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TITLE: Sustainable Value Creation and Stakeholder Interest Balancing in Information and Communication Technology (ICT) Environment

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ABSTRACT

Research Question: Can organizations truly create value for all its stakeholders simultaneously, without a significant trade-off from one group to another? And what role does current ICT infrastructure play?

Purpose: This study is aimed at determining how organizations create value simultaneously for stakeholders without a trade-off, and also examine the role of ICT (Information and communication technologies) in balancing responsibility in trying to satisfying all stakeholders (customers, suppliers, society, environment, employees and shareholders) in complex ICT environments.

Methodology: The study involves business organizations in Sweden. A research questionnaire was sent to one thousand five hundred top level management executives in Swedish based business organizations, to collect data. Business organizations were carefully selected to cut across many industry sectors.

Findings: Some of the findings includes: that many companies in Sweden still have a hard time satisfying all stakeholders simultaneously without trade-off, even with the huge ICT infrastructures. We discovered that although companies invest a lot on ICT, but the combination of strategy which will bring corporate partnership and create value for all without “robbing Peter to pay Paul” is still lacking.

Research Limitations: First, the study was limited to Sweden because of lack of resources to conduct interviews in many countries. Thus, there is the need to exercise caution in generalising these findings. Second, the number of respondents was limited, because it was difficult to get very busy top management executives from different companies to respond to our questionnaire.

Originality: This research work provides insight to understand and interpret balanced stakeholder value creation in companies, identify attributes for simultaneous value creation, as well as the role information and communication technology play in achieving this objective.

Keywords: Stakeholder, Value Creation, Information and communication technology, Sustainable Value, and Stakeholder Analysis
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1. INTRODUCTION

This first section will provide a background and general overview of the problem area and set the stage for other chapters.

Concerns about the environmental and social impacts of corporate activity are moving sustainability and social responsibility from important peripheral problems to issues debated in the boardrooms of the world leading companies. Companies are more and more confronted with the need to operate in a sustainable way and there is a growing intolerance for business models that are based on exploiting externalities, models that transfer value from stakeholders to shareholders. Traditionally, organizations have a fiduciary duty to deliver financial return to their shareholders. In recent past, many organizations have started applying business concepts or models that will take care of different groups with an interest or stake in the organization, directly or indirectly. The big challenge to business is how this different interest or stakes can be satisfied or meet in their value creation process without causing fear, worry, anger etc to any group. Top management of companies is many a time struggling to meet the needs of stakeholders. In many cases, corporate executives rightly resist adopting strategies that threaten shareholder value, because they know that unless they are delivering value to shareholders, they will not be in a position to do anything else.

However, in recent time’s value creation for all stakeholders remains the most important issue confronting management of organizations. But there are no specific models or ways of creating value for all stakeholders without a trade-off, even in ICT (Information and communication technologies) environment (which applies to information communication technology infrastructures, computer networks and applications use to make instant and continues improvement of business processes, strategies and operations in the stakeholders’ value creation). While many organizations are struggling to create value for their stakeholders, some claim expertise in this area. Nevertheless, all organizations try to create value for their defined stakeholders directly or indirectly. But the big challenge remains; can organizations truly create value for all its stakeholders simultaneously, without a significant trade-off from one group to another? Can organizations effectively meet the needs of all stakeholders? What role does current ICT infrastructure play?
This paper herein extends prior studies and contributes in the following ways: From the theoretical perspective, it initiates by bringing together the concept of sustainable value creation, information and communication technology (ICT), stakeholder theory, stakeholder analysis and stakeholder interest balancing. The empirical part will examine how Swedish organizations perceived balancing value creation interest of stakeholders in modern information and communication technology environments. In the next section, it outlines basic ideas and concepts relating to sustainable value and stakeholder theory.
2. THE CONCEPTS OF SUSTAINABLE VALUE, STAKEHOLDER APPROACH AND INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

In this section, the basic ideas and concepts relating to sustainable value and stakeholder theory will be reviewed. First, the concept of sustainable value will be covered. Secondly, we will examine the stakeholder approach and its relevance. The last section will cover the relevance of information and communication technology (ICT), its efficiency, quality and transparency as related to modern business process.

SUSTAINABLE VALUE

There exist various definitions and distinctions between sustainable value, sustainability, corporate social responsibility, sustainable development and corporate sustainability. Whatever the differences in opinions and distinctions about the different concepts is not the focus of this work. We will use sustainable value and sustainability interchangeably with the same definition. Sustainable Value as a concept received less attention before the 70s and 80s compared to other concepts like corporate social responsibility, hence, it is relatively difficult to find earlier literatures, except the most recent ones. However, in this section we will look at different views about the concept of sustainable value.

Park (2007) is of the opinion that sustainable value is rapidly becoming a critical business strategy, driven by a convergence of factors; increasing regulation, changing customer expectations, competitor advances, value chain partner requirements, brand equity protection, and global risk management. He stated that a sustainable company generates continuously increasing stakeholder value through application of sustainable practices throughout the entire base of activity-products and services, workforce, workplace, functions/processes, and management/governance.

Lo and Sheu (2007) defined sustainable value as “…a positive multi-faceted concept coving areas of environmental protection, social equity, community friendship and sustainable development in corporate governance and to test its impact on a firm’s market value”. Furthermore, sustainability as defined by the Dow Jones Sustainability Indexes (1999) is a business approach that creates long-term shareholder value by embracing opportunities and managing risk from economic, environmental and social dimensions. It went further to state
that aside from creating profit, a sustainable company leaders capture other qualitative, non-financial criterion as references for their performance, such as quality of management, corporate governance structures, reputation, human capital management, stakeholder relations, environmental protection and corporate social responsibility, which is contrary to traditional business belief which aims to make a profit without taking into consideration the social and environmental consequences.

Brundtland (1987) examined sustainability from a global perspective. He noted that sustainability grounds the development debate in a global framework, within which a continuous satisfaction of human needs constitute the ultimate goal. Following Brundtlands (1987) view, Dyllick and Hockerts (2002) put the view in a business context, defining sustainability as “meeting the needs of a firm’s direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities, etc), without compromising its ability to meet the needs of future stakeholders as well”. Hence, companies have to maintain and grow their economic, social and environmental capital base while actively contributing to sustainability.

Elkington (1997) argue that a single-minded focus on economic capital to create sustainability can only succeed in the short run; however, in the long run sustainability requires all three dimensions to contribute simultaneously as shown below in (Fig.1). He further noted that as the three areas are inter-related, they may influence each other in multiple ways. Also Gladwin et al (1995) summarized that the most important departure of the sustainability concept from orthodox management theory lies in its realization that economic sustainability alone is no sufficient condition for the overall sustainability of a company. His view is supported by Lazlo (2003) who agreed that for a company to be sustainable, an integrated approach to economic, environmental and social issues is required and likely to lead to enduring shareholder value.
 Nonetheless, the above discussion focuses on what sustainable value constitutes and the drivers of long term sustainable value. The other aspect which is worth looking at briefly is its creation. Carter (1998) observed that a major issue in the creation of sustainable value will be the need to satisfy stakeholders in the process of the delivery of the functional unit through the product or service. He gave example; “customers may be satisfied but if employees and suppliers are poorly treated, new ideas and improved productivity will not be generated, and the company may fail, therefore reducing benefits for stakeholders”. Therefore, it is essential to aim to improve the benefits of all stakeholders in the process.
Laszlo et al (2005) agreed with carter (1998) that sustainable value cannot be created for one group unless it is created for all of them. They pointed out that the first focus should be on creating value for the customer, but this cannot be achieved unless the right employees are selected, developed, and rewarded, and unless investors receive consistently attractive returns. They explained that value creation means different expectations from each stakeholder:

a) Customer: It entails making products and providing services that customers find consistently useful

b) Employees: Includes being treated respectfully and been involved in decision-making. It also include meaningful work, excellent compensation opportunities, and continued training and development

c) Investors: It means delivering consistently high returns on their capital. This generally requires both strong revenue growth and attractive profit margins
d) Suppliers: It entails fairness and truthfulness in all activities including pricing, licensing, and right to sell. Also ensure that business activities are free from coercion and unnecessary litigation, also prompt payment in accordance with terms of trade.

e) Competitors: It entails competitive behavior that is socially and environmentally beneficial and demonstrates mutual respect. Also respect for both tangible and intellectual property rights

f) Communities: It entails respect for human rights, maintaining health standards, education, workplace safety, and economic well-being. It also entails preserving and enhancing the physical environment and conserving the earth resources, support peace, security, diversity, and social integration, as well as respecting local cultures.

THE STAKEHOLDER APPROACH

The Stakeholder concept is one of the business concepts that have been receiving prominent attention in recent times. Freeman (1984) first introduces this concept, which implies that an organization is involved in a series of relationships with its stakeholders and that each stakeholder has its own unique set of expectations and needs. According to Craine and Livesey (2003), expectations and needs change over time, which suggest a need for continuous communication with all stakeholders. It has become increasingly important that stakeholders and organizations become involved in an ongoing dialogue about their abilities and expectations of each other.

Following Freeman (1984) work, the stakeholder concept has been developed further by other scholars, including Donaldson and Preston (1995) and Jones and Wicks (1999). According to Post et al (2002), with a stakeholder approach, the objective of an organization is to create value for multiple stakeholders, contrary to conventional thought. They stated that the stakeholder concept is driven by a commitment to core value that are constantly renewed and sustained through organizational learning, which implies dialogue with the key stakeholders.

Furthermore, Barsky et al (1999) stated that the concept of stakeholder value means a company is socially responsible to create value not only for its shareholders, but also for its customers, employees, and society at large. Khalifa (2004) also pointed out that the orientation towards creating value to stakeholders has been believed as the meaningful
purpose of a business in which all stakeholders are given opportunities to determine the future direction of a company. Following this line of thought, Zadak (2001) agree that win-win business solutions are not only about technical quality of products and services, more important are the company’s ability to build a sense of shared values with the key stakeholders. Hence, the stakeholder approach stimulates the dynamic understanding of the complex drivers of value creation.

**INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)**

Zimmermann and Finger (2005) pointed that information and communications technologies (ICT) are being introduced in organizations in order to increase operational efficiency, quality and transparency. However, besides these gains, the introduction of ICT also leads to substantial changes in the power relationships among all involved actors. ICT as defined by Wikipedia includes hardware, software, storage technology, internet and other digital communication technologies. Brucher et al (2003:11) stated that these technologies generally contribute in organizations to improve in three critical areas: efficiency, quality and transparency.

**Efficiency:** They stated that efficiency can be categories into time and Cost. Time efficiency is achieved as a result of work process acceleration through standardization, digitization and automation. Another aspect is also as a result of faster information processing and accelerated information procurement, ICT tends to increase time efficiency. Cost efficiency with ICT has costs and benefits sides. The costs side includes tangible costs for hardware, software and telecommunication services, as well as the costs for development, implementation and training. There are also intangible costs such as lower morale of the employees, which comes mostly as a result of automation and less responsibility, and costs for the disruption of operations (Brucher et al 2003:11)

But there are also benefits associated with using ICT, tangible benefits such as increased cash flows, increased productivity, lower expenses and lower facility costs. On the intangible side includes organizational flexibility, more timely information, better decisions, organizational learning, employee good-will, job satisfaction, client satisfaction and improved corporate image (Brucher et al 2003:11)
**Quality:** The use of ICT reduces mistakes and lead to an optimization of the stakeholder benefit through proximity and online-services, as well as to administration, internal knowledge optimization, mostly by sharing knowledge. Generally, ICT do not only digitize existing processes, but also transform processes or even lead to the creation of new processes (Brucher et al 2003:11).

**Transparency:** ICT enhance the overall transparency process, which consist of suppliers, prices, and availability as well as the internal transparency of the organization. It also enables optimization of organizational structures that is less hierarchical, less bureaucracy, and more flexible, which again improves the overall transparency (Brucher et al 2003:11).

In general, the concept of sustainable value as discussed above is viewed from different perspectives by different people, but they all agree that sustainable value creation is the way forward for business, because it aim to improve the benefits of all stakeholders. Hence, adopting the stakeholder approach will create win-win business solutions and stimulate the dynamic understanding of complex drivers of value creation, given the improved efficiency, quality and transparency made possible by ICT. The nest section will review previous studies in this area to establish a guide for the empirical section.
3. THEORETICAL FRAMEWORK AND LITERATURE REVIEW

This section covers an overview of previous studies related to the problem area, and more specifically to the research questions. This section intends to set the theoretical frame of the thesis by introducing the main areas needed to create the basis of our analysis, shaping the way towards our main purpose. Thus, it begins with a description of value creation and ICT, and continues with the stakeholder theory, providing the common basis of stakeholder theory. Also a brief description of stakeholder analysis, and we narrow the scope to balancing stakeholder interest.

Information and communication technology have introduced a new perspective into value management towards the end of part of 20th century, by providing regularly new alternative ways to improve the efficiency and effectiveness of strategic value creation activities. In examining the theoretical frame of ICT in value creation, emphasis will be restricted to three approaches: value creation, competition, and transaction and relationship orientations.

VALUE CREATION AND ICT

The concept of ‘Value’ has no specific definition. Many researchers across fields use it relatively to their specific need and context. The term “value” originates from Economics. The very early economist and political philosophers like Adam Smith discussed the difference between use value and exchange value, Smith (1776). Used value refer to utility, benefits or pleasure consumers enjoy from consuming a product or service, while exchange value refers to the amount of revenue a good or service will generate in exchange. Subsequent economist after Smith also introduce the concept of “added value” which they define as increases in monetary value arising from the actions of the firm, and measured by calculating the value of the output of a firm and subtracting the value of the inputs. Under consumer behavior in economics, ‘Value’ is constantly used in a context of value derived by consumers from consuming goods and services, Engel and Blackwell (1982). To the economists, value is primarily the benefit customers obtain from consuming products and services.

In another perspective, Peter and Olson (1993) discuss value as the value or utility the consumers receive when purchasing a product. In most of the literatures on pricing, value is viewed as the trade-off between customers’ perceptions of benefits received and sacrifices incurred, Leszinski and Marn (1997). Porter (1985) defines value as ‘the amount buyers are
willing to pay for what a firm provides them. Value is measured by total revenue, a reflection of the price a firm’s product commands and the units it can sell. A firm is profitable if the value it commands exceeds the cost involved in creating the product’. His definition dwells on the “amount buyers are willing to pay”. In his own view emphasizing quality, Gale (1994) state that “value is simply quality, however the customer defines it, offered at the right price”.

With operations management, Dumond (2000) tried to fine a definite description of value, he wrote “…customer value is linked to the use of a product or service thereby removing it from personal “values”;…customer value is perceived by customers rather than objectively determined by the seller and….customer value typically involves a trade-off between what the customer receives (e.g. quality, benefits, worth) and what he or she gives up to acquire and use a product or service (e.g. price, sacrifices)”. Value here is based on the marketing approach, with an emphasis on benefits for the customers derived from improvements in process and cost reduction. The closest description of value which encompasses many concepts relating to the consumer and tilted towards marketing came from Kotler and Keller (2006). In their view, “value reflects the perceived tangible and intangible benefits and costs to customers. Value can be seen as primarily a combination of quality, service, and price (qsp), called the ‘customer value triad’. Value increases with quality and service, and decrease with price, although other factors can also play an important role”.

From the above literatures, value is like fingerprints, everyone has his own definition. These definitions touch on service, quality, price, technical support, satisfaction, price, performance etc, still revolving round the economists view of value. Despite the difference in opinion, they all recognize the benefits accruing to customers as a result of consuming products and services, and thus approach the concept of value from the customer’s perspective. With the above review of some literatures in mind, especially the work of Kotler and Keller, the concept of “value” is better understood.

In studying and analyzing value creation in a firm, different methods and models are being used. One of those models is developed by Porter (1985). Despite its short coming, the model is still suited for studying value creation in traditional manufacturing companies with linear, sequential physical material flow. In the new evolving digital economy, an increasing part of the companies will be service-creating companies, which makes it difficult for the Porter value creation model to be appropriate, hence, may not be the best model to use. Stabell and Fjeldstad (1998) developed two new alternative value configuration models to act as
substitutes to Portal’s value chain model. Their models focused on value workshop and value network, which describe problem solving activities and contact establishment, and intermediary and disseminating activities. The value workshop model focused mainly on how values are created in technology-intensive companies as a tool to solving unique problems for the customer. The value network model is designed to describe and understand value creation. A better understanding of customer value creation in ICT era is vital within the framework of the above mentioned models.

Furthermore, Evans and Wurster (2000) developed their own model of value creation. The model's built on how ICT help to change an economy, and the means of attaining competitive advantage by firms, which implies formulation of new strategies. They identified three dimensions to analyze value creation and competition on the new virtual market arena: “reach”, “rich” and “affiliation”. According to their work, affiliation changes with ICT, shifting the balance of power from the sellers to the buyers. Richness means information and especially the extended access to information which indicates and creates new possibilities of a new competitive advantage. Reach indicates that ICT implies more ways of reaching the market and customers.

Nevertheless, some researchers (Pan, 2005 and Rowley, 1997) are still questioning how ICT will change the strategy of companies. The underlying argument is where already established strategies will turn obsolete. Porter (2001) argues that old strategies will even become more relevant now. The main reason is that ICT weakens companies’ profitability as competition is focused on price alone. Also, no company can claim proprietary advantages, because almost all firms now use ICT. The way out is to integrate ICT into the company’s overall strategy and operations, in other to complement established competitive approaches, and create systematic advantages that competitors can’t copy.

**DYNAMICS OF COMPETITION**

According to Pan (2005), with the new changes in the business processes due to ICT, the value chain will also change, via new intermediaries replacing existing once, which obviously will have a decisive impact on the competitive environment. Under such paradigm, there is great need to understand and remodel the competition dynamics. To achieve this objective, an understanding of Porter’s industrial structure model is vital. But with the short coming of this model in ICT environment, this dynamics may not be fully explained. The Porter’s model is based on classical economic and market view, anchored on positioning. However, introducing
a competitive variable and also a co-operation variable into the model will activate competitive thinking into the dynamic market.

**TRANSACTION AND RELATION ORIENTATIONS**

Transaction cost theory (TCT) explains the nature of transactions and the possible savings firms can achieve through strategic use of ICT. This theory was first formulated in 1937 by R.H. Coase's in his paper ‘The nature of the firm’, and basically is a way to explain the costs of doing activities internally versus the cost related to buying the same goods or service in the market. The theory opposes the neoclassical view regarding the firm independence of its environment. Coase (1937) stated that there would be no collaboration in a market with very low transaction costs. The best price and product will always be found in the market. Likewise there would be no collaboration in markets with extremely high transaction costs. In such markets, the only actions would be in-house production. Viewing transaction costs in this way might help understanding the difference in network structure across different lines of businesses. Making exchanges generate costs. This is the core of TCT and what distinguishes it from neo-classical economic theory. TCT seeks to explain the organization of production and trade by exploring the effects of these costs. While there is a cost of making exchanges, there are also generated costs attributed to organizing the internal production, often term diseconomies of scale.

According to Williamson (1985), transaction cost economics employs two basic assumptions about behavior; bounded rationality and opportunism. Furthermore, the basic dimension of transactions relies on three factors; the frequency they occur with, the degree and type of the uncertainty they are associated with, and finally the conditions of asset specificity. Hence, Hammer and Champy (1993) stated that reducing the cost by internally organizing and diminishing the bureaucracy of traditional function structures is the aim of Business Process Reengineering (BPR). BPR suggest that there are different ways of organizing internally, going from a functional organizational logic to a more process oriented organizational logic, which gives an insight into some aspects of TCT and introduce yet another of the question of organizing internally or in the market.

In a different approach from the TCT, Peppers et al (1999) introduces attention to relationships. This approach in marketing literatures is referred to as one-on-one marketing, relationship marketing, customer management and customer relationship management
Here firms examine an individual’s profile, and tailor programs to suit that individual. The basic idea is to establish a learning relationship with each customer, starting with the most valuable ones, to create repeat purchase.

The concept of competitive advantage is closely related to the notion of value creation. Barney (1991) referred to “value creation strategy” and “valuable” resources and further discussed the parametrizing value in his 2001 article (Barney, 2001). Through cost effectiveness and the creation of a superior value for customers, superior differential profits can also be attained and thus the shareholder value can be increased. From the industry point of view, by finding a position on the market where customer value creation is optimal and costs are low, competitive advantage can also be achieved, if new entrants cannot enter at the same position (Porter, 1980). From an organizational point of view, by picking resources that are the most valuable (Barney, 1991) or by developing capabilities, Teece et al. (1997) that cannot be imitated, economic profits can be generated.

Value creation specifically has been extensively discussed by Moran and Ghoshal (1999) and Ghoshal et al., (2000). According to Moran and Ghoshal (1999), “the creation of economic value, be it by individuals or organizations, is a process that involves the use of resources.” Thus, their definition follows in the line of Barney (1991) and Teece et al (1997). However, Moran and Ghoshal (1999) make a clearer distinction between the creation of value potential and the realization of this potential. Ghoshal et al (2000) stated that “companies create new value for society by continuously creating innovative products and services and by finding better ways to make and offer existing ones; markets, however, relentlessly force companies to surrender most of this value to others.” These discussions on value creation, however, refer to the concept in terms of economic development of the markets, not the organization as the focal unit. From the point of view of the stakeholders of the organization, what creates value for the society or the markets is not necessarily beneficial for the organization itself. The process of “creative destruction”, where after the value creation, the organization surrenders the created value to other market actors, workers, shareholders and consumers might lead to the organization not benefiting from the fruits of its own work, Moran & Ghoshal (1999).

Value creation is similarly a controversial concept as sustainable competitive advantage is. Typically, value creation of an organization is measured through changes in stock price (Anand and Khanna, 2000), etc., although this kind of measurement is not possible in companies that are not listed on a stock exchange. This kind of measure only captures how
organizational value realization is perceived by the external markets and what are the expectations on future value creation. According to Anand and Khanna (2000), the concepts of value chain and value nets have been introduced as systems of value creation and capture. Value can be measured purely in economic terms (meaning profits) or in more qualitative and indirect terms, e.g., via learning or capability development. It can be argued that indirect value creation (e.g., learning) can only be turned into economic profit in the future and that this causal ambiguity poses challenges for examining such mechanisms.

STAKEHOLDER THEORY

Stakeholder theory has been articulated in a number of ways, (Donaldson and Preston, 1995; Weiss, 1995; Gibson, 2000 and Mitchel et al, 1997), but in each of these ways stakeholders represent a broader constituency for corporate responsibility than stockholders. According to Clerke and Clegg (1998), analyzing and dealing with the needs and demands of stakeholders seems to have become the ultimate managerial panacea. Weiss (1995) stated that there are numerous textbooks and articles promoting the idea that organizations must manage their stakeholders or face dyer consequences. Mitchel et al (1997) also pointed out that the concept of stakeholders has become embedded in management scholarship and in managers’ thinking, and it appears that any self respecting enterprise is currently establishing some form of stakeholder management process. However, Clarke and Clegg (1998) pointed out that when one takes a critical look at many examples of the implementation of stakeholder management, it is hardly scratching the surface of ongoing business practice,

Discussions of stakeholder theory (Donaldson and Preston, 1995 and Weiss, 1995) invariably present contrasting views of whether a corporation’s responsibility is only to deliver profits to the stockholders. Friedman’s (1970) famous pronouncement that the only social responsibility of corporations is to provide a profit for its owners stands in direct contrast to those who calm that a corporation’s responsibilities extend to non-stockholder interest as well. The stakeholder management literature can be traced back to the seminal work of Freeman (1984) who articulated a ‘Stakeholder Model’ to replace the ‘Managerial Model’ of the firm. The latter, which served managers well for many years, focused on the role of employees, suppliers, shareholders and customers. However, according to Freeman (1984) changes in the external environment of the firm have become so turbulent and relevant to the achievement of a firm’s objectives that managers need to develop ways of understanding and addressing these
issues as well. He proposed a new conceptual model of the firm that essentially incorporates the external environment. Successful managers must understand and respond to the needs and aspirations of those groups in this environment. He calls these ‘stakeholders’ which he defines as “any group who can affect or is affected by the achievement of the firm’s objectives”.

One very broad definition of a stakeholder from Wikipedia is any group or individual which can affect or is affected by an organization. Such a broad conception included suppliers, customers, stockholders, employees, environment, the media, political action groups, communities, and government. A more narrow view of stakeholder according to Meyer (2006) would include employees, suppliers, customers, financial institutions, and local communities where the corporation does business. But in either case, the claims on corporate conscience are considerably greater than imperatives of maximizing financial return to stockholders. According to Meyer (2006) stakeholder theory attempts to describe, prescribe, and derive alternatives for corporate governance that include and balance a multitude of interests. The theory is concerned with the nature of the relationship between the firm and its stakeholders.

![Figure 3. - Diagram of stakeholder theory - source: Donaldson and Preston, 1995.](image-url)
Freeman (1984) was doing more than pointing out that managers need to address issues and ideas that had not been looked at before. He re-conceptualized the nature of the firm to encourage and legitimize new forms of managerial action. While managers had developed ways to understand and address the dynamics of the ‘traditional’ groups in the extant management model, they now need to develop the same understanding of groups previously perceived to be external to the firm. These have been variously called ‘influencers’, ‘claimants’, ‘constituents’, or ‘interest groups’, Freeman and Reed (1983). It is not just a matter of knowing they are ‘out there’. Rather, managers need to develop “new theories and models” about these new groups to really understand how they operate, how issues arise, the importance of issues to them and their willingness to expend their own resources either helping or hurting the firm. This was not a simple model incorporating new groups; rather, it was a call for real understanding of groups and ideas that hitherto had been regarded as totally irrelevant to the purposes of the firm.

According to Donaldson and Preston, (1995), firms are posited to pay attention to stakeholder influence for normative and instrumental reasons. Normative explications of stakeholder theory move firm-stakeholder relations into an ethical realm, proposing that managers should consider the interests of those who have stakes in the organization. In this view, stakeholders have a legitimate interest in the firm's processes or products and these interests have intrinsic value. Therefore, this stream of literature prescribes that managers have a moral obligation with regard to their stakeholders and specifies correspondent ethical systems e.g. Donaldson and Dunfee (1999); Evan and Freeman, (1988); Freeman and Philips, (2002).

By contrast, instrumental stakeholder theories predict firm behavior on means-ends reasoning, whereby the firm pursues its interests through managing relationships with stakeholders, stated Jones (1995). The instrumental orientation sees firms as addressing the interests of stakeholders who are perceived to have influence. For example, Frooman (1999) took the approach of deciphering stakeholder actions and developed his stakeholder influence strategy theory from a resource-dependence perspective. As Frooman (1999) theorized, the type of resource relationship between the firm and its stakeholder determines where the power lies in the exchange. The level of “resource dependence” (Frooman, 1999; 195) depends on the attributes of a resource, such as the relative magnitude of exchange in a resource relationship and the criticality of that resource. For example, if the firm depends on the stakeholder for a critical resource for survival, the stakeholder will have absolute power over the firm, and vice
versa. Furthermore, the balance of power will determine the stakeholder’s choice of influence strategy. Frooman (1999) quoted Willer, et al (1997: 573) in defining power as “the structurally determined potential for obtaining favored payoffs in relations where interests are opposed”. An asymmetrical relationship occurs when one party has power over the other party in an exchange. This asymmetrical relationship provides opportunities for one party to gain control over the other party (Frooman, 1999:196)

Two important features marked Frooman (1999) discussion of stakeholder influence strategies: the way the stakeholders control resources, and the path the stakeholders take to manipulate the supply of resources. If a stakeholder owns resources that a firm needs, the stakeholder can control the firm by determining whether the firm gets the resources and whether the firm can use the resources in the way it wants. Frooman (1999: 196) called these “resource control strategies”, and differentiated between two types of resource control strategies: withholding and usage. Withholding strategies he defined as those where the stakeholder discontinues the supply of a resource to a firm with the intention of making the firm change its action. Usage strategies, on the other hand, “are those in which the stakeholder continues to supply a resource, but with strings attached” (Frooman, 1999; 197). For example, a strike is a withholding strategy carried out by employees; basing a continuation of supplies on a price increase or a change in contract deals is a common usage strategy used by suppliers. Because these two strategies carry different costs to the stakeholder, cost consideration sometimes become key determinant in the choice of influence strategy.

Another important feature of Frooman’s (1999) theory was the choice of “paths” a stakeholder takes to exert influence on the firm. Two path-related strategies were defined in his model: direct and indirect. Direct strategies are “those in which the stakeholder itself manipulates the flow of resources to the firm” (Frooman, 1999;198), and are often used when the resource relationship is a continuous one, such as those between a firm and its employees, or a supplier and its customers. Indirect strategies are “those in which the stakeholder works through an ally, by having the ally manipulate the flow of resources to the firm” (Frooman, 1999;198). These allies can be called indirect stakeholders, but they often possess important resources to the firm which can be held hostage to sway firm decision. For example, employees often call upon the general public or the government as an indirect stakeholder to correct a firm’s unethical employment practice.
Based on the balance of power in a resource relationship, Frooman presented the following four propositions for the four strategy types in his model of stakeholder influence strategy:

1. *When the relationship is one of low interdependence, the stakeholder will choose an indirect withholding strategy to influence the firm.*

2. *When the relationship is marked by firm power, the stakeholder will choose an indirect usage strategy to influence the firm.*

3. *When the relationship is marked by stakeholder power, the stakeholder will choose a direct withholding strategy to influence the firm.*

4. *When the relationship is one of high interdependence, the stakeholder will choose a direct usage strategy to influence the firm.*

--Frooman, 1999, p. 202

Frooman’s model of stakeholder influence strategy was a significant step up in the direction of predicting stakeholder choice of action attempted to influence firm decision. Rowley (1997) describes the simultaneous influence of multiple stakeholders, and predicts firms' responses by looking at the density of the stakeholder network in relation to the centrality of the focal organization. The overall conclusion of this body of work is that managing stakeholders' interests will maximize the firm's performance, Agle et al (1999); Berman et al (1999).

One of the first challenges for organizations is to identify their stakeholders. Scholars usually classify stakeholders into primary and secondary groups, Clarkson, (1995); Hall and Vredenburg (2003). The primary or core stakeholder group refers to stakeholders who are essential for the business itself to exist and/or have some kind of formal contract with the business (owners, employees, customers and suppliers). The secondary stakeholder group includes social and political stakeholders who play a fundamental role in achieving business credibility and acceptance of its activities (NGOs/activists, communities, governments and competitors). Furthermore, Driscoll and Starik (2004) broaden the stakeholder definition to include the natural environment, and Hart and Sharma (2004) add the existence of peripheral
stakeholders or “fringe” stakeholders as those parties not visible and readily identifiable for the firm.

Assuming that stakeholders have been identified, the next challenge for organizations is to develop strategies for dealing with them. This is a challenge because different stakeholder groups have different, and often contradicting, goals, priorities and demands. Harrison and St John (1996) list several examples of stakeholder management practices and suggest that the tactic chosen will depend on the strategic importance of the stakeholder for the firm. According to these authors, traditional stakeholder management techniques (buffering) attempt to satisfy stakeholder needs and/or demands, whereas partnering activities allow firms to build bridges with their stakeholders in the pursuit of common goals. According to Jonker and Foster (2002), some scholars have warned against the use of the term “stakeholder management,” as it implies that the firm can control and direct the interactions with its stakeholders. Svendsen (1998) introduces the approach of “stakeholder collaboration,” which focuses on building stakeholder relationships that are reciprocal, evolving and mutually defined. However, despite some general suggestions about characteristics and conditions of this type of dialogue with stakeholders e.g. Kaptein and Van Tulder, 2003; Scholes and Clutterbuck (1998), there has been very little empirical research about concrete stakeholder engagement mechanisms. An exception is the study by Heugens et al (2002), who analyze the structures and processes underlying firm-stakeholder relationships, and conclude that structural stakeholder integration techniques lead to legitimization of the firm, whereas processual stakeholder management practices result in learning outcomes.

Thus, stakeholder theory provides a suitable theoretical framework to analyze the relationship between business and society from a sustainable value viewpoint, since it emphasizes values such as participation, inclusion and mutual dependence, Wheeler et al (2003). At the same time, increasing studies suggest that strengthened stakeholder relationships can result in significant competitive advantages in form of trust, reputation and innovation, Rodríguez et al (2002). However, stakeholder theory can only explain how to identify and engage with stakeholders for specific collaboration. In order to align stakeholders' interests and create long-term (Sustainable) value, organizations have to develop, apply and maintain the necessary management competences and capabilities to deal with stakeholder concerns over time.
Components of Stakeholder Relationships

Organizational relationships with stakeholders can be viewed as a process composed of a number of identifiable components. Freeman (1984) recognizes three levels that can be used to analyze this process. The first is the ‘rational’ that addresses the issue of who are the stakeholders and what are their perceived stakes. The second is the ‘transactional’ where the focus is on the dealings between the organization and the stakeholders. Finally, there is the ‘processional’ which concerns the organizational processes used implicitly or explicitly to manage the relationships.

The ‘rational’ level: - According to Campbell (1997), most research conducted at the rational level attempts to clarify who or what is a stakeholder to help management avoid wasting time on non-stakeholders. It is generally accepted that a stakeholder is an entity with some form of claim on the focal organization and with sufficient power to influence that organization. A number of scholars use the latter to limit stakeholders to entities such as employees, customers, suppliers and shareholders, Drago (1998); Drago (1999). However, Freeman (1984) introduced the concept to extend managers’ attention beyond these groups to those that had not been considered before. Therefore, while these groups may be stakeholders, they are certainly not limited to them. The question of who is a stakeholder and what are their stakes is difficult to answer and varies according to the organization and its context. In some cases legal claims on the organization may be involved e.g. by shareholders. In others, the claims may be very general such as the public’s interest in how the organization affects the country’s economic growth, Polonsky (1995). In some situations the same individual may play multiple roles, being at the same time an employee, a customer and a member of a special interest group. Reverting to the origins of the theory, the focus was on broadening the concept to allow an analysis of all external forces and pressures whether they are friendly or hostile, Freeman & Reed (1983); Charan and Freeman (1980).

Agle et al (1997) provided a detailed analysis of stakeholder attributes suggesting that they can be identified through the three attributes of power, legitimacy and urgency. They argue that there are various classes of stakeholders of concern to the firm (seven are identified) and that membership is a function of the possession of one or more of these attributes. Stakeholders may hold any combination of these three attributes and this combination affects their relative salience to the focal organization. Managers pay a certain kind of attention to a stakeholder according to which class that stakeholder belongs. The greater the number of
attributes possessed, the more salient the stakeholder class. For example, the so-called ‘definitive’ stakeholder is one who possesses all three attributes. Agle et al (1997) noted that where this is the case, “managers have a clear and immediate mandate to attend to and give priority to a stakeholder’s claim”. At the other extreme, those possessing only one attribute are referred to by Agle et al (1997) as being ‘low salient’ classes. While Agle et al (1997) have made one of the most comprehensive reviews of the nature of stakeholders; its usefulness can be questioned. Certainly, they identified a range of attributes but in so doing they have demonstrated that these are variously attributes of the stake, the relationship and the stakeholder. Moreover, by focusing on salience they may be inadvertently distracting management activity away from the engagement with the external world that they face. The original purpose of stakeholder theory was to encourage managers to engage with the external world in determining a strategic direction and how it could be implemented successfully. Agle et al (1997) work could make this engagement very selective.

The ‘transactional’ level: - At this level, much of the analysis is prescriptive and based on anecdotes about the consequences of failure to interact with stakeholders appropriately. Moreover, most has concerned traditional stakeholders such as customers, employees, shareholders and suppliers, Clarke and Clegg (1998). A focus of investigation is the nature of the relationships established between the focal organization and stakeholders. Freeman (1984) presented a hub-and-spoke conceptualization of these relationships. Many scholars are critical of this dyadic conceptualization suggesting that it is very simplistic and ignores the complexities of the interactions between stakeholders themselves, Rowley (1997); Frooman (1999). Using social network analysis, Rowley (1997) hypothesized that the ability of a firm to influence its stakeholders is a function of the density and centrality of the stakeholder network. While there has been no empirical verification, this points to the potential complexity of interactions between stakeholder and focal organization. Likewise, Frooman, (1999) demonstrates that stakeholders can influence the focal organization either directly or indirectly through alliances with the media. There is now sufficient evidence to demonstrate the complexity of the relationships created and the way that stakeholders in an adversarial situation can harness the media and other allies, Zadek (2001).

Similarly, the evidence shows that these relationships are not capable of being ‘managed’ by the focal organization. Attempts to manipulate the relationship are increasingly seen for what they are. Most stakeholder groups have developed quite sophisticated skills and are not
willing to be put off easily. Freeman (1983; 1984) did not suddenly discover the existence of a number of external organizations or interests that could affect the future directions of the firm. Rather, he recognized that those groups were not neatly pigeonholed according to their stake or the type of power they exercised. Instead, groups with different types of stakes (equity, economic and influencer) could exert influence on the organization through formal/voting power, economic power or political power. It is the use of a complex mix of power by different groups in various forms of direct and indirect connections that creates the turbulence organizations need to address through a stakeholder approach.

The ‘process’ level: - As noted, Freeman introduced the concept within the context of strategic management. He wanted managers to take into account the influence of external groups on the process of direction setting in the organization. This requires the introduction of certain internal procedures to ensure that it is done systematically and efficiently. While very little empirical research has been undertaken on this issue, Zadeck (2001) points out that there is considerable extant experience in establishing and implementing ‘participatory’ or ‘consultative’ approaches designed to involve external people or groups in decision-making. These include surveys, charrettes, calls for submissions, public meetings, focus groups, etc. More recent procedures include ‘ethical audits’ and ‘stakeholder reporting’. Of course, every procedure can be utilized to enhance or thwart effective stakeholder dialogue or involvement in decision-making.

Indeed, scholars have developed various ‘ladders of participation’ where the procedures employed can be evaluated in these terms e.g. Estrella and Gaventa, (1998). It is the way these procedures are used that determines their effectiveness. Freeman (1984) hinted at this when he went beyond specific procedures to suggest changes to make the organization responsive to stakeholder demands. These included changes to organizational structure and budget allocation. Likewise, he advocated processes to ensure staff commitment to the stakeholder model through participation, incentives and shared values. However, subsequent researchers have largely ignored the creation of structure and process that focus on stakeholder relationships, Scholes and Clutterbuck (1998).

Things Influencing the Outcomes of Stakeholder Relationships

Having identified the components of the process, it is relevant to turn to the things that could influence the outcome. A review of the literature has indicated that these are identified
primarily as legitimacy and power. Agle et al (1997) have also introduced urgency. Each will be reviewed before the presentation of a final list of power, criticality and rationality.

**Legitimacy:** The role of legitimacy is problematic despite the fact that it has been used by a number of scholars. Frooman (1999) questions whether it matters that society thinks of a stakeholder’s claim as legitimate. He points out that the more important issue is whether the stakeholder has the ability to influence the organization. Likewise, Freeman (1984) did not use the term legitimate in the same sense as Agle et al (1997). He used it in the sense of whether it was appropriate from the firms’ perspective (measured in terms of the cost of allocating scarce resources) to spend time ‘dealing’ with the stakeholder. There was no reference to any moral, ethical or social evaluation of the appropriateness of the claims. If the actions of a stakeholder can affect the firm then it would be appropriate to address them. Taking a critical perspective, Banerjee (2000) has also demonstrated that the notion of legitimacy is problematic. Using the case of the Jabiluka Uranium Mine in Kakadu National Park (Australia), he demonstrated that ‘legitimacy’ is determined by economic systems, government and institutions. While Aboriginal Traditional Owners were regarded as legitimate stakeholders in the debate, their interests (or stakes) were not. Banerjee (2000) explains this by suggesting that while stakeholder theory calls for organizations to be “publicly responsible for outcomes”, Preston and Post (1975), this public responsibility is usually defined and framed by larger principles of legitimacy. The latter include such things as what is good for the country, what is in the national interest, etc and is “typically framed from the perspective of economic rationalism” Banerjee (2000). Legitimacy is usually viewed in these terms.

**Power:** One aspect of stakeholder relationships is the question of why an organization responds to the pressures exerted by stakeholders. Oliver (1991) provides a typology of organizational responses ranging from compliance to external pressures through to outright resistance. In trying to explain why organizations respond as they do, scholars have turned to various theories of power. The most popular is resource dependency theory Pfeffer and Salancik (1978) which requires one of the parties to be dependent on obtaining resources of some kind from the other. Where this is not relevant, others have turned to institutional theory for an explanation, Oliver (1991). However, neither theory appears to be sufficient to explain the full range of stakeholder power. Indeed, these theories appear to ignore the essence of what Freeman (1983; 1984) was drawing attention to. Resource dependency theory and institutional theory are valuable explanations of reactions to economic or formal/legal
pressures (respectively), but fail to account for political pressures. The former types can be collectively called ‘Formal/Legal’ power. In cases where environmental or social interest stakeholders are involved, there is neither resource dependency nor pressures to conform Frooman (1999). What is involved is political or social power. It was the use of this form of power that Freeman and Reed (1983) were drawing attention to. They suggested that most organizations had developed expertise and experience in dealing with formal and economic power. The changing circumstances were that all groups, including what he called ‘the influencers’, were becoming adept at using a different form of power – political/social/influencer power – and that organizations should develop mechanisms to respond appropriately. However, to the authors’ knowledge, the role of this type of power has not been investigated in the stakeholder literature. Despite this, it certainly plays a role in the outcomes of stakeholder relationships and should be addressed.

**Criticality:** In the literature reviewed by the authors, ‘Criticality’ has only been referred to by Agle et al. (1997). Indeed, this was done obliquely under the auspice of urgency. While very little explanation of the concept of urgency was offered, it appears that they were attempting to introduce the idea that not all issues are of concern to all groups at all times. The label ‘Criticality’ according to Banerjee (2000) is being used here in the sense of being a significant, momentous, serious issue or even a ‘defining moment’. He pointed out that while a range of issues or subjects appear to be alive in the background most of the time, any particular one may suddenly become critical in the minds of some groups or individuals. It is at this point that they may become involved in some form of stakeholder relationship with the focal organization.

**Rationality:** Agle et al (1997) have not uncovered any research that addresses stakeholder theory from the perspective of the focal issue or debate. They noted that behind many conceptualizations of stakeholder theory is the view that the involvement of external parties should lead to better decisions, at least decisions that are more rational. Moreover, given the focus on strategic management, the conceptualization and presentation of the proposition by the parties involved is crucial.
OVERVIEW OF STAKEHOLDER ANALYSIS

The aim of this part is to introduce a stakeholder analysis approach that would assist to find out how different stakeholders value creation process does work, and which are the most important organizational and managerial issues to address to ensure that different stakeholder’s interests in an organization are met.

According to Chevalier (2001), the origins of stakeholder analysis belong to the history of business and managerial science, and it is reflected in the term ‘stakeholder’ itself, apparently first recorded in 1708, to mean a bet or a deposit e.g. a person who holds the stakes in a bet or in a deposit. The term now refers to “anyone significantly affecting or affected by someone else's decision-making activity”. Economic theory centred on notions of stakeholder relations goes back to the beginnings of industrialism and is embedded in ideals of 19th century cooperative movement and mutuality.

The modern definition of stakeholder is “a person with an interest or concern in something” Bisset, (1998). As discussed earlier, the classical reference on stakeholder of Freeman (1984) that a stakeholder is any group or individual who can affect or is affected by the achievement of the organization’s objectives. Stakeholder can be a person or group with a direct interest, involvement, and investment in something, e.g. the employees, investors, suppliers and customers of a business concern. They are people who are engaged in internal and external sides of an organization. Hence, stakeholder analysis is designed to assist core peoples in identifying those interests that should be taken into account when making a decision. To that end, stakeholder analysis is directed at assessing the nature of a policy’s constituents, their interests, their expectations, the strength or intensity of their interest in the issue, and the resources that they can bring to bear on the outcomes of a policy change. Thus, a stakeholder analysis is a technique that is used to identify analysis or assess the importance of key people, groups of people or institutions that may significantly influence the success of the business activity or project.

Murphy et al (1997) stated that most organizations’ mission generally, is to ensure that the different stakeholders interests are meet through creating value for them by financial performing in a manner that will enhance returns on investments. Therefore, business organizations show more interest on the stakeholder groups which have a vital stake in the
operation of a business, without whose sanction and support the business would cease to exist. These stakeholder groups include customers that provides patronage and revenue support; organizational cores that provides human talent resources support; suppliers that provides materials and services resources support; community and government that provides infrastructures, facilities, law and regulation support; human that provides legal sanction; natural that provides ecological sanction and shareholders that provides financial sanction. A business organizations is generally financed by shareholders, is allowed to exist by its community and government, is provided materials and services by its supplier, and the products used to create products and services by its organizational core which customers purchase in preference to competitor’s. According to Murphy et al (1997), the different expectations of stakeholders can be fulfilled by creating a sustainable ethical value growth which is based on respect affirmation, moral integrity, efficiency and equity fairness. Achieving these stakeholder expectations is the function of stakeholder relationship marketing strategies, with the ultimate outcome being marketing performance reflected in the above illustrated diagram of stakeholder theory.

Furthermore, Murphy et al stated that stakeholder analysis is useful both when policies are being formulated and when they are being implemented. At the formulation stage it helps to ensure that policies are formulated in ways that improve their prospects for adoption and implementation. And during the implementation stage the tool helps to build an appreciation of the relative importance of different groups and the role each might play in the implementation process. It was shown before with an illustrated diagram in ‘stakeholder theory’ that the discussion of the nature of the relationship between the organization and its stakeholder ensures that there are significant advantages in taking a more integrated company-wide approach and identifying as well as building strategically important stakeholder relationships. By increasing additionally, the organizational effectiveness and consistency of response, this kind of holistic approach contributes to avoid any conflict of interest among its stakeholders, and to build on the other hand, the synergies that occur when positive relationships with one stakeholder group, such as a local community or government, starts to have a beneficial impact on other stakeholder group, such as customers and suppliers.

Business organizations need to have corporate communications that is the management function which has come to fruition in the stakeholder era, and caters for the need to build and manage relationships with stakeholder groups upon which the organization is economically
and socially dependent. The stakeholder value creation development dynamics through information communication and the achieved knowledge, reiterates proper scientific research and a good management, and the knowledge acts as a concept, wherein stakeholders contribute to it by ways of information sharing among retrospective domains to generate resources. Along the way, accumulated resources eradicate destitution, stakeholder knowledge empowers them and, ICT plays a major role in bridging the gap between different stakeholder groups. Information and knowledge of stakeholders could either be enhanced by establishing interactive communication among the stakeholders or through improved information dissemination. Gilhooly (2005) noted that organization’s communication and information can enhance the development of adequate ICT policy environments, improve equity of access to ICT, strengthen localised content, develop capacity through knowledge management, and build the investigative capacity of common people

Furthermore, stakeholder analysis is the approach or technique that is frequently used to identify or investigate the organization’s core and the key group who can affect or is affected by the achievement of the objectives and purposes of the organization. Stakeholder analysis uses and identifies the processes that an organization is influenced or can be influenced by its analysing activities, as well as its attitude towards the organization and its targets. Stakeholder planning helps to build the support that helps an organization to become successful. Brugha & Varvasovszky (2000); Ness et al (2007) stated that stakeholder analysis is often outlined as a series of defined steps or processes according to its purposes with the intention of clarifying a specified scenario involving stakeholders. But whether it should be applied to identify, for example, stakeholder groups, interaction patterns, networks or stakeholder characteristics vary significantly. It becomes even more apparent when discussing the rationale and application of a stakeholder analysis with project managers and practitioners.

Stakeholder analysis is a part of an organization’s strategic analysis which is usually included in other two analyses e.g. organizational and environmental analysis, market and competitor analysis (Ness et al, 2007). Strategic analysis is concerned with understanding the strategic position of an organization. What changes will be done in the environment, and how will they affect the organization and its activities? What are the resources, values and core competencies of the organization and can these provide special advantages or new opportunities? What is it that those stakeholder groups associated with the organization aim to, and how do these groups affect what is expected for the future development of the
organization? The objective with strategic analysis is to analyse and get a picture of what the current position of the organization is with all stakeholders in its environment, and what this means for a business unit or market and communication strategies or the strategies for a corporate organization.

Such strategic analysis is rather broad based, and may range from analyses of the organization, its internal and external environment, to competitor and market analyses, to stakeholder analysis. By using strategic analytical tools like DESTEP (demographic, economic, social, technological, ecological and political), Pest (political, environmental, economic and technological) and Swot (strength, weakness, opportunity and threat) analyses, enables organization to set strategic path, and it can be used here to access the organization’s position in the environment and the factors affecting its position. Through such an analysis of the environment, organizations are able to describe the most important current environmental changes and to predict future changes. Business organization can also strive by using strategic analysis to seek a clear picture of the external environment for stakeholders and market forces affecting the organization, organization’s strengths, weakness and capabilities (Ness et al, 2007).

The aim of market and competitive analyses is to identify what competitive position an organization is and its products, services within the markets in which it operates. Examine whether the business organization can serve those markets with the sustainable competitive advantages against its rivals or not. In the present world market environment with globalisation, business organizations are operating with stiff competition and, thus they need to understand the nature of the competition they face. To get some answers of who are the main competitors and at which segments are they targeting their products and services allows organizations to make decisions about the most appropriate segments to target and the kind of competitive advantage to seek. Michael Porter’s five-force model can be used for this type of competitor analysis.

While strategic analysis has to do with an organization’s environment, position and capabilities which provide the essential background context for the development of any business organization, market unit or stakeholders communications strategy, from a stakeholder perspective, it is in any case crucial to identify and understand the relationships with the organization’s key stakeholders. Stakeholder analysis provides some answers of how
the organization’s actions will impact on stakeholders and what stakeholders exert can influence on the organization that may affect the realisation of its goals, and what type of consequences may result from either’s actions. There are some analytical tools, for example, stakeholder mapping and reputation research can be used to provide answers of what type of behaviours from stakeholders the organization wish to encourage, and what reputation the organization have with its stakeholders. Business organization uses the stakeholder mapping to identify all stakeholder group in an organization and the stakeholders two ways relationship among them (Brugha and Varvasovszky, 2000).

Freeman’s approach of stakeholder is described in stakeholder management as a mechanism that works for the interests of stakeholders and their links with organization’s core which should firstly be recognized as the stakeholder objectives, and this can be incorporated into a planning process of stakeholder analysis. Freeman (1984) has proposed a four-step stakeholder management process; the first step is to identify relevant stakeholders. Secondly is determination of connection of stakeholders’ nature, scope and importance. Thirdly, an analysis is made to ascertain how effectively the needs or expectations of each group are currently being met by the lead organization and finally, there is a presumption that the unmet needs of stakeholder groups will be addressed through modification of the lead organization’s plans, policies and activities. The final step may not be completely successful and the company can be judged accordingly Nasi et al (1997). The recognition of the key role played by stakeholders in the determination of a policy, its implementation, and outcomes has made stakeholder analysis a vital tool for organization’s core.

The traditional stakeholder analysis approach of Freeman (1984) provide theoretical insights into the analysis of business that organizations gain a long-term cost benefits by attending to all stakeholders interests, rather than only the shareholders of organizations. But the stakeholder theory falls of supporting a measurable system for monitoring changes in the competitive environment and representing a wide stakeholder relationship’s network in the modern information and communication business communities. The Freeman traditional approach of stakeholder analysis is suitable and limited to traditional businesses. The ICT based approaches are more effective to achieve a cost saving and widely ranged method for stakeholder analysis of all stakeholders interests. Effective use of ICT applications in stakeholder analysis brings a sustainable competitive environment for representing
stakeholder networks relationship through an interactive communication which is resulting to an e-commerce environment of the organization.

According to Gregg and Walczak (2006), the integrated ICT based stakeholders analysis is capable of gaining more competitive advantages and to avoid conflict of interest among organization’s stakeholders. Nowadays, organizations use information visualisation and web mining that emerges as potential and interactive solutions for stakeholder analysis. The information visualisation holds with a promise of relieving information that overloads on the web by a summarised huge information onto a shareholder’s map. It is easier for analysts to understand the stakeholders’ relationship on the web that are interacted by stakeholders from multilateral relationships in their dealing with a company, portraying such relationships on a network. Benjamin and Levinson (1993) suggest a seven steps stakeholder analysis approach which supports organization’s change enabled by ICT. The researchers expect these seven steps to help the organization determine whether the change is possible and what change strategy has the best result of analysing work. The stakeholder analysis approach considers the following steps:

- Identify a vision or objective of all the stakeholder peoples and/or groups and set up an objective for the project, it can be done by for example brainstorming
- Describe a number of future states in terms of goals which are understandable by the stakeholder group
- Break the goals down into the process, technology and organization and culture steps necessary to balance the organizational equilibrium
- Identify the stakeholder groups whose commitment is necessary to achieve each goal
- Describe the needed changes, perceived benefits, and expected kinds of resistance for each type of stakeholder
- Analyse the effort required to gain the necessary commitments from the stakeholder Groups and
- Develop action plans for those stakeholder groups that are not committed enough

According to Freeman (1999), stakeholders are constituted as individuals, groups or organizations which have a stake in the decisions and actions of an organization, and which attempt to influence those decisions and actions. The stakeholder literature considers now the concept that how both organizations can manage their stakeholder relationships (Rowley,
1997) and how stakeholders can influence the decision making of the organization (Frooman, 1999). Stakeholder analysis uses a number of tools identifying, categorising and prioritising (Freeman 1984) the stakeholder groups that are essential in understanding the organization of economic activity. Additionally, it also analyses the stakeholders’ power and legitimacy, decision-making (Frooman, 1999), stakeholders’ willingness to cooperate (Savage, Nix et al 1991) and orientation to interaction, it is also important to consider the, often trivial, dynamics of the stakeholder environment. There are some basic approaches that use in visualising, mapping understanding of stakeholders. Some key questions are which new stakeholder groups will enter and which old stakeholder groups will disappear. How the new comers balance of power will be treated in business and how the power can influence in the business future. The key drivers are important for organizational executives and researchers to be able to visualise the stakeholders group any new project of an organization.

The aim and purpose of stakeholder analysis approaches discussed above to find out how different stakeholders’ value creation process runs in an organization and how the value creation works, and which organizational steps ensure that different stakeholders’ interests in an organization can have a sustainable value creation without making anyone or any group stakeholder worse off. The thesis authors recommend from the above discussion a six step process, which can be used in stakeholder analysis that would help for understanding of how stakeholders affect policies and organizations, and how policies and organizations affect stakeholders. It is particularly useful in identifying the winners and losers and in highlighting the challenges that need to be faced to change behaviour, develop capabilities and tackle inequalities. The approach considers the following factors in stakeholders analysing work:

1. Objectives and purposes of analysis: develop purpose and procedures of analysis and initial understanding of the system,
2. Identification: identify key stakeholders or brainstorming work,
3. Investigate stakeholders’ interests: analysing of potential conflicts or interests among stakeholders, theirs characteristics and circumstances,
4. Basis of stakeholders context: identify patterns and contexts of interaction between stakeholders,
5. Basis of stakeholders power: assess stakeholders’ power and
6. Legitimacy and potential roles, and strategic options: assess options and use the findings to make progress.
According to Donaldson and Preston (1995), the vast majority of managers apparently adhere in practice to one of the central tenets of the stakeholder theory, namely, that their role is to satisfy a wider set of stakeholders, not simply the shareholders. There seems to be no apparent theory of balancing praxis except to grant management discretion to judge urgency within an admonition of duties to multiple constituencies. Paine (1994) stated: “The toughest decisions are those involving conflicts among these groups. You have to decide what’s fairing these circumstances and constantly work to fulfil and balance these commitments”.

Balancing stakeholder interests is a process of assessing, weighing and addressing the competing claims of those who have a stake in the actions of the organization. Frooman, (1999), stated that the desire to balance stakeholder interests is the driving force behind such fundamental stakeholder strategies as ‘keeping score’, prioritizing, and conducting constructive negotiation. While much of the balancing process may be cognitive (at the individual level) or administrative (at the organization level), it ultimately includes behaviors that bring some kind of resolution to conflicting stakeholder needs or requests. Several researchers have examined these kinds of balancing behaviors and have provided some insights. For example, Berman et al. (1999) discovered that the balancing of stakeholder interests, what they referred to as the ‘managerial handling’ of five stakeholder relationships (employees, natural environment, diversity, customers/product safety, and community), moderated the relationship between firm strategy and firm financial performance. Similarly, Ogden and Watson (1999) found that in the British water supply industry, expenses associated with improving customer service were negatively associated with current profits but positively correlated with long-term shareholder returns, which suggested to them that efforts to balance stakeholder interests eventually paid-off for all of the stakeholders involved. Meznar et al. (1994) considered the withdrawal of companies from South Africa as an act of balancing stakeholder interests and determined that such actions resulted in a negative stock market reaction.

While clearly informative, the literature on balancing stakeholder interests has nonetheless focused exclusively on the organization and has yet to consider the individual decision-maker. This is a critical omission for at least two reasons. First, since most organizational decisions are ultimately made by individuals, understanding how managers balance stakeholder
interests should have implications for organizational efforts to balance stakeholder interests. Second, stakeholder theory presents the manager as the central figure of a stakeholder approach, and therefore understanding managerial decision-making might be key to understanding not just the balancing of stakeholder interests, but other fundamental principles of stakeholder management, as well.

In light of these kinds of potential benefits, this research explores the balancing of stakeholder interests at the individual level of analysis. Donaldson and Preston’s (1995) claim and assume that managers are individuals interested in balancing stakeholder interests and motivated to do so. Such a position is supported not just by stakeholder theory, but by other literatures, as well. For instance, from a socio-psychological view, the balancing of stakeholder interests represents an institutionalized form of one of the most basic human social activities: sharing. Sharing according to Mussen and Eisenberg-Berg (1977) is widely believed to be a pro-social behavior because it fosters cooperation among individuals, it results in the more efficient deployment of resources in the long-run, and it reduces conflict among individuals and groups. Given these kinds of social benefits, Frederick and Wasieleski (2002), argued that attributes such as these are evolutionary mechanisms that foster the survival of the species. In short, individuals are genetically and socially predisposed to sharing, and thus there is a socio-psychological basis for assuming that managers are naturally inclined to distribute and balance resources among stakeholders. Second, from an economic perspective, Ezzamel and Watson (1997), argues that distributing resources in a relatively equal fashion among relevant interests is critical for managerial survival. As a matter of legitimacy, if a manager does not at least occasionally meet the claims of certain stakeholders groups, he or she will lose the support of those groups. Thus, it is in a manager’s own personal interests to ensure that stakeholder interests are balanced at least to some extent.

Given this kind of broad theoretical support, which conforms to the stakeholder theory’s argument, it is assume that managers are generally motivated to balance stakeholder interests and are generally interested in doing so. Nevertheless, it is vital to note that managers do not always achieve this end. These challenges could be tight to situation-specific factors that can arise to constrain managerial efforts to balance stakeholder interests. Some of the visible factors includes but not limited to: resource divisibility and relative stakeholder saliency.
Resource divisibility

The centrality of balancing stakeholder interests in stakeholder theory is a reflection of the fact that stakeholders regularly place competing claims on the organization’s resources stated Freeman (1984). Whether the resources are capital, profits, effort, or time, stakeholders can and do disagree about how or where each should be utilized. Ultimately, the manager decides how to allocate a resource, but it is only recently that scholars have explored how managers make resource allocation decisions. Most research in the area as noted by Langholtz et al (2003) has focused on identifying tactics or strategies used to allocate resources, and has demonstrated that individuals generally learn resource allocation strategies quickly, perform better when conditions are certain as opposed to uncertain, and, when facing repeated interactions in a fixed period of time, tend to share more resources early in the relationship while holding on to resources later in case unexpected contingencies should arise.

Within the resource allocation literature, some have considered the possibility that the divisibility of the resource can influence resource allocation behaviors. While it is theoretically possible to divide most commodities, resource divisibility refers to the overall cost of actually doing so. Allison et al (1992) demonstrated that an equal allocation was more likely to result among group members when the resource was easily partitioned. Similarly, Parks et al (1996) discovered that when adventitious resources were easily divisible, individuals were more inclined to share them with friends and with acquaintances. While researchers have yet to consider the kind of large allocations that managers make across diverse sets of groups and individuals, it is suggested that even at this scale managers are still inclined to balance stakeholder interests and that the divisibility of the resource acts as a constraint on their ability to do so. In short, the more a resource is or is perceived to be easily divided, the more a manager will distribute the resource equally among the relevant stakeholders, thereby balance their interests, stockholder group membership, and balancing approaches.

Relative stakeholder saliency

Managers can be constrained not only by the divisibility of the resource, but also by the nature of the stakeholder claims on that resource. While a manager may have a natural inclination to balance the interests of all stakeholder groups associated with a particular decision, the validity of one or more stakeholder claims to the resources in question may require that that stakeholders claim take precedence over all others. Mitchell et al (1997) offered stakeholder
saliency as a means of conceptualizing and measuring the validity of stakeholder claims. They defined stakeholder saliency as the extent to which a stakeholder is powerful, legitimate, and the claim is urgent, and suggested that stakeholder saliency helps managers to identify who and what really matters in any given stakeholder decision. Agle et al (1999) empirically tested some of those claims by examining how CEO perceptions of stakeholders influenced critical organizational outcomes. They discovered that CEOs’ perceptions of stakeholder power, legitimacy, and urgency influenced CEO perceptions of stakeholder saliency, but found little evidence to support the notion that stakeholder saliency influences such outcomes as profitability, employee relations, community relations, or environmental stewardship.

This study rely on Mitchell et al (1997) rationale and suggest that managers assess every relevant stakeholder and balance their interests according to the relative saliency of their claims. Granted, over the long-term, one stakeholder group may be perceived as more salient than other groups. On a decision-by-decision basis, though, relative saliency can vary based on the power, legitimacy, and urgency of the stakeholders’ claims in that specific circumstance. So while a manager may view stockholders, for example, as the most salient stakeholder in the larger organizational strategy, on any specific decision, the needs of the stockholders may be preempted by the urgency of another powerful and legitimate stakeholder group’s claim. In this sense, the relative inequality of the saliency of relevant stakeholders can constrain a manager from fully balancing stakeholder interests on the associated decision or decisions. Accordingly, it is suggested that to the extent the relative saliency of the relevant stakeholders is equal, the more apt a manager will be to balance stakeholder interests on that decision. In contrast, the more unequal or lopsided the relative saliency of the relevant stakeholders, the less likely the manager will be to balance stakeholder interests.

**Stockholder group membership**

Embedded within discussions of stakeholder saliency are issues associated with ownership, an area that has received a great deal of attention in the stakeholder literature. Some have suggested that because of their unique fiduciary interests stockholders (owners) maintain special status and are or should be afforded certain perquisites in managerial decision-making, Goodpaster (1991). Boatright (1994) suggested that since all stakeholders have their own unique characteristics, stockholders are no different than every other stakeholder, and
therefore they do not and should not receive any sort of preferential treatment simply because of their membership in this group.

While this debate has primarily focused on the normative implications of stockholder status, it has noteworthy implications for the balancing of stakeholder interests. There is a high possibility that stockholder group membership, the mere fact that one of the stakeholders involved are owners of the firm, might influence a manager’s decision-making. Of course, much of the influence afforded by membership in the stockholder group could be reflected in the saliency of that group’s claims. Subsequently, when referring to the influence of stockholder group membership, it refer to an influence over and above that of the relative saliency of their specific claims, an influence rooted in any inherent and independent value of being an owner of the firm. If managers do afford unique privileges to certain stakeholders simply because of their membership in the stockholder group, then stockholder group membership should skew any distribution of resource in favor of the stockholders, thus leaving the set of stakeholder interests less balanced than if only other non-owner groups were involved.

**Balancing approaches**

Stakeholder theorists have noted the importance of balancing stakeholder interests, but little has been written about the methods that managers can use to accomplish this goal. It is always argue that, managers balance stakeholder interests by employing either a within-decision approach or an across-decision approach. The within-decision approach represents a literal interpretation of the stakeholder admonition to balance stakeholder interests. A manager employing the within-decision approach faces every decision as a singular and independent unit. With regard to that unit, the manager is aware of the relevant stakeholder groups and their interests and influence related to that decision. The manager then attempts to balance the interests of those stakeholders within the bounds of that decision and tries to satisfy the demands of each stakeholder as if that decision were the only decision to be considered. While the within-decision approach represents a strict interpretation of the stakeholder approach, the across-decision approach is more consistent with the spirit of stakeholder management.

Senge (1990) explained that the stakeholder approach draws from the “open systems” literature of Freeman (1984), which assumes that the organization exists in a complicated
network of relationships where simple cause and effect predictions cannot explain the myriad influences shaping organizational outcomes. Moreover, the open systems perspective recognizes that relationships also have temporal dimensions, and that organizations are impacted by elements of the system with as much temporal variety (immediate versus delayed, instantaneous versus prolonged) as they have positional variety, Ackoff (1999). The across-decision approach applies this open systems perspective to the tactical deployment of stakeholder theory – it focuses on balancing stakeholder interests across the system (a series of decisions over time) rather than on a decision-by-decision basis. A manager who adopts the across-decision approach might completely sacrifice the interests of a particular stakeholder on several decisions, but would then compensate that stakeholder on a future decision or series of decisions. The manager would not ignore stakeholder relationships, but would instead take a long-term perspective toward developing and maintaining those relationships. Ultimately, each stakeholder group would be given the attention, resources, and accommodations that it requires, not on every single decision, but rather in the overall scheme of organizational activity.

Thomas (1992) argues that both the within-decision and across-decision approaches are theoretically valid means of balancing stakeholder interests, and therefore managers are willing and able to use both. Nevertheless, natural inclinations to address conflict motivate managers to resolve stakeholder concerns when they arise, and since the divisibility of the resources holds implications for how quickly managers can address their stakeholders’ concerns, resource divisibility affects the choice of one approach over another. When a resource can be easily divided, a manager can seize the opportunity to balance the resources on that decision and through the within-decision approach immediately satisfy the demands of those stakeholders. In contrast, when resources are highly indivisible, the difficulty of balancing stakeholder interests on that particular decision will instead lead the manager to choose a long-term approach, an across-decision approach. Granted, individual managers may vary in the extent to which they balance stakeholder interests, but to the extent they do balance stakeholder interests, it is believed that the approach they use will depend on the divisibility of the resource in question.

In summary, we began this section by reviewing literatures relating to value creation and ICT, which many literatures stated how ICT helps to change an economy, as well as provide organizations with competitive advantage in their value creation drive. The stakeholder theory
literatures were also reviewed starting with identification of stakeholders, the challenges faced by firms in dealing with different stakeholder groups and stakeholder relationship. We went further to review literatures on stakeholder analysis which showed how organizations can manage their stakeholder relationships, and how stakeholders can influence the decision making process of the organization. We also looked at existing literatures on balancing stakeholder interest, which covers the process of assessing, weighing and addressing the competing claims of those who have a stake in the actions of the organization. The entirety of literatures will provide a sound basis to analyze the empirical section and drawing conclusion on our result. The literatures provided a deep view on the different salient areas vital to this work and will provide a comparative basis in the concluding section.
4. RESEARCH METHODOLOGY

In this section, we describe how our research is performed and how the data is collected, analysed and interpreted. We will also discuss and justify the methodology choice we have made for this paper.

Research Purpose

Yin (1994) stated that a research can be classified into one of the following three purposes: explanatory, descriptive and exploratory. These classifications according to Reynold (1971) can be based on how much knowledge the researcher has in the initial state of the research, in addition to what kind of information is required in order to deal with the purpose of the research.

According to Yin (1994), explanatory research is employed to analyse causes and relationships, explaining which causes produce which relationship. Descriptive research is used when the purpose is to correctly describe a phenomenon and when the problem is well structured. Wiedersheim-Paul and Eriksson (1998) pointed that a descriptive research is used when the researcher wants to find out which aspects of a problem that are relevant, and describe these aspects more thoroughly without researching connection between causes and symptoms. Finally, an exploratory research aims to formulate and define a problem. According to Wiedersheim-Paul and Eriksson (1998), it is useful when the problem is difficult to demarcate, when the perception of which model to use is unclear and what qualities and relations that are important are diffuse. The purpose is to collect as much information as possible about a specific problem and gain a better understanding of the research area.

In this thesis, we explore how Swedish firms balance stakeholder’s interest without making any stakeholder group worse-off, using advancement in information and communication technology. Therefore, the purpose of this thesis is exploratory, as we want to gain a better understanding of the research area.

Research Approach

The research approach according to Yin (1994) refers to the chosen way of treating and analyzing the selected data and is generally classified as either quantitative or qualitative. According to Holme and Solvang (1991), a quantitative approach is formalised and
structured. The results from a quantitative approach are assumed to be measurable and presentable in figures. It aims at generalising by studying few variables on a large number of entities. On the other hand, Holme and Solvang (1991) stated that a qualitative approach draws conclusions from non-quantifiable data, such as, attitudes, values or perceptions. It gives the possibility to gather information and investigate several variables from a few numbers of entities, thus providing the possibility to gain a deeper understanding of the studied area.

Innis and Ereaut (2002) defined qualitative research as a form research that seeks to explore and understand the attitudes, motivations and behaviours of people. The approach to achieve that is through consultation and dialogue. Samson (1987) stated that qualitative research involves small numbers of respondents that have been carefully selected and there is no attempt to quantify. The main aim of conducting a qualitative research is that the researcher can gain an understanding of the underlying reasons and motivations for the attitudes, preferences and behaviour of people (Malhotra, 1996). Hence, we have used qualitative method on this thesis based on the concept of extreme sampling. A qualitative research is most suited when doing a research like this, since our approach is to examine the underlying beliefs of company’s executives as stated by Holme and Solvang (1991).

**Data Collection**

Wiedersheim-Paul and Eriksson (1997) pointed out that there are two ways of collecting data, primary and secondary. Secondary data is data that has already been collected for another purpose, but primary data is data collected for a specific purpose. In order to investigate how companies in Sweden balance their stakeholder interest in ICT environment, without making any group of stakeholders worse-off, it is necessary to use a tool through which corporate executives (at management level) opinion, regarding the four questions presented can be analysed.

Given the nature of the research, as we are using a qualitative approach, we also used a qualitative survey method in order to reach out to specific management executive across industries, to get their opinion about the questions. The survey involved 846 respondents within Sweden and where randomly selected, covering several industry verticals; Finance, Information technology, Hospitality, Manufacturing, Aviation etc. to get the primary data. In designing the questionnaire, we examine three key issues; value creation for stakeholders,
sustainable value and overall performance, as well as ICT and Stakeholder interest balancing. We then designed the questionnaire to incorporate all the issues.

The questionnaire was administered only to top management of the selected companies. Initial contact was by telephone calls to determine the person’s scope of responsibility and willingness to participate in the survey with their email contact information. All questionnaires were sent through email, completed and returned by email.
5. Data Presentation and Analysis

In this section we will present the empirical findings that have been collected during the documentation. The section begins with presentation of the questionnaire results collected from those contacted, followed by analysis of each questionnaire questions. The last part is a discussion on the result achieved.

Table 1  Questionnaire result

<table>
<thead>
<tr>
<th>Question</th>
<th>YES</th>
<th>Percentage</th>
<th>NO</th>
<th>Percentage</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1. Can any firm effectively create value for all stakeholders?</td>
<td>725</td>
<td>86 %</td>
<td>118</td>
<td>14 %</td>
<td>Respondents included males and females, including CEO, vice president, investor relations, marketing heads etc</td>
</tr>
<tr>
<td>Q2. Can a firm create value effectively for each stakeholder without making anyone or group worse off?</td>
<td>362</td>
<td>43 %</td>
<td>481</td>
<td>57 %</td>
<td>Same as above</td>
</tr>
<tr>
<td>Q3. Does trying to creating value for all stakeholders affect the overall performance of the firm?</td>
<td>624</td>
<td>74 %</td>
<td>219</td>
<td>26 %</td>
<td>Same as above</td>
</tr>
<tr>
<td>Q4. Does information and communication technology (ICT) facilitate/help value creation for stakeholders?</td>
<td>809</td>
<td>96 %</td>
<td>34</td>
<td>4 %</td>
<td>Same as above</td>
</tr>
</tbody>
</table>

Q. 1 Can any firm effectively create value for all stakeholders?

The survey above showed 86% of the respondents agree to the basic tenets of stakeholder theory on question one and 96% on question three. The stakeholder theory build on the premise that considering and satisfying a stakeholder group is instrumentally valuable for the organization because it garners legitimacy and trust from the group and thereby improves the likelihood that the organization will achieve its goals. Laszlo et al (2005) stated that the future of any organization lies in creating sustainable value for all stakeholders. Bremen et al (1999) suggested that adopting the stakeholder approach to management is beneficial to the organization’s bottom line. Therefore managers in the Swedish society share the same opinion with their counterparts else where on the relevance of creating sustainable value. The key question of whether is possible to create such value receives a convincing agreement.
However, the biggest challenge to companies in Sweden and elsewhere is how to develop strategies that will create a win-win situation for all stakeholders. This challenge shows on the result of the 14% respondents who sees a very difficult task. Their perspective is viewed from the contradicting goals, priorities and demands of stakeholders. But Harrison and St John (1996) suggested that if companies can adopt partnering activities, which will allow firms to build bridges with their stakeholders in pursuit of common, rather than relying on the traditional management technique. This view is shared by Svendson (1998) that companies should focus on building stakeholder relationships that are reciprocal, evolving and mutually defined. From the survey, it suggest that companies that combines partnership strategies with the traditional management methods of stakeholder value creation can succeed in meeting the demands and needs of all stakeholders.

We discovered through other research work that Swedish society is well vested with the benefits of collaboration and partnership. Hence, connecting with their stakeholders through partnerships produce good results. Rodriguez et al (2002) summarized that for companies to meet all stakeholder’s interests and create sustainable value, they have to develop, apply and maintain the necessary management competences and capabilities to deal with all stakeholders concerns over time.

**Q2. Can a firm create value effectively for each stakeholder without making anyone or group worse off?**

Conflict of interest among stakeholders is a major issue and brings the greatest challenge to managers. Balancing stakeholder interests is a process of assessing, weighing and addressing the competing claims of those who have a stake in the actions of the organization. 57% of respondents believe that it is a difficult task to accomplish, as noted also by Ezzamel and Watson (1997), that distributing resources in a relatively equal fashion among relevant interests is critical for managerial survival. As a matter of legitimacy, if a manager does not at least occasionally meet the claims of certain stakeholders groups, he or she will lose the support of those groups. Thus, it is in a manager’s own personal interests to ensure that stakeholder interests are balanced at least to some extent.

Paine (1994) stated that “the toughest decisions are those involving conflicts among stakeholders groups. You have to decide what fairing these circumstances and constantly work to fulfill and balance these commitments”. The 57% respondents who see this challenge are not far from the opinions of most researchers (Ezzamel and Watson 1997; Berman et al
Stakeholders even in the Swedish economy are always having conflicting demands, and dealing with this demands will often lead to trade-offs. Managers that see sustainable value creation as a pre requisite for future progress are generally motivated to balance stakeholder interests. Nevertheless, achieving this objective has proved abortive for many companies. However, a large percentage of respondents 43% still believe it is possible to achieve this goal. In our research we have hardly come across any literature that supports this position. We reason it to be a possibility if tight to firm partnerships and collaborative approach is used jointly with traditional stakeholder balancing approaches, as seen in question 1 above.

Q3. Does trying to creating value for all stakeholders affect the overall performance of the firm?

Berman et al (1999) discovered that the balancing of stakeholder interest moderated the relationship between firm strategy and firm financial performance. The survey showed 74 % of the respondents agreeing that performance can be increased, while 26% think otherwise. The 74% that sees a positive correlation between stakeholder management and company’s performance are re-echoing the works of some researcher who view stakeholder management as the launch path into the future.

Jones (1995) argues that firms that create and sustain stakeholder relationships based on mutual trust and co-operation will have a competitive advantage over those that do not. Berman et al (1999) expanded the case by arguing that if prudent management of firm operating environment, including relationships with their stakeholders, is a part of good management in general, good stakeholder management has clear instrumental values for the firm. They went further to mention that companies view their stakeholders as part of an environment that must be managed in order to assure revenues, profits, and ultimately, returns to shareholders. Hence, attention to stakeholders concerns may help a company avoid decisions that might prompt stakeholders to undercut or thwart its objectives.

As shown on the survey, Pfeffer and Salancik (1978) stated that this possibility arises because it is the stakeholders who control the resources that can facilitate or enhance the implementation of corporate decisions.

Q4. Does information and communication technology (ICT) facilitate/help value creation for stakeholders?
Information and communication technology (ICT) is changing the way business is carried out. Communication is made simple. Evans and Wurster (2000) stated that ICT help to change an economy, and the means of attaining competitive advantage by firms, which implies formulation of new strategies. Sweden is ranked among the top European countries with a sound ICT. Hence, 96% of respondents agree that ICT help in the process of value creation for stakeholders. As stated earlier, ICT based approaches are more effective to achieve a cost saving and widely ranged method for stakeholder analysis of all stakeholders' interests. Having ICT applications and using it in stakeholder analysis brings a sustainable competitive environment for representing stakeholder networks' relationships through an interactive communication which is resulting to an e-commerce environment of the organization. According to Gregg and Walczak (2006), the integrated ICT based stakeholders analysis is capable to gain more competitive advantages and to avoid conflict of interest among organization’s stakeholders. Nowadays, organizations use information visualisation and web mining that emerges as potential and interactive solutions for stakeholder analysis. The Information visualisation holds with a promise of relieving information that overloads on the Web by a summarised huge information onto a shareholder’s map. It is easier for analysts to understand the stakeholders’ relationship on the web that are interacted by stakeholders from multilateral relationships in their dealing with a company, portraying such relationships on a network. Also in many ways, ICT has been used to facilitate the use of analyzing and deploying data to increase customer satisfaction.

Discussion
This study is focused on determining how organizations create value simultaneously for stakeholders without a trade-off, as well as the role of ICT in that process within the Swedish economy. The finding of this study shows a strong belief among corporate executives that it is possible to create value for all stakeholders and supported by (Laszlo et 2005; Bremen et al 1999; Harrison and St John 1996; Svendson 1998; Rodriguez et al 2002). But some still see it as an improbable task. However, there was a mixed opinion on whether this value creation for stakeholders can be done with significant trade-off from any group. 57% see it as a difficult task to meet all stakeholders' demand at the same time. This position is echoed also by (Ezzamel and Watson 1997; Paine 1994; Berman et al 1999). They believe, as discussed above, that stakeholders demands are always conflicting, and even with the best of managerial
strategy, one stakeholder group value creation will be reduced directly or indirectly in order to increase value creation for another group.

Nevertheless there is overwhelming agreement on the benefits of adopting a stakeholder strategy, because it definitely contributes to the overall performance of the firm (Murphy et al 1997; Hall and Vredenburg, 2003; Pfeffer and Salancik, 1978, Jones 1995, Frooman, 1999). That is shown clearly on the survey with 74% respondents agreeing with the proponents of stakeholder theory. We also set out to see the contribution of ICT in sustainable value creation. As shown above in data presentation, 96% confirmed the contribution of ICT in improving business processes and decision making. The vital role of ICT in business process management and value creation is enormous, (Gilhooly, 2005; Evans and Wurster, 2000; Gregg and Walczak, 2006; Zimmermann and Finger, 2005)
6. CONCLUDING REMARKS

This section will present a conclusion of our findings and attempt to answer our research questions based on the data collected and analysed. The section will end with our implications for researchers and practitioners, as well as the research limitations.

Using stakeholder concept and theory as our basis, we began this paper by examining the concept of value creation, stakeholder and information and communication technology (ICT), with a brief discussion on stakeholder analysis. We zero in on balancing Stakeholder interest in a firm using ICT. This paper is intended to know how organizations in Sweden view stakeholder value creation and avoiding conflict of interest among stakeholder groups. From the data presented in the previous chapter, there is a strong corporate believe in the stakeholder concept as the future of organizations. We also saw that the challenge to managers still remains on how to resolve conflict of interest among competing stakeholder needs. Conflict of interest among stakeholders is a major issue and brings the greatest challenge to managers. Balancing stakeholder interests is a process of assessing, weighing and addressing the competing claims of those who have a stake in the actions of the organization. Most respondents believe that it is a difficult task to accomplish, as noted also by Ezzamel and Watson (1997), that distributing resources in a relatively equal fashion among relevant interests is critical for managerial survival. As a matter of legitimacy, if a manager does not at least occasionally meet the claims of certain stakeholders groups, he or she will lose the support of those groups. Thus, it is in a manager’s own personal interests to ensure that stakeholder interests are balanced at least to some extent.

The respondents who see this challenge are not far from the opinions of most researchers (Ezzamel and Watson, 1997; Paine, 1994; Berman et al 1999). Stakeholders even in the Swedish economy are always having conflicting demands, and dealing with this demands will often lead to trade-offs. Managers that see sustainable value creation as a pre requisite for future progress are generally motivated to balance stakeholder interests. Nevertheless, achieving this objective has proved abortive for many companies.

However, a large percentage of respondents still believe it is possible to achieve this goal. In our research we have hardly come across any literature that supports this position. We reason
it to be a possibility if tight to firm partnerships and collaborative approach is used jointly with traditional stakeholder balancing approaches.

The vital role of ICT in business process management and value creation is enormous, (Gilhooly, 2005; Evans and Wurster, 2000; Gregg and Walczak, 2006; Zimmermann and Finger 2005). There is overwhelming agreement by respondents on the benefits of adopting a stakeholder strategy which utilizes the enormous benefits of ICT, because it definitely contributes to the overall performance of the firm (Murphy et al 1997; Hall and Vredenburg, 2003; Pfeffer and Salancik, 1978, Jones 1995, Frooman, 1999).

Finally, our research objective is met. We have been able to establish that companies in Sweden still have a hard time satisfying all stakeholders simultaneously, even with the huge ICT infrastructures. We discovered that although companies invest a lot on ICT, but the combination of strategy which will bring corporate partnership and create value for all without “robbing Peter to pay Paul” is still lacking. This might be the case in many other countries, but we did not come across any research work relating to the subject matter.

Implications of the research for Academics and Practitioners

As a contribution to existing literatures, we believe that managers are interested in and motivated to balance stakeholder interest, but that certain factors constrain their efforts to do so. The firm affects multiple types of values for various groups. If all values move in the same direction toward a win-win situation, one may arguably ignore trade-off or balancing issues. But if one value comes at the expense of another, there should be a specified hierarchy of the values. Stakeholders should also be prepare to accept varying degree of value, with this the managers will not be constantly under intense pressure to satisfy all at the same time, because it is extremely uncommon to achieve equally satisfaction among competing groups. Information technology should be applied to the optimum especially with regard to tracking, collecting and communication information.

Therefore, there is a lot of research to be done in this area. During our work, most existing literatures have not pin down the link of stakeholder interest balancing without trade-offs, in combination with information and communication technology. We limited our study to Sweden; there is room for more research to be done in different countries, at regional levels,
global level, as well as in developing economies that suffer a lack of ICT infrastructures. This will open up many other issues for further research.

Research Limitations:

This exploratory study has certain limitations. First, the study was limited to Sweden because of lack of resources to conduct interviews and administer questionnaires outside Sweden. Thus, there is the need to exercise caution in generalising these findings. Second, the number of respondents was limited to 843 because it was difficult to get very busy to management from different companies to respond to our questionnaire. We contact 1500 respondents over a period of 7 months, but ended up with 843, because many top management executives are always travelling, busy with tight schedules and sometimes don’t have time to attend to our questionnaires or scheduled interviews. However, we acknowledge that there are many top corporate executives working at management level in Sweden, but we could not reach them due to lack of resources.
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