

Assessing the Stakeholder Management Strategies in the Beverages Sector industries of Khyber Pakhtunkhwa

Pervez Akhtar¹, Muhammad Asif², Naeem ur Rehman³, Saeed Muhammad⁴

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Corporate Social Responsibility (CSR), Stakeholders, Shareholders, Small and Medium Sized Enterprises (SMEs), Strategies.

ABSTRACT

This study was conducted by taking a sample of 10 Beverage Industries of Khyber Pakhtunkhwa. The aim of the study was to know about the current strategies of the Management of these industries in relation to dealing, coordinating and engaging their key stakeholders under Corporate Social Responsibility. The top management of the organizations was interviewed by using a close ended questionnaire. The qualitative case study research methodology was used. Data was collected, analyzed and tested using the three-stage process approach proposed by Miles and Huberman (1994). The study revealed that the organizations had a reasonable understanding of their key stakeholders. Moreover, the key emphasis of the Management was more on safeguarding the interests of the owners in relation to the society.

INTRODUCTION

Stakeholders are key partners for the organizations to practice their CSR successfully. It is important for the organizations to identify, engage and manage their stakeholders. Stakeholders' management is a key aspect of CSR. CSR studies how companies manage their business process to produce an overall positive impact on the society (Baker, 2003). Wang, Tang, Takeuchi and George (2016) reviewed seven studies on the thematic work conducted on CSR and concluded that CSR has become increasingly prevalent and visible within corporations as a more positive and responsible contributor to the society. Markus (2011) studied the importance of stakeholders' expectations from the corporations and concluded that stakeholders are capable of exerting pressures on companies to assume CSR.

The Carroll's model identifies economic, legal, ethical and discretionary expectations of the society from the organizations (Carroll, 1979, p. 500). The legal and ethical expectations are required, the ethical responsibility is expected and the discretionary i.e. philanthropic level of responsibility is desired. CSR has been practices and studied more in the developed nations but with the passage of time it is also getting popularity in the developing nations. Jamili and Mirshak (2007) pointed out that greater level of research on CSR is seen in the western nations as compared to the developing nations of the Asia.

Corporate Social Responsibility is thinking about all the business stakeholders. The main stakeholders include customers, employees, suppliers, community groups, governments. They have an important influence on the businesses and have encouraged them to make some

¹ PhD Management Sciences, Email: pervez@pico.org.pk

² PhD Scholar, Department of Management Sciences, Qurtuba University of Science and Information Technology, Peshawar.

³ PhD Econometrics

⁴ Limkokwing University of Creative Technology, Malaysia

additional investments in corporate social responsibility. Some companies have responded to these concerns positively while others have resisted, on the plea that additional investments in corporate social responsibility are inconsistent with their efforts to maximize profits. Stakeholder management is the central theme of recent business and society (Carroll and Buchholtz, 2000). Stiglitz (2011) stressed on the sustainability and responsibility of corporate strategic management and stated that stakeholders exert pressure on the companies to also succeed ecologically and socially in addition to looking for economic success alone.

Since, 1995 the importance of stakeholders' approach of business has grown. Now, the managers recognize the importance of managing their stakeholders. They realize that any planning or business strategy which does not include analysis of all the stakeholders in the internal and external business environment may be a failure in the long run. According to Infosys founder, Narayan Murthy, "social responsibility is to create maximum shareholders value working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment". CSR as the "Stakeholders' Approach"

Mara De Balde (2019) categorized corporations on the basis of effective practicing of CSR and termed those corporations as B Corporations which have enhanced their socially responsible commitment to public benefits and stakeholders. Similarly, Harld, Jurgan and Melinda (2019) while studying the effect of CSR on the well-being of poor in India concluded that the CSR activities initiated in the society do have a significant contribution to the well being of the poor.

LITERATURE REVIEW

Werther, Baker and Chandler (2010) studied the CSR Programs that can create strategic edge for the organizations and this included awareness of benefits of both the firms and its stakeholders including its employees. Managers should tailor their policies to satisfy numerous constituents, not just shareholders. These stakeholders include workers, customers, suppliers, and community organizations (Freeman, 1984). Donaldson and Preston (1995) stressed the moral and ethical dimensions of stakeholder theory. Bryson (2004) focused specifically on how and why managers might go about using stakeholders' identification and analyses techniques in order to help their organizations meet their mandates, fulfill their missions and create public value. Freeman (1984) while supporting the stakeholders' stance stated that Managers besides satisfying mere shareholders' needs should also try to develop strategies to content needs of other numerous constituents or stakeholders. Harrison and Freeman (1999) explored the importance of stakeholders' management and concluded that there are different theories and models on this issue but the empirical research is in an early stage. Berman, Wicks and Jones (2000) developed testable models around the two concepts i.e. relationship between stakeholder management models and firms financial performance. Mitchell, Agle, and Wood (1997) identified that three attributes 'power, legitimacy and urgency' play an important role to decide "who matters more to CEOs". Stuart Ogden and Robert Watson while examining the ability of U.K. water companies to balance shareholder and customer interests stated that increasing customer service levels have negative effect on the profitability in the short run because of the increase in costs associated with the improvement of customer services but in the long run they do contribute to increase in market value reflecting long-term benefits from high levels of customer service.

The nature of relationships between corporations and stakeholders was further evaluated to track new trends over a period of years. Burns and Stalker (1961) evaluated 20 UK companies and stated that

external environments have an important impact on corporations.

Jamali (2008) studied the importance of stakeholders approach to the study of CSR and found it very useful from the perspective of managers and scholars. Where, a stakeholder's approach to CSR is the effective and efficient management of the business stakeholders of the organizations for the benefits of the businesses and the society.

Kakabadse, Rozuel, and Lee-Davis (2005) also reviewed a number of research studies and existing research on CSR over the past 50 years and identified key characteristics defining the concept of CSR and also examined the challenges and implications of the stakeholder approach as highlighted by previous research in relation to CSR.

In developing countries, four stakeholder groups emerge as the most powerful activities for CSR, namely development agencies (Jenkins, 2005), trade unions (Kaufman et al., 2004), international NGOs (Christian Aid, 2005), and business associations (WBCSD, 2000). Besides, the media is also emerging as a key stakeholder for promoting CSR in developing countries (Vivarta and Canela, 2006). Stakeholder activism in developing countries may take various forms, which Newell (2001) classifies as civil regulation, litigation against companies, and international legal instruments.

Statement of the Problem

The previous studies on CSR do not discuss the stakeholder management strategies. The management of relationships with the stakeholders is an important part which needs further attention by the firms and therefore requires to be studied in depth. This study will focus on the existing stakeholder management strategies in the Beverage sector industries of Khyber Pakhtunkhwa with a purpose to see their strategies for identification with a purpose to understand them, engage and manage relationship with them for the effective practicing of CSR.

Objectives of the Study

- To know how the businesses in the Beverages Sector Industry of Khyber Pakhtunkhwa identify, define, and engage their stakeholders under corporate social responsibility.
- To know how do the businesses manage this relationship with the stakeholders for effective practicing of CSR.

METHODOLOGY

The nature of the study was qualitative. Descriptive cum explorative research design of study has been used in this research study. Descriptive type of research study was used to describe the characteristics of the food businesses of the Khyber Pakhtunkhwa with respect to their efforts regarding management of their key stakeholders. Bickman and Rog (1998) suggested that descriptive studies can answer question such as "what is" or "what was".

Total 20 functional private limited firms from the Beverages sector (Cold drinks & Mineral Water) listed in the (Directory of Industrial Establishment Govt. of Khyber Pakhtunkhwa, 2011) formed population of the study. Data from the top management of a sample of 10 firms out of the population of the study

was collected from January to March, 2017 through Interview schedule method. Chaterera (2013) studied the management of public records in Zimbabwe by using the same methodology.

Data was collected from the top management of these firms on a pre-fixed date and time. Since, majority of industries were located in the largest industrial zone in Peshawar and Haripur Industrial estates therefore no problem was faced in data collection. Sample size was selected through applying the Stratified Random Sampling technique (Lottery method).

Data Analysis

For data analysis of this research the three-stage process proposed by Miles and Huberman (1994) was adopted. This three stages process consists of a) data reduction, b) data display, and c) conclusion forming and verification.

Analysis of individual cases of the Beverage Industry

In this section, an overview of all the individual firms of Cold Drinks & Mineral Water was undertaken. The table given below lists the main research question, its corresponding interview questions and the outcomes of the respective research question. The outcomes of the question elicited particular areas of interest of the researcher and the expected response of the management of the firms.

Research Questions (RQ)	Interview Questions (IQ)	Outcomes
RQ. What are the stakeholders' management strategies of the Beverage sector firms	IQ 1. Can you please identify/name who are your key stakeholders? IQ 2. Can you please distinguish between your primary and secondary stakeholders are? IQ 3. How do you interact with your stakeholders? IQ 4. How often do you interact with your stakeholders and what is center of discussion in meetings? IQ 5. Does your organization have any policy or strategy for stakeholder's management of your firm/business? What is that strategy?	Firms' Understanding of stakeholders and their stakeholders' management strategies

Introduction of Beverages Industry

In this stratum a total of 10 Beverage firms were studied for CSR practices. Firms in this category were

small scale firms having capital investment ranging from Rs. 4.000 million to Rs. 10.000 million. They were also employing a small number of employees ranging from 05-25.

a) Firms' understanding of stakeholders and their stakeholders' management strategies.

The firm had awareness about its key stakeholders which were recognized as customers and vendors. The Management had somewhat understanding of its primary and secondary stakeholders. Employees were defined as the firm's primary stakeholders and all others outside the organization as its secondary stakeholders. The management understood the importance of having a record of its employees. The medium of exchange with the stakeholders was phone, meetings and letters. The meetings with the stakeholders were on need basis. The firm however did not have any written policy for stakeholders' management.

Cross-Case Data Analysis by Research

The review of the individual cases done in the first section of the data analysis rendered a case-by-case understanding of each of the industry and their responses to research questions. This analysis thus provided a foundation for undertaking a cross-case data analysis to derive the emerging themes and further explore them in depth. In this section, the research question was analyzed separately across all the cases. Main steps involved were reduction of data from the previous case results, coding where applicable and comparison of the relevant reduced data. Out of this, summaries or tables have been formed which provide the data related to the research questions. Further, this data was analyzed and interpreted to create a clear answer to each research question. These answers are transformed and listed as 'findings'. At the end, for each research question there is a summary of findings.

Findings with respect to Research Question RQ: What are the stakeholder management strategies of the firms?

In interview questions 1 and 2, the management of the firms was asked about their understanding of the important stakeholders and was it able to distinguish between their primary and secondary stakeholders? Interview questions 3 and 4 were regarding the strategies of the firms about their interactions with the stakeholders. Interview question 5 asked them whether they have written stakeholders' management strategies or not? In the following paragraphs responses to these questions are discussed in detail.

(a) Responses to Interview Questions 1 and 2:

i) Can you please identify/name who are your key stakeholders?

ii) Can the firms distinguish between its primary and secondary stakeholders?

In these interview questions the management of the firms was tested regarding their understanding of stakeholders first and then can they differentiate between their primary and secondary stakeholders. The table 2 below shows the level of the firms' understanding for their stakeholders.

Table 2 Research Question, corresponding interview questions and outcome

Firms	Employees	Suppliers of raw material/Farmers	Distributors	General public/society	Govt	Clients/customers/wholesellers	Brokers	transporters	Agents	Owners
A				√		√			√	
B				√S		P√				
C				S√		P√				√
D	√		√				√			
E				S√	P	P√		√		
F				S√	√ P	P√				
G	√				√	√				
H		√	√			√				
I	√	√								
J		√							√	
Total	03	03	02	05	02	07	01	01	02	01

P= Primary stakeholders

S= Secondary stakeholders

From responses of the management of the firms, it can be seen that the management had a clear idea of their key stakeholders. It was encouraging to see that the society/general public and clients/customers were identified as the key stakeholders. However, not many firms (only 40%) had a clear idea about their primary and secondary stakeholders. Some of the firms could identify among their primary and secondary stakeholders.

Finding:1: Firms have a good idea of their key stakeholders but not all could differentiate between their primary and secondary stakeholders.

Finding: 2: 'Employees', 'suppliers of the raw material', General Public/society and 'customers/consumers', are the key stakeholders.

(b) Responses to Interview Questions 3 and 4:

i) How do you interact with your stakeholders?

ii) How often do you interact with the stakeholders and what is the main agenda?

Table 3 Interaction of firms with the stakeholders

Firms	Firms with routine communication	Firms with Latest communication	interaction on permanent basis	Interaction on need basis	Discussion agenda business	Discussion agenda public
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A	Phone, letters, meetings		√		√	
B	Meetings/semi nars			√	√	
C	Phone/meetings			√	√	
D	Phone, letters, meetings	Emails	√			√
E	Phone, meetings			√	√	
F	Phone, meetings			√	√	
G	Phone, meetings	Emails		√	√	
H	Phone, letters, meetings,	Emails	√		√	
I	Phone	Emails		√		√
J	Phone, meetings		√		√	
Total	10	4	4	6	8	2

From the above response, it can be seen that most of the firms are using the routine communication methods with their customers. Only few firms (40%) were using emails/internet to interact with their stakeholders. Moreover, the interaction is mostly on periodical and need basis and agenda of the meetings with stakeholders is mostly business agenda i.e. only 20% of the firms were discussing the issues of public importance in their meetings.

Finding.3: Firms most of the times use routine methods to interact with stakeholders periodically and on need basis

Finding4: Firms' interactions with the stakeholders are mostly based on business agenda

(c) Responses to Interview Question 5:

Does your organization have any policy or strategy for stakeholders' management of your business? What is that strategy?

Purpose of this interview question was to know how many firms have written or formal stakeholders' policies/strategies available with them and what is the focus of these strategies? The table 4 below shows the responses of the firms.

Table 4 *The Businesses stakeholders' management strategy*

Firms	Is stakeholders' management strategy available	What is the focus of that strategy?
A	No	

B	Yes		For maintaining effective relationship for implementation of the product's quality.
C	No		
D	No		
E	No		
F	Yes		Related to the determination and meeting of objectives of both the parties for smooth running of business.
G	No		
H		Yes	For meeting the objectives of all the stakeholders.
I	No		
J	No		

From the responses in the above table, it is evident that most of the firms were not having formal or written stakeholders' management policies. Only 03 (30%) firms B, F, H, had formal stakeholders' management strategies and in these firms the focus of these strategies was meeting the objectives of all the stakeholders.

Finding 5: Firms do not have formal or written stakeholders' management strategies

Summary of findings

They firms had good understanding of their key stakeholders, average understanding of primary and secondary stakeholders. However, their interactions with the firms were not regular and not scientifically managed. Only few firms were managing meetings with the stakeholders permanently and through modern means of communication like Internet and emails. Finally the firms did not have written strategies for stakeholders' management. The summary of all these findings is given in the table 5 below.

Table 5 Findings from Research Question

Finding 1	Firms have a good idea of their key stakeholders but not all are sure about their primary and secondary stakeholders.
Finding 2	'Employees', 'suppliers of the raw material', 'General Public/society, and customers/consumers' are the key stakeholders.
Finding 3	Firms most of the times use routine methods to interact with stakeholders periodically and on need basis.
Finding 4	Firms' interactions with the stakeholders are mostly based on business agenda.
Finding 5	Firms do not have formal or written stakeholders' management. strategies

DISCUSSION OF RESEARCH FINDINGS, RECOMMENDATIONS AND CONCLUSION

Research Question: What are the stakeholders' management strategies of the firms'?

Purpose of this question was to know about the current stakeholder management strategies of the firms in the Beverages sector of Khyber Pakhtunkhwa. This question was in line with the literature which is related to the importance of the stakeholders' management in CSR. Dima Jamali (2008) studied the importance of stakeholders' approach to the study of CSR and found it very useful from the perspective of managers and scholars. Freeman (1984) while supporting the stakeholder's stance stated that Managers besides satisfying mere shareholder's needs should also try to develop strategies to content needs of other numerous constituents or stakeholders.

Major findings of this research question was that the firms recognize their key stakeholders as 'employees, suppliers of raw material, customers/clients, distributors, government, and general public',

which is line with the ‘employees, consumers, suppliers and local communities within which corporations operate (Carroll and Buckholtz, 2000:21). However, the firms were not very sure about the distinction between their primary and secondary stakeholders, one another important finding of the research question.

Another important finding of the research was that most of the firms did not have any written plans or stakeholders’ management strategies, the reason why interactions with them were periodical and on need basis. The interactions with the stakeholders were unplanned, and through routine communication means which resulted into ineffective management of the stakeholders. Moreover, the most common agenda with the key stakeholders restricted to business purposes.

Recommendations

- 1) Firms need more orientation and training on CSR and related concepts like stakeholders.
- 2) The firms need to go beyond the business agenda in their discussions with stakeholders spreading to the overall benefits of the society as pointed out by (Burns and Stalker, 1961) who evaluated the relationship between corporations and stakeholders to tack new trends i.e. the factors in the external environment.
- 3) Firms need to use fast and modern means of communication and need to establish more regular working relationships with the stakeholders.
- 4) Firms and Govt. jointly need to take more measures for the protection and safety of employees, environment and the general public.
- 5) Government needs to increase check and balance to ensure that firms are meeting their obligations regarding meeting the national and international standards of their product quality.
- 6) Firms need to take more measures for the scientific disposal of their industrial waste.

Conclusion

The management though had an understanding of its key stakeholders could differentiate between their primary and secondary stakeholders to some extent but needed more measures to effectively identify, engage and manage their stakeholders. The management’s stakeholder base was very narrow mainly restricted to their employees, clients, suppliers of raw materials and the distributors. They mainly focused on the primary stakeholders. Their understanding of the other secondary stakeholders which have an important impact on their businesses remained low. Only some of the firms’ management could differentiate between their primary and secondary stakeholders. The coordination and understanding of the firms’ key stakeholders was also low and conducted through the routine communication resources. The liaison with the stakeholders was held periodically and on need basis. The agenda of the meetings mostly remained around the business dealings. The importance of CSR was ignored in such meetings.

7. Future Research Directions

This research raises the opportunity of more analytical research in the area/CSR in the different geographical locations, environments and different types of industries. As there is a limited research on CSR and stakeholders’ management as compared to its increasing importance in this part of the world, this research opens avenues for research especially in the following proposed areas. Another area for future research is to study the role of the government in formalizing the CSR and stakeholder management strategies in the firms. Currently the role of the government in CSR is inactive and more proactive role of the government can help CSR to be more useful for the society.

Implications

Contributions to the theory

The findings and results of the research will have additions to the existing knowledge and research studies on CSR and stakeholder management in this part of the world. As was stated earlier that there is little research work done on CSR in developing countries in general and in Pakistan in particular; therefore, this research work will add to the knowledge on CSR.

8.2 Implications to the individual firms

The result findings and recommendations of the research show that the firms lack strategies for formal CSR and specifically managing their relationships with the stakeholders. The recommendations will thus help the organizations to more effectively coordinate, integrate, and manage their stakeholders for effective practicing of CSR.

Implications to other competitive and non-competitive firms

All the firms have a common goal of helping the society under their obligations towards the society in CSR and thus they are important stakeholders. The firms therefore besides competition need also to coordinate with them in a positive way so that their CSR efforts are coordinated with the other competitive and non-competitive firms, for the uniform objective of benefiting the society. If the firms establish regular liaison between themselves on one common agenda 'society' welfare', it will not only give a positive direction to their CSR efforts but will also benefit the society by avoiding duplication of activities and resources. So information sharing will be very useful for all the firms and for the society as a whole.

Implications for the Government

The role of the government in organizing and revolutionizing the concept of CSR has been emphasized time and again in this research. Bibhu Prasad Mohanty (2013) also stressed on the increased role of the govt. for the well being of the society. The recommendations of this research see some more role of the government to provide guidelines for effective practicing and coordination of CSR.

8.5 Implications for the Management/Policy Makers

The findings and results of this research will have important implications for the managers of the firms. The top management of the firms has to make important policies and decisions. The findings of this research indicated weak policy making efforts by the management with regard to their stakeholder management strategies practices. It was recommended that the management need to plan more effectively for their CSR related matters. The recommendations will help the management to make written policies in order to be more effective in their implementation for the benefits of the firms and the society.

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