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Contents

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Editorial Note

Born in a Peasant Family, Dr. A.D. Shinde was known as a visionary educationist. Inspite of being a Chartered Accountant, he spent most of his life as a teacher and administrator. He established Chh. Shahu Institute of Business Education and Research (SIBER) and was the patron of South Asian Journal of Management Research (SAJMR). The Institute imparts Master of Business Administration (MBA), Master of Computer Application (MCA), Master of Social Work (MSW), Master of Environment Management (MEM) and certain Diploma courses. In addition to these the M.Phil in Commerce and Management, Economics, Social Work and Sociology is also being offered. Now Dr. Shinde is not with us.

We can talk many imbibed quality in him. He was a visionary and led a modest life style. He inspired many people and strengthened their lives. He was a role model of many people.

I worked under his guidance for about a quarter century beginning of my earlier carrier till his departure. I found in him the thirst for research. He was also concerned about quality research and the outcome is South Asian Journal of Management Research.

He is also responsible for establishing Vasantraodada Patil Institute of Management Studies and Research, Sangli, College of Non-Conventional Vocational Courses for Women, Kolhapur, Dinkarrao Shinde College of Education, Gadhinglaj and Radhabai Shinde English Medium School, Kolhapur.

He had a clear goal and a vision and was able to manage the complex situation from time to time. He was equally able to influence the followers towards reaching the vision. His ability to articulate his vision towards development of the Institute needs to be remembered the most.

His aura of Charisma, and optimistic view helped him to develop the legend he left before the people. Leaders typically make the difference. We the editorial members, management body, faculties and non-teaching staff salute him. We pray for him. Let his soul rest in peace.

Dr. Babu Thomas
Editor

Corporate Stakeholders Management: Approaches and Models – A Review

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Abstract
In the current international corporate scenario, there is a need to shift the focus of corporate organisations having a skewed approach of focusing only a particular stakeholder such as the shareholders, towards a more holistic and integrated approach of ensuring the welfare of all the organisational stakeholders. As a social entity, the corporate organisation has to, along with its long term growth and success, take upon itself the responsibility of ensuring the welfare of all its constituents to the extent possible. In fact, these two are not different but in reality go hand in hand. The essence of the stakeholder view is that the fulfillment of the stakeholders' welfare finally leads to the shareholders' welfare. A preliminary literature review reveals that a lot of theoretical grounding has been provided by a number of scholars, researchers and academicians stressing on the need to implement Stakeholders Management in corporate organisations. However, there is an apparently acute dearth of implementable frameworks which detail this process. This paper highlights three main aspects relating to Corporate Stakeholder Management: (1) The Stakeholder Model of Organisation vs. the traditional Input – Output Model (2) Management Approaches to Stakeholders Management (3) Models of Stakeholders Management as proposed by a number of academicians, researchers and scholars.

Key Words: Corporate Stakeholders Management, Corporate Stakeholders Management Approaches, Corporate Stakeholders Management Models

1. Introduction

In the international corporate scenario of the last decade, corporate debacles of the likes of Enron, Arthur Anderson, WorldCom, Tyco and others in the US and many other countries as well, have opened the eyes of the business community and the common man alike for a need for change in the approach to business. The recent sub- prime crisis in the US has shaken the economic fundamentals of many a developed and developing countries across the globe. Established companies with a success story spanning nearly one and a half centuries like the Lehman Brothers have filed for bankruptcy. Many a banking and financial institutions across the globe from Iceland in the North to Japan in the Far East have suffered huge setbacks. There is no continent where the stock markets have not been affected because of this great catastrophe which has been equated by some to the Great Depression of 1929. It has forced the world's largest capitalistic economy which believes in the free enterprise system to the core, to bail out the financial institutions through a government package of over $ 700 billion. In such a scenario, it's time to do some soul searching and look for a more sustainable approach to business and business management.

A general consensus has emerged regarding the fact that there is a need to shift the focus of corporate organisations having a skewed approach of focusing only on a particular stakeholder such as the shareholders or the customers to a more holistic and integrated approach of ensuring the welfare of all the organisational stakeholders in the long term interest of the organisation. There is a fundamental need to highlight the fact that, as a social entity, the corporate organisation has to, along with its long term growth and success, take upon itself the responsibility of ensuring the welfare of all its constituents to the extent possible. In fact, these two are not different but in reality go hand in hand. ***The essence of the stakeholder view to business is that the fulfillment of the stakeholder welfare automatically leads to the shareholder welfare***.

Highlighting the crisis situation, Gopinath (2005) states that the international corporate environment has been rocked by several scandals beginning in the late 1990s. The well publicised cases of Enron, WorldCom, Tyco and Global

1) **Stakeholders** of a corporation are those constituencies that affect and / or are affected by the organisation's decisions / behaviour. They have a stake in the organisation. It is common to refer for example to a company's *Employees, Customers, Owners, Suppliers, Local Communities, Competitors* and *Financiers* as Major Stakeholders. In most cases, these Stakeholders both affect and are affected by the organisation. Other Stakeholders might include the *Media, Activist groups* and the *Government* which affect but are relatively unaffected by the Organisation.

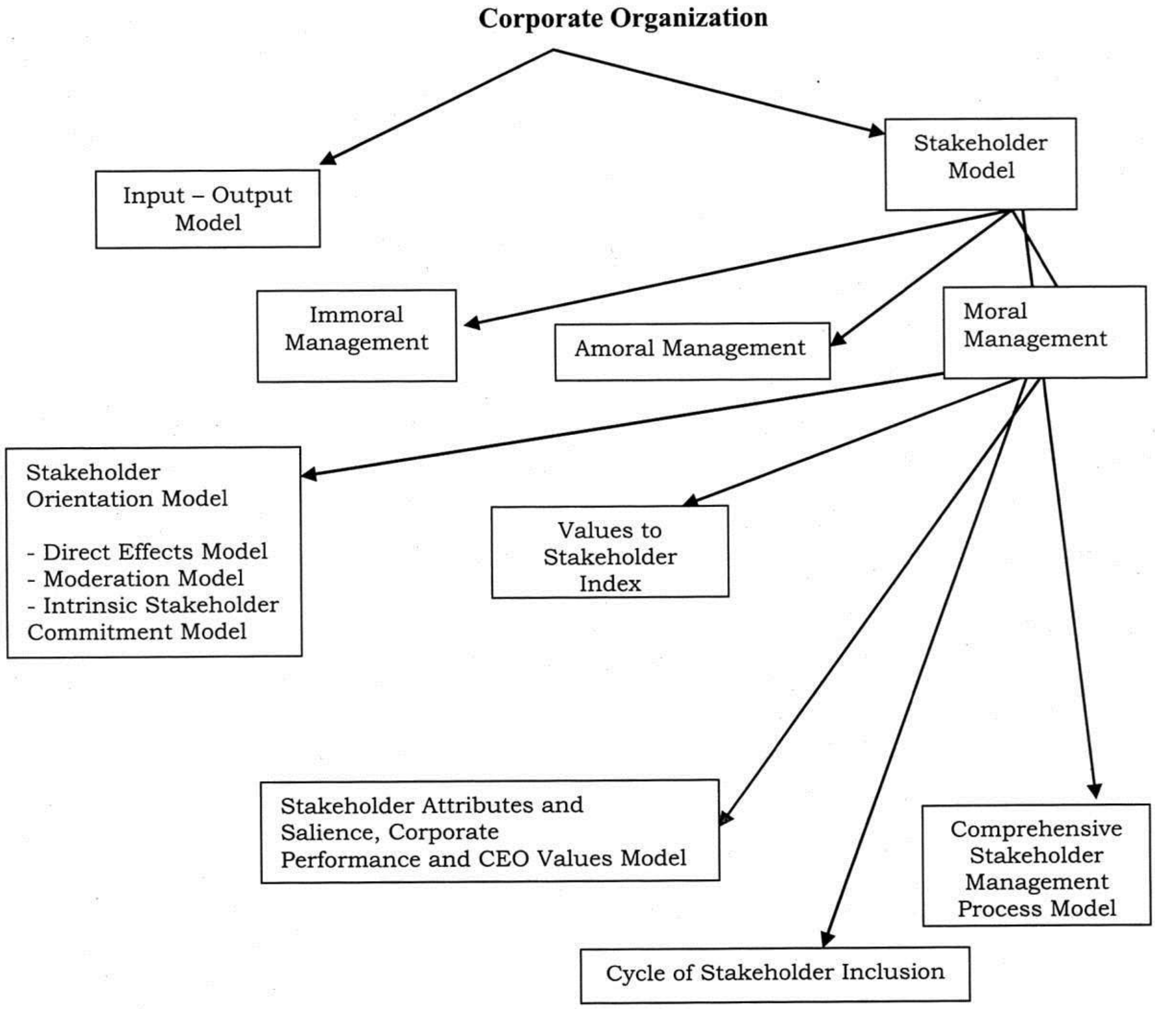
Crossing in the US and of Paramalat in Europe exposed instances of accounting irregularities and financial mismanagement and also revealed the enormous financial assets appropriated by the leaders of these enterprises. The collective question raised by many is – 'How could organisations make decisions that harmed their stakeholders and reward egregious behaviour on the part of their senior executives?' Even the proposed regulatory solutions only dealt with the symptoms and aimed at strengthening the structure of Corporate Governance.

Thus, it is evident that the need for a change in the corporate organisations' approach towards Corporate Stakeholders Management and to ensure the Pareto optimisation of the welfare of all the stakeholders of a corporate organization is the highest now than ever before.

A preliminary literature review reveals that a lot of theoretical grounding has been provided by a number of scholars, researchers and academicians for the need to implement Stakeholders Management in corporate organisations. However, there is an apparently acute dearth of implementation frameworks which detail this process. In the Indian context, the concept of Corporate Stakeholders Management is not new and has been exemplified by a number of reputed corporate organisations for many decades now. Infact, ample literature is available regarding the practice of Stakeholders Management by kingdoms and traders of ancient times in India.

However, there is a need to formalize this process in the current organisational / industrial set

Fig. 1: Introduction to Corporate Stakeholders Management Models



2) To put it in simple words, **Stakeholders Management** refers to the organisational philosophy wherein the organisation's overriding aim / priority is to contribute to its stakeholders' welfare during the organisational decision making process to the extent possible, within the constraints of justice, fairness and economic interests.

up with appropriate processes and procedures so that it becomes a part of the organisational philosophy and strategy.

This paper, based on a preliminary literature review, highlights three main aspects relating to Corporate Stakeholders Management:

1. The Stakeholder Model of Organisation vs. the traditional Input – Output Model
2. Management Approaches to Stakeholders Management
3. Models of Stakeholders Management as proposed by a number of academicians, researchers and scholars.

These three aspects are depicted in detail in the Figure 1 that follows.

2. Modeling A Corporation

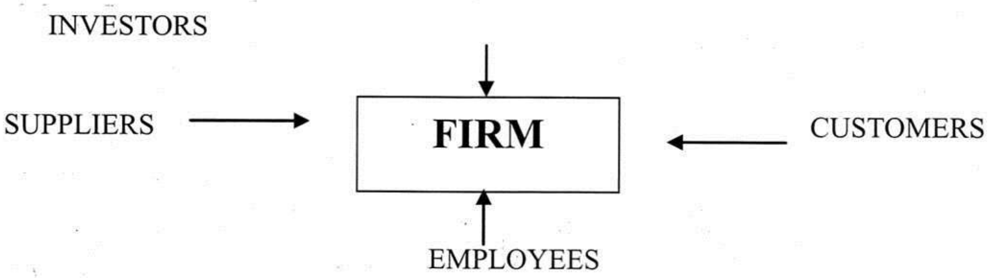
Input – Output Model Vs Stakeholder Model

The distinction between a stakeholder conception of the corporation and a conventional input-output perspective is highlighted by the contrasting models mentioned below as given by Donaldson & Preston (1995):

2.1 Input / Output Model

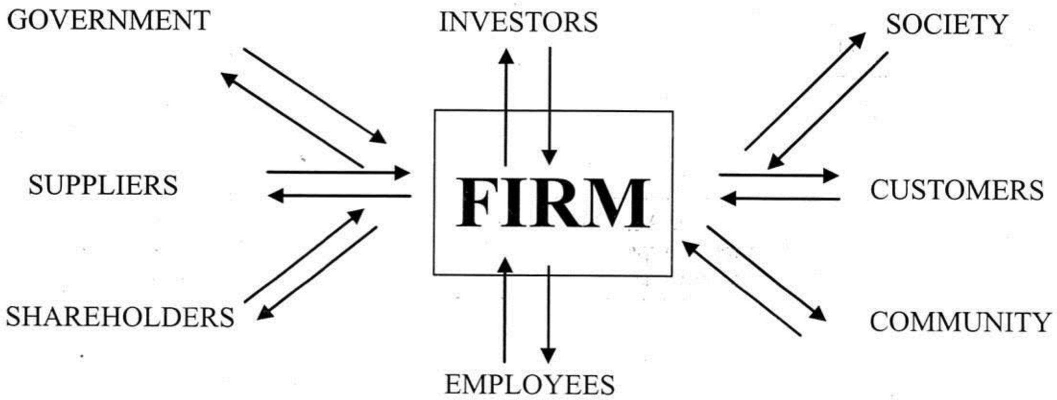
Investors, Employees and Suppliers are depicted as contributing inputs, which the firm transforms into outputs for the benefit of customers. To be sure, each contributor of inputs expects to receive appropriate compensation, but the liberal economics, or 'Adam Smith' interpretation, of this model in long-run equilibrium is that input contributors, at the margin, receive only 'normal' or 'market competitive' benefits (i.e., the benefits that they would obtain from some alternative use of their resources and time). Individual contributors, who are particularly advantaged, such as possessors of scarce locations or skills, will of course, receive 'rents', but the rewards of the marginal contributors will only be 'normal'. As a result of competition throughout the

Fig. 2: Input – Output Model



(Source: Donaldson, Tom & Preston Lee (1995) "The Stakeholder Theory of the Corporation: Concepts, Evidences & Implications", *Academy of Management Review*, Vol. 20 (1))

Fig. 3: The Stakeholder Model



(Source: Donaldson, Tom & Preston Lee (1995) "The Stakeholder Theory of the Corporation: Concepts, Evidences & Implications", *Academy of Management Review*, Vol. 20 (1)) system, the bulk of the benefits will go to the customers.

2.2 The Stakeholder Model

The Stakeholder Model contrasts explicitly with the Input-Output Model in all its variations. All persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and there is no prima facie priority of one set of interests and benefits over another. The following diagram depicts the Stakeholder Model:

In the next section we see the three distinct models of Management Morality in order to distinguish between the real and apparent aspects of Stakeholders Management.

3. Management Approaches to Stakeholders Management Stakeholder Thinking in three Models of Management Morality

Carroll (1995) states that the purpose of developing three models of management morality – Immoral, Amoral and Moral, is to establish a basis upon which we might expound the linkages between the firm's ethical responsibilities and its major stakeholder groups. The author's views as regards these three models are given below:

3.1 Immoral Management

Carrol (1995) states, "Immoral Management is characterised by those managers whose decisions, actions or behaviour suggests an active opposition to what is deemed ethical or right. The decisions of immoral managers are discordant with accepted principles of ethical behaviour. These behaviours or decisions suggest or imply an active negation of what is moral. These managers are focused on their own personal success or their organisation's success to the exclusion of consideration for other stakeholders. These managers see ethics and law as barriers or impediments they must overcome to accomplish their goals."

3.2 Amoral Management

Carrol (1995) further states, "Amoral managers are

Table 1: Three Moral Management Models and their Orientation toward Employee Stakeholders

Model of Management Morality	Orientation toward employee stakeholders
Immoral Management	Employees are viewed as factors of production to be used, exploited and manipulated for gain of individual manager or company. No concern is shown for employees' needs / rights / expectations. Short-term focus Coercive, controlling, alienating
Amoral Management	Employees are treated as law requires. Attempts to motivate focus on increasing productivity rather than satisfying employees' growing maturity needs. Employees still seen as factors of production but remunerative approach used. Organisation sees self-interest in treating employees with minimal respect. Organisation structure, pay incentives, rewards all geared toward short and long term productivity.
Moral Management	Employees are a human resource that must be treated with dignity and respect. Goal is to use a leadership style such as consultative / participative that will result in mutual confidence and trust. Commitment is a recurring theme. Employees' rights to due process, privacy, freedom of speech and safety are maximally considered in all decisions. Management seeks out fair dealings with employees.

(Source: Carroll, Archie B. (1995) "Stakeholder Thinking in three models of Management Morality: A perspective with Strategic Implications", Understanding Stakeholder Thinking) neither immoral nor moral but are not sensitive to or aware of the fact that their everyday business decisions may have deleterious effects on other stakeholders. These managers lack ethical perception or awareness. That is, they go through their organisational lives not thinking that their actions have an ethical dimension. Or, they may just be careless or insensitive to the implications of their actions on stakeholders. These managers may be well intentioned, but they do not see that their business decisions and actions may be hurting those with whom they transact business or interact. Typically their orientation is towards the letter of the law as their ethical guide." The authors have described a sub-category of amorality known as 'unintentional amoral managers'. There is also another group that is called 'intentional amoral managers'. These managers according to Carroll simply think that ethical considerations are for private lives, not for business. They believe that business activity resides outside the sphere to which moral judgments apply. Though most amoral managers today are unintentional, there may still exist a few who simply do not see a role for ethics in business or management decision making.

3.3 Moral Management

At the opposite extreme from the immoral management model is the moral management model. Carroll (1995) states, "Moral managers employ and adhere to the ethical norms which reflect a high standard of right behaviour. Moral managers not only conform to accepted and high levels of professional conduct, they also frequently exhibit ethical leadership. Moral managers strive towards profits also, but their pursuit of profits is done with the confines of sound legal and ethical precepts such as justice, due process and the protection of other stakeholders' rights. Moral managers comply both with the letter and spirit of laws. The law is seen as a minimum or floor on ethical behaviour. Moral managers strive to operate well above and beyond what law mandates. Sound moral principles such as justice, rights, utilitarianism and the Golden Rule are employed to guide decision making."

The author in the original article has given a series of descriptive statements to characterise how each moral model would view or be oriented towards 4 key stakeholder groups: Owner / Shareholder, Customers, Employees, Local Community. In this paper to indicate the same, only the Employee stakeholder has been described from the Immoral, Amoral and Moral viewpoints in Table 1 that follows. The other three stakeholders described by the author in the original paper are similar in nature as shown for the employees.

It is anticipated that these specific descriptions will provide for a richer and fuller appreciation of how stakeholder thinking is a vital attribute of management morality.

Thus we observe from the above stated models of Management Morality that the Moral Management approach is the one which is in line with the Stakeholders approach to business. In the Moral Management approach as in the Stakeholders Management view of business, the Stakeholders' welfare and interests are taken care of both in letter and spirit.

The ancient Indian literature on business and economic organisations gives a lot of insights on the moral management approach to business. References on moral management stakeholder welfare are found in the ancient Indian texts such as the *Manusmriti, Kautilya's Arthashastra, Shanti Parva & Vidura Neeti (Udyoga Parva)* from the *Mahabharata* and even the *Valmiki Ramayana.* Shah & Bhaskar (2008) have given a detailed account of the oriental and occidental management practices which are worthy of emulation by modern corporate organisations.

The next section provides a review of various theoretical models proposed by various scholars, researchers and academicians which facilitate the implementation of Stakeholders Management in corporate organisations.

4. Models of Corporate Stakeholders Management

In this section, five models of Stakeholders Management as proposed by various scholars, researchers and academicians have been identified. These give insights into the application and the consequent benefits and limitations of the application in various circumstances and situations.

4.1. Stakeholder Orientation Models

4.1.1 Strategic Stakeholder Management Model

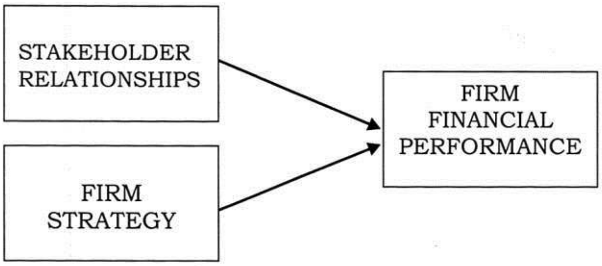
Berman, Wicks, Kotha & Jones (1999), mention that in this model, the concerns of stakeholders enter a firm's decision making processes only if they have strategic value to the firm. The figures given below depict the connection between stakeholder relationships, corporate strategy and corporate financial performance as postulated in this model.

Both models – Direct Effects Model and Moderation Model elaborated below rest on the supposition that the objective of the managers is to maximise profits, not to advance the morally legitimate claims of stakeholders other than the shareholders.

- **Direct Effects Model**

In this model, managers' attitudes and actions toward stakeholders are perceived as having a direct effect on firm financial performance, independent of firm strategy.

Fig. 4: Direct Effects Model

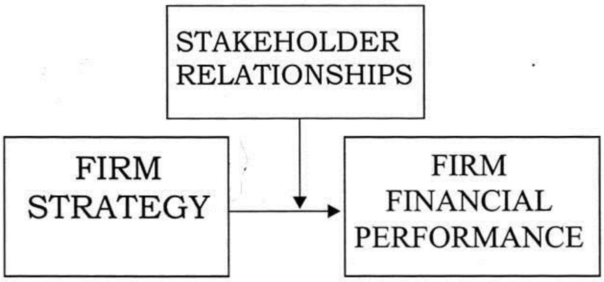


(Source: Berman, S.L.; Wicks, A.C.; Kotha Suresh & Thomas Jones (1999) "Does Stakeholder Orientation Matter? The Relationship between Stakeholders Management Models and Firm Financial Performance", *The Academy of Management Journal*, Vol.42 (5))

- **Moderation Model**

In this model, managerial orientation toward stakeholders does impact firm strategy by moderating the relationship between strategy and financial performance.

Fig. 5: Moderation Model



(Source: Berman, S.L.; Wicks, A.C.; Kotha Suresh & Thomas Jones (1999) "Does Stakeholder Orientation Matter? The Relationship between Stakeholder Management Models and Firm Financial Performance", *The Academy of Management Journal*, Vol. 42(5))

4.1.2 Intrinsic Stakeholder Commitment Model

In this model, managerial relationships with stakeholders are based on normative, moral commitments rather than on a desire to use those stakeholders solely to maximise profits. In short, a firm establishes certain fundamental moral principles that guide how it does business – particularly with respect to how it treats stakeholders – and uses those principles to drive decision making.

Donaldson and Preston (1995) captured the implications of this view for Stakeholders Management quite well by stating that, "Stakeholders interests have intrinsic worth. That is, certain claims of stakeholders are based on fundamental moral principles unrelated to stakeholders' instrumental value to a corporation. A firm cannot ignore or abridge these claims simply because honouring them does not serve its strategic interests. In a sense, these claims are independent of and should be addressed prior to corporate strategic considerations. Stakeholders interests are thought to form the foundation of corporate strategy itself, representing 'what we are' and 'what we stand for' as a company. Given such a stakeholder orientation, a firm shapes its strategy around certain moral obligations to its stakeholders." Thus the approach that the organisation has towards its stakeholders forms the very foundation of the company's philosophy. We have examples of Indian organisations like the Tatas who have very detailed guidelines to be followed with respect to each of its stakeholders. International organisations like Hewlett Packard and Johnson and Johnson also have such details mentioned in their landmark documents such as the 'HP Way' and the 'J&J Credo'. There have been instances in the past where in times of difficulties or ethical dilemmas, these organisations have stuck to the principles highlighted in their organisational vision/mission statements.

Donaldson and Preston (1995) further state, "The second genesis of a normative stakeholder orientation based on moral principles is the argument that making a strategic commitment to morality is not only conceptually flawed but is also ineffective. Strategically applying ethical principles – that is, acting according to moral principles only when doing so is to your advantage – is by definition, not following ethical principles at all." This dichotomy in thought, word and deed wherein the company states that it stands for something but actually has contradictory intentions does not stand in good stead for the organisation in the long run. The last decade has been witness to such organisations in the international corporate world.

In addition, Quinn & Jones (1995) argued that if the purpose of acting ethically is to acquire a good reputation that, in turn, will provide a firm with economic benefits, why not pursue the good reputation directly without the intellectual excursion into moral philosophy?

However, any approach with a focus on stakeholders' welfare does not harm the organisations' prospects for success as against its competitors. From a practical perspective, Jones (1995) states that the instrumental benefits of Stakeholders Management paradoxically result only from a genuine commitment to ethical principles. He has argued that firms that create and sustain stakeholder relationships based on mutual trust and

Fig. 6: The Intrinsic Stakeholder Commitment Model

(Source: Berman, S.L.; Wicks, A.C.; Kotha Suresh & Thomas Jones (1999) "Does Stakeholder Orientation Matter? The Relationship between Stakeholder Management Models and Firm Financial Performance", *the Academy of Management Journal*, Vol.42 (5))

cooperation will have a competitive advantage over those that do not.

If a firm's commitment to trust and cooperation is strategic rather than intrinsic, it will be difficult for the firm to maintain the sincere manner and reputation required for its differential desirability as an economic partner. In other words, trustworthiness, honesty and integrity are difficult to fake. Thus, in order to reap the instrumental benefits of Stakeholders Management, a firm must be committed to ethical relationships with stakeholders regardless of ethical benefits. Strategically applied moral commitments are not really moral and, paradoxically, cannot lead to the strategic outcomes desired. [Barney & Hansen (1994)]

The model based on the above mentioned moral approach is called the **Intrinsic Stakeholder Commitment Model** because the interests of stakeholders have intrinsic value, enter a firm's decision making prior to strategic considerations and form a moral foundation for corporate strategy itself. The figure below depicts the connection between stakeholder relationships, corporate strategy and corporate performance postulated in this model.

Observation: We see in this model that the stakeholders' interests, relationships and their welfare get priority in the organisational decision making process. The firm strategy is formulated keeping these as a priority under all circumstances and the firm financial performance is an outcome of this. And if the above discussion is anything to go by, there is no doubt that an organisation following this approach to management would be as successful if not more as compared to an organisation having a purely strategic approach with its stakeholders.

4.2 Values to Stakeholder Index

Stainer & Gully (1999) state that, "A prerequisite for the success of a values based approach is that each business is actually able to identify its own set of values which, concurrently, is supporting its operations and is shared by its stakeholders in a multi cultural environment. For this purpose, an all embracing index has been developed to incorporate targeted outcomes for the organisation's major stakeholders. Each ingredient is weighted according to management priorities and is dependent on the organisation's culture, characteristics, size and structure – an example is shown below. The elements are then aggregated to form the Value to Stakeholders Index. Such an index provides a way of modeling values for business excellence, bringing together the many dimensions involved in satisfying all major stakeholders of a business."

$$V = C + R + E + M + S \qquad (1)$$

Where:

V = Values to stakeholders index

C = Customer satisfaction - Consistently meeting customer requirements

R = Resource effectiveness - Achieving profitability and total productivity objectives

E = Employee satisfaction - Quality of work life for employees

M = Market Effectiveness - Achieving objectives with respect to market share and position

S = Social Effectiveness - Achieving objectives on ethical and environmental dimensions

The authors Stainer & Gully feel that, "These factors can be achieved through ensuring compliance with the law, establishing codes of practice and sound Corporate Governance as well as creating ethical awareness within and outside the organisation because a values based approach ought to come from the grassroots. But, the contemporary organisation and its environment are not as simple as a football game; the bottom line of profit is only a crude indicator of the multiple successes on which a thriving company depends. Whilst profit is undeniably important, stakeholder values within the performance measurement scenario should be perceived more as a vital management tool."

Observation: The model highlights the use of a broader set of parameters as stated in the formula to judge the organisational performance rather than just profits alone. This provides a stronger foundation to the business in the long term.

4.3 Stakeholder Attributes and Salience, Corporate Performance and CEO Values Model

Agle, Mitchell & Sonnenfeld (1999) in their research model have proposed that Stakeholder salience will be positively related to the cumulative number of stakeholder attributes – power, legitimacy and urgency – perceived by managers to be present. The authors argued that managerial characteristics are likely to moderate the attribute-salience relationship and because the salience-performance link is implicit in their theory, the CEO values are included as a moderating variable in the model and several performance variables as outcomes are included.

Given below are the various hypotheses relating to the research model:

Hypotheses Regarding CEO Perception of Stakeholder Attributes

Hypothesis 1a: The stakeholder attribute of power will be positively related to the stakeholder salience of shareholders, employees, customers, government and communities.

Hypothesis 1b: The stakeholder attribute of legitimacy will be positively related to the stakeholder salience of shareholders, employees, customers, government and communities.

Hypothesis 1c: The stakeholder attribute of urgency will be positively related to the stakeholder salience of shareholders, employees, customers, government and communities.

Hypothesis 1d: The cumulative number of the stakeholder attributes of power, legitimacy and urgency will be positively related to the stakeholder salience of shareholders, employees, customers, government and communities.

Hypotheses Regarding CEO Values and Stakeholder Salience

Hypothesis 2a: CEO values will affect CEO perceptions of power, legitimacy and urgency and thus will be related to the stakeholder salience of shareholders, employees, customers, government and communities.

Hypothesis 2b: CEO other-regarding values will affect CEO perceptions of power, legitimacy and urgency and thus will be positively related to stakeholder salience for non shareholders (employees, customers, government and communities)

Hypothesis 2c: CEO other regarding values will affect CEO perceptions of power, legitimacy and urgency and thus will be negatively related to stakeholder salience for shareholders.

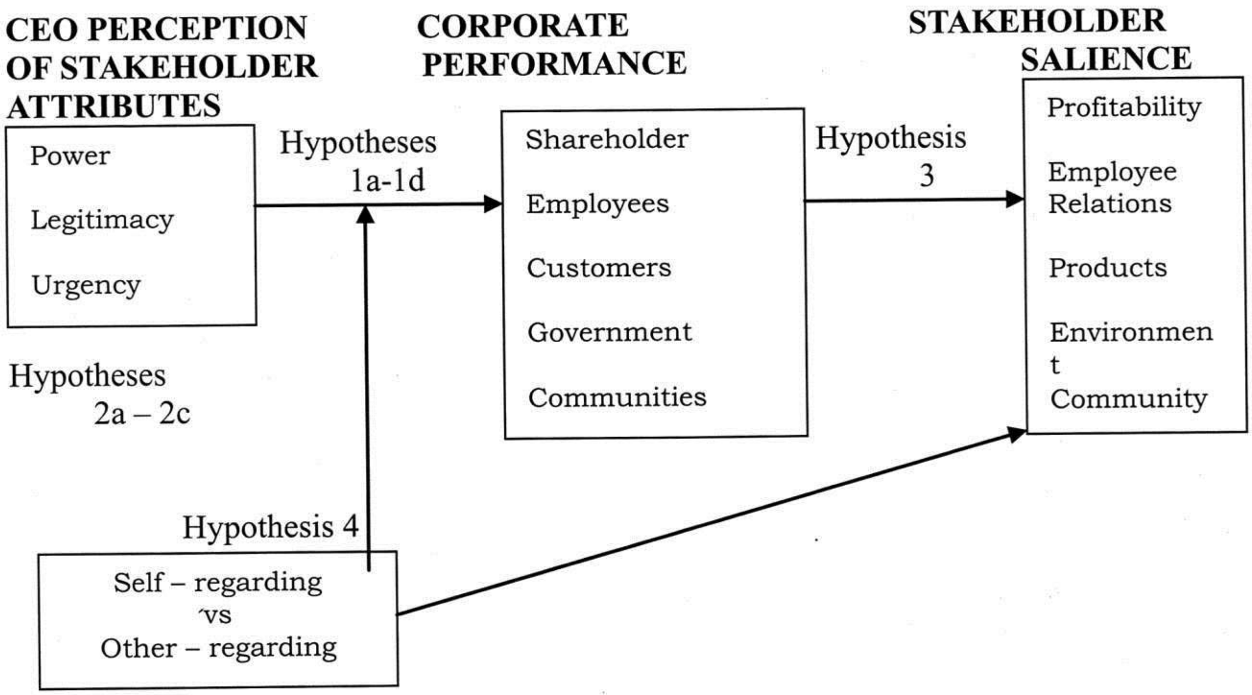


Fig. 7: The Research Model on CEO Perception of Stakeholder Values

(Source: Agle, Bradley R.; Mitchell, Ronald K. & Sonnenfield, Jeffrey A. (1999) "Who Matters to CEOs? An Investigation of Stakeholder Attributes & Salience, Corporate Performance & CEO Values", *Academy of Management Journal*, Vol. 42 (5))

Hypothesis Regarding Corporate Performance

Hypothesis 3: Stakeholder salience as perceived by CEOs will be positively related to corporate performance.

Hypotheses Regarding CEO Values

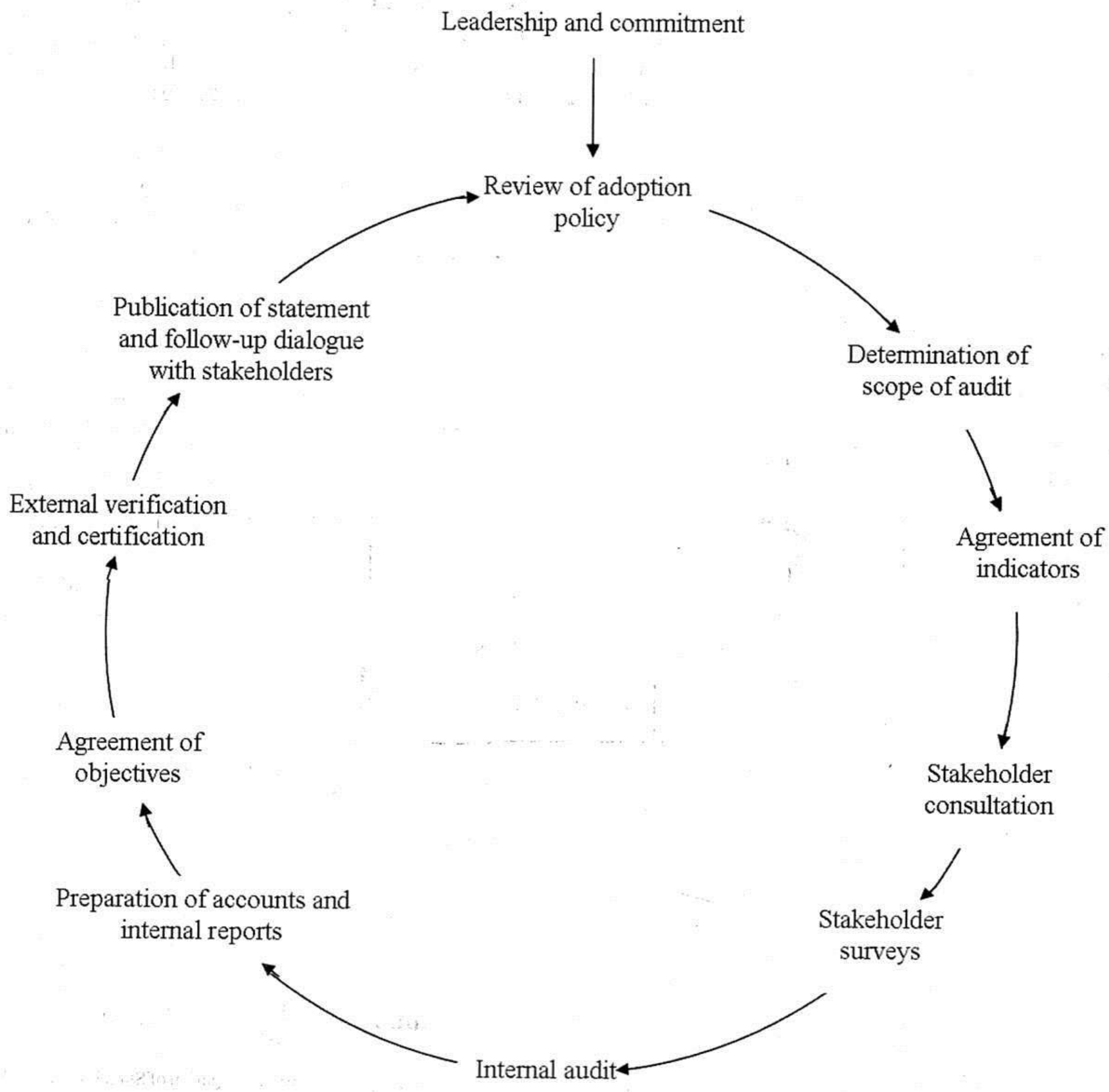
Hypothesis 4a: CEO values will be related to corporate performance

Hypothesis 4b: CEO other regarding values will be positively related to corporate social performance variables (employee relations, product innovation / safety, environmental stewardship and community relations)

Hypothesis 4c: CEO other regarding values will be negatively related to profitability component of corporate performance.

__**Observation:**__ This model gives great importance to the value system of the top management / head of the organisation, i.e. a purely self-centered approach vs. a broader approach having sufficient consideration for the stakeholders at large. This important variable of CEO values as highlighted in this model is a critical one because CEO values played a major role in the corporate debacles that occurred in the last decade. It was seen in these debacles that the top management and many times the CEO of the organisation gave higher priority to self-interest rather than the institution itself and the consequences have been for all to see. Thus, in the light of these recent real world experiences, a broader focus to business becomes inevitable in the larger interest of the organisation itself.

Fig. 8: Cycle of Inclusion



(__Source__: Wheeler, David & Maria Sillanpaa (1998) "Including the Stakeholder: The Business Case", Long Range Planning, Vol. 31 (2))

4.4 Cycle of Stakeholder Inclusion

Wheeler & Sillanpaa (1998) mention of the continuous improvement cycles which are used for quality management and environment and safety management which are cyclical in nature. They follow the mantra 'think, plan, do, check'. They also fit in neatly within systems which may be externally certified by bodies accredited under national, European or international (ISO) standards. These continuous improvement cycles according to these authors, must be linked to the cycle of dialogue and inclusion for stakeholders. Thus, a product quality standard means nothing if there is no active dialogue between suppliers, business partners, employees and customers. An occupational safety and health management system necessarily needs to link with processes of dialogue and inclusion with employees.

A generalised cycle of inclusion may be used for auditing and improving relationships with employees, customers, investors and indeed any social stakeholder group is indicated in the diagram adapted from the authors' work.

The steps in this cycle of inclusion as described by the authors are very briefly stated below:

Leadership and Commitment

The firm's leadership, management, mission and core principles must be united in a stakeholder-inclusive ethos.

Review or Adoption of Policy

Before any assessment or audit of social relationships, a company should be aware of its explicit and implicit intentions with respect to each stakeholder group.

Determination of Audit Scope

For each stakeholder group there may be numerical and geographical constraints on the scope of stakeholder dialogue which may be feasible. Thus the audit scope needs to be determined.

Agreement of Benchmarks and Performance Indicators

There are two types of measure for assessing the quality of human relationships: those based on quantifiable norms and standards and those based on perceptions. Quantitative measures in business are frequently described as benchmarks or performance indicators. These differ from one stakeholder to another and need to be agreed upon.

Stakeholder Consultation and Surveys

Perception-based measures are arguably the most important barometer of human relationships. In order to systematically measure the perceived quality of relationships between other stakeholders and the firm, techniques similar to market research need to be deployed.

Internal Audits, Preparations of Accounts and Internal Reports

Whether it is financial control, environmental management or social performance, formal processes of management systems audit, information collection, accounting and reporting are essential if the issue is to be managed effectively. Audits should be linked to a set of accounts (numerical and qualitative indicators) which allow people to measure progress. Internal reports to management should be constructed so that where systems are failing or at risk of failing they may be corrected.

Agreement of objectives

Setting organisational goals and objectives should be iterative. Objectives should be consistent with both organisational direction and stakeholder aspirations. It is all about maintaining a balance between the various needs or aspirations and the available resources.

Verification and Certification

The penultimate step in a cycle of stakeholder inclusion is external verification. As noted earlier, independent verification is now accepted practice in financial accounting, environmental management and quality. It is also of enormous value in assessing and improving the quality of relationships with stakeholders.

Publication of Statement and Dialogue with Stakeholders

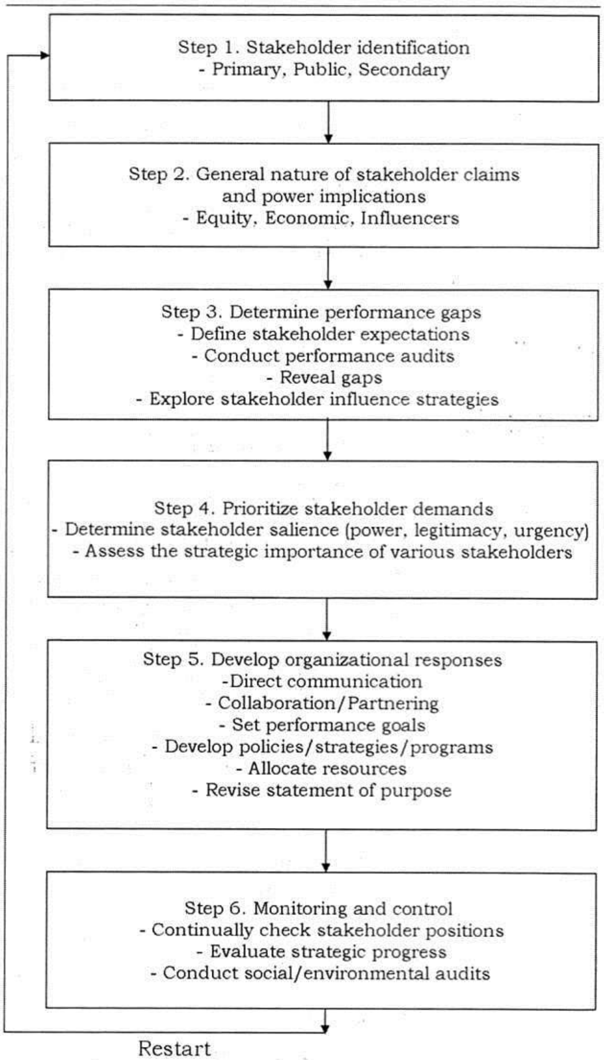
In order to make the cycle of inclusion complete, it is important that effective communication of results occurs. Stakeholders who have been consulted need to know about the output of the consultation, and the company's response.

Observation: This model highlights the fact that it's not enough if the organisation claims its intentions for doing well for its stakeholders. There is a need for a consultative and iterative process with each of the organisational stakeholders; to find out from each of them, what is in their best interest and also have intra organisational systems and procedures to facilitate its actual implementation.

4.5 Comprehensive Stakeholder Management Process Model

Preble (2005) has proposed this model. The synthesis of a wide array of Stakeholders Management theory, buttressed with examples of stakeholder initiatives taken by several visible organisations and integrated into a ***Comprehensive Stakeholder Management Process Model***, is made by the author. He states that, "An organisation and its managers must start using the process with the recognition that adopting a stakeholder perspective and pursuing proactive Stakeholders Management techniques will materially advance the functioning and health of their organisation as they develop an improved and ongoing fit to an ever-changing external operating environment." While the stakeholder philosophy is fairly straightforward conceptually, the diagram illustrates that its implementation is much more complex. Thus a systematic step-by-step process is suggested by Preble (2005) to help assure successful implementation and has been quoted below:

Fig. 9: Comprehensive Stakeholder Management Process Model



(Source: Preble, John F. (2005) "Toward a Comprehensive Model of Stakeholder Management", *Business & Society Review*, Vol. 110 (4))

Step 1: Stakeholder Identification

The author has chosen the Clarkson (1995) typology because it has the dual advantage of being both straightforward and comprehensive. It consists of division of stakeholders into Primary, Public and Secondary stakeholders. The proper attitude to adopt, as argued by Donaldson and Preston (1995), is that the interests of all stakeholders are of intrinsic value and merit consideration by the firm.

Step 2: General Nature of Stakeholder Claims

It is useful once stakeholders have been identified (step 1) to make an initial assessment as to the general nature of the various claims or expectations that these stakeholders might have on the firm. These stakes help to define what type of power a stakeholder possesses and what kind of a response would be appropriate for the firm to consider relative to each stakeholder.

Step 3: Determine Performance Gaps

This step involves assessing each stakeholder's expectations, needs, and/or demands on various issues and comparing them to an organisation's behaviour on these dimensions to see if performance gaps exist. Once gaps are identified, strategies can be devised to reduce these gaps and therefore minimize the potential conflict that could result in disruptive and costly stakeholder actions against the firm.

Step 4: Prioritise Stakeholder Demands

While the author has taken the position that all stakeholder entities merit consideration, and has tried initially to identify all relevant stakeholder groups, it is also recognized that managers and organisations have limits on their time, cognitive information processing capabilities and resources. Thus, this step will focus on ways to help sort out which stakeholder groups will command or deserve managerial attention at different points in time, i.e., be perceived as having priority status.

Step 5: Develop Organisational Responses

Dialogue and engagement are recommended for definitive stakeholders, for strategically important stakeholders where high levels of dependency exist, for dangerous stakeholders who threaten direct confrontation / sabotage, and for stakeholders who aren't clearly understood by the firm.

With all of the above steps completed it is an opportune time to reflect on an organisation's 'statement of purpose' or 'mission statement' and to assess how well stakeholder relations are reflected in it. Campbell (1997), in arguing the case in favour of stakeholders, says that a statement of purpose should include an explanation of the nature of the 'deal' each stakeholder might expect from its relationship with the organisation.

Step 6: Monitoring and Control

Stakeholder positions on issues are likely to change, sometimes dramatically, over time calling for continuous monitoring of stakeholder expectations lest the organisation be caught off-guard or be pursuing stakeholder strategies that are no longer relevant. From the firm's perspective, stakeholder programmes need to be constantly evaluated and monitored to assure that progress toward goals is actually being made.

Observations

The above mentioned frameworks give us a glimpse into the variety of models proposed by a number of scholars in this field to facilitate the implementation of Corporate Stakeholders Management across organisations. These also facilitate in ensuring that stakeholder welfare optimisation becomes a philosophy integrated with organisational strategy, guiding organisational functioning and also a major deciding factor during decision making at different levels of management hierarchy within and across organisations. However each of these frameworks is contextual and caters towards the relative fulfillment of various aspects relating to Corporate Stakeholders Management. There is a need to identify / propose a model which helps in bridging the gaps identified earlier.

5. Gaps in Research

The five models stated above are based on a preliminary literature review. What is revealed from observing these is that some of the models do not indicate as to how the needs of the various stakeholders of an organisation are to be fulfilled while realizing the goals of the organisation. All of the models have also not indicated the interrelationship which exists within these stakeholders' needs. Further, it is observed that they do not indicate the tradeoffs which would have to be attempted for realising Pareto Optimality of the organisation. It is also observed that none of these models indicate how Corporate Stakeholders Management can be actually implemented in an organisation on a day to day basis. However, the model by Preble (2005) does provide the general sequence to be adopted for the implementation. A detailed model which helps organisations interested in pursuing this approach but not having any specific guidelines on how to go about actually doing it, is required. These aspects need to be further explored and incorporated in any attempt at model building for facilitating the implementation of Stakeholders Management in corporate organisations.

6. Conclusion

In the current circumstances in the international business world, a Stakeholders approach to business will go a long way in providing a sustainable solution to stem the tide of corporate catastrophes and would also contribute to the extent possible for the welfare of all the organisational constituents.

What is required today is a belief by corporate organisations that they are going to run a business which is sustainable over a period of time. It has been observed on several occasions that wherever there is a predominance of a stakeholder in bringing about a higher degree of influence on the manner in which that corporate citizen should behave, that kind of influence has led to the organisation's failure. There are many examples which the authors have identified at the start of this paper. And all that has come out of a simple term called 'greed' which is either from the shareholders or from the employees or the senior management. It is proven beyond doubt that such behaviour leads to such kind of results. However, if there is a collective commitment at defining success which has the approval of all the stakeholders in an equal proportion or fashion, the organisation will end up having a sustainable growth pattern. Any incident where a stakeholder's interests are compromised for a period of time, it is seen that instability emerges in that business model. The skewed approach to business wherein a particular stakeholder is preferred at the cost of others can give corporate organisations or the industry as a whole some advantage for a few years but it cannot give a sustainable advantage lifelong if the business approach is not in line with certain laid down principles.

Dedication

The authors dedicate this endeavour to the Revered Chancellor of Sri Sathya Sai University – Bhagavan Sri Sathya Sai Baba.

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