The Importance of Stakeholders for Corporate Reputation

Migle Matuleviciene, Jurgita Stravinskiene

Kaunas University of Technology
K. Donelacio st. 73, LT-44029, Kaunas, Lithuania
e-mail: migle.matuleviciene@gmail.com, jurgita.stravinskiene@ktu.lt

crossref http://dx.doi.org/10.5755/j01.ee.26.1.6921

Many scientists analysed the importance of stakeholders on the ground of the interrelationship between an organization and stakeholders. Nevertheless, scientists do not define which stakeholders should be considered as the most or the least important. For this reason, the stakeholder grouping in accordance with their importance to the organization has been done. Stakeholders are divided into internal and external; primary and secondary; normative, functional, diffused and customers; regulatory, organizational, community and media; groups in the order of power and interest. In this paper, we also highlighted another stakeholder group, which we call a shadow group due to its illegal impact on the organization or industry. The analysis of stakeholder grouping initiated that while grouping stakeholders in accordance with their importance to the organization, it is worth to divide them into primary and secondary. Allocating the stakeholders to the primary and secondary groups unconsciously leads to the conclusion that primary stakeholders take the first, i.e. the most important place with regard to secondary stakeholders. It was observed that the scientists, acting on business interests, propose that even these stakeholders who find themselves in the same stakeholder group have unequal importance - the organizations give the priority to stakeholders, previously considered as the secondary. Consequently, because of these two different mainstream approaches of the theorists and the scientists, acting on business interests, it remains unclear what stakeholders should be attributed to which groups considering their importance to organization.

Keywords: stakeholders, stakeholder importance, corporate reputation.

Introduction

The importance of scientific stakeholder analysis is unquestionable because of many scientists research in this area - the stakeholders do not lose their importance for many years. Proceedings of the first scientists are still talking points nowadays. Although the importance of stakeholders is sufficiently broad to analyze, there is a lack of detailed stakeholder analysis for corporate reputation.

Many researchers provide a relatively narrow view to corporate reputation as a result of interaction between stakeholders and organization. However (Roberts & Dowling, 2002; Helm, 2007; Puncheva, 2008; Omar, 2009; Siano et al., 2010; Peloza et al., 2012) treat corporate reputation as a result of interaction between stakeholders and organization. (Capriotti, 2009) states that corporate reputation depends on how stakeholders value the organization. Consequently, policy and decisions between the organization and stakeholders influence corporate reputation (Jones, 1995). Although the scientists state that the relationship between organization and stakeholders is mutually important in the context of benefit and harm or rights and obligations (Neville et al., 2005), it is also observed that stakeholders make greater impact on the organization than the organization can make on stakeholders. Furthermore, it was revealed that the importance of different stakeholders in different organizations is not equivalent. According to (Walker & Dyck, 2014), it is supposed that the importance of stakeholders is unequal because of the different stakeholders that are differently defined for their importance on the organization and its reputation.

Therefore, further analysis of the stakeholders, in consideration of their importance to corporate reputation is necessary.

With the reference to the aforementioned scientific approaches, it is useful to recognize the stakeholder concept and to substantiate the importance of stakeholders for corporate reputation. Therefore, the research problem is structured as a question, i.e. why and what stakeholders are important to organization for corporate reputation?

The research aims to substantiate the importance of stakeholders for corporate reputation.

The object of this research is the substantiation of stakeholder importance for corporate reputation.

The research methods involve systemic and comparative analysis of scientific literature and publications.

Stakeholder Concept

There have been found two terms in the scientific literature – stakeholders and stakeholder groups, however both concepts are used as synonyms. There will be used the term „stakeholders“ in this paper. Scientists have made a major contribution to the practical interpretation of this concept, but most scientists to this day still certainly support the first stakeholder definition of (Freeman, 1984) – “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984, p. 46). (Bryson, 2004) argues that stakeholders are usually defined by two opposite criterion: some scientists argue that stakeholders must have the power to directly affect the future of organization - if not, they could not be
considered as stakeholders. Another group of scientists argue that the stakeholders are formally powerless to affect the future of organization.

In order to bring clarity and to systematize the number of different stakeholder concepts (Mitchell et al., 1997) offer to group stakeholder concepts according to certain criteria:

1. Existing relationships between organization and stakeholders.

2. Power dependence - when organization is dependent on stakeholder and vice versa or mutual power dependence relationship.

3. Basis for legitimacy of relationship.

4. Stakeholder interests - legitimacy not implied.

According to these criteria, singled out by (Mitchell et al., 1997), there were proposed stakeholder definitions, frequently presented in the scientific literature (see 1 table).

**Stakeholder concept interpretations** (Freeman, 1984; Mitchell et al., 1997; Post et al., 2002; Leach, 2002; Bryson, 2004; Bailur, 2006; Dickinson – Delaporte et al., 2010; Florea & Florea, 2013)

<table>
<thead>
<tr>
<th>Year</th>
<th>Author</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>Thompson et al.*</td>
<td>&quot;Groups in relationship with an organization&quot;</td>
</tr>
<tr>
<td>1993</td>
<td>Brenner*</td>
<td>&quot;Having some legitimate, non-trivial relationship with an organization [such as] exchange transactions, action impacts, and moral responsibilities&quot;</td>
</tr>
<tr>
<td>1994</td>
<td>Freeman*</td>
<td>&quot;Participants in &quot;the human process of joint value creation&quot;&quot;</td>
</tr>
<tr>
<td>1994</td>
<td>Wicks et al.*</td>
<td>&quot;Interact with and give meaning and definition to the corporation&quot;</td>
</tr>
<tr>
<td>2008</td>
<td>Khatchto***</td>
<td>&quot;All the relevant publics or multiple markets with which any firm interacts&quot;</td>
</tr>
<tr>
<td>1984-2013</td>
<td>Freeman (1984), Mitchell et al. (1997), Bailur (2006), Florea &amp; Florea (2013)</td>
<td>&quot;Those groups without whose support the organization would cease to exist&quot;</td>
</tr>
<tr>
<td>1964</td>
<td>Rhenman*</td>
<td>&quot;Are depending on the firm in order to achieve their personal goals and on whom the firm is depending for its existence&quot;</td>
</tr>
<tr>
<td>1971</td>
<td>Ahlstedt &amp; Jahnukainen*</td>
<td>&quot;Driven by their own interests and goals are participants in a firm, and thus depending on it and whom for its sake the firm is depending&quot;</td>
</tr>
<tr>
<td>1983</td>
<td>Freeman &amp; Reed*</td>
<td>1) &quot;Individual or group who can affect the achievement of an organization's objectives or who is affected by the achievement of an organization's objectives&quot; 2) &quot;Groups on which the organization is dependent for its continued survival&quot;</td>
</tr>
<tr>
<td>1984</td>
<td>Freeman</td>
<td>&quot;Any group or individual who can affect or is affected by the achievement of the organization's objectives&quot;</td>
</tr>
<tr>
<td>1987</td>
<td>Freeman &amp; Gilbert*</td>
<td>&quot;Can affect or is affected by a business&quot;</td>
</tr>
<tr>
<td>1988</td>
<td>Bowie*</td>
<td>&quot;Without whose support the organization would cease to exist&quot;</td>
</tr>
<tr>
<td>1992</td>
<td>Nutt &amp; Backhoff**</td>
<td>&quot;All parties who will be affected by or will affect [the organization’s] strategy&quot;</td>
</tr>
<tr>
<td>1994</td>
<td>Langty*</td>
<td>&quot;The firm is significantly responsible for their well-being, or they hold a moral or legal claim on the firm&quot;</td>
</tr>
<tr>
<td>1994</td>
<td>Starik*</td>
<td>&quot;Are or might be influenced by, or are or potentially are influencers of, some organization&quot;</td>
</tr>
<tr>
<td>1995</td>
<td>Nasi*</td>
<td>&quot;Interact with the firm and thus make its operation possible&quot;</td>
</tr>
<tr>
<td>1995</td>
<td>Brenner*</td>
<td>&quot;Are or which could impact or be impacted by the firm/organization&quot;</td>
</tr>
<tr>
<td>1998</td>
<td>Eden &amp; Ackermann**</td>
<td>&quot;People or small groups with the power to respond to, negotiate with, and change the strategic future of the organization&quot;</td>
</tr>
<tr>
<td>2002</td>
<td>Johnson &amp; Scholes**</td>
<td>&quot;Those individuals or groups who depend on the organization to fulfill their own goals and on whom, in turn, the organization depends&quot;</td>
</tr>
<tr>
<td>2002</td>
<td>Post et al.</td>
<td>&quot;The stakeholders in a firm are individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and who are therefore its potential beneficiaries and/or risk bearers&quot;</td>
</tr>
<tr>
<td>2002</td>
<td>Leach</td>
<td>&quot;People whose personal or professional welfare depends substantially upon the outcomes of the partnership&quot;</td>
</tr>
<tr>
<td>2008</td>
<td>Roloff***</td>
<td>&quot;Any individual or group who can affect or be affected by the approach to the issue addressed by the network&quot;</td>
</tr>
<tr>
<td>2013</td>
<td>Florea &amp; Florea</td>
<td>&quot;Stakeholders are the persons, institutions, organizations, formal and non formal groups which are interested or can be affected or which could influence the company decisions or actions&quot;</td>
</tr>
</tbody>
</table>

**Basis for legitimacy of relationship**

1987 | Cornell & Shapiro* | "Claimants" who have "contracts" |
| 1988 | Evan & Freeman* | 1) "Have a stake in or claim on the firm" 2) "Benefit from or are harmed by, and whose rights are violated or respected by, corporate actions" |
| 1989 | Alkhafaji* | "Groups to whom the corporation is responsible" |
| 1990 | Freeman & Evan* | "Contract holders" |
| 1992 | Hill & Jones* | "Constituents who have a legitimate claim on the firm ... established through the existence of an exchange relationship" who supply "the firm with critical resources (contributions) and in exchange each expects its interests to be satisfied (by inducements)" |
| 1994 | Clarkson* | "Are placed at risk as a result of a firm's activities" |
| 1995 | Donaldson & Preston* | "Persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity" |
| 1995 | Bryson** | "Any person group or organization that can place a claim on the organization’s attention, resources, or output, or is affected by that output" |
| 1995 | Clarkson* | "Stakeholders are persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future" |

**Stakeholder interests – legitimacy not implied**

1989 | Carroll* | "Assets to have one or more of these kinds of stakes" - "ranging from an interest to a right (legal or moral) to ownership or legal title to the company's assets or property" |
| 1991 | Savage et al.* | "Have an interest in the actions of an organization and ... the ability to influence it" |
| 1993 | Carroll* | "Assets to have one or more of the kinds of stakes in business" |
| 1995 | Clarkson* | "Have, or claim, ownership, rights, or interests in a corporation and its activities" |

* cited in (Mitchell et al., 1997); ** cited in (Bryson, 2004); *** cited in Dickinson – Delaporte et al., 2010)
Despite the fact that there are many different definitions with similar meanings, an overview of different sources suggest that (Freeman’s, 1984) definition could be considered as one of the best, which concisely and accurately identifies the relationships between the organization and stakeholders, based on the power dependence. With reference to this scientist, the stakeholders could be treated as groups or individuals, who can influence or be influenced by the purposes of organization. Despite the mutual influence between the organization and stakeholders, it is proposed that stakeholders may have a greater impact on the organization because of a major power. According to this theoretical background, it can be summarized that stakeholders are very important to the organization and to corporate reputation. Therefore, the importance of stakeholders to the organization is presented in the next section.

The Importance of Stakeholders for Corporate Reputation

An integrated view to stakeholder importance. The analysis of the reasons for stakeholder importance to organizations revealed that it is profitable for organization to maintain relationships with stakeholders for one main source - resources which are necessary for organization. A review of (Post et al., 2002; Neville et al., 2005; Huang & Gardner 2007; Wolf, 2014) and the resource dependency theory enables to state that the relationship between stakeholders and organization are based on the dependency on certain resources, which are vital to organizations and their loss “may place its survival in jeopardy” (Neville et al., 2005, p. 1187).

The influence of stakeholders on organization comes through the use of power (Mitchell et al., 1997, Casciaro & Piskorski, 2005, Neville et al., 2005) or under pressure (Post et al., 2002). The power is treated as a privilege to control stakeholder resources (Post et al., 2002). The dependence on resources puts organization in a relatively weaker position in regard to stakeholders (Neville et al., 2005). In order to avoid this, the fundamental resource for organization is to reduce the dependency on resources, increasing the possibility to dispose of its own resources (Wolf, 2014). Although many scientists analyze the techniques in which the organization can reduce its dependence on the resources, it will not be widely discussed in this paper.

The importance of stakeholders to corporate reputation. Despite of the direct impact on the organization, stakeholders also have an indirect impact on the organization, i.e. on the ground of corporate reputation. The interrelationship between stakeholders and the organization is apparent – based on homogeneous definitions of corporate reputation. The analysis of the corporate reputation concept has revealed that corporate reputation is generally treated as a result of the interaction between stakeholders and the organization (Roberts & Dowling, 2002; Helm, 2007; Puncheva, 2008; Omar, 2009; Siano et al., 2010; Pelozza et al., 2012). Many scientists analysed the importance of stakeholders for corporate reputation on the ground of this interrelationship (Neville et al., 2005; Hillenbrand & Money, 2007; Gregory, 2007; Capriotti, 2009; Dickinson - Delaporte et al., 2010; Krstic, 2014; Walker & Dyck, 2014).

The insights of the aforementioned scientists suggest that the organization is able to secure not only a good organizational performance but also a high corporate reputation with respect to the relationships with stakeholders. (Neville et al., 2005) made an assumption that the stakeholders have an impact both on the financial performance and on corporate reputation when the organization is dependent on stakeholders. The stakeholders possess the resources that are necessary for the organization. (Krstic, 2014) argued that the interrelationship between stakeholders and the organization has not only a positive but also a negative expression in terms of profit, persistence, relationship and corporate reputation. There is a threat against corporate reputation when the relationships between stakeholders and the organization are one-sided, unsupported with responsibility, transparency and accountability. A collaboration between stakeholders and the organization enables the organization to reduce the reputational risk, to increase the availability of resources, to solve the arising problems, to achieve the organizational goals, to facilitate certain business processes and to improve the quality of products and services (Krstic, 2014). In order to secure a strong reputation, the organization must be able to engage in subtle relationships and to manage a feedback between the organization and stakeholders (Dickinson-Delaporte et al., 2010) on the ground of a two-way communication (Krstic, 2014). Long-term commitments between the organization and stakeholders can ensure the efficiency of a performance, even when a crisis strikes (Dickinson-Delaporte et al., 2010). (Hillenbrand & Money, 2007) agreed with (Jones, 1995) that the mutual trust between the organization and stakeholders is the ground for a long-term success. (Hillenbrand & Money, 2007) substantiated that a long-term business success depends on the responsible relationships between the organization and stakeholders. Responsibility in the relationships determines the future financial success, a sustainability and a high corporate reputation. These results are well compared to Capriotti (2009), who revealed that responsibility and transparency in the media have a positive impact on a stakeholder assessment of the organization. The author also argued that organizations that are appreciable by stakeholders, achieve a higher corporate reputation. (Dickinson-Delaporte et al., 2010) analyzed the impact of a brand communication on corporate reputation and found that stakeholders bracket together different product characteristics. Consequently, the organization must ensure the stakeholder solidarity to the brand. This can help to reduce the disjuncture between different stakeholders. A greater stakeholder identity with the brand and an estimation of the organization lead to a higher corporate reputation. (Gregory, 2007) performed a similar analysis. He analysed the development of the corporate brand and emphasized that in this process, either directly or indirectly, all stakeholders must be involved. (Gregory, 2007) argued that the corporate brand can not be chaotic or inconsistent with the stakeholder visions. The same principle can be applied to form the corporate
reputation. Many scientists agree that it is necessary to involve all stakeholders in the development of the corporate reputation. It is important because stakeholders can influence the corporate image, reputation and revenue - directly through decisions, boycotting, gentle revenge, income - taxes, and restriction of resources.

In consideration of the various scientists, it can be concluded that stakeholders have an indirect impact on corporate reputation – through the stakeholder relationship with the organization. In part, stakeholders unconsciously form corporate reputation. On the other hand, the organization must try to maintain the relationships, to satisfy the stakeholder expectations, to coordinate the performance and to consider the stakeholder interests. Organization also should be able to fulfil stakeholder requirements primarily due to the fact that the stakeholders, realizing that they do not receive a sufficient benefit from organization, can easily choose cooperation with another organization. Stakeholders can always find an alternative when there is a clash of interests (Neville et al., 2005).

A brief overview of the importance of different stakeholders for corporate reputation. The importance of interrelationship between the organization and stakeholders could not be treated unambiguously with regard to all stakeholders. According to Krstic (2014), some stakeholders often arise a higher reputational risk than the remaining. They are shareholders, customers, employees and non-governmental organizations. Furthermore, one of the stakeholders, which unconsciously involves in disruption (Krstic, 2014) or development of corporate reputation, is media (Capriotti, 2009) - the media contributes to forming public opinion about organization, from which the corporate reputation arises. The media can be considered as the riskiest and the most uncontrollable stakeholder group, which has the impact on corporate reputation. However, it can not be regarded as the most dangerous stakeholder. The scientists do not distinguish another dangerous stakeholder group - the lobbyists. According to (Walker & Dyck, 2014), who claimed that corporate reputation is perceived unequally by different stakeholders, it is supposed that the organization needs to take notice of those stakeholders who negatively perceive corporate reputation. It is presupposed that a negative perception have a negative impact both on a stakeholder behavior and corporate reputation.

It was observed that the recent scientists treat the stakeholders differently, according to the stakeholder importance to the organization. Nevertheless, scientists do not define which stakeholders should be considered as the most or the least important. However, it is necessary to review the stakeholder groups found in the scientific literature and to prioritize the stakeholders by their importance to the organization. The stakeholder grouping can help to reveal which stakeholders are the most important to the organization. Stakeholder groups are discussed in the next section.

Stakeholder Groups, Found in the Scientific Literature

Many scientists speak up for the necessity to identify and analyze the stakeholders for organizations. They argue that the effective relationship management between organization and stakeholders ensure the success to organization and the satisfaction to stakeholders (Bryson, 2004). However, the review of the scientific literature confirms that there is no single construct that allows the identification of stakeholders in general - the stakeholders vary, depending on the industry, organization, geographic situation and specific problem (Mitchell et al., 1997; Bailur, 2006; Gil-Lafuente & Paula, 2013). There is a widely usable stakeholder model of Donaldson & Preston (1995) in the scientific literature. It reflects that all stakeholders are equally important in the relationship with organization - neither of stakeholders is preeminent. Although this model includes the all key stakeholders - the investors, political groups, customers, the public, employees, trade associations, suppliers and the government, however, scientists propose more different stakeholders, which may be interested in the organization - there are critics, non-governmental organizations (Dickinson – Delaporte et al., 2010, Sontaitė, 2011, Gil-Lafuente & Paula, 2013), the media (Neville et al., 2005, Fiedler & Kirchgeorg, 2007, Dickinson-Delaporte et al., 2010, Sontaitė, 2011) business partners (Neville et al., 2005, Sontaitė, 2011, Florea & Florea, 2013), local community (Neville et al., 2005, Sontaitė, 2011, Gil-Lafuente & Paula, 2013, Florea & Florea, 2013) natural environment (Neville et al., 2005), the board of directors (Florea & Florea, 2013), owners, competitors, retailers, trade associations, government regulatory agencies, financial institutions, analysts / experts, interest groups (Sontaitė, 2011) and even terrorists (Freeman, 1984).

There are many stakeholder groups, but the most popular ones will be discussed, usually found in the scientific literature.

Internal and external groups. Internal stakeholders are more interested in financial activities of organization, they feel concern about profit, efficiency and financial return. External stakeholders are dependent on decisions and actions of organization or may influence them themselves. They are interested in value, quality, satisfaction, long-term relationships, ethical and moral actions of organization, financial support and so on (Florea & Florea, 2013). Despite the fact that the internal stakeholders are considered to be the leading, in some cases the external stakeholders can be the prior, therefore they can not be demoted (Bailur, 2006). Shareholders/owners, employees, managers, the board of directors are considered to be the internal, whereas customers, suppliers, business partners, community, the public, competitors, the government, special interest groups, retailers, trade associations, government regulatory agencies, financial institutions, analysts/experts, terrorists - the external (Freeman, 1984; Sontaitė, 2011; Florea & Florea, 2013).

Primary and secondary groups. (Freeman, 1984; Clarkson, 1995; Mitchell et al., 1997; Bailur, 2006; Sontaitė, 2011; Florea & Florea, 2013; Mishra & Mishra, 2013; Wolf, 2014) divide stakeholders into primary and secondary. The primary stakeholders are vital to the persistence of organization - their withdrawal can lead the organization to performance cessation (Clarkson, 1995; Bailur, 2006; Sontaitė, 2011; Mishra & Mishra, 2013). (Clarkson, 1995) argues that the secondary stakeholders are also important to organization in the context of their
relationship, but the persistence of organization does not depend on the secondary stakeholders. (Sontaite, 2011) identifies these primary stakeholders - consumers, suppliers, employees, owners, community, whereas the media, competitors, financial institutions, the government, public interest groups are the secondary stakeholders. (Florea & Florea, 2013) single out the third group - key stakeholders. They are defined as "people or organizations who might belong to either or neither of the first two groups" (Florea & Florea, 2013, p. 132). These stakeholders are important because of participation in the organization management and financing, during decision-making process and implementation. The key stakeholders are policy makers, officials, important professionals or community personalities who have a strong position or influence (Florea & Florea, 2013).

Normative, functional, diffused and customer groups. Dowling (1995) highlights the fact that organization does not have one corporate reputation. He offers to divide stakeholders into four groups, according to how homogenous is corporate reputation within groups. According to his suggestion, the stakeholders are divided into the following groups - normative, functional, diffused and customer’s. Stakeholders, which belong to a normative group, secure functioning of organization and establish the certain rules and norms - they involve the government, regulatory agencies, trade associations, professional societies, shareholders, the board of directors. Functional stakeholders are like mediators, which facilitate organization’s daily operations – they are employees, suppliers, unions, distributors, service providers. Diffuse stakeholders generally take an interest in the activity of organization only during the crisis of organization – they are journalists, community members, the special interest groups. The fourth group of stakeholders is customers - they secure welfare of organization and can be segmented according to the needs, involvement and experience. These four groups of stakeholders have a different approach to organization, so corporate reputation in a context of different groups can not be equivalent - each stakeholder group has an unequal perception of a corporate reputation. Therefore corporate reputation must be managed differently according to the interests of each stakeholder group.

Regulatory, organizational, community and media groups. Henriques & Sadorsky (1999) propose stakeholder groups, similar to previously discussed groups of Dowling, 1995). The regulatory group includes those stakeholders such as trade associations (limiting actions of the organization under the certain legislations), informal networks (important sources of information technology), competitors (who can become leaders in a certain technologies, which will eventually become the standard in the industry). This group may be equated as a normative group, singled out by (Dowling, 1995). The organizational group includes those stakeholders which may have a direct impact on organization - it is consumers, suppliers, employees and shareholders. The organization in a way is dependent on organizational stakeholder group. This group is similar to a functional group, distinguished by (Dowling, 1995), except that (Dowling, 1995) distinguishes consumers as a separate group. The community, with help of certain organizations, can unite against organizations’ activities and have a significant impact on the results of organization's performance. This stakeholder group may be closely associated with a group of media, because the media forms public opinion about organization, especially during the crisis of organization. Henriques & Sadorsky (1999) claim that public opinion about organization is formed through the influence of media.

Groups in order of power and interest. (Freeman, 1984) developed a strategic stakeholder matrix, based on a stakeholder distribution in the four groups under the influence of power and interest levels. The importance of each stakeholder to organization depends on where the stakeholders find themselves in the matrix field (Gregory, 2007) (see Figure 1). As stated by (Polonsky & Scott, 2005), the position of stakeholder in the matrix enables the organization to choose the most appropriate strategies for the relationship development with stakeholders (Gregory, 2007).

<table>
<thead>
<tr>
<th>POWER</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Low</td>
<td>Crowd (minimal effort)</td>
<td>Subjects (keep informed)</td>
</tr>
<tr>
<td>High</td>
<td>C</td>
<td>D</td>
</tr>
<tr>
<td></td>
<td>Context setters (keep satisfied)</td>
<td>Players</td>
</tr>
</tbody>
</table>

Figure1. Stakeholder grouping, according to the strategic stakeholder matrix (adapted by Bryson, 2004; Gregory, 2007)

Bryson, 2004) argues that the key players have a significant power and interest, subjects do not have the power but have a high interest. Context setters do not care about the organization, but these stakeholders have the high power on organization, while the crowd is the stakeholders, which have neither the interest nor the power. According to (Mitchell et al., 1997), the scientists often prove that in the reality almost every stakeholder may have the influence on the performance of organization, whereas it is possible to distinguish accurately the interested stakeholders from disinterested by grouping them under the power and interest.

A shadow stakeholder group. The review of the scientific literature showed that the discussed stakeholder groups do not describe all stakeholders of the organization. There were found some stakeholders that act indirectly and can not be considered as partners of the organization. (Hine & Preuss, 2009) attributed them to the secondary stakeholder group, but in our opinion, this group can not be equated or identified with the secondary stakeholder group that was proposed by (Freeman 1984; Clarkson, 1995; Mitchell et al., 1997; Bailur, 2006; Sontaite, 2011; Florea & Florea, 2013; Mishra & Mishra, 2013; Wolf, 2014). Stoney & Winstanley (2001) argued that it is the tertiary stakeholder group. (Campos & Giovannoni, 2007) compare this stakeholder group with lobbyists, who have the access to political structures (de Figueiredo & Richter, 2014) and the performance of this group is equivalent to corruption. We suggest to entitle this group as a „shadow“
stakeholder group. In principle, this stakeholder group functions as a normative regulator and is associated with political impact on the organization. On the other hand, it functions illegally and is not directly related to the organization or its survival (Hine & Preuss, 2009). Therefore, we put a proposal that the shadow stakeholder group is related more to the industry, than to a particular organization. As (Hine & Preuss, 2009) stated, it is the group that may keep down the organization. (Campos & Giovannoni, 2007) submitted that the shadow stakeholders generally act in transit, politically unstable and corrupt countries. Whereas de (Figueiredo & Richter, 2014) stated, that the government and social groups can be attributed to the shadow stakeholder group. They are interested in the enactment of particular laws that affect particular industries. Organizations can suspend the performance and suffer losses in the case of a new lobbying organizations, which get the opportunity to line their own pockets. The experience of many countries has shown that the establishment of new organizations is the secondary (shadow) activity of persons who are interested in lobbying.

It can be stated that there are predominantly four leading stakeholder groups – shareholders, employees, suppliers and customers. The analysis of their importance to the organization has revealed that shareholders and employees usually belong to the same group of stakeholders. Whereas suppliers and customers rarely belong together to the particular group of stakeholders. The analysis of stakeholder grouping initiated that while grouping stakeholders in accordance with their importance to the organization, it is worth to divide them into primary and secondary. Allocating the stakeholders to the primary and secondary groups unconsciously leads to the conclusion that primary stakeholders take the first, i.e. the most important place with regard to secondary stakeholders.

**Discussion**

The stakeholder distribution has raised some doubts. Scientists often attribute shareholders, employees, suppliers and customers to the primary stakeholder group. However, it was observed that the scientists do not subsume shareholders and employees to the same stakeholder group with suppliers and customers.

The analysis of a stakeholder grouping revealed the other important question – it was observed that the scientists, acting on business interests, criticize the aforementioned stakeholder grouping. They argue that even these stakeholders who find themselves in the same stakeholder group have unequal importance to the organization. (Vilanova 2007; Kaler, 2009; de Bussy & Suprawan, 2012) stated that employees and shareholders were attributed to the same stakeholder group for a long time. However, the shareholders take up a higher position than the employees. (Stieb, 2009) noticed that the interests of the shareholders should not often be the leading. He queries whether it is possible to rely on the theory in a real business. Therefore, the following assumption is made that the stakeholder grouping is ambiguous – based on the stakeholder theory, which is difficult to adapt in a real business.

(Kaler, 2009; Tullberg, 2013) criticized stakeholder grouping. They argued that the scientists often distinguish only a few key stakeholders and group them into two categories – the primary and the secondary stakeholders. (Kaler, 2009) provided a broader view on stakeholders and on their grouping. He argued that the interests of the secondary stakeholders must be equated with the interests of the primary stakeholders. From the business prospect, stakeholders are often grouped depending on the financial value to the organization (Tullberg, 2013). For this reason, the scientists treat shareholders and employees as key stakeholders of the organization. The insights in this area enable to state that the scientists do not consider a context in which the organization acts. It is important to consider the sector in which the organization operates, what the product is and who the final consumer is. For instance, the shareholders may actually be considered as the most important stakeholders in the financial sector, while the consumers take up a leading position in the service sector. Paradoxically, in the scientific literature the consumers are treated as less important to the organization.

(Parent & Deephouse, 2007) conducted a research in France, and (Boesso & Kumar, 2009) conducted a research in Italy and America to identify the criteria of a stakeholder priority in public organizations. These researchers have found that the main criterion is power. The second criterion is the legitimacy of stakeholders who have a privilege to regulate the performance of the organization. Meanwhile, the urgency of stakeholders was not very important. However (Vazques-Brust et al., 2010) research in Argentina and (Siriwardhane & Taylor, 2014) research in Australia revealed that the urgency and the legitimacy of stakeholders are more important criteria than the stakeholder power. If we eliminate the influence of the cross-cultural differences, it can be concluded that in business the stakeholders are often divided into the primary and the secondary according to their importance to the organization. However, the scientists acting on business interests got different results, comparing with the situation 5–7 years ago. Nowadays the organizations give the priority to stakeholders, previously considered as the secondary. Generally and particularly, the organizations reduce the gap between different stakeholders according to their importance to the organization.

To summarize the stakeholder grouping and its importance, it should be first emphasized that the stakeholder grouping is one of the most important and decisive factors, which determines not only the performance of organization, but also its reputation. Although scientists propose the different methods of stakeholder grouping, it is true to say that all of them are in some sense based on a stakeholder grouping according to stakeholder importance to organization. The stakeholders are mostly divided into the primary and the secondary groups. However, the scientists acting on business interests observed that the stakeholders that are attributed to a particular group by the practitioners differ from those stakeholders that are attributed to the same group by the theorists. The situation in business shows that the primary stakeholders begin to take the secondary position according to their importance to the organization. This regrouping demonstrates a decreasing gap between the
importance of the primary and the secondary stakeholders to the organization.

Conclusions

The stakeholder concept is widely discussed in the scientific literature, however, many scientists support the definition of (Freeman, 1984). This definition expresses the relation between the organization and stakeholders, which is based on the addiction of power. Despite the mutual influence between the organization and stakeholders, it is proposed that stakeholders may have a greater impact on the organization because of a major power. With regard to this scientific viewpoint, it is stated that stakeholders are important for the organization because of the necessary resources and the impact on corporate reputation.

The stakeholders are important to the organization for one main source - resources which are necessary for organization. Despite involving themselves in the activities of the organization, stakeholders can not only control the stability of organization, but also to form corporate reputation - directly through decisions, boycotting, gentle revenge, income - taxes, restriction of the resource. The insights in this area enable to state that the stakeholders have the impact on corporate reputation on the ground of the interrelationship between the organization and stakeholders. However, the importance of interrelationship between the organization and stakeholders could not be treated unambiguously with regard to all stakeholders. In summary, it could be stated that some stakeholders, such as shareholders, customers, employees, non-governmental organizations, the media, lobbyists, arise a higher reputational risk than remaining. Nevertheless, scientists do not define which stakeholders should be considered as the most or the least important. Stakeholder grouping is considered to be a way to reveal their importance to the organization.

There is no unified construct, defining stakeholders, common to all organizations. It could be stated that there are predominantly four leading stakeholder groups – the shareholders, employees, suppliers and customers. It was found that stakeholders can be divided into internal and external; primary and secondary; normative, functional, diffused and customers; regulatory, organizational, community and media; groups in order of power and interest. The analysis of the scientific literature enabled us to highlight a new stakeholder group, which we call a shadow group due to its illegal impact on the organization or industry. The analysis of stakeholder grouping initiated that while grouping stakeholders in accordance with their importance to the organization, it is worth to divide them into primary and secondary. Allocating the stakeholders to the primary and secondary groups unconsciously leads to the conclusion that primary stakeholders take the first, i.e. the most important place with regard to secondary stakeholders.

The analysis of stakeholder grouping has revealed another important question – it was observed that the scientists, acting on business interests, criticize the aforementioned stakeholder grouping. They propose that even these stakeholders who find themselves in the same stakeholder group have unequal importance. The results of many studies have raised some doubts in attributing the stakeholders to the particular groups. The scientists acting on business interests got different results comparing with the situation 5–7 years ago. Nowadays the organizations give the priority to stakeholders, previously considered as the secondary. Consequently, because of these two different mainstream approaches of the theorists and the scientists, acting on business interests, it remains unclear what stakeholders should be attributed to which groups considering their importance to organization.

Future Research

There are two different mainstream approaches of the theorists and the scientists, acting on business interests found in this study. The theorists offer to divide stakeholders into primary and secondary considering their importance to organization. The scientists acting on business interests prove that the priority of the primary and the secondary stakeholders to the organization changes recognizably. The main issue is to find out which approach to the stakeholder grouping is fundamental. Future research could shed further light on the issues discussed in this paper, using not only a method of a quantitative empirical research, but also a qualitative research to detect why the stakeholder grouping in business differs from that in theory.

References

Migle Matuleviciene, Jurgita Stravinskiene. The Importance of Stakeholders for Corporate Reputation


The article has been reviewed.

Received in April, 2014; accepted in January, 2015.