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An Elucidation on the Stakeholder Concept in Organizational Studies

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ABSTRACT

The aim of this manuscript is to shed light on the stakeholder concept. Particularly, it strives to define and classify the concept of stakeholders. This is done because many are still confused with this concept and misuse the term in various occasions. Without having this knowledge, organizational leaders may lead the disarray in meetings and planning. Consequentially, this lack of knowledge base of leader can drive toward the ineffectiveness. In this paper, the definition of stakeholder is also highlighted and explained through the words of experts in organizational studies. Examples are given to further concretize the meaning of stakeholder. Different typologies of stakeholders are discussed, together with roles and possible difficulties. It is anticipated that misperception regarding this topic will be reduced or better eliminated. Moreover, this article accentuates on the inevitable interaction between stakeholders and an organization, which determines an organization's sustainable and survival rates. It is emphasized that an organization will degrade in its posture and effectiveness if it runs on its own, without paying much attention to its stakeholders.

Keyword: nization, stakeholder, management, organizational studies

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1. Pendahuluan.

An organization ranges from, but not limited to, a school, business, foundation, hospital, bank, and public institution. However, the previously mentioned are just types, to further elucidate the concept of an organization, the definition must be given. To paraphrase Lazonick (1993) and Tulsian (2002), an organization is a people's social unit that is organized and operated to fulfill a need or to achieve mutual objectives. Both organizations have a system of management that establishes relationships between the various operations and the participants, and subdivides and assigns duties, obligations, and authority to execute various tasks. Organizations are open systems—they influence their environment and are influenced by it.

Any organization, public or private, has its stakeholders. To ensure reputation and to operate successfully, they should be considered in the creation of rules, decision-making, and different undertakings of the organization. But, who are the stakeholders, and what are their effects to the organization and vice-versa? Many people still have a little or even no knowledge about the concept of stakeholders. Worst, some may misconstrue its meaning. This paper therefore seeks to shed more light on the rudimentary understanding of the idea and types of stakeholders on this subject.

2. THE CONCEPT OF STAKEHOLDER

Every party or individual who is influenced by or may influence the accomplishment of the aims of an organization refers to a stakeholder (Goodijk, 2002; Fassin, 2008). This most quoted definition of stakeholder is of Freeman's which clarifies the misunderstanding of many about the concept. Clearly, he stated that an organization can affect the stakeholders, and that in the same fashion, the stakeholder can also affect the organization (Freeman, 2010). In this case, the term used is affect which semantically signifies influence or impact. A stakeholder can help, delay or even hinder in pursuing the goals of an organization. Moreover, the two parties can significantly or partially make an impact with one another. Therefore, this may be either positive or negative, favorable or disadvantageous, boon or bane. From that premise, it can be concluded that they can create or break one another's reputation or success (McGrath & Whitty, 2017).

Before, in an organization, the term stakeholder pertains only to its employees, managers, owners, and board of directors. An internal Stanford Research Institute memorandum conceptualized them in some of the earliest work on stakeholders. The organization will cease to exist without its help. (Ackermann & Eden, 2010). The new philosophy of the idea, though, goes beyond this initial definition to incorporate additional members such as a society, government or trade group. (Chen, Dyball, & Harrison, 2020). The extension of the concept indicates that an organization should not regard the people inside the organization only but also even outside it.

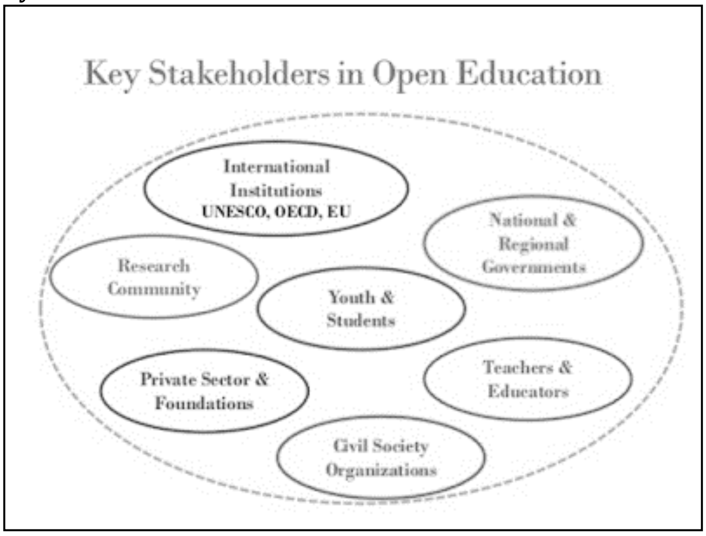

Figure 1. Key Stakeholders in Open Education (Kanwar, Kodhandaraman, & Umar, 2010).

For example, an Open University's stakeholders range from, but not limited to, international institutions, youth, students, civil society organizations, teachers, educators, research community, private sectors, foundations, national and regional governments. In certain facets of the goods, facilities, practices, economies, industry, and results of an organization, stakeholders essentially have an interest or say (Ferrell, Fraedrich, & Ferrell, 2015).

Now, due to globalization and technological evolution, with improved communications and information systems, virtually everyone and everything, everywhere, can affect or be affected by the decisions and actions of an organization (Sternberg as cited in Fassin, 2008). It therefore manifests that people are being interconnected with one another due to the innumerable, ubiquitous, and fast-paced advances.

3. TYPES OF STAKEHOLDERS

I. Internal VS Connected VS External

General groups such as administrators and employers (and/or volunteer staff or other forms of participants in non-profit organizations) comprise the internal stakeholders. (Chartered Institute of Purchasing and Supply, 2014). The second type is connected stakeholders which pertain to businesses or individuals who are not working inside the company but their business is directly relevant to the organization, so they become connected to the organization (Oldroyd & Miller, 2011)

Lastly, the third type is external stakeholders. Organizations are becoming increasingly mindful of the need to retain a good brand image, and this could entail a more holistic stakeholder management strategy that acknowledges the genuine needs and interests of larger, secondary or indirect stakeholders (Oldroyd & Miller, 2011). External stakeholders are entirely outside the organization, but they can affect the decision-making in the organization and vice-versa.

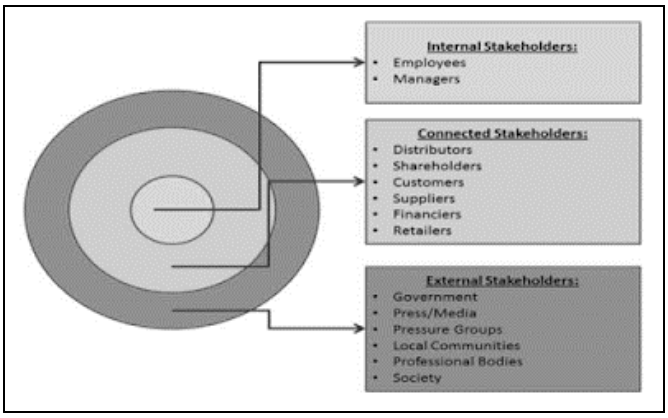

Figure 2. Types of Stakeholders (Professional Academy, 2019)

II. Primary VS Secondary

Ferrell, Fraedrich, & Ferrell (2015) identify two types of stakeholders. One is dubbed as the primary stakeholders. They are those whose continued relationship is unequivocally essential for an organization's survival. Examples are employees, customers, investors, governments, and communities. The second type is named secondary stakeholders. Usually, they do not participate in dealings with the company and are not necessary to the existence of an entity. The newspapers, labor unions, and special interest groups are examples.

Figure 3. Types of Stakeholders (Ferrell, Fraedrich, & Ferrell, 2015)

III. Normative VS Derivative VS Dangerous/Dormant

Phillips (in Fassin, 2008) distinguishes three classifications of stakeholders. Normative stakeholders are those stakeholders to which the company has a legal duty: a stakeholder justice responsibility. Derivative stakeholders are certain organizations or people that may hurt or help the organization, but who have no immediate moral responsibility as stakeholders to the organization: rivals, protestors, activists and the media. Dangerous/dormant stakeholders pose danger to the organization. Examples are blackmailers or robbers. They can impact the organization but have no legal relationship with it.

Role of stakeholders

The following roles of stakeholders are paraphrased and adapted from Organisation for Economic Co-operation and Development (2004):

A. It is important to protect the interests of stakeholders that are defined by statute or by collective agreements.
B. If the interests of stakeholders are covered by statute, stakeholders should have the ability to seek meaningful redress for their rights being abused.

C. The creation of performance-enhancing employee engagement mechanisms should be allowed.
D. While stakeholders are interested in the process of corporate governance, appropriate, sufficient and accurate information should be accessible to them.
E. Stakeholders, including individual workers and their elected bodies, should be able to openly express their questions to the board regarding unlawful or unethical activities and should not risk their freedom to do so.
F. An effective, reliable insolvency process and the effective protection of creditor rights can supplement the corporate governance framework.

Problems about stakeholders
The common issue that emerges with the involvement of multiple stakeholders in an organization is that their different interests will not always be compatible and aligned (Chen, Dyball, & Harrison, 2020). It can be concluded that they may be in straight conflict. The opposition of two parties' interests could be a challenge to engagement. This pattern can be due either to conflict of interest or to behavior. Conflict at the level of interests exists where there is a disagreement between different parties over anticipated results.

Conflict at the level of behavior comes about when seeking different outcomes either directly clash over those differences and engage in open dispute or indirectly express their differences (Watson, 2004). Say, for example, the chief goal of an organization, from the point of view of its shareholders, is to maximize proceeds. Since labor costs are a critical input cost for most organizations, an organization may seek to keep these costs under tight control. This may have the effect of making another significant community of stakeholders, the workers, dissatisfied. The most effective businesses effectively balance the self-interest and desires of their stakeholders (Chen, Dyball, & Harrison, 2020).

4. CONCLUSION

Developing an understanding on the stakeholder concept, especially in its most elementary case which is definition can be of aid to an organization, if used judiciously. Administrators and leaders in whatever organization who lack knowledge of the stakeholder concept can confuse individuals and other people they talk to. Therefore, the lack of clarity or misunderstanding regarding its concept can be detrimental to the organization. Having this knowledge is indispensable and can aid in planning on how to plan with and approach stakeholders. In its general definition, it can encompass and involve many people and factors. Hence, management must determine which of the multiple stakeholders listed must be tackled if their plan is to work.

The interplay between stakeholders and an organization should deliberately be taken into an intense thought because this can also determine the sustainability and survival rate of an organization. In a similar manner, if an organization just operates itself on its own without minding the stakeholders and the environment, seeming like a tower of ivory, it could significantly deteriorate the success of an organization.

A poet immortalized the byword that no individual is an island. Hence, no man is purely exclusive and therefore self-sufficient, so is an organization. It cannot persist if environment is not taken into consideration. It is possible that paying attention to and handling a certain group of stakeholders would have a direct impact on the sustainability of a company to accomplish its strategic goals and thereby further ensure its long-term viability.

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