



Getting stakeholders together to drive sustainability

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Abstract: Nowadays, problems and challenges regarding the environment are omnipresent and need to be dealt with. Therefore, companies are obligated to adjust their behavior to a more sustainable manner. In order to align all interests to this goal, all relevant stakeholders should get involved. To get the best result, the firm’s decision-making process should get enriched through the stakeholders’ expertise. This helps the company to meet its long term goals instead of focusing on profit in the short run.

Problem statement: Businesses often fail to include stakeholders in their decision-making process to ensure long-term sustainability. Lack of communication with stakeholders can have damaging effects for businesses, including negative environmental and social impacts, loss of trust, and reputation damage. Therefore, it is essential for businesses to prioritize stakeholder engagement through communication to ensure sustainable and responsible operations.

How to effectively integrate stakeholders through communication in the decision-making process of a firm in order to drive sustainability?

Types of Stakeholders

General definition: Anybody “who can affect or are affected by the corporation” (Freeman et al., 2010)

Primary Stakeholders

- individuals or companies involved in the business through financial transactions (Benn et al., 2016)

Secondary Stakeholders

- those connected to business primarily through social operations such as the media, academic institutions, and public authorities (Benn et al., 2016)
- influence the activities of business’s at the level of social investment

Kenny (2014) suggests the following questions for the businesses to identify key stakeholders:

- Does the stakeholder’s influence your business’s performance?
- Can you state your demands to the stakeholder clearly?
- Can you survive without the shareholder or replace them quickly?
- Is the relationship dynamic, in the sense that you want it to develop?
- Has the stakeholder been previously recognized through a different connection?

Inclusion of stakeholders in the decision-making process

There are **several possible ways** in order to include stakeholders into the decision-making process:

- Having a clear Strategy for Stakeholder management:
 - who should be integrated
 - for which decisions
 - and how
- Creating professional interactions
 - Stakeholders should be aware of the importance of their decision, so they take their contribution seriously
 - Stakeholders should be well-educated on the topics they have to decide on
 - Stakeholders should be well-informed about the circumstances
- Creating a productive conversation level
 - Give stakeholders the possibility to give suggestions
 - Give feedback to the stakeholders to let them know you take them seriously
 - Promote interaction through transparency
- Give incentives and communicate the possibility of contribution
 - In order to motivate stakeholders incentives could be offered
 - Everybody that is supposed to contribute should know they have this opportunity

Benefits

- gain a more long-term perspective: allows for faster reactions & for a faster adaption to outer changes (Hörisch et al., 2014)

Benefits cont’d.

- Through the diversity of opinion adaptability can be improved
- Enhancing attractiveness for sustainability focused investors
- building a brand image for employees and customers
- getting stakeholders more involved through education, feedback and prioritizing leading to proactive sustainable behavior

Difficulties

- stakeholders resistance to change
- communication barriers and lack of sufficient awareness
- heterogeneous interests of stakeholders (Stead and Stead 1996).
- limited resources

Mountain Dew Case

- In order to choose the name of a new drink Mountain Dew created an online campaign where customers could suggest names and vote on them.
- However, the rules of the “game” weren’t clear enough.
- The anonymous factor encourages people to suggest offensive and unusable names.

Solution: Having a clear Strategy for Stakeholder management

- Decide who is responsible for stakeholder involvement at the firm
- Create a list who should be involved for which decisions
- Find a suitable way to communicate with stakeholders (regular meetings, contribution platform, surveys)
- Interact regularly to create a sense of responsibility
- Educate stakeholders about the circumstances and importance of their decisions (in meetings or through a platform)
- Give feedback to stakeholder groups (newsletter) to keep them informed and engaged
- Create incentives to motivate stakeholders (Merchandise or some other kind of recognition)

Conclusion

- Stakeholder theory and corporate sustainability management are closely linked concepts.
- Managing stakeholder relationships and considering different perspectives is crucial for sustainable business management.
- Engaging with key stakeholders in decision-making is important for long-term success.
- Incorporating stakeholder input into decision-making processes is crucial for sustainable business practices and corporate social responsibility.
- Regular communication, consultation, and collaboration with stakeholders are essential for sustainable business practices.