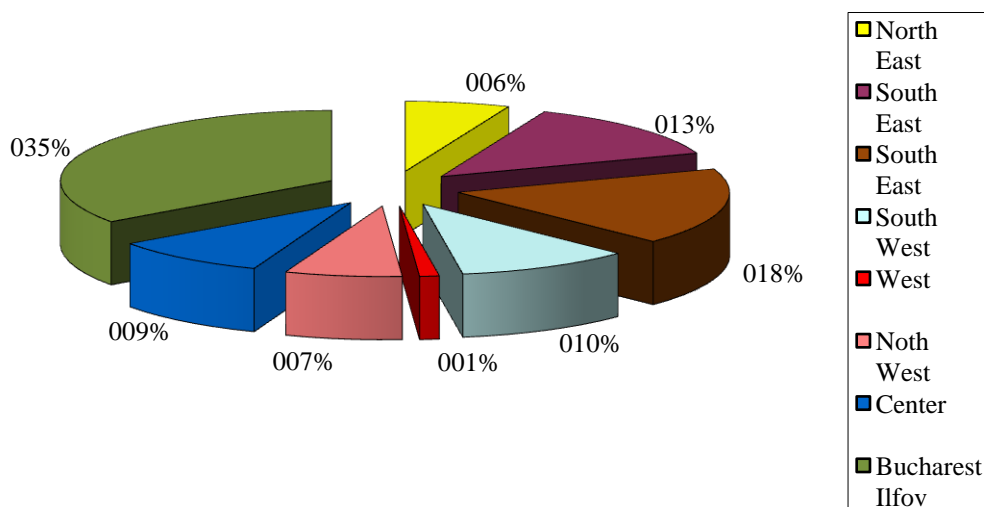


Fig. 2. Structure of the sample by regions of development

Source: Nicolescu, O., Nicolescu, C., Truică, P.T., Urătu, D., Corcodel, Ș., *White Charter of SMEs* (Bucharest: Sigma Publishing House, 2016), 16.

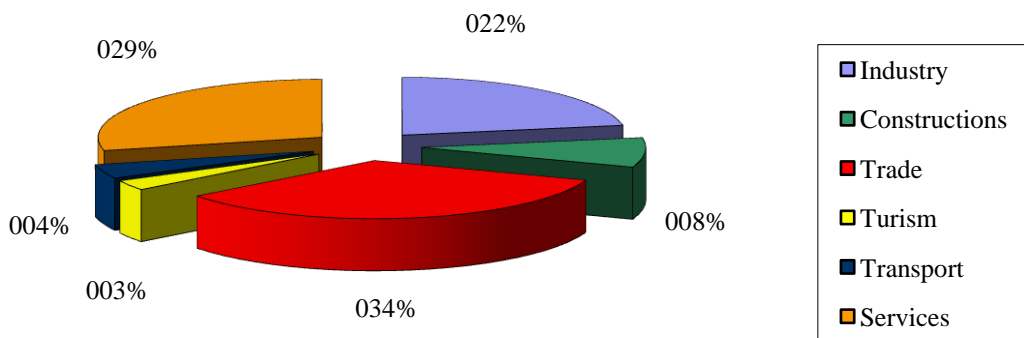


Fig. 3. Structure of the sample by field of activities

Source: Nicolescu, O., Nicolescu, C., Truică, P.T., Urătu, D., Corcodel, Ș., *White Charter of SMEs* (Bucharest: Sigma Publishing House, 2016), 18.

These methodological elements allowed the analysis and conclusions showed in the following paragraphs.

III. The organization's stakeholders and the need to cultivate relationships with them

During the last decades, stakeholder have became in the organization management one of the most frequent topic, both from theoretical - methodological and pragmatic point of view. The relationship between stakeholder and organization became a key factor for its functioning and performances^{3,4,5,6,7,8}. Hereinafter we present our opinion on the **definition of stakeholders**, starting from various points of view presented in the specialty literature. In our opinion, the stakeholder is a person, a group of people or an organizational entity that has important interests in the functioning and performances of an organization, which it can influence in a significant way. So, individual or group stakeholders have **two major features**:

- a) have important interests in the conception, development and performance of the organization's activities;
- b) can influence the content and results of the organization's activities significantly, using formal and informal means, of various natures, including sentimental.

Any organization has stakeholders, whose knowledge and consideration are essential to its survival and development. The coverage scope of stakeholders is very comprehensive as shown in figure 4, where we present, for the enterprise - the most widespread type of organization - the main stakeholders.

The analysis of the enterprise, through the definition of the stakeholders⁹, reveals that the **first and most important stakeholder is the owner**, the one who establishes, finances, supervises and fully or partially owns the resulting profit. Within the organization there may be one or more owners, with a different status - shareholder, associate, limited partner, etc. - depending on the legal form of the organizational entity. Frequently owners, especially of small businesses, participate directly in the management of the organization, with a greater or lesser influence and importance, depending on the organization's characteristics, the environment in which the activity is carried out and the main features of the owners.

³ King, K.A. "Global talent management: Introducing a strategic framework and multiple-actors model." *Journal of Global Mobility* 3 (2015): 273-288.

⁴ Lauesen, L.M. "Corporate Stakeholding and Globalism: A Need for Revision of the Stakeholder Concept Using the RESIST-Model against 'Business-As-Usual'", in *Corporate Responsibility and Stakeholding (Developments in Corporate Governance and Responsibility, Volume 10)*, ed. David Crowther, Shahla Seifi, (Emerald Group Publishing Limited, 2016), 87-102.

⁵ Marques-Mendes, A., Santos M.J. "Strategic CSR: An integrative model for analysis." *Social Responsibility Journal* 12 (2016): 363-381.

⁶ Retolaza, J.L., San-Jose, L., Aquqdo, R. "The Role of Shapeholders as a Link between a Firm and Non-Stakeholders: The Pursuit of an Economy for the Common Good Based on Stakeholder Theory," in *Corporate Responsibility and Stakeholding (Developments in Corporate Governance and Responsibility, Volume 10)*, ed. David Crowther, Shahla Seifi (Emerald Group Publishing Limited, 2016), 31-48.

⁷ Teh, D., Corbitt, B. "Building sustainability strategy in business." *Journal of Business Strategy* 36 (2015): 39-46.

⁸ Van Tulder, R., "The past, present and future of managing distance: stakeholders and development," in *The Past, Present and Future of International Business & Management (Advances in International Management, Volume 23)*, ed. Devinney Timothy, Pedersen Torben, Tihanyi Laszlo (Emerald Group Publishing Limited, 2010), 137-165.

⁹ Nicolescu, O., Nicolescu, C. *Entrepreneurship and Management of SMEs* (Bucharest: Economică Publishing House, 2008), 153.

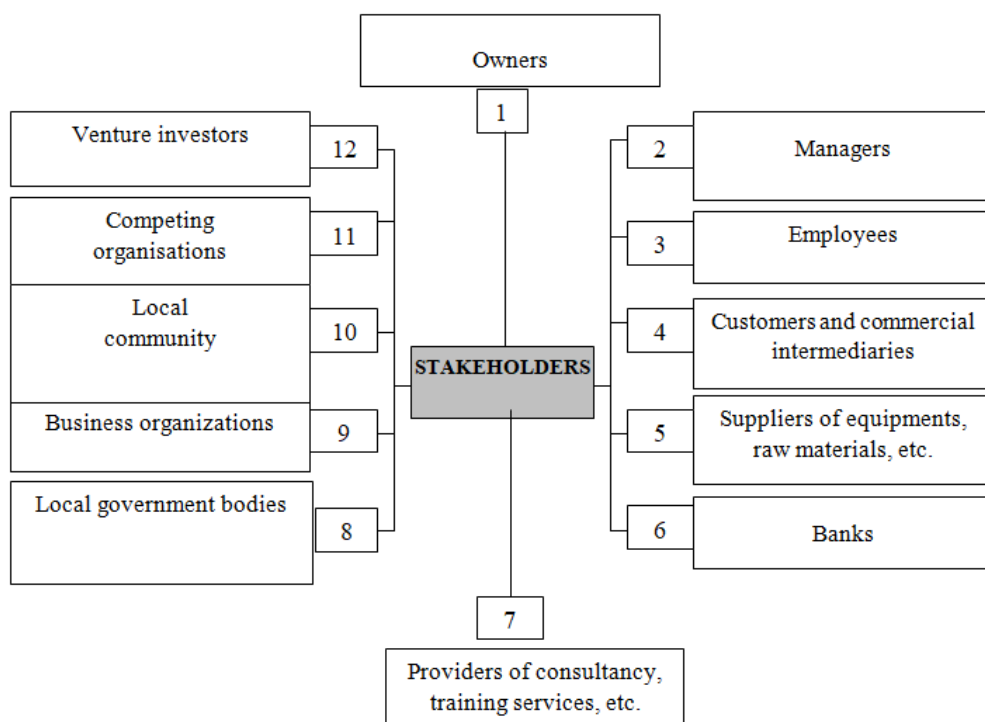


Fig. 4. Main categories of stakeholders of the enterprise

Source: Nicolescu, O., Nicolescu, C. *Entrepreneurship and Management of SMEs*, (Bucharest: Economică Publishing House, 2008), 155.

Enterprise managers are a key stakeholder type. Through decisions, actions and behaviors, any manager, regardless of the position held in the organization, significantly influences the course of activity, at least in the field he is leading. Because the revenues and status of any manager depends directly on the performances of the organization and the way it works, it is always very interested in what is going on within the organization.

Employees of the organization are the same type of stakeholders as managers, with the distinction that, both their influence on the organizational entity and their interest in the way of functioning, are usually lower, due to the lesser set of tasks, competencies and responsibilities which are theirs and the position held in the organization.

Customers and commercial intermediaries by purchasing products and/ or services, determine the even existence of the business. Insofar, the company products and services that are appreciated and bought, consumers and commercial intermediaries are interested in the existence and development of each organization.

The activities of any enterprise cannot take place without **equipment, energy, raw materials, packaging, spare parts, etc.** provided by suppliers. Through the quality, delivery times and market conditions of the products, these suppliers determine to a large extent the functionality and effectiveness of the enterprise, especially the production and marketing processes. At the same time, each supplier is interested in maintaining that organization as a customer.

Any enterprise for current banking operations uses **banks services**, whose qualities influence the functionality of the organization and, implicitly, its performances. An even

greater impact exerts the bank on the enterprise, when granting current and/ or development credits. At the same time, for any bank, an enterprise represents a customer, from which obtains incomes, and is interested in its surviving and developing in order to obtain in more revenues.

Providers of consultancy and training services intervene in the organization's activities at the request of its manager, so only at certain times. Through the quality of the services offered, they usually have a positive impact on the activity of the organization. The interest of any provider of managerial, legal, accounting, technical, etc. consultancy, it is that the enterprise to remain a customer.

The local government, within which area organization operates, through its financial human resources, sanitation, police, firefighters, etc. bodies, has a certain influence on its activity. When bureaucracy and corruption record high rates, the negative influence of the administration on businesses is very high. At the same time, any local government is - or should be - interested in the proper functioning of enterprises that are job suppliers, local budget incomes, etc.

Business organizations - employers associations, chambers of commerce, etc. - through lobbying and the services they provide to enterprises, have an appreciable impact on their activities, either directly or indirectly, by the quality of the existing business environment. Normally, each of these organizations depends on membership fees, services requests and sponsorships of their member companies.

The economic situation of each territorial-administrative community depends to a large extent on the number, the economic potential and the performances of the enterprises in the local area. The activity of each enterprise has a certain impact on the local community, the intensity of influence depending on its size, field of activity and performances. In turn, the position of the local community towards firms, the attitude and climate prevailing in that area, influences the functionality of enterprises, especially small and medium sized ones.

Competing organizations are a special stakeholder for each enterprise. Their interest - unfortunately, usually adversary - is that the company with which it is in competition relations on the market, to sell inferior products or services, or even to not exist. The influence of competitors on the enterprise is primarily exerted on the market, in the commercial processes. In the last few decades, not few companies, especially large ones, tend to have a direct influence on the main competitors, using so called "intelligent organizations".

A last stakeholder, less well known and used in Romania, but with great perspectives in the future, is the so - called **venture investor**. Venture investor provides funds to enterprises for a certain period, participating in their management, after which sells its shares hold within them. It is obvious that venture investors are a potential source of funding, especially for medium and small firms, and they are interested in identifying as many such companies with high-growth potential, in which to invest.

In addition to the above-mentioned stakeholders, who are quasi-permanent, with the exception of venture investors, they are also **occasional stakeholders** when the enterprise is confronted with particular situations or events. This category includes juridical courts (when the organization has lawsuits), police and insurance companies (when the enterprise is faced with thefts or accidents), etc. Without overestimating them, it is important that occasional stakeholders are treated with all consideration, avoiding that relationship with them not to influence negatively the activities and performances of the enterprise.

The issues approached above, have highlighted many relevant aspects of the management relationships with the stakeholders of the company, which should be used

systematically in its interest. Synthetically, the need to cultivate relations with stakeholders by the organization is represented by the elements incorporated in figure 5.¹⁰

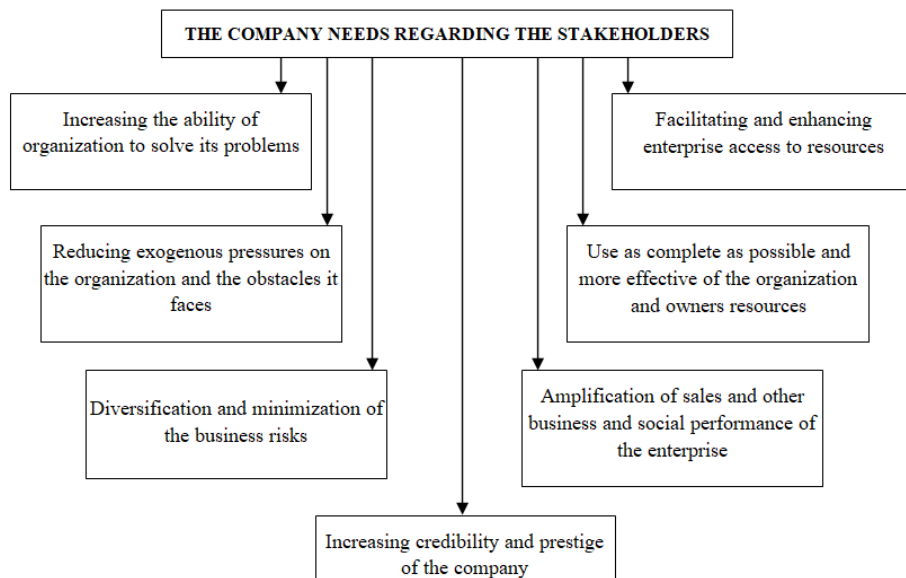


Fig. 5. The need to "cultivate" the stakeholders

The presented elements argue why stakeholders of enterprises are so important to them, and explain the amplitude of their relationships with organizations, that have been heavily developed over the last decades.

IV. Approach of stakeholders by managers

In the last decades, managers in many enterprises pay special attention to stakeholders. A new type of specific managerial relations emerges, the manager - stakeholder relationship. At the basis of these relationships there are the following **relevant elements**:

- interests of each stakeholder in the proper functioning and performance of the organization;
- ability of the stakeholders to influence significantly - positively and/ or negatively - the activities of the organization;
- emotional intelligence of stakeholders, which facilitates their interrelations and gives them more consistency;
- motivating of stakeholders to be useful to the organization, contributing to the running of processes and achieving its performances on the basis of a win-win relationship

They are two categories of stakeholders - internal and external to the organization. Management of enterprise approaches partially differently each category of stakeholder.

¹⁰ Nicolescu, O., Nicolescu, C. *Entrepreneurship and Management of SMEs* (Bucharest: Economică Publishing House, 2008), 157.

- a) The approach of internal stakeholders, persons who are traditionally part of the management processes in the organization - shareholders, managers and executives, has a new content. In their management, the changes are mainly of a qualitative nature, starting with the most important managers, shareholders and specialists. They are based on awareness of common and/ or complementary interests and their harmonization through intense communication and motivation, using a win-win approach;
- b) The approach of external stakeholders is much more complicated and more difficult, because it usually requires the building of consistent managerial processes and relationships that did not exist in the previous period. In the classic enterprise, relationships with external stakeholders they were usually typically strictly commercial, of sales and/ or purchase of raw materials, equipments, products, licenses, credits, consulting services, training, etc., technical or regarding obtaining of information, knowledge, authorizations, projects, licenses, studies, software, standards, manuals, approvals, etc. from different bodies.

Relationships of enterprises' management with some external stakeholders are very numerous. According to a scientific survey carried out in 2016 on a sample of 1096 SMEs from Romania, the average number of clients and suppliers, which is managed at the level of an enterprise, is very high (see figure 6).

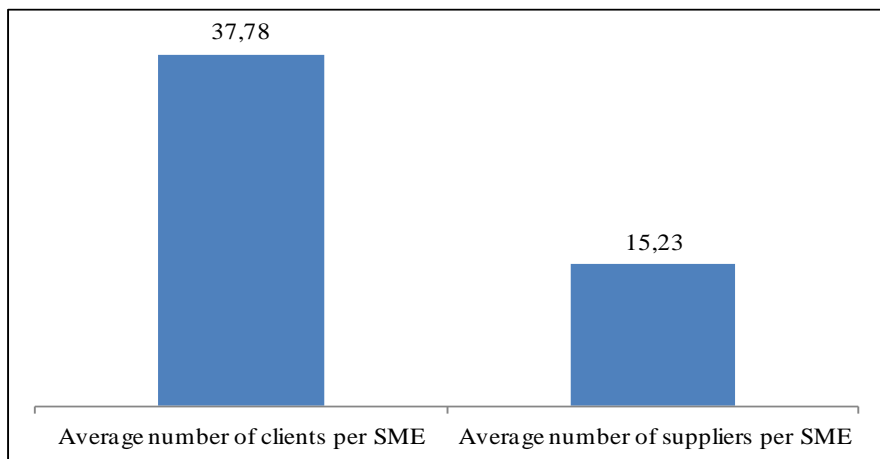


Fig. 6. Intensity of SMEs management relationships with customers and suppliers

Naturally, the intensity of these relationships with stakeholders varies according to the size of enterprises, as shown in figures 7 and 8.

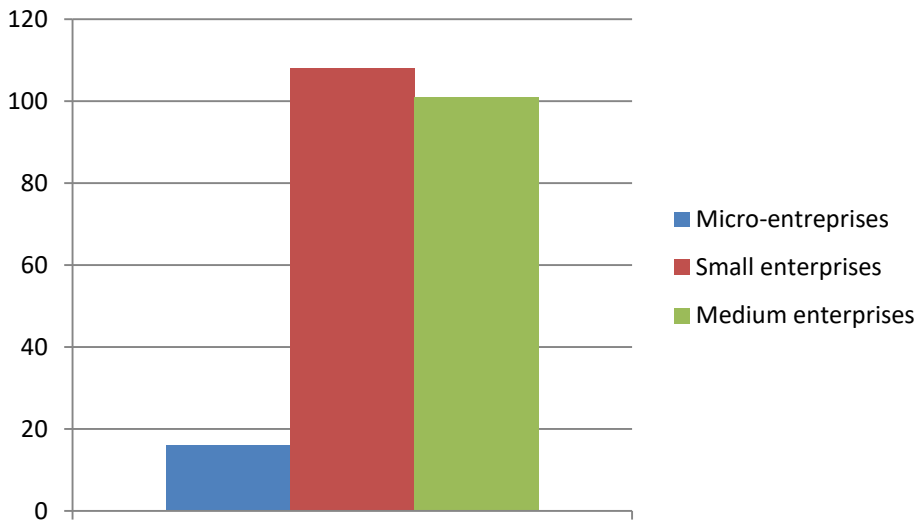


Fig. 7. Average number of clients per SME

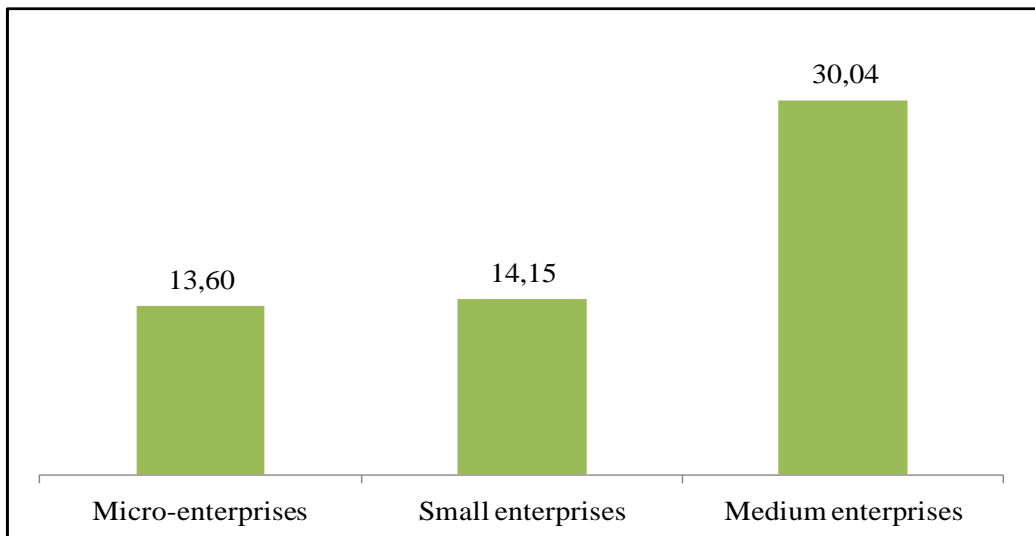


Fig. 8. Average number of suppliers per SME

Organization management in relationships with stakeholders **use specific of informing and involving them**. They aim to achieve a permanent connection of the stakeholders with the managers of the organization, enhancing their contribution to achieving the organization's objectives, increasing the attachment to the organization and its managers, and also the desire to work efficiently and effectively. In the table 1 we list the main ways of cultivating relationships with enterprise stakeholders, grouped in internally and externally.¹¹

¹¹ Ibidem, 158.

Table 1. The main ways of involving stakeholders in enterprise activities

No	Ways of involving	Internal Stakeholders	External Stakeholders
1	Continuous information of stakeholders about main events in the organization's life (emails, letters, telephones, etc.)	x	x
2	Stakeholders invitation to visit the enterprise		x
3	Participation of stakeholders to celebrate major events of the organization	x	x
4	Periodic visiting of enterprise stakeholders		x
5	Congratulating and sending gifts to stakeholders on the occasion of main celebrations and special events in their personal lives	x	x
6	Initiation by the enterprise of joint recreational and / or entertaining actions (festive dinners, viewing of shows, excursions, etc.)	x	x
7	Stakeholders membership in various bodies within the organization (censors committee, management committee, etc.)	x	x
8	Direct involvement of enterprise representatives in realization of important actions by stakeholders (exhibitions, fairs, business visits, etc.)		x
9	Offering by the enterprise of financial incentives (commissions, bonuses, rebates, etc.) for major stakeholders contributions to achieving the organization's economic performances	x	x
10	Selective sponsorship of stakeholders by the enterprise	x	x
11	Participation of important and reliable stakeholders within the company's capital increases	x	x
12	Concluding of consulting and training contracts		x
13	Concluding trading contracts		x
14	Concluding financing contracts		x
15	Relational arrangements of common marketing actions		x

From the examination of the information included in the table results that, as a whole, the ways of stakeholder involvement have several **major features**:

- 1) Most of the modalities are common both internal and external stakeholders;
- 2) The sphere of involvement ways of the external stakeholders is more comprehensive than that used for internal stakeholders, a natural situation through by is overcome the handicap of non-belonging to the organization and through which capitalize the specific strength of those external entities to the organization;
- 3) The ways used concern both categories of motivation - moral-spiritual and, respectively, financial-material. An appreciable part of these modalities have a complex motivational content, generating by use of the motivations from both categories;
- 4) All modalities of involvement are based on communication between stakeholders and many of them involved direct human contacts;

- 5) The modalities of stakeholder involvement determine direct and indirect costs for the organization, these being significantly higher in the case of external stakeholders.

It is important to note that these modalities should be used in a differentiated way, taking into account the influence and contributions of each stakeholder on the functionality and performances of the organization. Every action must be well thought, taking into account the actual contributions of the stakeholders and/ or what is expected of them. Every action to cultivate good stakeholder relations should be done decent, with distinction, taking into account the susceptibility and preferences of the stakeholders. For enterprises that have many and strong stakeholders, it is recommended to develop and implement a specific strategy of relationship with them.

V. Conclusions

The elements presented are arguments to conclude that in the management of enterprises, the stakeholder approach is becoming more and more frequent and important. In particular, we note that in some areas, for important stakeholders have already outlined types of managerial approaches with a strong specificity, generator of high performances. Among these we mention Customer Relationship Management (CRM) and Supply Chain Management (SCM). Especially in large companies, these managerial mechanisms are used with very good results, ensuring growth and security of sales (CRM) and rhythmical, safe and high-quality supply (SCM).

Focusing an increasing number of managers from enterprises, on building and developing special relationships with stakeholders - both internal and external - is explained by the **many benefits** generated:

- Attraction of the supplementary knowledge, information, specialists, technologies and other additional resources within the enterprise;
- More efficient use of own, attracted or borrowed resources within the organization;
- Developing a participative context within the organization, stimulating for higher efforts and creativity;
- Increase the economic and social performances of the enterprise on the short, medium and long term.

These advantages compensate for the **potential disadvantages** of focusing on the development of stakeholder relations, which are not few. Among these we mention the complexity and difficulty of managing the stakeholders, the long time needed to develop effective relationships with stakeholders, increasing the company's expenses to meet certain needs and interests of stakeholders, especially those outside the organization.

Evolutions in the past two decades offer many arguments from which result that in future the stakeholders - both internal and external - will have a growing influence on enterprise functionality and performance. Consequently, management of enterprises will allocate more time and other resources to develop relationships with stakeholders and it will be motivated to develop specific managerial mechanisms in order to ensure capitalize the stakeholder potential in the benefit of the organization. Under these conditions, will be amplified the scientific research focused on the stakeholders of the organizations and their management. The study of the management relations with the stakeholders of the organization will rapidly become a major field for the scientific research and management science.

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