

A Critical Review of the Underlying Dynamics Between Stakeholder Value Addition and Organisational Strategies

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Abstract

This paper critically examines how stakeholder value addition influences organisational strategies, highlighting key strategic outcomes affected by various stakeholder engagements. Utilizing a theoretical framework that integrates the Stakeholder Theory with the Strategic Management Model, the study systematically explores the reciprocity between stakeholders' expectations and organisational policy-making. Through a qualitative analysis of case studies across diverse sectors, the research illuminates the processes through which stakeholder interests are prioritized and integrated into the strategic objectives of organizations. The findings underscore the importance of aligning stakeholder management with core business strategies to foster sustainable growth and competitive advantage. Additionally, this review identifies potential pitfalls and best practices in stakeholder engagement, providing insights into how effective stakeholder integration can drive strategic innovation and enhance organisational resilience. This synthesis of stakeholder-related strategic dynamics offers significant contributions to both academic literature and practical management approaches, advocating for a more inclusive understanding of stakeholder impacts on organizational success.

Keywords

Stakeholder Engagement, Organizational Strategy, Value Creation, Competitive Advantage, Strategic Alignment

1. Introduction

In the business environment, significant emphasis has been placed on the promotion of sustainable competitive advantage through greater emphasis on stakeholder management practices. Porter (2008) acknowledged that for organisations to achieve greatest financial growth, emphasis is placed on greater promotion of sustainable competitive advantage through greater emphasis on three key drivers; cost advantage, differentiation, and focus. The relevance of sustainable competitive advantage in a highly competitive business environment has formed a key component of modern business strategies. First, greater emphasis has been placed on advancement of sustainable competitive advantage strategies beyond shareholders to greater inclusion of broad stakeholders. On the other hand, emphasis has been placed on evaluating the relevance of stakeholder management in supporting broader financial performance of these businesses.

In a highly globalized business environment, emphasis is placed on understanding existing dynamics between business strategies that support greatest stakeholder value and overall advancement of sustainable competitive advantage. This critical review paper seeks to explore underlying dynamics between stakeholder

value and organisational strategies. Predominantly, this critical review seeks to explore three key literatures that evaluates the alignment between stakeholder management and organisational strategies. In supporting this research, three literatures were identified and critically reviewed to inform overall research focus. Later a discussion of key findings and recommendations were presented.

2. Critical Review: Emphasis on Prevailing Literature

2.1 Literature One: When does it (Not) Pay to be Good? Interplay between Stakeholder and Competitive Strategies (He & Chittoor, 2022)

2.1.1 Overview

The role of stakeholder management in promoting significant competitive advantage among organisations has attracted growing attention. One key inference is presented by He and Chittoor (2022) where their research integrates stakeholder theory in examining the role of competitive strategies in influencing link between stakeholder management (SM) and firm financial performance. This article therefore seeks to develop a framework that evidenced the synergistic effects of differentiation strategies on SM and the potential trade-offs between cost leadership strategy and SM (He & Chittoor, 2022). In achieving this research inferences, the study embarks on evaluating three key hypothesis. Hypothesis one seeks to explore the assertion that differentiation-based competitive advantage has a positive influence on the relationship between SM and Firm financial performance. The second hypothesis explores whether low-cost-based competitive advantage has a negative influence on the relationship between SM and Firm financial performance. The third hypothesis seeks to explore whether firms pursuing differentiation advantage have a positive firm financial performance for both primary and secondary SM (He & Chittoor, 2022).

2.1.2 Methodology Adopted

The research adopted data developed from Thomson Reuters Eikon Database which seeks to integrate over 400 ESG metrics. The database offered over 5,032 firm-year observations over a 15-year period (He & Chittoor, 2022). This sample offered an integral population representation which marked to greatly support their analysis. Roy and Acharya (2016) explain that in supporting effective representation, emphasis must be placed on a sample size that accounts for nearly 10% of the population. The research also dictated the dependent variable as firm financial performance while the independent variable was stakeholder management; cost leadership, and differentiation. During analysis, the study made use of the fixed-effects panel regression procedures (He & Chittoor, 2022). The relevance of this regression approach allows for the integration of cross-sectional and time series data while ensuring panel estimation procedures that support for unobserved heterogeneity control.

2.1.3 Results

The results developed from the research indicated that generic competitive strategies and stakeholder's heterogeneity plays a keen role in determining when Stakeholder management strategies drive higher financial performance and when they do not. He and Chittoor (2022) explain that differentiation advantage and Stakeholder management strategies played a unique role in supporting firm performance. In essence this inference is greatly evidenced by diverse key research inferences. Haque et al. (2021) for instance explained that effective differentiation strategies pose a significant role in promoting product flexibility, compatibility, reduced costs, and improved services. As a result, the emphasis on differentiation advantage strategies focused on promoting greater value for differing stakeholders may result in increased performance. Irrespective, it is imperative to consider and emphasize the identification of these stakeholders. This research irrespective of their depth and breadth fails to identify stakeholder focus.

The second key research interests emphasized was the need to establish whether stakeholder management and financial performance is impacted for cost leaders. The research results indicated that the positive association between stakeholder management and firm financial performance was not weakened for cost leadership strategies. In evaluating this inference, emphasis is placed on understanding cost leadership. Banker et al. (2014) explain that costs leaders is a strategy that seeks to advance the competitive advantage for a given organisation by producing at lowest costs while maintaining quality needs of consumers. In addition to emphasis on consumer quality as a key promoter of stakeholder management, increasing research

has also indicated the need for greater consideration of diverse stakeholders. In the study by He and Chittoor (2022), cost leadership strategies were considered in general. Irrespective, their findings functions to correlate with research conducted by Khiavi et al. (2024), who indicated the need for continuous improvement and greater relevance for supplier management as key stakeholder management approaches.

The study by He and Chittoor (2022) also sought to establish the relationship between primary stakeholder management and differentiation advantage. The study results indicated that the interaction between primary stakeholder management strategies and differentiation advantage was positive and significant; however, when considering the relationship between secondary SM and differentiation strategy, the relationship was considered positive but insignificant. Based on these evidence, the results indicated primary and secondary stakeholder management resulted in greater financial performance for differing competitors. These findings offer an accurate reflection of the association between primary and secondary stakeholder management (He & Chittoor, 2022). In supporting this perspective, Swazan and McBee-Black (2024) explain that promoting positive relationships between primary stakeholders including employees, customers, and shareholders played a unique role in supporting greater investment capital key for these firms while enhancing the firm's ability to generate profit. This essentially makes primary stakeholder management a key differentiation approach. On the other hand, the secondary stakeholder management strategies are expected to promote greater performance of product portfolios and hence pose a moderating role. Irrespective, this moderating role is less significant compared to the role of primary stakeholder strategies.

2.2 Literature Two: Stakeholder Engagement Strategies, national institutions, and firm performance: A configurational perspective (Gupta et al., 2020)

2.2.1 Overview

In recent studies, research has placed greatest emphasis on performance implications associated with meeting shareholder needs and promoting employee well-being. Irrespective, these studies fails to consider the role of national differences in evaluating labor and capital dynamics. The article by Gupta et al. (2020) seeks to engage the association between stakeholder engagement, context, firm attributes, and performance. Consequently, this study focusses on the establishing of a typology explaining how stakeholder engagement strategies function to supports Firms ability to navigate the dynamics between local expectation and shareholder prioritization while considering differentiation strategies. In simplicity, this study seeks to establish stakeholder engagement strategies that firms in diverse countries adopt to ensure balance between conformity (emphasizing important stakeholders) and differentiation (emphasis on stakeholders that are neglected by competitors) (Gupta et al., 2020). This key inferences by this research serves to explore the stakeholder engagement practices in diverse countries and how they influence greater performance.

2.2.2 Methodology Adopted

This research seeks to consider interdependencies between country-level institutional factors and firm-level factors and how they associate to firm performance. The study makes use of the fsQCA to evaluate configurations of stakeholder engagement activities. In addition, the research design plays a keen role in supporting identification of causal complexities that may underlay organization phenomena (Gupta et al., 2020). The use of this research approach allows for the determination of Boolean algebra and logic of sets. Irrespective of the use of this approach, it is important to acknowledge that this approach may results in that it may result in the creation of some relationships that cannot otherwise be generalized.

2.2.3 Results

The results of this study offer a range of key inferences. First, the study indicated that firms may consider pursuing stakeholder engagement; complementary, substitutionary, minimalistic, and by considering their respective institutional context (Gupta et al., 2020). Based on this inference, it is evident that with strong capital and weak labor institutions, the use of substitutionary strategy is most effective in promoting high performance. Essentially, substitutionary stakeholder engagement emphasizes the need to focus on the interest of stakeholders of lower importance to the firms and this include the shareholders (Gupta et al., 2020). Second, in hybrid contexts where strong labor and capital institutions are evident, then minimalist and encompassing strategies were linked to greatest firm performance. Based on this context, the minimalist

approach essentially requires for companies not to adopt substantive stakeholder engagement activities for any stakeholders while the encompassing approach emphasizes customer engagement on both emphasized and less-emphasized stakeholders.

These results offer a unique perspective as they emphasize the power and labor contexts in determining customer engagement practices. Critically reviewing these results, emphasis must be placed on understanding contexts with strong capital institutions. Calabrese et al. (2019) explain that strong capital institutions encompass firms with a huge capital base that supports for financial stability maintenance. To an extent, institutions with strong capital and weak labor institutions essentially demands for greater emphasis on the shareholders who support the capital base of these institutions. On the other hand, the existence of weak labor does not support for consideration of other stakeholders (Quairel - Lanoizelée, 2016). In such as case, I agree with their findings that substitutionary engagement focused on shareholders will offer greater firm performance.

When considering hybrid context which are evidenced by greater diversity then, I agree with their findings that the use of substitutionary stakeholder engagement would result in reduced firm performance. Essentially, a hybrid context is evidenced by high capital bases and strong labor representation. In simplicity, this context evidence most economical contexts globally. Aquilani et al. (2017) explain that in advancing firm performance in these competitive contexts, emphasis must be placed on the promotion of stakeholder engagement for all. This essentially requires for greater relevance for both primary and secondary stakeholders. This uniquely aligns to inferences advanced by Gupta et al. (2020) where significant emphasis is placed on the adoption of encompassing stakeholder engagement. Irrespective, I tend to disagree with inferences advanced by Gupta et al. (2020) where he acknowledges for a minimalist stakeholder engagement in hybrid contexts. Jia et al. (2019) explains that in highly changing business context, enormous emphasis is placed on firms to promote greater stakeholder engagement. This is greatly impended by the existence of a minimalist stakeholder engagement approach.

2.3 Literature Three: The Role of Stakeholders in the Process of Building a Competitive Advantage with the Examples of Development Companies (Grzes-Buklaho, 2017)

2.3.1 Overview

In modern business environment, businesses face a range of issues and opportunities arising from their interactions with their environment. The business environment is characterized by the existence of numerous stakeholders that significantly influence the operations of a givens company. In promoting greater organisational success, emphasis must be placed on the ability of the organisation to align the needs of their stakeholders and greater emphasis on organizational principles while aligning this to firm's strategy and economic goals (Grzes-Buklaho, 2017). This essay seeks to explore this relationship seeking to establish a diagnosis on stakeholder's theory while supporting stakeholder identification and role in promoting competitive advantage of these firms. This research to an extent plays a unique role in advancing existing

2.3.2 Methodology Adopted

This research focused on the use of secondary sources that were empirically evaluated and analyzed. In essence, the study required an analysis of the environmental entities on the functioning of a development company through the integration of brainstorming approach. Critically reviewing the research approach adopted in this study, the use of secondary sources offers massive key findings (Grzes-Buklaho, 2017). Irrespective, the use of brainstorming is greatly subject to potential bias which may have undermined the development of viable conclusions.

2.3.3 Findings

The study focused on evaluating the integration of stakeholder theory in real-estate development firms. The research indicated that stakeholder theory is critical in determining and establishing an effective and ethical way of managing the organisation in a complex global environment. At the foundational level, the research indicated that integrating stakeholder analysis encompasses integrating stakeholder energy and knowledge to support the achievement of set organisational goals (Grzes-Buklaho, 2017). Based on these results, emphasis is placed on the need to identify both primary and secondary stakeholders and the clear determination on how the relationships of an organisation and their stakeholder may change over time. In

supporting the development and identification of stakeholders, the research identified some key stakeholders and their potential implication on the competitiveness of the firms (Grzes-Buklaho, 2017). These stakeholders though uniquely identified for development firms offers a unique reflection of some key primary and secondary stakeholders. The identified stakeholders and their roles may include clients (assessment value of the market), investors (evaluates the so-called relative value of the enterprise), customers, suppliers, employees, and owners.

The inferences presented above functions to offer a unique background understanding of the imperative role if stakeholder theory in supporting the establishment and effective management of organisations. Jones et al. (2018) explains that stakeholder theory plays a foundational role in guiding businesses operational processes. At the foundational level, significant emphasis on the role of stakeholder theory has been associated with long-term thinking that in most cases supports greater emphasis on sustainable business practices. In supporting greater integration of stakeholder theory, emphasis is placed on the need to identify both primary and secondary stakeholders. In addition to the identification of these stakeholders, effective business must seek to promote greater sustainable practices for stakeholders by focusing on the short and long-term impacts. Alsayegh et al. (2020) explain that the integration of sustainable stakeholder theory has been associated with increased customer value addition and greater efficiency in work. This essentially functions to support greater firm performance and outcomes. In advancing this assertion, it is imperative to acknowledge that existing research has significantly indicated that increased sustainable business practices focused on promoting overall consumer output is greatly linked to greater productivity.

3. Discussion

Underlying dynamics between stakeholder value and organisational strategies in a highly competitive business has attracted increasing relevance. A critical review of the three articles above indicate a range of key inferences that are not only interconnected but also serves to inform my future research inferences. In addition, these articles present a range of key strengths. First, the article by He and Chittoor (2022) indicates that stakeholder management strategies functions to promote overall organisational strategies. In supporting this inference, two key stakeholder management strategies were introduced; differentiation and cost-leadership strategies. At the foundational level, the use of differentiation strategies greatly supports greater performance. On the other hand, cost leadership based on promoting the interests of the stakeholder interests including employees and quality needs plays a massive role in ensuring promotion of firm performance. This is a key strength as it promotes greater emphasis on stakeholder theory as a key aspect in firm performance.

The second key strength is presented in Gupta et al. (2020), which plays a keen role in presenting stakeholder engagement where emphasis is placed on the role of complementary, substitutionary, and minimalistic customer engagement based on differing institutional context. One key assertion advanced in the need to promote firm performance, where emphasis must be placed on the need to support encompassing approach focused on greater emphasis on both emphasized and less-emphasized stakeholders.

My growing research interests are focused on globalization, stakeholder value addition, and greater promotion of sustainable business practices. In supporting this interests, emphasis must be placed on how firms may achieve these goals by promoting stakeholder engagement; irrespective, with increased globalization, differing context may greatly undermine overall performance. In promoting the role of stakeholder interests, there is a growing demand for stakeholder engagement. In this essence, emphasis must be placed on the need to consider the role to consider stakeholder engagement by considering differing contexts.

4. Future Research Recommendations

This critical review indicates a range of potential research inferences that may be explored in the future. One key emphasis must be placed on evaluating causality between sustainable business activities and engagement practices to how they support firm performance. At the foundational level, this critical review indicates the existence of underlying research that seeks to promote to correlation between firm's performance and stakeholder management; however, there is a lack of exploration between the actual cause of these relationships. To an extent this research will be imperative in supporting greater evaluation on the existence of differences between power contexts.

The second key research recommendation demands for greater exploration on the association between differences in institution and country's environmental systems to supporting firm performance. In ensuring this inferences, research must explore how different customer engagement practices may result in differing outcomes among differing institutions and countries. For instance, an MNC may experience greater growth in one country compared to others; irrespective of similar customer management practices. This research will support the identification and classification of sustainability and ESG practices based on differing market environments and how they support greatest outcomes for firm financial growth.

5. Conclusion

In future research, it is evident that there exists numerous dynamics between stakeholder value addition and organisational strategies. In promoting future research directions, I am keen on first considering strategies of identifying most suitable stakeholders for specific organisations and contexts. In addition, relevance must be placed on promoting greater research in relation to stakeholder engagement strategies by considering differing contexts; predominantly for multinational corporations. Lastly, enormous emphasis must be placed on evaluating organisational strategies including cost leadership and differentiation strategies in supporting greater competitive advantage for organisations.

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Conflicts of Interest

The authors declare no conflict of interest.

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