The Stakeholder Concept Analysis

The purpose of the paper is to discuss the stakeholder concept and its development, based on stakeholder theoretical framework, and instrumental, strategic management and network approaches. The authors discuss different classification of stakeholders, contrast narrow and broad stakeholder concepts, provide a review of their distinctive features. The differences in approaches to stakeholder expectations literature are contrasted.

**Keywords:** stakeholders, stakeholder theory, instrumental approach, strategic management approach, network approach.

Recent economic crisis has revealed the complexity of the factors affecting modern economies, the growing interdependence of market actors as well as the growing importance of the relationships between different groups of stakeholders. The quality of relationship between company and its stakeholders, as well as between the different groups of stakeholders has become crucial for the company’s success, for its ability to respond to competitive conditions, keeping up with global trends, building a strong reputation and gaining social acceptance.

On the other hand, it should be stated that the growing interdependence of firms has fostered new stakeholders’ groups, and requires the use of new forms of managing these stakeholder groups.

The basis for the analysis of the stakeholder concepts has been laid by the classical stakeholder theory (Freeman, 1984), which have since evolved into several mainstream approaches, including instrumental and normative ones. Instrumental approach aims to explain the complex phenomenon from different perspectives based on the use of empirical data. It is very much related to mainstream company centric
approach to company management on operational as well as strategic levels with sole attention to company value creation, linking stakeholder imposed companies’ policies with economic performance. On the other hand, the normative approach provides with basic principles guiding stakeholders, their reasoning, the view on their rationality and consistency. Modern theoretical development in the field has provided for different stakeholder conceptual approaches, as well as broadening the theoretical gap.

The purpose of the paper is to discuss the stakeholder concept and its development, based on classical stakeholder theory, and instrumental, strategic management and network approaches.

For this purpose, different stakeholder conceptual approaches are identified and classified, the broad and narrow stakeholder concepts are discussed, and a review of their distinctive features is provided.

Research methods applied in the paper is systematic and logic analysis of relevant theoretical contributions in stakeholder management literature.

The stakeholder concept

Stakeholder theory has evolved from R. E. Freeman’s (1984) “Strategic Management: a Stakeholder Approach” seminal work, which aimed to explain the relationship between the company and its external environment, and its behavior within this environment. Freeman addressed on the stakeholder theory of organizational management, and business ethics, with focus on morals and values in managing a company. He argued that apart from shareholders there are other parties related to company, however, their status might differ in relation to company, at the same time assuming that values are a necessary and explicit part of doing a business. The followers within the broad field of stakeholder theory have produced numerous definitions. However, the concept of what is a stakeholder is still widely discussed.

Recent empirical research in stakeholder theory concentrates on several approaches, i.e. strategic management of stakeholders (Bridoux, 2013; Harrison, Bosse, 2013; Crilly, Sloan, 2012; Fassin, 2012) stakeholders pressure, influence and affects on different issues (Chen, Kacperczyk, Molina, 2012; Ten et al., 2012; Ayerbe et al., 2012; Reimann et al., 2012) stakeholders approach to corporate governance (Ayuso, Rodriguez, Castro, 2012) and stakeholders approach to CSR (Mahon, Wartick, 2012). Though the theory was built on four broad conceptual backgrounds of sociology, economics, politics and ethics, nowadays it is even more extended in the specific fields of management, finance and others, related with humans and relationships between them. Stakeholder conceptual background has been analyzed by a wide number of scholars. However, controversy between the theoretical approaches and conceptual gaps are still in place.

Analysis of the wide field of research related to stakeholder theory allows noting, that there are two main approaches to stakeholder concept: narrow and broad. Most researchers are using the broad concept of stakeholders indicated by R. E. Freedman (1984): “stakeholders are any group or individuals that “can affect or is affected by the achievement of an organization’s objectives”. The short version of this definition is: “those who can affect or can be affected by the firm”.
Although these concepts are widely used by researchers, it is difficult to apply them for distinguishing and managing those stakeholders that are related to specific company. It is too complicated to assess the potential threats stakeholders may have on the organization’s objectives. On the other hand, the narrow concept implies that stakeholders are those who have legal rights to the company.

We may specify that the broad concept is based on the managerial interpretation, while the narrow one is based on legal interpretation of the stakeholder concept, on rights and contracts: stakeholders have claims, firms have obligations and duties. Conversely, the managerial approach, originating from organization theory and sociology, emphasizes the relational aspects between stakeholders and the firm (Fassin, 2008). The managerial definition is broader as it takes into account all individuals or groups that can “affect or be affected”. The legal interpretation is a narrower view of the stakeholder concept, as stakeholders are selected only by their contractual relationship (Fassin, 2008). Two views are determined in this respect: the ‘claimant’ – “those without whom the organization could not survive” and ‘influencer’ concept – those who can affect the firm or be affected by it” (Kaler, 2002; Fassin, 2008).

Other scholars distinguish the broad and narrow stakeholder concepts according to their economic value to the company. The narrow view attempts “to define relevant groups based on their direct relevance to the firm’s core economic interests” (Mitchell et al., 1997). It is based on the practical reality of limited resources, limited time and attention, and limited patience of managers for dealing with external constraints. While the purpose of the broad managerial view, is to collect “knowledge of actual and potential claimants in the firm’s environment” (Mitchell et al., 1997). This concept is based on the empirical reality that companies can indeed be vitally affected by, or they can vitally affect, almost anyone.

Another question, regarding stakeholders concept, is emphasized on the relationship either it is actual or potential. Some scholars assume that those groups or individuals that are not in an actual relationship with the firm cannot be stakeholders (Ring, 1994). While others, argue, that the potential relationship can be as relevant as the actual one (Mitchell et al., 1997). In terms of narrow and broad concepts, the actual one would be narrow concept, as it relates to the stakeholders that have a legal right to demand their claims to be fulfilled. The potential relationship relate to the broad concept as the stakeholders do not have a legal right for their claim, although they still can influence.

Furthermore, S. Beach (2009) assumes that stakeholder concept differences depend from fundamentally different types of stakeholder theoretical frameworks: instrumental (or descriptive) and normative (or prescriptive). While broad descriptive concepts have the potential to bring large numbers of stakeholders to the fore, normative concepts may have the opposite impact by narrowing stakeholder groups excessively, which could result in important stakeholders being overlooked. Instrumental concepts strike a balance between the broad and narrow approaches by focusing on which stakeholders the organization considers need to be taken into account to achieve specific organizational outcomes.

The different theoretical approaches to stakeholder concept are generalized in Table 1. We suggest that scholars who
attempt to narrow the concept of stakeholder emphasize the claim’s legitimacy based upon contract, exchange, legal title, legal right, or moral interest in the harms and benefits generated by company actions and that, in contrast, scholars who favor a broad concept emphasize the stakeholder’s power to influence the firm’s behavior, whether or not there are legitimate claims.

Y. Fassin (2008) states that these two approaches are not opposite, but are two dimensions of the same reality, with different objectives, applied and theoretical. Still most scholars imply that broad concept of stakeholders is too vast and makes difficulties while determining the group of stakeholders that have impact on company. In the empirical literature scholars have chosen different stakeholders concepts depending either on the object of the research or the theoretical assumptions. The broad concept is used in cases where the stakeholders are understood as a part of socially constructed reality, and the benefit of the organization and whole environment is reached by the collaboration of both. In this case stakeholders are analyzed within the corporate social responsibility (CSR) (Huang, Kung, 2010) or environmental approaches (Sarkis et al., 2010; Ayerbe et al., 2012; Darnall et al., 2010; Ten et al., 2010; Benito, Benito, 2010), stakeholders and corporations relationship approach (Eesley, Lenox, 2006, 2011; Onkila, 2011; Huang, Kung, 2010). Narrow concept is used in cases where the specific stakeholders group is set as the object, for example NGO organizations influence (Huijstee, Glasbergen, 2010), media pressure (Islam, Deegan, 2013) and shareholder activism (Musa, 2012; Soul et al., 2013).

### Approaches to stakeholder classifications

Based on stakeholder concept as defined in classical stakeholder theory, the classification of stakeholders has been undertaken

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<thead>
<tr>
<th>Definition</th>
<th>Broad approach</th>
<th>Narrow approach</th>
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<tbody>
<tr>
<td>Stakeholders are those who can affect or be affected by the firm</td>
<td>Stakeholders are those who have legal rights to the company</td>
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<tr>
<td>Interpretations</td>
<td>Managerial</td>
<td>Legal</td>
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<tr>
<td>Basis of definition</td>
<td>Relation</td>
<td>Right</td>
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<tr>
<td>Definition</td>
<td>Influencer</td>
<td>Claimant</td>
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<tr>
<td>Characteristics</td>
<td>Attention</td>
<td>Claim</td>
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<td></td>
<td>Care</td>
<td>Contract</td>
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<td></td>
<td>Influence</td>
<td>Duties</td>
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<td></td>
<td>Respect</td>
<td>Obligations</td>
</tr>
<tr>
<td>Number</td>
<td>Many stakeholders</td>
<td>Select number</td>
</tr>
<tr>
<td>Relationship</td>
<td>Potential</td>
<td>Actual</td>
</tr>
<tr>
<td>Theoretical background</td>
<td>Descriptive</td>
<td>Normative</td>
</tr>
<tr>
<td>Relevance</td>
<td>Knowledge of firm’s core economic interest</td>
<td>Knowledge of firm’s environment interest</td>
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in a variety of ways. The reason for stakeholders’ classification is limited resources view and prioritization of stakeholders according to instrumental and/or normative considerations (Fassin, 2008). In the scientific literature different classifications of stakeholders can be found, based upon different criteria: claims, rights, impact, influence, economic function, corporation’s source of wealth, power, legitimacy, urgency and etc. Some of these typologies have been developed more than others.

A number of scholars have attempted to classify the stakeholders and distinguished several types of their classifications, which are summarized in Table 2. S. Beach (2009) identifies two main stakeholder classification systems, which focuses either on single attribute or multiple attributes. This typology of stakeholders’ classification is based on the quantity of stakeholders’ characteristics. Stakeholders’ classification based on single dimension uses on an instrumental perspective and includes: fiduciary/no fiduciary stakeholders, primary/secondary stakeholders, voluntary/involuntary stakeholders, stakeholder agency, and stakeholder influencing strategy, assessing and managing stakeholders. To this typology of classification some other classifications might be added.

J. E. Post et al. (2002) classifies stakeholders based on potential source of organization wealth and according to their relation to the three dimensions of the strategic setting – resource base (employees, customers and users, investors, shareowners and lenders), industry market (unions, regulatory authorities, supply chain associates, joint ventures partners and alliance) and social – political arena (local communities and citizens, governments and private organizations).

Similar classification was used by I. Henriques and P. Sadorsky (1999), who distinguished four different stakeholders groups: regulatory stakeholders, organizational stakeholders, community stakeholders and the media. Regulatory stakeholders include governments, legislators and competitors of the companies. These should influence environmental management of the enterprises. Organizational stakeholders include green consumers, suppliers, managers, employees and shareholders. These will influence environmental management. Community stakeholders include nearby residents and environmental groups. The media include print media, television, broadcasting and Internet. It can be noted, that this classification is based on function of stakeholders, more precisely the source of communication between stakeholder and company.

Multiple attribute category by S. Beach (2009) consists of two approaches to stakeholders: relationship between organization and stakeholders; and managerial perceptions of stakeholder characteristics: power, urgency and legitimacy. Classification, designed by R. K. Mitchel et al. (1997), has been adopted widely by most scholars. Here stakeholders are categorized based on an assessment of stakeholder salience.

G. Woo and A. Ladkin (2011) identify four different typologies of stakeholders’ classifications. According to them stakeholders are being differentiated based on the influence they exert on the company. The first typology is based on the individual stakeholder perspective with reference to R. K. Mitchell et al. (1997) stakeholders’ typology. This group identifies three stakeholders’ attributes: power, legitimacy and urgency. This type of classification
was also included into S. Beach stakeholder’s classification analysis as well, and was related to multidimensional attributes group. Similar stakeholder classification has been developed further on by P. Beritelli and C. Laesser (2011), who focused on four dimensions of authority power as determinants of influence, including hierarchical position, knowledge, power over process, and assets. Their results reveal that influence is driven by power dimensions, mostly by knowledge. Consistently G. Woo and A. Ladkin (2011) hypothesized that “if stakeholder has more knowledge through a longer experience, they are perceived as more influential”.

Another group of stakeholders distinguished by G. Woo and A. Ladkin (2011) is focused on relationship characteristics that stakeholders exert on an organization. In this group J. Froomans (1999) and G. Savage et al. (1991) classifications were added. S. Beach includes these classifications into single dimensional group. It can be argued that even individual stakeholder can be characterized depending either on single or multiple attributes. The choice of stakeholder characteristics depends on the theoretical basics.

Third group of G. Woo and A. Ladkin (2011) classifications is done from the stakeholders’ network perspective. As in reality, organization faces a heterogeneous set of stakeholders and their connections show various forms ranging from formal to informal relationships (Woo, Ladkin, 2011). In the combined stakeholders classification perspective stakeholder classifications are being provided according to the combined approaches of individual stakeholder attributes, relational attributes and network attributes.

Most scholars argue that stakeholder classification based on the theoretical assumptions has limited practical application. Contrary to them, M. S. Reed et al. (2009) provide two main types of stakeholder classifications that are basically used in practice: analytical classification and reconstructive classification. This typology distinguishes two types of stakeholder classifications: analytical classification (top-down) and reconstructive classification (bottom-up). This typology of stakeholders’ classification indicates the resources required level of stakeholder participation, strengths and weaknesses of each of the classification methods.

What becomes obvious from the stakeholder classification analysis is that there are different ways of distinguishing stakeholder groups or identifying groups that

<table>
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<th>Focus</th>
<th>Type of classification</th>
<th>Authors</th>
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<tr>
<td>The quantity of dimensions used for classification</td>
<td>Single attribute</td>
<td>Beach (2009), Post et al. (2002), Henriques, Sadorsky (1999)</td>
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<tr>
<td>Stakeholders influence</td>
<td>Individual Stakeholder Perspective</td>
<td>Woo, Ladkin (2012)</td>
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<td></td>
<td>Dyadic Relational Perspective</td>
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<td>Stakeholder Network Perspective</td>
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<td>Combined Perspective</td>
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<td>Practical stakeholders classification based on the stakeholders influence</td>
<td>Analytical classification (top-down)</td>
<td>Reed et al. (2009)</td>
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<td>Reconstructive classification (bottom-up)</td>
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are vitally important to company. On the empirical level most recent studies (Eesley, Lenox, 2006) use multiple attribute approach that refers to R. K. Mitchel et al. (1997), where the stakeholders influence or importance to company is set by the power, urgency, and legitimacy. Another way of identifying the important stakeholder group is setting it by the object of research. Nowadays most studies concentrate on NGO (Eesley, Lenox, 2011; Huijstee, Glasbergen, 2010), media influence (Islaam, Deegan, 2013; Zyglidopoulos, 2012) and shareholder resolutions (Musa, 2012, Soule et al., 2013). Different stakeholder groups have controversial demands and expectations towards company as their requirements and relationship with company also differ.

Stakeholders’ expectations as a basis for their classification

The classical concept of stakeholder, based on classical stakeholder theory, implies that stakeholders are any group or individuals that can affect or be affected by the organization, these different stakeholders groups have unequal expectations towards company. For example, shareholders generally want good returns on their investments – high dividends, and thus demand high profits, growth and share prices. If these are not achieved, they put pressure on management, via the shareholders’ committee, or they simply sell their shares. While other stakeholder groups, for example employees, have different motives, which lead to different expectations towards company. They generally want trainings and their abilities development, safety at work, etc. All these expectations cost money for the company, which as a result can decrease the wealth for the shareholders.

Nowadays the objective function of a corporation has changed and goes beyond generating profits for shareholders. It is mandatory for organization to include a range of benefits that are valued by its stakeholders. In this way corporation can be seen as a nexus of relationships between a corporation and its various stakeholders with a goal of mutual gain (Bhattacharya, 2008). It should be noted, that what brings benefit to one customer, may not be valued by the other and in some cases it might be even conflicting. For example, closing a factory could benefit many investors even if it harms the people employed in it.

Some scholars have tried to categorize or group stakeholder expectations that can be emphasized by specific attributes (see Table 3). For example, M. Longo et al. (2005) identify the demands of key stakeholders according to the creation of value by business. Each stakeholder group satisfies its respective expectations. He defines only four stakeholders groups: employees, customers, suppliers, and community.

J. Andriof and S. Waddock (2002) distinguish the stakeholders expectations based on the corporate social responsibility aspects: environmental, social, and economic. As it regards environmental responsibility, stakeholders’ demand integrity, respect, standards, transparency and accountability. Regarding social responsibility they demand business human relationship and resource policy and also an involvement in external social issues: social exclusion, community regeneration, education, culture, employee volunteering. As for economic responsibility stakeholders expect produce value, income and wealth generation, jobs, ethical trading
standards, advertising standards.

Similarly J. E. Post et al. (2002) distinguishes stakeholders’ expectations into several groups regarding to their source of corporation wealth. Resource based group imposes employees, investors and customers. Industry structure: unions, regulatory authorities, supply chain associates, joint ventures partners and alliance and social-political group: local communities and citizens, governments and private organizations. These groups’ expectations depend upon their relation to corporation wealth.

The differences between identifications on stakeholders’ expectations are made not only based on the criterions upon which these identifications are done, but also based on the groups of stakeholders that are emphasized. Most scholars distinguish stakeholders’ expectations according to each separate stakeholder group (Maignan, Ralston, 2002; Aquilera et al., 2007; Jamali, 2008; Maignan, Ferrell, 2003; Huijstee, Glasbergen, 2010). As I. Maignan (2002) indicates, most often identified stakeholder groups in the empirical studies are employees and community (Maignan, 2002).

Stakeholder expectations research has been developing rapidly during the recent years, and has produced significant contributions to different research perspectives on stakeholders. The most recent empirical studies show that most scholars analyze environmental expectations of stakeholders (Sarkis et al., 2010; Ayerbe et al., 2012, Darnall et al., 2010, Ten et al., 2010, Benito, Benito, 2010) and only few scholars approach the social needs. Still it is important to note that stakeholder theoretical framework has gone far from the instrumental, company centric approach, which lies in the notion that the sole aim of corporation is wealth creation for its shareholders. The widely accepted view is a general approach to the expectations of all stakeholders, an attempt to find balance between all stakeholder group expectations.

**Conclusions**

The literature analysis based discussion on the stakeholder concept has indicated that it is inherently a multidimensional and complex concept, which has

<table>
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<th>Identification of stakeholders expectations</th>
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<td>Identifies each stakeholder group expectations individually</td>
<td>Maignan, Ralston, 2002; Aquilera et al., 2007; Jamali, 2008; Maignan, Ferrell, 2003; Huijstee, Glasbergen, 2010</td>
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<tr>
<td>Stakeholder groups expectations are identified according to the creation of value by business</td>
<td>Longo et al., 2005</td>
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<tr>
<td>Distinguish the stakeholders expectations based on the corporate social responsibility aspects: environmental, social, and economic</td>
<td>Andriof, Waddock, 2002</td>
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<tr>
<td>Stakeholders expectations are identified according to their relationship with company and access to the company’s financial sources</td>
<td>Post et al., 2002</td>
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undergone development in several directions. Firstly formulated in the classical stakeholder theory by R. E. Freeman (1984), it has since evolved into several mainstream approaches, varying between the normative and instrumental theoretical frameworks.

Two streams of approaches to stakeholder management have evolved in theoretical and empirical studies, i.e. managing the relationship between company and its stakeholders, with each single stakeholder in particular, and managing the whole structure of the network relationships related to a company. The first approach assumes a more static view, based on description of existing specific stakeholder groups, their characteristics, factors affecting relationship between them and the company. The second approach assumes potential network evolution and provides with a more dynamic approach to stakeholder management. The latter view allows considering the complexity of social relationships in order to provide better understanding of stakeholder value systems and their impact on enterprise activities. A more holistic approach should be promoted in helping managers to execute actively strategies and to prevent negative economic consequences.

Literature review carried out in this paper allowed distinguishing, comparing and contrasting between the broad and the narrow stakeholder concepts. The two approaches differ in terms of their managerial or legal interpretation, relationship or right basis, number of stakeholder groups included, potential or actual relationship, theoretical background, and relevance and characteristic features. The significance of the broad approach increases with the need to take into account the relationships of the various stakeholders at the same time, as influenced by simultaneously previous and most recent experience.

Analysis of literature on stakeholder groups showed that there are several specific focuses in stakeholder classifications. Based on a number of dimensions used, single or multiple classifications are formed. Stakeholder influence is another significant focus, leading to distinguishing individual stakeholder perspective versus dyadic relational versus stakeholder network versus combined perspectives. Besides, analytical and reconstructive classifications are designed and applied in multi-stakeholder framework research.

Another distinctive focus of research is stakeholder expectations in relation to company, which has been developing rapidly during the recent years, and has produced significant contributions to different research perspectives on stakeholders. It ranges from analysis of single to contrasting multiple stakeholder expectations, varying from narrow financial to broader value creation, from environmental and wider social responsibility expectations, moving away from company – centric approach to a more holistic one.

Research literature review indicated fast evolution of stakeholder theoretical framework, orientation towards examining the phenomenon, which is of complex and systemic nature. Therefore scholars move focus to development of more holistic approaches in research of the effects of stakeholder management.
References


Mokslineje literatūroje leido suformuluoti ir priešpastatyti siaurą ir platų požiūris į suinteresuotų asmenų koncepcijas, apibendrinti jų esminius bruožus. Dalis moksline į analizuoja suinteresuotųjų asmenų sampratą iš strateginio valdymo pozicijų, koncentruodamiesi į įmonės ir jos dalininkų tarpusavio santykius. Kiti pripažįsta, jog reikia atsižvelgti ne vien į santykius įmonės viduje, bet ir į santykius su išorine aplinka ir joje veikiančiais subjektais. Treti sūlė orientuotis į įvairių suinteresuotųjų asmenų grupių tarpusavio santykių tyrinėjimą, taikant tinklų koncepciją. Jų dėmesio centre atsidūrė koncepcija dažnai yra nagrinėjama akcentuojant skirtinęs tyrimo objektus, tyrinėtojai orientuojasi į skirtingus sritys.

Klasifikantys suinteresuotųjų asmenų grupes literatūroje nėra vienings nuomonės. Visas egzistuojančias klasifikacijas sąlyginai galima suskirstyti į: suinteresuotųjų asmenų grupavimą pagal požymių skaičių (Beach, 2009; Post et al., 2002; Henriques, Ladinsky, 1999); pagal suinteresuotųjų asmenų po- veikį organizacijoms (pvz., Woo, Ladkin, 2012); gal praktini suinteresuotųjų asmenų po- veikį (pvz., Reed et al., 2009). Tokia klasifikacijų įvairiose rado, kokia sudėtinga ir nevienareikšmė yra suinteresuotųjų asmenų koncepcija.

Tyrimuose paplūdimio suinteresuotųjų asmenų lūkesčių organizacijų atžvilgiu analizės rezultatai taipogi nėra vienareikšmiai. Mokslineje literatūroje tiriami atskirų suinteresuotųjų asmenų grupių lūkesčiai atskirai nuo organizacijos suinteresuotųjų asmenų visumos. Lūkesčiai siejami su vertės kūrimu, socialinės atsakomybės raiška, ieškant jų lūkesčių ryšio su organizacijų finansiniais ištekliais, veiklos rezultatais. Nepaisant literatūroje įskiriamų suinteresuotų asmenų koncepcijų įvairių, šiandien svarbu, kad ši koncepcija pateiktų išsamią ir aišką sampratą, orientuotą į holistinį požiūrį, tariant suinteresuotųjų asmenų valdymo pasekmės verslui ir visuomenei.