The Quest for Sustainable Development: Strategies for Managing Stakeholder Relationships

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Abstract
The aim of this paper is to describe how organizations manage their stakeholder relationships in order to achieve sustainable development that enhances economic, environmental, socio-cultural, and political sustainability. This paper examines the concept of sustainable development from a stakeholder perspective. It is argued that the concept and practice of sustainable development is a contested area in the process of development because different people and groups have different stakes in what is meant by sustainable development. The paper discusses strategies for achieving sustainable development that meets its four criteria: economic, environmental, socio-cultural and political sustainability through stakeholder management. The study apply three cases of stakeholder management and used them to analyze and “interpret” the relationship between an organization’s ability to manage its stakeholder relationships and to achieve sustainable growth and development this is great contribution to existing knowledge in field of stakeholder management in an organization. The main point of departure and the argumentation that follows is that a model derived from the principles underlying stakeholder theory will help improve relationships among organizations, management and the local communities in order to achieve development (environmental, economic, socio-cultural and political) that is sustainable. Finally, the paper recommends strategies for designing sustainable development from a stakeholder perspective.

Keywords: Sustainable development, stakeholder management, environmental sustainability, economic sustainability, socio-cultural sustainability and political sustainability.

1. Introduction
The trend today among nations, organizations and local communities is to achieve economic growth and development that is sustainable. However, what is meant by the concept and praxis of sustainability or sustainable development is of intense debate and its implications in terms of development highly contested (see Cohem and Winn, 2007; Dasgupta, 2007; Dylick and Hockerts 2002; Taylor, 1992). What is hardly contested is the idea that the global community is embracing the philosophical underpinnings and practice of sustainable development. And it is imperative that organizations in Nigeria, from global oil companies to local manufacturing firms, embrace this global trend and be conscious of the ideals inherent in the philosophy and practice of sustainable development. There are several forces driving this consciousness: one is that corporations are required by law to develop and implement strategies that enhance sustainable development. We term this approach the obligatory and mandatory condition. The second approach, which is becoming more and more in vogue is that sustainable development strategies are used to support corporate strategies, goals and objectives by many corporations (Kotler and Lee, 2004; Porter and Kramer, 2002).

Thus, there is a profound shift from obligation to strategy because many corporations now see sustainable development initiatives as a competitive strategy. Several research works (e.g. Hess, Rogovsky and Dunfee, 2002; Porter and Kramer, 2002; Smith, 1994; Weeden, 1998; Kotler and Lee, 2004) have seen corporate strategies for sustainable development as means for strengthening brand positioning, enhancing corporate image and clout, decreased operating costs, increased appeal to investors (especially international and financial analysts), increased sales and market share. Thus, what many cutting edge and competitive corporations are doing today is that they are learning that innovation and sustainable competitive advantage can result from weaving economic and environmental sustainable development strategies into business strategies from the beginning (Epstein, 2006; Hawken, 2009; Schmidheiny, 2011).

The purpose of this paper is to discuss strategies for achieving economic sustainable development through stakeholder management. The point of departure and the argumentation upon which this paper is anchored is that a model based on stakeholdership will assist organizations attend to the different interest from its stakeholders in the process of designing and implementing strategies for sustainable development. Thus, we argue that progressive and successful organizations engage in one form of strategy or the
order to achieve their economic objectives and goals by engaging their members (employees) and other external stakeholders such as customers, suppliers, legislative bodies, the government and its regulatory agencies, the local community in which it does business, opinion leaders and other interest-based organizations and parties in negotiation on how to achieve sustainable development – socially, ethically, economically and ecologically. In this paper, sustainability development as a concept and practice is seen as a contested terrain where employee, management, governmental agencies, suppliers, distributors, environmentalists, local communities and society at large stake their positions, and where different stakes, conflicts and diverse interests are managed.

For illustrative purpose, the paper indicates how organizations in several communities mismanaged stakeholder relationship in the communities where they do business. As a result of this problem, rather than achieving development that is sustainable, the organization’s corporate social responsibility strategies produced what could be termed unsustainable development.

What follows is a presentation of (i) the discourse on sustainable development, (ii) stakeholder management, (iii) the interlink between stakeholder management and sustainable development, and (iv) strategies for designing a stakeholder approach in the process of implementing a sustainable development program.

2. THE DISCOURSE ON SUSTAINABLE DEVELOPMENT

It was the Brundtland Commission of 1987 that coined the term “sustainable development” in a report commissioned by the World Commission on Environment and Development, which states that sustainable development is the “Development that meets the needs of the present without compromising the ability of future generations to meet their own need”. Advocates of sustainable development suggest that meeting the needs of the future depends on how well we balance socio-cultural, economic, political, and environmental objectives or goals (or needs) when making present-day decisions (Gore, 1992; Epstein, 1996; Hart, 1997; Piasecki, 1990).

These goals have been contested by several observers as they are seen to conflict with each other in the short term as people with different stakes or goals are differently affected by the outcomes of the politics and policies of sustainable development (Dasgupta, 2007). Thus, the discourse and praxis of sustainable development is a contested and conflictual terrain in the sense that many people affected by development have different objectives or stakes (Ogbor and Orishede, 2013). Advocates of sustainable development will, however, suggest that in the long term, responsible use of natural resources now will help ensure that there are resources available for sustained industrial growth far into the future (Piasecki, Fletcher and Mendelson, 2012; Epstein, 1996; Friedman, 2009). In short, the idea and philosophical underpinning of sustainable development is rooted in the concern for environmental, political, economic and the socio-cultural well being for today and tomorrow. According to Friedman (2009), sustainable development ties together concern for the carrying capacity of natural systems with the social and economic challenges faced by humanity.

The United Nations 2005 World Summit Outcome Document refers to the “interdependent and mutually reinforcing pillars” of sustainable development as economic development, social development, environmental protection, and the polity (Manning, Boons, Von Hagen and Reinecke, 2011).

Economic Sustainability:
The Brundtland Commission Report emphasized the interlinkages between economic development, environmental degradation, and population pressure. Economists have since focused on viewing the economy and the environment as a single interlinked system with a unified valuation methodology (Barbier, 2007; Dasgupta 2007). Ruling out discrimination against future generations and allowing for the possibility of renewable alternatives to petro-chemicals and other non-renewable resources, efficient policies are compatible with increasing human welfare, eventually reaching a golden-rule steady state (Gore, 1992; Endress et al, 2005).

Environmental Sustainability and Green Development
Environmental sustainability is the process of making sure current processes of the interaction with environment are pursued with the idea of keeping the environment as pristine as naturally possible based on ideal-seeking behavior (Epstein, 1996; Piasecki, 1990). Thus, environmental sustainability demands that society designs activities to meet human needs while indefinitely preserving the life support systems of the planet. This, for example, entails using water sustainably, only utilizing renewal energy, and sustainable material supplies (e.g. harvesting wood from forests at a rate that maintains the biomass and biodiversity). An “unsustainable situation” occurs when natural capital (the sum total of nature’s resources) is used up faster than it can be replenished. The long-term result of environmental degradation is the inability to sustain human life. Gore (1992) argued that such degradation on a global scale could imply extinction for humanity.

Cultural Sustainability: Indigenous people (e.g. representatives of Ogoni people in the Niger Delta Area of Nigeria) have argued, through various international forums such as the United Nations Permanent Forum of
Indigenous Issues and the Convention on Biodiversity, that the sustainment and/or preservation of their indigenous culture/traditions and values should be recognized in any discussion of sustainable development. The Universal Declaration on Cultural Diversity (UNESCO, 2001) further elaborates the concept of cultural sustainability in the context of sustainable development by stating “… cultural diversity is as necessary for humankind as biodiversity is for nature”, it becomes “one of the roots of development understood not simply in terms of economic growth, but also as a means to achieve a more satisfactory intellectual, emotional, moral and spiritual existence”. In this vision, cultural diversity is the third policy area of sustainable development.

The Polity and Sustainable Development
The political aspect of sustainable development is defined as the domain of practices and meanings associated with basic issues of social power as they pertain to the organization, authorization, legitimation and regulation of a social life held in common. This definition is in accord with the view that political changes is important for responding to economic, ecological and cultural challenges (UN, 2001). It also means that the politics of economic change can be addressed.

2.1 STAKEHOLDER MANAGEMENT AS A PROCESS
Stakeholder management is generally defined as the effective management of a relationship with stakeholders. According to Steiner and Steiner (1997), Donaldson and Preston (1997) and Mukaila and Garba (2005), stakeholder management supports an organization’s strategic objectives by interpreting and influencing both the external and internal environments and by creating positive relationships with stakeholders through the appropriate management of their expectations and agreed objectives. For an organization to achieve its stated or espoused goals and objectives and to be accepted as responsible economic entity, effective stakeholder management can be the key-success-factor. According to Hillman and Keim (2001), effective stakeholder management is positively associated to financial performance and leads to shareholder value creation.

Most organizations must deal with the demands of its internal and external constituencies (owners/investors, employees, customers, vendor/suppliers, local and global communities, competitors, regulators, the environment, labor unions, the government and its various agencies, etc). Thus, the effectiveness of an organization is not so much about its technical core competence, but more often how it is able to manage its stakeholder demands. Stakeholders affect or are affected by the policies and strategies of the organization (Carroll and Buchholtz, 2006).

The usefulness of the stakeholder model in the context of sustainable development is twofold. First, it can be seen as a tool for managers and business owners to pay attention to the demands of those who have a stake in their businesses. Second, the model can be used as a normative account of how an organization ought to treat their various stakeholder groups in the course of developing strategies for sustainable development. A synthesis of the literature and research on stakeholder management provides five steps in the process of managing stakeholders: problem definition, stakeholder identification, stakeholder analysis, stakeholder engagement, and stakeholder debriefing.

Problem Definition
In any situation of stakeholder management, the first and most obvious thing to do is to identify a problem that management wants to solve (Carroll and Buchholtz, 2006). One way of deciding if a problem exists is to couch the problem in terms of what one wanted or expected and the actual situation.

Stakeholder Identification
According to Salam and Noguchi (2006), a decision about which stakeholder group is important or not is usually influenced by the importance of stakeholder, which is a function of their power, legitimacy and urgency and which will distinguish among primary stakeholders, secondary stakeholders and non-stakeholders.

Stakeholder Analysis
Stakeholder analysis, according to Freeman (1984), essentially involves four steps: (i) recognition of the key stakeholders, (ii) an assessment of stakeholder interests and the potential impact of management decisions on these interests; (iii) an assessment of influence and importance of the identified stakeholders, and (iv) an outline of a stakeholder participation strategy.

Stakeholder Involvement and Engagement
Stakeholder engagement is understood as practices the organization undertakes to involve stakeholders in a positive manner in organizational activities (Greenwood, 2007). It is believed that the more an organization engages with its stakeholders, the more accountable and responsible that it is likely to be towards these stakeholders.
Stakeholder Debriefing: Measuring, Evaluation and Feedback

Effective stakeholder engagement relies on a commitment to engage and communicate openly and honestly with stakeholders in the process of stakeholder management. It also implies that engaged stakeholders should be briefed on the outcome of the activities, e.g. projects in which they have been engaged. According to Carroll and Buchholtz (2006), this is done by measuring the result of the reason for stakeholder engagement (measurement), evaluation of the results, communicating the results to affected stakeholders and implementing systems that allow for feedback among the affected stakeholders.

3. RESEARCH METHODOLOGY

The issue of research methods is an epistemological one: the kind of knowledge one seeks determines the kind of data one needs (Astely, 1984, Ogbor, 2000). The aim of this research is to describe how organizations manage their stakeholders’ relationships in the context of sustainable development in the Nigerian business environment. The methodological approach adopted in this research is derived from a research tradition grounded in ethnography in the manner of anthropological research. What the researchers are after is not to look for a general or universal theory guiding the conduct of organizational practices in the Nigerian business environment. In short, we are searching for meanings.

Our sources of data for this research are stories told by the actors in this study as reported in national newspapers. These stories are arranged as episodes (or anecdotal evidence) in order for us to produce a case of stakeholder management and sustainable development. Cases built around anecdotal evidence have been used and seen as methods for collecting primary or secondary data. They are useful because, they can lend themselves to multiple interpretations by different researchers depending on the objective and ideological orientation of the researcher involved. From a methodology point of view, we, the authors of this paper, are in search of meaning by interpreting organizations’ way of managing stakeholder relationships and the consequences of their actions. It is interpretation we are after not the verification of an existing theory of stakeholder relationships and sustainable development.

THE CASE

The case presented below is a reproduction of three incidents (reported as episodes) about the management of organizations’ approach to managing stakeholder relationships and how organizations’ corporate social responsibility initiatives to some communities caused severe socio-economic disruptions rather than alleviating them.

EPISODE I: OIL FIRM’S LARGESSE CAUSE CRISIS IN EDO STATE

“There is tension in Okomu community after three buildings were razed by armed men, suspected to be ex-militants who attacked some community leaders over youth empowerment materials donated to the community by Okomu Oil Palm Company operating in the area. Community members fled their homes to neighboring community following sporadic gun shots, fired by armed men. One of the community leaders, Mr. Rickson Nanagha, who spoke to Vanguard from his hiding place, said that the suspected ex-militants stormed his house on Monday demanding for the skill acquisition materials donated to the community by Okomu Oil Palm Company. He said that his houses, that of the Headmaster of Okomu Primary School and other buildings were set ablaze when they found out he had escaped.

Nanagha said: ‘These boys started this problem in 2011, when we asked them to disarm and accept amnesty. They came to my house then and started fighting me, asking why they must disarm. Luckily me, I got over that incident but they were not happy with some of us because we insisted that they must drop their arms.

Nanagha continued: Just last week (presumably, 13 September, 2013) Okomu Oil Palm Company gave our people bursary and skill acquisition materials. I was directed to give the materials to the community which I did. But they came to my house on Monday morning, demanding for the materials. I escaped from the community and went to report the matter to the police and the Army. When they heard that I reported the matter, they set my house and that of others ablaze. They used machete on some community members and people have fled. They have taken over the entire community”.

(Source: Vanguard, Wednesday, September 18, 2013, p. 44).

EPISODE 2: 6 KILLED, VILLAGES RAZED IN AKWA IBOM US YOUTHS/S PROTEST NON- PAYMENT OF COMPENSATION BY OIL FIRMS

“No fewer than six persons have been killed, while some villages in Effiat: Inua Abasi, Mbe Ndoro, Ibuot Uton, Utan Brama, Utan Brama and Effiang in Mbo Loal Government Area of Akwa Ibom State, had their homes burnt down and sacked by irate youths.

The youths set homes on fire during a protest over lack of basic amenities and non-payment of compensation by the oil companies operating in the areas. It was gathered that the crisis, started last week but escalated yesterday (Tuesday 10, September, 2013). Thousands of the fleeing villagers are currently taking
persons involved connived with the companies and collect a monthly compensation of over N32 million, which prominent brothers, who have turned round to betray the communities. He said: “Six people died as a result of paid by the oil companies for the development of the communities.

EPISODE THREE: A CASE OF STAKEHOLDER NEGLECT

Seventeen months after the devastating Shell Nigeria Exploration Production Company, SNEPCo crude oil spillage from its Bonga Field in December, 2011, over 173 Itsekiri and Ijaw communities in Delta and Bayelsa States, affected by the spill, have cried out that they were still suffering the adverse effect of the spill. The Association of Named Itsekiri/Ijaw Communities in Warri North, Warri South, Burutu and Ekeremor Local Government Areas in Delta and Bayelsa States in a letter to the Director General, National Emergency Management Authority, NEMA, lamented that the people were dying of hunger and effects of harmful dispersant used by SNEPCo. to disperse oil spill on the sea surface.

The communities with a population of over 850,000 in the letter by the Chairman/Coordinator, Mr. Francis Monday and two others, called on NEMA and governments of Delta and Bayelsa States to come to the aid of the people with relief materials, especially food and drugs. They also appeal for aid from the International Red Cross, National Oil Spill Detection and Response Agency, the United Nations, non-governmental organizations and the international community, pending when the National Assembly, government authorities and/or regulatory agencies in Nigeria, which intervened in the matter, would complete their job.

According to them, the incident has “caused psychological trauma, loss of daily income and impacted on the health of some of our people.

“The management of SNEPCo only succeeded in supplying wrong and/or doctored information to the general public without any investigation jointly conducted by the regulatory and security agencies as well as SNEPCo and their communities’ representative”. (Source: Vanguard, Friday, August 9, 2013, p.37)

4. ANALYSIS AND INTERPRETATION

Over the three cases presented above, at least, one common feature and developmental tendency does stand out: the failure of the organizations to appropriately manage their relationships with their stakeholders in their attempts to develop and implement their corporate social responsibility initiatives. This failure has led to situations of unsustainable development.

In the first incidence involving Okomu Oil Palm Company, materials and monies meant to empower the youths of the communities were given to those who are not the stakeholders actually involved in the CSR initiative and they were wrongly distributed. Secondly, the youths who were already aggrieved as a result of unemployment seized this opportunity to air their grievances. Okomu Oil Palm Company provided bursary and skills acquisition materials to an individual to be disbursed in a community where embezzlement of public funds by individuals is the norm.

In the second episode, the youths and some of the unidentified stakeholder groups in Mbo Local Government Area of Akwa Ibom State set homes on fire and destroy private and business properties to protest over the non-payment of compensation by the oil companies operating in the areas. Not that the monies were not paid, but they were made to the wrong stakeholder groups. Payment was made to only “two prominent” sons of the area who diverted (the money) to their private pocket. This is the case of prominent sons of the community (e.g. a gubernatorial aspirant) colluding with the oil companies to “reap off” other stakeholder groups of the
compensation due to them. The consequence of this stakeholder relationship management is that the local communities of Mbo Local Government Area that are supposed to benefit from the activities of the oil companies’ CSR initiative suffered.

In the third episode, a community with a population of over 850,000 cried out to national and international communities for assistance in the form of relief materials, especially food and drugs. The reason for this request is that Shell Nigeria Exploration Production Company (SNEPCo) failed to attend to the demands of its “key” stakeholder group: the local community and the ecosystem. The exploration actions of SNEPCo contaminated the fishing waters of the community, as well as depriving them of their major source of livelihood, which is fishing. The actions of SNEPCo “caused psychological trauma, loss of daily income and impacted on the health of some people”. Why? Because “the management of SNEPCo succeeded in supplying wrong and/or doctored information to the general public without investigation jointly conducted by the regulatory and security agencies as well as SNEPCo and their communities as representatives.”

5. CONCLUSION AND RECOMMENDATIONS

In our analysis and interpretation of the three episodes, some questions come to mind, such as:

i. Did Shell and other organizations appropriately identify the stakeholder groups that are directly affected by their actions, i.e., oil spillage, the inability to use proper cleanup methods, and those that are most directly affected by their actions?

ii. Did the organizations conduct a thorough stakeholder analysis to know which interests are at stake among the various stakeholders?

iii. Did the organizations have knowledge of the power positions of the stakeholders and how they could mobilize their power vis-à-vis that of other stakeholder groups and the organization?

iv. In the process of managing the damage, to what extent did the organizations involve and engage the ideas and participation of the affected stakeholders?

v. To what extent did the organizations communicate, debrief, evaluate the success of its actions and communicate this to the stakeholders directly affected?

vi. Did the organizations receive any feedback from its communication with the affected stakeholders?

As stated earlier, the focus of this paper is on the process organizations adopt in order to achieve economic and social development that is sustainable. From our stories or episodes, there is clearly an evidence of poor relationship between the organizations and their stakeholders. Several organizations have run into trouble with their stakeholder groups as a result of their inability to properly manage stakeholder relationships (customers, host communities, employees, government agencies, competitors, suppliers, the natural environment, etc).

In the third episode, SNEPCo has a problem. Arguably, the problem could be related to how it defines what its stakeholders are interested in. On the other hand, oil spillage has caused another major problem for both Shell and the communities in which it does business. One could also frame the problem as that of environmental degradation, contaminating the communities’ fishing areas as well as depriving them of their major source of livelihood. From another perspective, one could argue that management at SNEPCo did not engage the relevant stakeholders such as the communities and the regulatory agencies in designing their perceived solutions. It was the representatives of the communities that re-framed the problem for Shell: “management at SNEPCo only succeeded in supplying wrong or doctored information to the general public without any investigation jointly conducted by the regulatory and security agencies as well as SNEPCo and their communities’ representatives”.

It could thus be argued that Shell did not manage its stakeholders properly in the manner in which the problem was framed, understood and approached. There was no evidence of stakeholder engagement; inability to properly define who the stakeholders are, their needs and aspirations, and management’s inability to engage the stakeholders in the process of solving the perceived problems.

Another lesson from the cases provided shows that the organizations not only failed to use proper method or process for stakeholder analysis; they also either ignored or underrated the influence of the subject groups (the youths, market women) as dominant stakeholders groups. The organizations also failed to analyze and understand the major key stakeholders in their CSR projects, their sources of power and how they mobilize the power resources at their disposal in affecting the successful implementation of the organization’s strategies. There is a need to decide upon who is and who is not a major or key stakeholder of any activities and it is true that not all stakeholders are equally important in achieving the goals of the organization. The problem in stakeholder identification is to know who is important and who is not.

From the three cases provided, it is proper to conclude that economic and social disruptions in the communities came into being because those that are directly affected were not fully engaged in the kind of CSR initiatives adopted. The practice or habit of giving money to the traditional rulers and some selected “sons of the soil” actually reinforced and intensified the deep-rooted inter-communal crises and problems bedeviling these communities. Because, the beneficiaries and the recipients were not properly identified and engaged, the
disbursement of cash to the local leaders became a source of weapon with which everyone aired his or her deep-rooted antagonism with the prevailing system of governance in these communities.

Finally, we recommend that because the concept and practice of sustainable development is interwoven with stakeholder management, designing and implementing effective strategies for sustainable development from a stakeholder perspective should include:

1. The ability of management to acknowledge and actively monitor the concerns of all legitimate stakeholders, and should take their interests appropriately into account in decision making process;
2. The willingness of management to listen to and openly communicate with stakeholders about their respective concerns and contributions;
3. The ability of management to adopt processes and modes of behavior that are sensitive to the concerns and capabilities of each stakeholder constituency;
4. The ability of management to recognize the interdependence of efforts and rewards among corporate activity among them, taking into account their respective risks and vulnerabilities;
5. The willingness of management to work cooperatively with other entities, both public and private, to ensure that risks and harms arising from corporate activities are minimized;
6. The ability of management to avoid altogether activities that might jeopardize inalienable human rights (e.g., the right to life) or give rise to risks which, if clearly understood, would be patently unacceptable to relevant stakeholder; and
7. The ability of management to acknowledge the potential conflicts between (a) their own role as corporate stakeholders, and (b) their legal and moral responsibilities for the interests of stakeholders, and should address such conflicts through open communication, appropriate reporting, and incentive systems and, where necessary, third-party review.

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