

**RESPECTING STAKEHOLDERS AND THEIR ENGAGEMENT  
TO DECISION MAKING – THE WAY OF SUCCESSFUL CORPORATE  
SOCIAL RESPONSIBILITY STRATEGY**

Katarína DRIENIKOVÁ, Peter SAKÁL<sup>1</sup>

**Abstract**

*Current world situation characterized by constant dynamic development and changes in all spheres enforced us to view the business not only as a profit creator but as creator of added value to the society. The paper deals with the stakeholders as the integral part of corporate social responsibility (CSR) concept. It mentions the topic of stakeholder theory and stakeholder management in consideration of sustainable development and sustainable competitiveness of business. Within the paper are mentioned outputs of pilot research carried on among Slovak companies focusing on stakeholders and decision making within responsible business.*

**Key words**

*CSR, sustainable development, stakeholder engagement, stakeholder management, decision making*

**Introduction**

A company should be understood as an institution, which the main task is to produce profit while being a part of the environment, which the company should bring benefits.

Companies besides financial and legal commitments have also responsibilities towards their employees, consumers, suppliers, local community and other stakeholders. The term “corporate social responsibility” (CSR) has just become the synonymous of business in which companies realize their commitments and seek their implementation. CSR should be an example of responsible business towards society for companies that still haven’t realize their commitments towards society, resp. they didn’t want to take them into account.

Only through the promotion and application of the principles of responsible business it’s possible to contribute to enhance the life conditions on our planet and to support its sustainability. It is necessary to still emphasize the need to transfer the principles of CSR into

---

<sup>1</sup> Ing. Katarína Drieniková, Prof. Ing. Peter Sakál, PhD. - Institute of Industrial Engineering, Management and Quality, Faculty of Materials Science and Technology, Slovak University of Technology, Paulínska 16, 917 24 Trnava, Slovak Republic, [katarina.drienikova@stuba.sk](mailto:katarina.drienikova@stuba.sk), [peter.sakal@stuba.sk](mailto:peter.sakal@stuba.sk)

all business activities, to communicate about their impacts and constantly engage stakeholders in their further development.

To reach the win-win or successful CSR strategy in a company all the stakeholders must be included into the responsible business. Every element of the relationship (company-stakeholder) must be satisfied. The satisfaction on the both sides can be created only just company knowing, respecting and managing stakeholders needs, interests and opinions. The very essential part of the successful relationship is also stakeholder engagement to all business activities, especially to decision making processes that affects the later behaviour of company towards stakeholders.

The paper is to highlight the need of knowing not only business stakeholders but also their needs, interests and demands to manage relationship with them and to engage them into decision making. The paper also shows off the brief view on the results of the pilot CSR survey carried out in Slovak industrial companies.

### **Stakeholders within the CSR strategy**

#### **Corporate Social Responsibility**

The continued dynamic growth and change in all areas of business have resulted in not only inconsistency in the terminology of corporate social responsibility (CSR) but also in ambivalence in the number of programs and models, which covers the topic of CSR (1).

In any case, if we look at the topic of the CSR concept from any viewing angle, it is clear to us that CSR philosophy is built on three pillars (economic, social and environmental). It is universal, built on the basis of cooperation with stakeholders, emphasizes the development not only the growth, aims to contribute to the quality of life and is voluntary too.

The principle of voluntary CSR was in 2010 (in Slovakia in 2011) supported by the issuance of ISO 26000 (“Guidance on social responsibility”), which is a voluntary tool for dealing with the key areas of CSR as well as a way of integration socially responsible behaviour into business. The principle of voluntary means that companies that want to truly act responsibly towards society, they do it. They are not driven to do something by force, because just by incorporating the concept of CSR into business based on command causes the company forgets the true essence of doing responsible business and acts “automatically” not realizing what it means. However, socially responsible approach to business is just about companies realization that they are not alone in their businesses, but are the one part of the environment, which affects the business and is affected by business actions.

The CSR philosophy must be included in decision making processes through all company too. By realizing impacts of the business decision on people, planet and profit before making it that’s the right start to behave in responsible way.

World Business Council for Sustainable Development in 2004 noted: ***“Business is not divorced from the rest of society. How companies behave affects many people, not just shareholders. A company should be a responsible member of the society in which it operates”*** (2).

Just the statement above should become a basis of any business, because only by realization and acceptance of responsibility for business activities, the company can become sustainably competitive.

The definition of CSR (European Commission, Green Paper 2001), (3): ***“CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”***, refers to the stakeholders as the necessary part one of the CSR issue.

## **Stakeholders**

An open dialogue with all stakeholders is the basis and the expression of corporate social responsibility too. In general we can imagine stakeholders as all those (from individuals through groups of individuals to the organizations) who have some impact on business activities, respectively are in some direct or indirect ways influenced by business activities.

Companies should behave in responsible way, respectively to implement a responsible approach towards their stakeholders precisely because they are just reliable business partners and their satisfaction is a great benefit for business.

At present, in companies, which business is based on the CSR philosophy, there is an ongoing debate about the impact of economic activities on stakeholders, preceded by the ethics review and social climate in the company (1).

## Stakeholder Theory

In the context of the CSR we cannot fail to mention the stakeholder theory, which relies on the condition to non-handicap one stakeholder group (shareholders, business owners) at the expense of other stakeholder groups. Its essence is a non-subordination the interests of other stakeholders to one group of stakeholders, other stakeholders cannot serve as a tool to achieve shareholders objectives (1).

There were many critics of the theory, such as American economist Milton Friedman, representative of Chicago national school, who claimed that the only one criterion of responsibility is to maximize the profits. He argued that maximizing social profit is the role of the government by setting rules that companies should strictly follow.

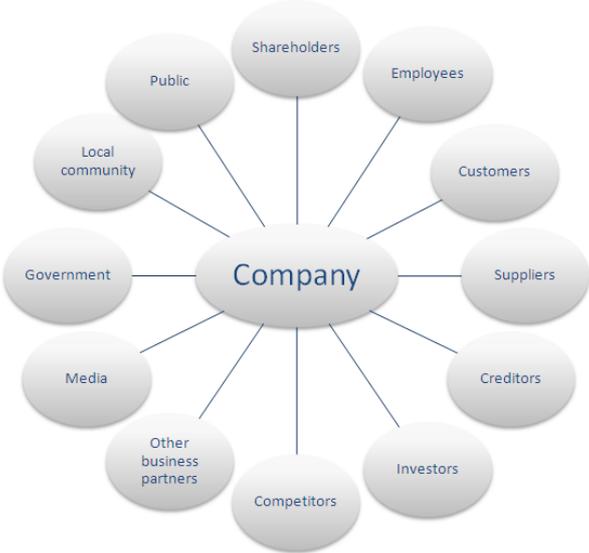
However, we cannot look at the company only as at a tool that serves the owner to increase his own wealth. The company must be understood as an open group of stakeholders whose interests, needs and surely their own power affect the business. Therefore the company's aim should be to know, respect and manage their interests, needs and opinions.

One of the most classic stakeholders definitions is probably the definition of the American philosopher, professor and also the father of the current stakeholder theory, Edward Freeman, who says that stakeholders are ***“those who can affect or is affected by the achievements of the organization's objectives”***, 1984, (4).

Stakeholders are usually considered as a group of people with a recognizable relationship with the company including: shareholders, customers, suppliers and distributors, employees, local communities.

Still there are discussions about the issue whether the stakeholders are considered by the company only as those who are distinguished in achieving corporate goals or as anyone who is influenced by the business in some way. We prefer the opinion that stakeholders are considered all those that have any direct or indirect influence on company, because the effect can be changed over time.

So in addition to the above mentioned stakeholders they may be characterized also as following stakeholder groups (4): competition, media, public, lenders, unions, NGOs, government, other business partners and others (figure 1).



**Fig. 1 Business stakeholders**

There are many ways for stakeholder’s classification, in terms of CSR they can be classified according to the table (Table 1), (5).

STAKEHOLDERS ACCORDING TO CSR FIELDS Table 1

CSR field	Stakeholders
Market	<i>shareholders, investors, customers, business partners, suppliers, competition, government and its institutions</i>
Working environment	<i>employees and their families, trade unions</i>
Local community	<i>public, non-profit organizations, media, education institutions</i>
Environment	<i>non-profit organizations, government and its institutions, public</i>

The stakeholder theory can be characterized as an attempt to explain the business operation in the modern world. Companies are subjects to the demand of various stakeholders. Their values and ways of decision making are undermined by mutual and often contradictory action of individual actors.

Stakeholder theory states that all stakeholders must be considered in decision making process of the company. **The theory states that there are 3 reasons why this should happen (6):**

- *It is the morally and ethically correct way to behave.*
- *Doing so actually also brings benefits for shareholders.*
- *It reflects what actually happens in a company.*

Stakeholder Management

Currently, not only in companies that are involved in CSR activities outweighs the increased interest in management of their own stakeholders, but especially in managing relationships with them. A medley of different tools, models, methodologies, or procedures

that main function is to manage the relationship between business and its stakeholders, is called stakeholder management (7).

Mutual relations between the company and its stakeholders may occur in either a positive or negative way. In any case, it is clear that companies need to manage relationships with their stakeholders so as to minimize their negative impacts and to be ensured that they won't be the brakes in achieving the objectives of individuals and company.

Stakeholder management dictates that the company should be in contact with a variety of significant groups; company should encourage and maintain support of these groups, noting and balancing their relevant interests.

Like the very concept of CSR also stakeholder management is based on a voluntary basis. Experience has confirmed that *stakeholder management serves as a voluntary key tool in achieving economic success of business efficiency and sustainable development over the long-time interval.*

Within the context of corporate social responsibility issue, the stakeholder management can be understood as the **two basic areas**:

- *the stakeholders identifying (identification and analysis of the impact of their interests and forces) associated with their classification and identification of key stakeholders,*
- *the process of engaging stakeholders (stakeholder engagement).*

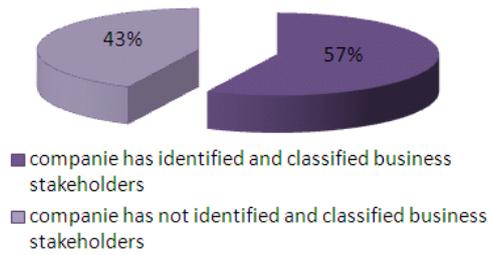
An integral part of stakeholder involvement in CSR activities is also the dialogue with stakeholders. Stakeholder dialogue is the essence of co-creation of shared understanding between business and individual stakeholders.

### **The pilot survey**

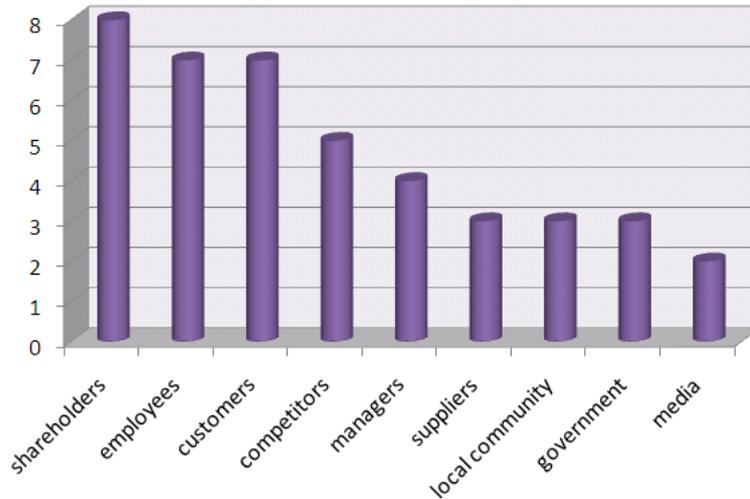
In the beginning of the 2012 (January), we conducted a survey in Slovak companies on the issue of corporate social responsibility and stakeholders within the context of CSR. Pilot survey was attended by 14 from 65 addressed companies (more than 21% return), whereas it was about 3 micro-enterprises, 7 SMEs and 4 large companies, mainly manufacturing companies with limited liability.

The evaluation of the questionnaires showed that in almost 65 % of companies the CSR issue is discussed and nearly 90 % of asked companies reported that they did not solve only their own business interests, but also were interested in the welfare of the environment. Companies that have a strategy based on the principles of CSR or SD (more than 80 %) indicated that it's because of enhancing their image, improving their relationships with employees and the local community and because of the effort to sustainable development. It was interesting to find out that half of the respondents stated that the concept of CSR didn't see as a competitive advantage.

More than half of the respondents (57 %) stated that they identified and classified the business stakeholders, mostly owners, employees, customers, competitors and managers (see figure 2, figure 3).



**Fig. 2 Business stakeholder identification**

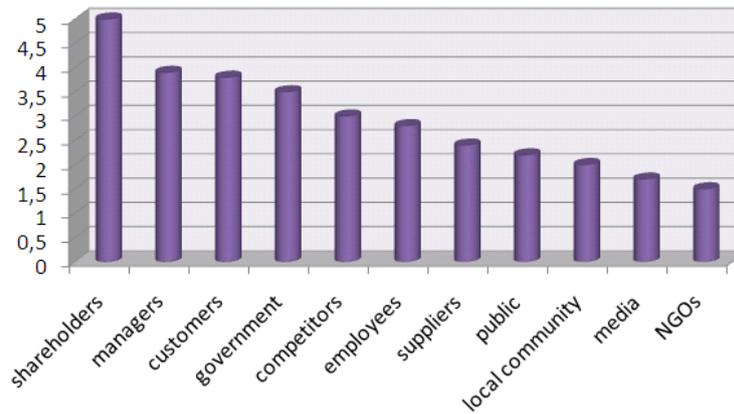


**Fig. 3 Business stakeholders**

Only five companies have also identified and defined the objectives of their stakeholders, that means that only more than 60% of businesses that identify stakeholders are also interested in stakeholders' goals and expectations.

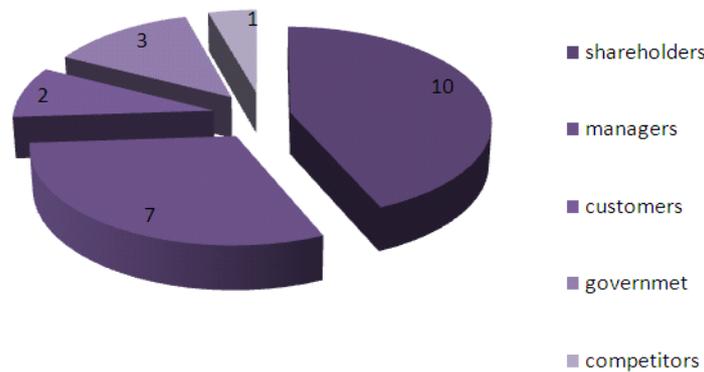
The process ensuring stakeholder dialogue, consultations and feedback from business stakeholders have only 5 respondents, representing 36% of the 14 asked. Only two respondents (17%) claimed the company used a set of goals, actions and indicators to close contact with their stakeholders. Satisfaction surveys, resp. studies of business stakeholders, regularly elaborates one third of respondents.

Only 36% of respondents stated that the importance of the interests and expectations of different stakeholders was not the same, with the greatest importance in relation to company activities the respondents assigned owners, managers, customers, state/government institutions, and competition (figure 4).



**Fig. 4** Business stakeholders' importance

Companies involve to decision-making processes only the owners and managers, in addition 3 companies claimed that to the decision involved state/government, customers (2 respondents) and one company also its competitors (figure 5).



**Fig. 5** Stakeholders engagement to company decision making

At the end of the pilot survey, we wanted to know if the companies think stakeholders' representatives in company decision making, this view was upheld by only 10 companies, that was just over 70% of respondents.

## Conclusions

The concept of corporate social responsibility can be understood as a business concept, which emphasizes the great potential in achieving sustainable development. Corporate social responsibility, however, should not remain merely a tactical and a marginal business concern largely controlled by marketing and public relations, but it must be a part of an overall corporate strategy, respectively it must be its core. The concept of sustainable CSR can be understood as a philosophy, approach the company that wants its stakeholders to behave in a sustainable manner.

The paper emphasizes the need of businesses to focus on all of its stakeholders, not only to its shareholders, customers and employees, but to all those who are in some way in contact

with the company. To know, respect and manage most of the stakeholders needs, interests and to engage or involve at least the key stakeholders to company decision-making process.

The article also refers to the outputs of the pilot survey declaring that although many companies have already been aware of their responsibility for the state of the environment and try to apply the philosophy of sustainable development and corporate social responsibility, still most of them are unaware of that the stakeholders are not only shareholders, employees and customers, but they must regard all stakeholders who are in some way in contact with the company. Just as well companies cannot forget that it is not enough just to identify and classify their stakeholders, but it is necessary to be in constant interaction with them - to identify their expectations and demands on the company and involve them in decision making processes.

### Acknowledgements

*This paper was supported by the Slovak Research and Development Agency under the contract No. LPP-0384-09: "Concept HCS model 3E vs. Concept Corporate Social Responsibility (CSR)."*

*The paper is also a part of approved KEGA project No. 037STU-4/2012 "Implementation of the subject "Corporate Social Responsibility Entrepreneurship" into the study programme Industrial management in the second degree at MTF STU Trnava. The paper is also a part of my dissertation thesis with the topic: "Proposal for using of AHP in CSR strategy of industrial companies".*

### References

1. PUTNOVÁ, A., SEKNIČKA, P. *Etické řízení ve firmě*. Praha: GRADA, 2007. ISBN 978-247-1621-3
2. SCHANTZ, C., MARK-HERBERT, C. *Communicating CSR*. In: *Business Strategy and the Environment, Conference*. Leeds and West Yorkshire, 2005. [online]. [citované 03-15-2012]. Dostupné na internete <http://www.crrconference.org/downloads/schantz.pdf>
3. GREEN PAPER. *Promoting a European Framework for Corporate Social Responsibility*. Commission of the European Communities. Brusel: 2001. [online]. [citované 23.11. 2011] Dostupné na internete: [http://eur-lex.europa.eu/LexUriServ/site/en/com/2001/com2001\\_0366en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2001/com2001_0366en01.pdf)
4. FRIEDMAN, A. L., MILES, S. *Stakeholders. Theory and Practice*. New York: Oxford University Press Inc, 2006. ISBN 0-19-926987-4
5. STEINEROVÁ, M., MAKOVSKI, D. *Koncept CSR v praxi – průvodce odpovědným podnikáním*. [online]. [Košice], 2008. 33s. [cit. 2011-13-02]. Dostupné na internete: [http://www.blf.cz/doc/brozura\\_CSR\\_web\\_CZ.pdf](http://www.blf.cz/doc/brozura_CSR_web_CZ.pdf).
6. CROWTHER, D., GÜLER, W. *Corporate Social Responsibility: Part I. Principles, Stakeholders & Sustainability*. David Crowther & Güler Aras & Ventus Publishing ApS: 2010. ISBN 978-87-7681-564-6. [online] [citované 14-03-2012] Dostupné na internete: <http://bookboon.com/cs/obchod/management/corporate-social-responsibility-part-i>
7. ZELENÝ, J. a kol. *Environmentálna politika a manažérstvo organizácií*. (6. diel, *Environmentálna politika, manažérstvo a stakeholder manažment*). Banská Bystrica: Fakulta prírodných vied UMB, 2010. 145 s. ISBN 978-80-8083-977-2
8. [http://publview.stuba.sk/view\\_publ.php?dv=1&kd=-2&roh=-1&a=80764&chb\\_pdr=-1&nz\\_typ=4](http://publview.stuba.sk/view_publ.php?dv=1&kd=-2&roh=-1&a=80764&chb_pdr=-1&nz_typ=4)

9. [http://publview.stuba.sk/view\\_publ.php?dv=1&kd=-2&roh=-1&a=29765&chb\\_pdr=-1&nz\\_typ=4](http://publview.stuba.sk/view_publ.php?dv=1&kd=-2&roh=-1&a=29765&chb_pdr=-1&nz_typ=4)

**Reviewers:**

Mazgar Nasipovich Isjanbaev, Prof .  
Joanna Rosak-Syzrocka, MSc. PhD.