

Stakeholder Engagement and Management for Sustainable Business Practices

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Abstract—Effective stakeholder engagement and management are essential for the success of modern organizations. Identifying and prioritizing stakeholders lays the groundwork for tailored communication and engagement strategies. This chapter emphasizes the importance of understanding stakeholder dynamics and presents frameworks and case examples illustrating successful engagement, particularly in sustainable business practices. It also highlights challenges in stakeholder management ranging from diverse stakeholder interests, communication and cultural barriers to power dynamics. Addressing these challenges is essential for organizations aiming to implement sustainable practices and strengthen community relations. As organizations increasingly recognize the importance of stakeholder relationships, ongoing research and practice in this domain will be crucial for fostering sustainable business practices and positive community relations.

Keywords— Sustainability, Stakeholder engagement, Triple Bottom Line, Impact Reporting, Stakeholder Dynamics

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Stakeholder Engagement and Management for Sustainable Business Practices

“It’s just one straw, said 8 billion people”

4.1 Introduction

In the contemporary business landscape, the principles of sustainability have become crucial for organizations seeking long-term success. Stakeholder engagement and management is particularly crucial in the context of sustainability. This is because when our stakeholders care about an issue, they can and will help to bring about a change in that issue. Hence engaging with stakeholders is the best way to find sustainable solutions to business practices. With the growing complexity of business environments and the necessity for sustainable practices, understanding how to effectively identify, prioritize and engage stakeholders is paramount (Freeman, 1984). Effective engagement strategies can facilitate stronger relationships, enhance project outcomes, and mitigate risks associated with stakeholder discontent. This essay explores the processes of identifying and prioritizing stakeholders, as well as the communication and engagement strategies with stakeholders within the Triple Bottom Line (TBL) framework. The chapter also showcases case examples of companies that have successfully integrated stakeholder management into their sustainable business practices. These examples illustrate how effective engagement fosters collaboration and drives positive environmental and social outcomes. The complexities of measuring stakeholder engagement are also highlighted

underscoring the need for nuanced strategies in stakeholder management to support sustainable initiatives. Through the lens of the TBL framework, the chapter emphasizes the interconnectedness of people, planet, and profit, providing a comprehensive approach to achieving sustainable business practices (Elkington, 1998).

4.2 Theoretical Framework: The Triple Bottom Line

The TBL framework, introduced by John Elkington in 1998, posits that businesses should expand their focus beyond traditional financial metrics to include social and environmental dimensions (Elkington, 1998). This approach encourages organizations to measure their success through three interconnected pillars:

- a) **People (Social Responsibility):** This dimension emphasizes the importance of social equity, community engagement, and stakeholder welfare. Businesses are encouraged to consider the social impacts of their operations and contribute positively to the communities in which they operate.
- b) **Planet (Environmental Stewardship):** This aspect focuses on the ecological consequences of business activities. Organizations are urged to minimize their environmental footprint through sustainable practices, resource conservation, and adherence to environmental regulations.
- c) **Profit (Economic Viability):** While economic performance remains a critical measure of success, the TBL framework advocates for profitability that is achieved through ethical and sustainable means. This involves fair labor practices, responsible supply chain management, and reinvestment in community development.

The TBL framework posits that achieving a balance among these three dimensions is essential for sustainable business practices and long-term success (Dyllick & Hockerts, 2002).

4.3 Identifying and Prioritizing Stakeholders

“Since sustainable development requires moving towards a sustainable economy, involving entire systems is necessary to implement a significant change in the scope of the business” (Bocken et al., 2014)

Effective stakeholder engagement is crucial for implementing the TBL approach. It involves identifying stakeholders, understanding their needs and expectations, and incorporating their feedback into decision-making processes. According to Freeman (1984), stakeholders are those who can affect or are affected by an organization’s actions. Therefore, stakeholder management encompasses recognizing relevant stakeholders, prioritizing their interests, and developing strategies for meaningful engagement.

4.3.1 Identifying Stakeholders

Identifying stakeholders is the first step in effective engagement. Stakeholders can include employees, customers, suppliers, local communities, non-governmental organizations (NGOs), government entities, and investors. The identification process should consider both primary stakeholders—those with direct economic ties to the organization—and secondary stakeholders—those who may influence or be influenced by the organization but do not have direct economic stakes (Freeman, 1984).

4.3.2 Prioritizing Stakeholders

Once stakeholders are identified, organizations must prioritize them based on their influence and interest in the project or initiative. The Salience Model, developed by Mitchell, Agle, and Wood in 1997, offers a nuanced framework for understanding and prioritizing stakeholders in organizational contexts. This model is particularly valuable for managers and decision-makers, as it helps them identify which stakeholders deserve the most attention based on their attributes and the power dynamics at play. The Model provides a framework for prioritizing stakeholders based on their power, legitimacy, and urgency.

- a) **Power:** refers to the ability of a stakeholder to influence the organization, whether through economic means, legal authority, or social influence.

- b) **Legitimacy:** relates to the perceived validity of a stakeholder's claims or interests, which can be shaped by social norms, laws, or ethical considerations.
- c) **Urgency:** denotes the degree to which stakeholder claims require immediate attention, often influenced by time sensitivity or the critical nature of their interests.

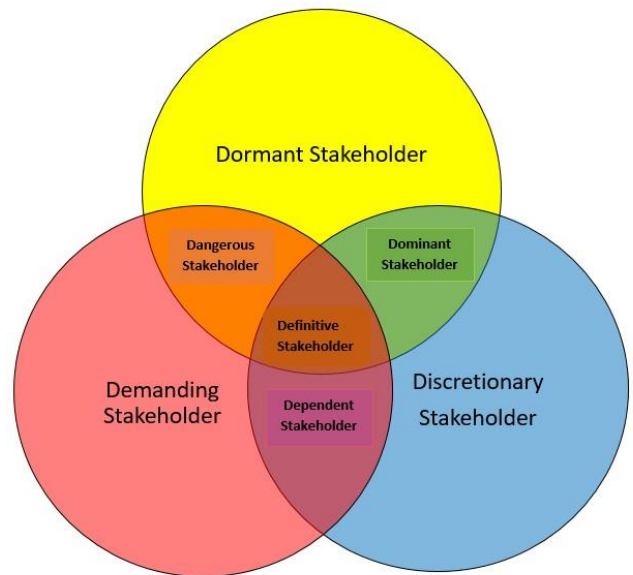
These three attributes intersect to form seven stakeholder categories, ranging from definitive stakeholders—who possess all three attributes—to dormant stakeholders, who have power but lack legitimacy and urgency.

The Salience Model classifies stakeholders into the following categories:

- **Definitive Stakeholders:** High power, legitimacy, and urgency. Engage them as a priority.
- **Dominant Stakeholders:** High power and legitimacy; lower urgency. Keep them informed and involved.
- **Dangerous Stakeholders:** High power and urgency but low legitimacy. Monitor closely and address concerns proactively.
- **Dependent Stakeholders:** High legitimacy and urgency but low power. Support and empower them.
- **Dormant Stakeholders:** High power but low legitimacy and urgency. Engage when needed.
- **Discretionary Stakeholders:** High legitimacy but low power and urgency. Engage selectively.
- **Demanding Stakeholders:** High urgency but low power and legitimacy. Acknowledge their concerns.

The Model emphasizes that stakeholder prioritization is not static; it can change over time as the attributes of stakeholders shift. For instance, a previously dormant stakeholder may become urgent due to emerging social movements or changes

in public sentiment, necessitating a reassessment of their status. This dynamic nature underscores the importance of continuous stakeholder analysis in effective management. Moreover, the model encourages organizations to adopt a more holistic view of stakeholder relationships. By understanding the interplay between power, legitimacy, and urgency, decision-makers can better navigate complex social landscapes, manage conflicts, and foster collaboration among diverse stakeholder groups.



4.4 Unilever's Sustainable Living Plan

Unilever exemplifies the effective application of stakeholder engagement within the TBL framework through its Sustainable Living Plan, which aims to decouple growth from environmental impact while increasing positive social impact (Unilever, 2021). The company identifies stakeholders, including consumers, suppliers, NGOs, and local communities, and prioritizes their interests by integrating their feedback into product development and corporate strategies.

4.4.1 Health and Well-Being Unilever aims to promote healthier diets and hygiene practices. The company has committed to making its products more nutritious and accessible, reformulating products to reduce sugar, salt, and fat content.

4.4.2 Environmental Impact: Unilever has also made significant commitments to sourcing 100% of its agricultural raw materials sustainably, including palm oil, tea, and paper. It aims to halve the environmental footprint of its products across their lifecycle starting from reducing greenhouse gas emissions, water use, and waste in production processes. It has also committed to ensuring that all of its plastic packaging is recyclable, reusable, or compostable by 2025

Unilever's partnership with local farmers in India to promote sustainable agricultural practices demonstrates its commitment to social responsibility and environmental stewardship. By engaging these stakeholders, Unilever not only enhances its supply chain sustainability but also improves the livelihoods of farmers, thereby addressing the social dimension of the TBL.

4.5 Effective Communication Strategies

Effective communication is vital for successful stakeholder engagement. It fosters transparency, trust, and collaboration, which are essential for achieving sustainable business outcomes (Roulston, 2011).

4.5.1 Face to face and Social Media

Personal interactions, such as community meetings and workshops, allow organizations to gather direct feedback from stakeholders and build relationships. Online platforms, including social media and company websites help to reach a broader audience, disseminate information, and engage stakeholders in real time.

4.5.2 Transparent Reporting

Regular sustainability reports provide stakeholders with insights into an organization's performance regarding TBL metrics, fostering accountability and trust (Global Reporting Initiative, 2016). In addition, companies should publish comprehensive sustainability reports that outline progress, challenges, and future plans and make these reports accessible to all stakeholders.

4.5.3 Feedback

Creating mechanisms for stakeholders to voice their opinions, concerns, and suggestions through surveys, focus groups, and town hall meetings helps to facilitate feedback and continuous improvement.

4.5.4 Collaborative Initiatives

Collaborating with stakeholders on sustainability projects that align with mutual interests, such as community development or environmental conservation help in increasing stakeholder engagement. Organizing workshops where stakeholders can collaboratively develop solutions to sustainability challenges is another way of fostering ownership and engagement.

4.5.5 Education and Awareness

Offering educational programs to inform stakeholders about sustainability issues and the company's initiatives and running campaigns to raise awareness about sustainability goals can help increase stakeholder awareness on how they can make a more effective contribution towards sustainable practices.

4.5.6 Recognize and Celebrate Contributions

Publicly recognize stakeholders who contribute to sustainability efforts through awards, shout-outs, or success stories can go a long way in improving stakeholder engagement.

4.5.7 Measure and Adapt

Regularly assessing the effectiveness of engagement strategies through surveys, metrics, and stakeholder feedback and adjusting engagement approaches based on evaluation results can improve stakeholder dynamics. The evaluation metrics should cover the Triple Bottom Line measuring social, environmental and economic impact.

a) Social Metrics

Employee Satisfaction Surveys designed to measure employee satisfaction and engagement levels can help organizations understand their workforce's needs and align corporate practices with employee expectations. Evaluating the social

impact of business operations on local communities through Community Impact Assessments can also help identify areas for improvement and strengthen relationships.

b) Environmental Metrics

Assessing greenhouse gas emissions through Carbon Footprint Analysis, tracking the sourcing of raw materials and use of natural resources, such as water and raw materials, enables organizations to implement more sustainable practices and minimize waste.

c) Economic Metrics

Analyzing financial metrics, such as return on investment (ROI) and profitability, helps organizations assess the economic viability of their sustainable initiatives. Evaluating the sustainability practices of suppliers and assessing their compliance with ethical and environmental standards can also strengthen an organization's overall sustainability profile.

4.6. Patagonia's Transparency Initiatives

Patagonia, an outdoor apparel company, is renowned for its commitment to environmental stewardship and social responsibility. The company employs various communication strategies to engage stakeholders effectively. For instance, Patagonia's "Footprint Chronicles" provides detailed information about the environmental and social impact of its products, enabling consumers to make informed choices (Patagonia, 2021). This transparency not only strengthens customer loyalty but also aligns with the environmental dimension of the TBL.

Patagonia is widely recognized for its commitment to transparency in its business practices, particularly regarding sustainability and corporate social responsibility. Here are some key aspects of Patagonia's transparency initiatives:

- **Open Disclosure:** Patagonia publicly shares information about its supply chain, including the sources of materials and the locations of factories. It provides detailed information about the materials

used in its products, including whether they are organic, recycled, or sustainably sourced. This empowers consumers to make informed purchasing decisions.

- **Environmental and Social Impact Reporting:** The company publishes comprehensive sustainability reports that outline its environmental impact, including data on carbon emissions, water usage, and waste management. These reports detail progress toward sustainability goals and highlight areas for improvement. Third-party auditors verify its sustainability claims and practices, further enhancing the reliability of its reports. Further, Patagonia is a certified B Corporation, which requires the company to meet high standards of social and environmental performance, accountability, and transparency.
- **Effective and Transparent Communication:** Patagonia actively engages with stakeholders, including customers, employees, and environmental organizations, to gather feedback and share insights about sustainability practices. Patagonia's campaigns, such as "The President Stole Your Land," demonstrate its commitment to environmental justice and transparency regarding its political activities.
- **Worn Wear Program:** Through its Worn Wear initiative, Patagonia encourages customers to repair and recycle their clothing. The program highlights the brand's commitment to sustainability and reduces waste in the fashion industry.
- **Footprint Chronicles:** The company has an interactive online tool called the Footprint Chronicles, which provides detailed insights into the environmental and social impact of their products. Customers can see the entire lifecycle of an item, from raw materials to manufacturing.

4.7 Challenges and Complexities

While stakeholder engagement is essential to sustainable business practices, it involves a number of challenges and complexities. Identifying all relevant stakeholders, particularly

in complex projects with multiple layers of influence, can be difficult. Different stakeholders often have conflicting interests and priorities. For instance, investors may prioritize financial returns, while community groups focus on environmental impacts. Finding common ground among diverse stakeholder groups can be challenging. Additionally, the varying interests and power dynamics among stakeholders may complicate the engagement process.

4.7.1 Challenges in Communication

Technical jargon or industry-specific language can alienate stakeholders who lack expertise in those areas, hindering effective communication. This can be barrier in effective communication and prioritization with stakeholders. Communicating effectively and clearly in a crisis goes a long way in stakeholder engagement. Crisis communication scholars emphasize strong leadership, a prospective outlook, and a willingness to tenaciously embrace values of corporate social responsibility play a key role in determining how an organization emerges from a crisis.

The 2010 BP oil spill serves as a poignant example of the consequences of inadequate stakeholder engagement. Following the disaster, BP faced immense criticism for its failure to communicate effectively with affected communities, environmental organizations, and government agencies. The ambiguous communication underestimating the volume of the spill, the gaffes and outright denials created an image of incompetence, apathy and callousness about the company. (Sellnow,2017) The company's inability to engage stakeholders in a meaningful manner contributed to widespread public distrust and damaged its reputation. This case underscores the importance of proactive stakeholder engagement and the need to prioritize transparency and communication in crisis situations.

4.7.2 Resource Complexities

Engaging stakeholders effectively often requires significant time and financial resources, which may be limited, particularly for smaller organizations. There are also various instances of larger organizations which have been accused of

engaging in improper practices to financial returns at the cost of environmental returns.

Nestlé has faced backlash over its water extraction practices, particularly in areas experiencing water scarcity. It is alleged that Nestlé's extraction of groundwater for bottled water depletes local aquifers, especially in drought-prone areas. (Perkins,2019)

Coca-Cola has faced scrutiny over its engagement with stakeholders regarding health issues related to sugar consumption and environmental impacts from plastic waste. Critics argue that the company has not fully acknowledged these issues or effectively involved relevant stakeholders in meaningful dialogue. The company has recently said it will aim for 25% of its packaging globally to be reusable by 2030. (Russ,2022)

4.7.3 Changing Stakeholder Dynamics

Stakeholder priorities and concerns can change over time due to external factors like market trends, regulatory shifts, or social movements, requiring organizations to adapt their engagement strategies continually. New stakeholders may emerge, such as activist groups or community organizations, requiring organizations to broaden their engagement efforts. Of late, there has been a lot of focus on the working conditions and treatment of employees at the workplace. Employees, who were seen as discretionary stakeholders (high legitimacy, but low power and urgency) are now moving demanding more power and urgency.

Walmart has been criticized for its poor treatment of workers and its engagement with labor organizations. Reports of inadequate dialogue with employees and local communities about labor conditions and wages have sparked protests and campaigns against the company, highlighting perceived failures in addressing stakeholder concerns. (United Nations Human Rights,2023).

The retail giant, Amazon, has also been criticized of poor working conditions and inhuman treatment of its workers. A group known as The FACE (Former and Current Employees) of Amazon has used social media to bring Amazon's poor working conditions to light. In a recent survey of Amazon

India's employees by UNI Global Union in partnership with the Amazon India Workers Association (AIWA), workers complained of unsafe working conditions, inadequate restroom breaks, low wages, inadequate leave, lack of respect and being on their feet for more than 10 hours.(Anand,2024)

4.7.4 Resistance to Change

Organizations may face resistance internally when trying to implement stakeholder feedback or change existing practices. Stakeholders may be sceptical about the organization's motives, particularly if there is a precedent of inadequate engagement or broken promises.

4.7.5 Measuring Impact

Assessing the effectiveness of stakeholder engagement initiatives can be challenging, as outcomes are often qualitative and difficult to measure.

4.7.6 Inadequate laws

In today's rapidly evolving technological landscape, consumer and data protection laws often struggle to keep pace with the speed of change. Facebook has encountered significant criticism for how it has engaged with users regarding privacy and data usage. Users often find it difficult to understand what data is being collected, how it is used, and with whom it is shared. This lack of transparency undermines users' ability to make informed decisions about their privacy. Incidents like the Cambridge Analytica scandal, where millions of users' data were improperly accessed and used for political advertising, highlighted severe weaknesses in Facebook's data governance and user engagement. This breach significantly damaged public trust and raised questions about Facebook's commitment to user privacy. (Confessore,2018)

4.7.7 Profit over Purpose

Critics of stakeholder engagement in sustainable business practices often argue that such efforts are more about creating a positive perception rather than fostering genuine, meaningful interaction. Organizations provide inadequate or misleading information and attempt to maintain a positive image in eyes of their stakeholders while they continue engaging in activities

that prioritize short-term financial performance over long-term sustainability goals. Many organizations engage in what can be described as "tokenistic" practices, where they superficially involve stakeholders without genuinely integrating their input into decision-making.

Volkswagen's "Dieselgate" scandal is another stark reminder of companies misleading stakeholders. The company provided wrong information about the environmental performance of its diesel vehicles by falsely marketing these cars as low-emission. When the truth came out, it led to significant public backlash and legal repercussions. The scandal highlighted a failure to engage transparently with stakeholders, particularly consumers and regulatory bodies.(Valentini & Kruckeberg,2018)

Many organizations face accusations of greenwashing—promoting environmentally friendly initiatives while continuing unsustainable practices behind the scenes. H&M has faced accusations of greenwashing and providing misleading claims about environmental practices. H&M promotes its "Conscious" collection, claiming it uses more sustainable materials. Critics argue that these initiatives are often minimal compared to the overall scale of their production and fast-fashion model. The brand's rapid production cycles contribute to waste and environmental harm and encourage high consumption and disposal rates raising questions about the sincerity of its sustainability claims. While H&M publishes reports on sustainability efforts, critics say the information is often vague or lacks accountability. H&M was using a scorecard system to inform customers about the environmental soundness of each product. The scorecards were created based on the Higg Material Sustainability Index (MSI) by the Sustainable Apparel Coalition (SAC). A report by Quartz showed the scorecards portrayed products as being more sustainable than they actually were and some of the scores were a complete contrast to the truth. (Stern,2023)

As Lee Peterson, EVP of thought leadership, marketing at WD Partners remarked, "Saying you're 'green' is a little like saying you're a 'cool' brand."

4.8 Conclusion

In conclusion, achieving sustainability through effective stakeholder management hinges on a multifaceted approach that incorporates ongoing research, proactive engagement practices, and robust legal frameworks. By prioritizing stakeholder involvement, organizations can foster collaborative relationships that drive innovative solutions and promote shared accountability. The implementation of adequate laws ensures a clear regulatory environment, while objective metrics for measurement allow for transparent assessment of progress and outcomes. Furthermore, establishing stringent punishments and hefty penalties for misinformation and non-compliance will deter unethical practices and reinforce the commitment to sustainable practices. Together, these elements create a comprehensive strategy that not only addresses immediate challenges but also fosters a culture of integrity and responsibility, ultimately contributing to a more sustainable future for all stakeholders involved.

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