SUSTAINABLE ENGAGEMENT IN STAKEHOLDER RELATIONSHIPS: CRAFTING A STAKEHOLDER MAP

Dr. Juha Kettunen¹ and Dr. Manodip Ray Chaudhuri²

Chancellor, Adjunct Professor, Turku University of Applied Sciences, Turku, Finland
Associate Professor, Amity Business School, Amity University Kolkata, India
femeipurnamasari21@gmail.com

Abstract

The purpose of this paper is to present the theory of sustainable engagement in the stakeholder relationships of enterprises and develop a stakeholder map to find the circular forms of sustainability. This study uses a graphical approach based on the balanced scorecard approach to present the sustainable engagement of stakeholder relationships. The paper applies the concept of sustainable engagement in the value chain and extends it to circular processes. The paper also presents the comprehensive stakeholder map for the identification of the most significant stakeholders of an enterprise. The stakeholder map can be used for the graphical representation of circular processes, economy, learning and impact. The framework presented in the paper is useful for enterprises which want to identify its most important stakeholders and promote sustainable engagement with its stakeholders to create value and sustain in the long run.

Keywords: Sustainability, value chain, circular economy, stakeholders, balanced scorecard.

1. Introduction

The success and true accomplishment of an enterprise depends on how it is able to nurture and take care of its stakeholder relationships. A composition of relationships connects the enterprise to a quite a number of other organisations and individuals called stakeholders (Alves et al., 2010; Kettunen, 2015). Sustainability depends on the sustainable engagement of the enterprise to suit each critical stakeholder within the periphery of the business process and operations.
Post et al. (2002) noted that any stakeholder relationship may be the most critical one at a particular time or on a particular issue. There are convincing examples that non-government organisations, consumers and other stakeholders have carried out protesting and boycotting campaigns against various unethical and polluting enterprises (Bandura et al., 2002; Bakan, 2004). The managers of these enterprises have changed their plans, strategies and processes under the pressure to avoid harmful publicity for the enterprise reputation and business development.

Perrini and Tencati (2006) remarked that sustainability accounting systems should have the use of lengthening and putting together the traditional financial approaches to corporate performance measurement taking stakeholder needs into consideration. Our present research extends this matter of concern by identifying all the most important stakeholders of an enterprise using all the necessary perspectives of the balanced scorecard approach (Kaplan and Norton, 2004). An advantage of the balanced scorecard approach is that strategy-based sustainable development can be implemented and communicated in a consistent way with sustainable engagement with the stakeholders.

Yuan et al. (2006) noted that researchers have so far focused either on material and energy conservation or cleaning of environmental pollution and there is no commonly and widely accepted definition of circular economy. Many scholars have tried to find theories and methods of industrial economics, systems engineering, bionics and physics to develop a paradigm for circular economy. The researchers revealed that it is difficult to devise original theories and methodologies for investigating industrial and social systems. The existing challenge is solved in this study using the balanced scorecard approach applied to the stakeholder relationships.

The purpose of this paper, brought into focus by the authors, is to develop the theory of sustainable engagement, identify the most important stakeholders of an enterprise and extend the concept of circular economy to circular processes, learning and impact. A sustainability-oriented enterprise is conscious of its economic responsibilities towards its stakeholders and takes on processes and structures that improve the social and ecological performance and impact of the enterprise. The exposition of this paper touches upon review of literature describing sustainable engagement in the stakeholder relationships, related theoretical framework and methodology, notion of sustainable engagement in a value chain and its relevance in the circular economy. Further, the paper moves on towards developing a stakeholder map and presents sustainable engagement in the circular processes, economy, learning and impact. The paper concludes with comments and mentions the scope for further empirical work.

2. Literature Review

2.1 Sustainability and sustainable engagement

Sustainability can be defined as a long-term endurance at the non-degreasing quality of life in the literature of ecology and ecological economics (Rose, 2007). Sustainability can be also equated with maintaining gains in resource-constrained environment in the context of community development. There are some nuanced differences in the concept of sustainability, but the term refers to continuing activities even after the initial funding period in the public sector and sometimes to the continuation of desired intended outcomes (Scheirer and Dearing, 2011).

Sustainable engagement is a reasonable concept within the internal stakeholders of an enterprise, because it reflects outside the organisation. According to the Global Workforce Study (Towers Watson, 2012) enterprises become susceptible ad liable not only to an assessable drop in productivity, but also to poorer customer service and greater rates of non-attendance and turnover when sustainable engagement starts to decline. Sustainable engagement describes the force and vigour of employees’ association to their organization based on three core elements viz. the degree of employees’ judgmental effort dedicated to achieving work goals (being engaged); and surroundings that support productivity in many ways (being enabled); and a work exposure that allows for well-being (feeling energized). The most important sustainable engagement drivers for
employees are leadership, stress, balance and the workload, goals and objectives and the image of the supervisor and organisation.

Sustainable engagement is a reasonable concept in activities with the external stakeholders in the processes with the partners and the customers of an enterprise. Sustainability requires the amalgamation of projects and people with the broader infrastructure to support community development (Beard and Dasgupta 2006; Grosjean and Kontoleo 2008; Hemphill et al., 2006; Jones-McCrae, 2008). Many authors perceive sustainability as being related with enhancing participation to improve governance and fostering effective and efficient programs, policies and capacity building (Mathers et al., 2008; Mirabella et al., 2007; Smets and Salman, 2008; Sobek, 2008; Suarez-Balcazar et al., 2008). Sustainability labels are important policy instruments and market regulators to affect customer behaviour (Deminguesa et al., 2015).

The concept of sustainable engagement is also related to economy, because research has found that funding sources are necessary for sustainability (Scheirer and Dearing, 2011). Sustainable engagement is related to consistent funding support, the ability to adapt long-term stability and behaviour changes (Spiro, 2009). According to Silka et al. (2008) the concept of sustainability can be extended to the engagement in the lack of funding among other factors such as leadership, labour turnover and shifts in institutional priorities.

Sustainable engagement is also related to innovations and organisational learning. González and Healey (2005) note that community involvement foster innovation and enhance capacity which contributes to sustainability. The study by Arden et al (2009) analyse the sustainability of relationships between the universities and their communities. Their aim is to add to the existing body of knowledge on building capacity through sustainable engagement that seeks to build capacity and support the development of learning community between university and community. Their study recommends to clarify stakeholder expectations and to manage sustainable engagement.

Sustainable engagement is also related to the mutual impact of an enterprise with the environment, because stakeholders can always affect or be affected by the actions of an enterprise. A corporate responsibility report is a communication tool that companies use to convey the impact of the enterprise on the external environment. According to Fernandez-Feijoo et al. (2014) each company settles on the required level of lucidity, which depends on the pressure of specific stakeholders in the industry. Global Reporting Initiative provides all companies and organizations with a comprehensive sustainability reporting framework that is widely used around the world.

In order to face the challenge of sustainable engagement related to the management of stakeholder relationships, there is a need for a clear structure and scaffold for sustainable engagement and commitment of stakeholder relationships that takes into account not only the concept of sustainability but also sustainable engagement with the stakeholders of an enterprise from the diverse perspectives. Enterprises need an appropriate sustainability framework to measure and gauge whether they are taking action to stakeholder concerns in an effective and all-inclusive way.

2.2 The theory of sustainable engagement

The theory of sustainable engagement in stakeholder relationships explains why and how sustainability among several business entities is related. The theory explains why and how sustainable engagement takes place in value chains and circular networks. It also explains why sustainable engagement works in global business where stipulations may fail. The theory of sustainable stakeholder relationships can be examined in the nodes of value chains and networks with controlled experiments and objectively conclude whether or not the results confirm the hypothesis.

Transnational private regulation takes place between organisations which previously have been considered as seemingly unrelated entities. The unbroken circular chain of sustainable enterprises passes the sustainability from the producer to the consumer and finally to the waste management using circular processes. Sustainable engagement
takes place if the contract between the various organisations conveys the conditions of sustainability. The sustainability applied to the circular economy takes care that the used consumer products are conveyed to the inputs of other processes which may be in other organisations.

One interesting point is that the theory of sustainable stakeholder relationships can be used to explain a scientific law which is the description of an observed phenomenon. The term sustainable engagement refers to the reciprocal connection with each stakeholder which is represented by an exchange of material, money, knowledge and influence. The circular economy allows for greater resource productivity focussing on waste reduction and pollution avoidance. Circulating resources and materials are floating and circulating in the nature. A typical example is that there is always equal amount of water. Even though water dries off, it takes new forms and places.

Enterprises that have sustainable engagement with its stakeholders are able to survive. A significant challenge for scholars is to identify which facets generate sustainability-driven enterprises so that they can fruitfully endure and thrive in a competitive context (Parrish, 2010). Based on the literature review, the scientific law of sustainable engagement can simply be written as follows: Sustainable processes, economy, learning and impact circulate.

The scientific law of sustainable engagement can be tested in many empirical contexts. Circular processes have been examined in many studies (Zhu et al., 2010). Circular economy and financing can be examined more intensively in the future. Universities and other knowledge intensive organisations circulate knowledge and skills in circulating learning where research based on practice serve education and graduating students become employed in the labour force (Simpson, 2000). Circular impact has been analysed in the sustainability reporting of The Global Reporting Initiative, which aims to standardise and quantify the environmental, social and economic impact derived from the activities of the reporting companies accordingly.

3. Theoretical framework and methodology

3.1 Sustainable engagement in a value chain

This study uses a common graphical approach to depict the evolution of sustainable engagement from a former linear value chain to a circular process and takes into account the perspectives of the balanced scorecard to describe the circular processes, economy, learning and impact. An advantage of the graphical approach is that it can be used to identify and describe the most important elements of sustainable engagement in stakeholder relationships in an understandable way. Each organisation can apply the graphical method and make adjustments to meet the needs of external pressure groups.

Figure 1 depicts sustainable engagement in a traditional value chain of an enterprise. Value chain has been described by consecutive participating organisations that increase value in each section of the process and sustainable engagement can be seen part of the process. The concept of the value chain was illustrated and popularised by Michael Porter (1985) in his book Competitive Advantage: Creating and Sustaining Superior Performance. Value creation was seen as the final objective of an enterprise (Mills and Weinstein, 2000; Jensen, 2001; Grant, 2002) and the consumer utility was considered the end of the value chain.

Sustainability engagement is ensured by the sustainability contracts between the partners of the value chain. In the final phase of the process, the consumer appreciates not only the brand but also the sustainability label of the product. Co-branding with sustainability labels creates added value for the customer (Sorsa and Kettunen, 2015). Co-branding is an accepted method that the marketers often take resort to in trying to transfer the positive associations of the partner brands to a newly formed co-brand (Washburn et al., 2000). The consumer is not, however, the end of the process because of the environment degradation and other impacts. For this reason, it is possible to make
3.2 Sustainable engagement in a circular economy

The alteration from the former linear economy to a circular economy started to develop in the literature and legislation during the 1990s. The waste from one process is converted into the input of another industrial process. The concept of circular economy was first triggered by two British environmental economists D.W. Pearce and R.K. Turner (1990). They mentioned in their book Economics of Natural Resources and the Environment that the traditional economy had no inherent propensity to recycle and treated environment as a reservoir and pool of wastes.

The first law proclaiming the circular economy came into effect in Germany in 1996 and it was followed by Japan in 2000 (Su, Heshmati and Geng, 2012). The corresponding law came into effect in China in 2009 (Matthew and Tan, 2011). The ultimate goal of the eco-initiatives is to ascertain a closed-loop process of materials which is called circular economy. The more precise term could be circular processes, because the main point is primarily a closed-loop of materials and the term circular economy primarily refers to pecuniary terms.

Figure 2 depicts sustainable engagement in a simplified circular process from production to logistics, outlet and customer. The continuous loop is trying to minimize the amount of waste that was not earlier used as an input in industrial production. The circular processes are typically complex, because industrial loops are turning wastes at one end in a value chain into inputs at another end (Matthews and Tan, 2011). These industrial loops may also reach other organisations where the wastes are used as the inputs of their processes.
3.3 Stakeholders of an enterprise

When the stakeholder relations have become strategic for the long-term accomplishment of an enterprise, the enterprise must identify the most critical stakeholders for survival. The proposal developed in this study aims to amass different management approaches into an all-inclusive model. The model integrates circular processes, economy, learning and impact into the external and internal stakeholders of an enterprise. The aim is to build the holistic theory of sustainable engagement in stakeholder relationships in order to integrate the different perspectives of sustainability and foster the responsiveness towards the different stakeholder groups.

When the management of an enterprise adopts the managerial approach based on sustainable engagement with its stakeholders, an enterprise is able to create value and sustain in the long run. The sustainable management approach is an approach that constitutes characteristics relating to the economic, environmental and social facets (Schaltegger and Burritt, 2005). Sustainability is the capacity of an enterprise to develop its activities and take into account of its sustainable engagement with its stakeholders and economic, social and environmental features of its processes.

Figure 3 depicts the internal and external stakeholders of an enterprise. The internal stakeholders include managers, employees and owners. The owners have a dual role, because they are internal stakeholders and external stakeholders as stakeholders. Each organisation may write its own description of stakeholders and place the owner and shareholders in a reasonable place. In a similar way, each organisation can identify its most important stakeholders, because it is important from the viewpoint of sustainability in the long run.

Figure 4 depicts the novel stakeholder map of an enterprise using the balanced scorecard approach. The stakeholder map was originally developed for higher education institutions (Kettunen, 2015), but in this study, it was extended for private enterprises. The external stakeholders include the society and region in the external impact perspective, universities and other knowledge-intensive organisations in the innovations and learning perspective, creditors and shareholders in the financial perspective and partners and customers in the processes and collaboration perspective.

Each enterprise can identify its most important stakeholders and place them in the stakeholder map. Four perspectives have been found sufficient for various kinds of organisations in the balanced scorecard approach, which makes sure that all the necessary stakeholders that are related to its processes and collaboration, financing, innovations...
and organisational learning and external impact are included in the management of stakeholder relationships.

Figure 5 describes the sustainable engagement of an enterprise in the stakeholder map described from the different standpoints of the balanced scorecard. The stakeholder map provides a novel platform to describe the circular terms in the different perspectives of the stakeholder map. It elaborates the concept of the circular economy to mean circular processes that describe material and energy flows between the processes with partners and customers. It also extends the material and energy flows to financial, learning and impact terms. Sustainable engagement is interlaced according to a synergetic and circular view of internal and external stakeholders.

The circular economy can be defined in factual financial terms. It includes the role of shareholders to invest in an enterprise and receive dividends if the enterprise is profitable and the role of banks to loan capital to achieve rents. The circular organisational learning includes the role of universities and other knowledge-intensive organisations to study enterprises and deliver refined knowledge and skills and transfer labour force to enterprises. Enterprises have external impact on their region and society, but on the other hand the pressure groups and legislation impact on the enterprises.
4. Results and discussion

The framework of the sustainable engagement of an enterprise described in the stakeholder map reveals that the concept of the circular economy is located in the perspective of the processes and collaboration. Hence it is correlated to the material and energy flows where the waste at one end is the raw material of other processes. Therefore, the better term for “circular economy” is “circular processes”. The circular economy described in the stakeholder map refers to the financial terms. The revenue and profitability of an enterprise can be improved when it retails the waste to other processes and organisations.

The circular learning takes place when an enterprise hires graduated and skilled labour force. Also, other knowledge intensive organisations such as research institutes and development companies are useful knowledge sources for an enterprise. On the other hand, universities and other knowledge intensive organisations get valuable information from enterprises for their research and education. The external impact of an enterprise has social, economic and environmental information in its corporate sustainability report, but on the other hand the region and society includes pressure groups that force enterprises to sustainable development.

This study solves the challenge of many scholars and formulates an original framework for analysing industrial and social systems in the sustainable development account. Adopting the view of sustainable engagement in the stakeholder relationships of the enterprises means rethinking the purpose of the enterprise and its managerial tools. The success of an enterprise cannot be measured only using the perspective of shareholders, but adopting a more holistic, all-engulfing and complete stakeholder scaffold developed in this study.

5. Conclusions

The endeavour of this study was to develop a theory of sustainable engagement which was used in the traditional value chain and extended to the circular economy in the framework of stakeholder relationships. The study presented the stakeholder map of an enterprise where internal and external stakeholders were classified according to the standpoints of the balanced scorecard. The stakeholders map was used to present circular forms of sustainable engagement in the different standpoints of the balanced scorecard. The concept of circular economy can be clarified to mean circular processes where material and energy are transferred into the input of other processes and organisations. The new taxonomy of sustainability includes circular processes, economy, learning and impact.

The sustainability of an enterprise depends on sustainable engagement in its stakeholder relationships. An enterprise can define its most important stakeholders using the stakeholder map developed in this study and refine its processes and structures to meet the needs of critical stakeholders. Enterprises can engage not only its internal stakeholders but also external stakeholders related to the processes and collaboration, financing, organisational learning and external impact and develop these perspectives taking into account the circular character of sustainability.

The limitation of this paper is that it concentrates on the theoretical concepts of sustainable engagement in stakeholder relationships but leaves the empirical research for future studies. The theoretical framework presented in this study is valuable for the empirical sustainability studies in the future. The research findings of the circular economy can be clarified and extended from material and energy flows to circular pecuniary topics. In addition, circular innovations and organisational learning and circular external impacts are valuable topics for the future studies.

The hypotheses of the sustainability studies can be built on the theory of sustainable engagement in the stakeholder relationships of enterprises and the scientific law of sustainable engagement that sustainable processes, economy, learning and impact circulate. The empirical research is able to find the new circular processes of material
and energy. New forms of circular economy are emerging in practice such as crowd funding. New forms of outreach and engagement can be found in higher education. In addition, innovative steps can be taken in how enterprises impact on its environment and how the region and society affects the processes of an enterprise.

References


Mirabella, R., Malcolm, M. and Berger, G. 2007. Nonprofit and philanthropic studies: International overview of the field in Africa, Canada, Latin America, Asia, the Pacific,


