

# STAKEHOLDER RELATIONSHIPS IN A NON-PROFIT NETWORK ORGANIZATION

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## EXECUTIVE SUMMARY

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### **Abstract**

The objective of the study was to gain insight on stakeholder relationships that exist between a non-profit network organization and its stakeholders. The research was conducted as a qualitative case study of European Business Ethics Network (EBEN) including various forms of generated data. The data was analyzed with qualitative content analysis. The findings of the study propose that the stakeholders of a non-profit network organization may be classified by the nature of their relationship contribution, by the size and activity level of the stakeholder and by the power and influence relationships between the actors. Moreover, the interests of the stakeholders were projected onto the objectives of the organization and the contributions to the relationships were primarily intangible. Lastly, the stakeholders were seen to advocate issues, which were strongly tied to the practical operations of the organization. The salience of these issues can be evaluated by the deviation in the stakeholder perceptions in the importance that was placed on each issue.

## 1. Introduction

The aim of the research was to describe and create understanding about the stakeholder relationships of a non-profit network organization. The study was conducted as a stakeholder analysis of a case organization, namely European Business Ethics Network (EBEN). The research objectives were to identify the characteristics of stakeholder relationships of a non-profit organization and to evaluate the contributions that are made in the relationships between the actors.

The study utilized data from semi-structured interviews, internal documents, an open-ended survey and stakeholder maps. Interviews were conducted for five members of the Executive Committee (ExCom), who were also asked to draw a stakeholder map of the organization. An open-ended survey was sent out to the eighteen National Networks (NN) to gather information about the current ambitions and the general state of the networks.

The analysis assessed the elements of stakeholder relationships from the empirical data and viewed these observations through different frameworks of the stakeholder theory. The stakeholder analysis followed the theoretical frameworks of Freeman (1984, 2010), the model of influence relationships (Mainardes, Alves & Raposo, 2012) and the framework of the extended enterprise (Post, Preston & Sachs, 2002). The contributions and issues in the relationship were identified by a systematic analysis of the empirical data, which was reflected on prior research on the topic (e.g. Sachs & Rühli, 2011; Freeman, 1984; Bundy, Shropshire & Buchholtz, 2013). The causalities that exist in the relationships were analyzed with the idea of value creation mechanisms and the congruency between the stakeholders' and the organization's objectives (Sachs & Rühli, 2011; Freeman et al., 2010; Bundy et al., 2013).

## 2. Identified stakeholders

Six different groups of stakeholder groups were identified in the data:

1. National Networks (18)
2. Members (through National Networks and independent members of EBEN Europe)
3. Companies (Partners, sponsors, conference participants)
4. Similar organizations (e.g. ABIS, SBE)
5. Affiliates
6. Others (EU, media, local governments and legislative bodies, schools, non-member institutes)

Table 1 summarizes the descriptions of EBEN's stakeholders. The stakeholder groups are classified according to 3 frameworks of classification applying Post et al. (2002), Sachs & Rühli (2011) and Mainardes et al. (2012).

Table 1. Summary and classification of EBEN's stakeholders

Stakeholder	Noted actors	Classification (Post et al. 2002)	Classification (Sachs & Rühl 2011)	Influence Relationship (Mainardes et al. 2012)
National Networks	a) Smaller networks b) Larger networks	Resource base	a) Benefit receiver b) Benefit and risk provider	a) Dependent b) Controller/Regulatory
Members	Academics, students, institutions, companies	Resource base	Benefit provider and receiver	Controller
Companies	Member/ non-member companies	Resource/ Industry base	Benefit provider and receiver (Risk provider)	Controller/ Non-stakeholder
Similar organizations	ABIS, CSR Europe, SBE, Academy of Management	Industry base	Benefit and risk provider	Controller
Affiliates	Springer, GEI, AUSBEN	Industry base	Benefit provider and receiver	Partner
Other stakeholders	Local communities, institutions, teaching, affiliates, media, EU and political actors	Socio-political	Risk provider, benefit provider	Non-stakeholder , Regulatory, Controller

The classification of these stakeholders by viewing the benefits and risks (Sachs & Rühl 2011) implies that EBEN itself may be described as a stakeholder network. The contributions that are made in the relationships provide somewhat mutual benefits or risks for the relationship, and their effects are not necessarily limited to the dyadic relationship between the stakeholder and EBEN. The primary stakeholders (see Clarkson 1995) for the organization are the National Networks and the Members, who contribute to the organization's operations as well as act as the end users and participants of EBEN's activities, whether dealing with publications or actual events. Without these stakeholders, the organization would not exist. A similar observation can be made from the analysis of influence relationships (Mainardes et al. 2012), where the organization is seen to have various controlling stakeholders that hold EBEN together.

### 3. Issue-based stakeholder analysis

The aim of the issue-based stakeholder analysis was to view stakeholders through their identity, not solely by the contractual ties that exist between the organization and its stakeholders. Issue-based analysis emphasizes the importance of the advocated issues as opposed to considering the stakeholder environment by the salience of the stakeholders themselves. Issue salience can be divided into *instrumental salience*, which spawns from the strategic importance of the issue, and *expressive salience*, which is driven by the need of the organization to form its identity by reacting to these issues.

#### 3.1. Identified issues

The issues that were identified in the study were repeated throughout the generated data. Seven issues were identified: (1) business ethics research, (2) ethical business conduct, (3)

business ethics education, (4) financial stability, (5) network as a social hub, (5) political impact, and (6) public awareness and strengthening EBEN. Clearly, these issues are strongly linked to the current operations of EBEN. The identified issues lack the perspective of the companies as well as the affiliates and similar organizations which may be due to the limited amount of data that was rich in internal documents and the views of the National Networks.

*Business ethics research* was stressed as a primary concern of the stakeholders. Many of the stakeholders stated that their most important activity is organizing the conferences and supporting the academic activities of the members. The issue is also prominent in the goals of the National Networks.

*Ethical business conduct* was conveyed as a further impact of business ethics research. Stakeholders think that the practical applications of business ethics could be carried out by the organization and deepening the level of cooperation with companies and other business actors is important. However, it was also stated that the relationship between the organization and companies may involve balancing between improving the ethical conduct of businesses and simultaneously avoiding a sense of verifying the ethics of the partnering company.

*Business ethics education* was stressed alongside the ambitions to promote business ethics research and discussion, as the goals of the organization include influencing business ethics teaching and education. This issue was moderately expressed in the ExCom interview data and the National Network survey replies. Firstly, the stakeholders expressed the need to maintain a high level of teaching in the associated schools as well as apply a more practical approach to the teaching. The topic of education was not expressed as a primary issue to attend, but as a potential field to influence due to the academic background expertise that is held by the network actors.

*Financial stability* appeared in the research from two angles. For the smaller networks, it was important that EBEN Europe provided understanding for them, as they have difficulties in collecting their membership fees, which influences the regional operations of the network. For the larger networks, the issue of financial stability revolved around the interest of acquiring funding from business sponsors and public actors and running the organization with a more profitable focus.

*Network as a social hub* and social value experienced by the members are important aspects regarding the operations of the network. Primarily, the organization provides a network for like-minded people to gather and share their ideas and experiences about business ethics. The interests of members are summarized as the will to network and meet people with similar interests. Overall, the social aspects of the organization's activities are valued highly within the network.

*Political impact and public awareness* were raised as potential strategic policies that could be realized in the organization's operations. At the same time, these interests were seen to pose challenges for the organization with regard to its current agenda that focuses primarily on academic activities. The larger National Networks expected EBEN Europe to strengthen their

public presence and ties to the politic actors, with reference to the European Union and regional political actors. However, concerns about overlapping or competing with other institutions that are already focusing on the promotion of business ethics were stressed, implying that EBEN would not necessarily contributing to the current political state of the issues by competing with the existing actors.

*Strengthening EBEN* was a general theme that was stressed by the National Networks as an issue that is intertwined with all the previously introduced issues. This includes the acts to finalize the strategy development process of the ExCom as well as the general interest to streamline and crystallize the main objectives and practices of the organization. Concerns about the organization's strategy relate to the interest to have the strategy finalized and start actively operating towards the set goals - especially with regard to involving the practitioners of the business world in the activities of EBEN. National Networks express a strong interest in solidifying the support from EBEN Europe towards the National Networks in order to simultaneously strengthen the network's benefits to its members and the influence power of the network as a whole.

### 3.2. Issue salience

The evaluation of issue salience was done in two phases. First, an issue/stakeholder matrix was drawn (Freeman, 1984, 112). The issues/stakeholder matrix (Table 2) was drawn by evaluating issues with a value of 1 (low concern) – 3 (high concern) per stakeholder.

Table 2. Issue/stakeholder matrix

ISSUES	STAKEHOLDERS					
	Smaller NNS	Larger NNS	EBEN Members	Companies	Similar Organizations	
Business ethics research	3	3	3	1	3	
Ethical business conduct	2	3	3	2	3	
Business ethics education	2	2	3	NA	3	
Financial stability	3	2	2	NA	NA	
Strengthening EBEN	3	3	3	NA	NA	
Network as a social hub	3	3	3	1	1	
Political influence	2	3	1	NA	NA	

3 - high level of concern

2 - moderate level of concern

1 - low level of concern

NA - stakeholder is not concerned with the issue

As illustrated Table 1, the levels of concern of the smaller and larger National Networks differ mainly in the emphasis on political influence, financial stability and the promotion of ethical business conduct. Within these issues, the main interest of both stakeholders is to strengthen the organization. While the focus of the smaller networks is in EBEN Europe providing more support for the National Networks themselves, the larger networks are not currently in great need of support financially or structurally. Instead, the larger networks are more concerned with extending the activities of the organization from only supporting the regional actors and members to influencing the external environment of businesses, politics and media.

The similar organizations are perceived to address issues of business ethics research, ethical business conduct and business ethics education, too. These organizations may have many similar goals as EBEN, which may bring competitive elements in the relationships. These stakeholders are also sharing a pool of members, who are active in the academic field of business ethics, which creates pressure to EBEN and its activities, especially in terms of being a social hub for the members.

While informative when identifying the important stakeholder issues, the issue/stakeholder matrix does not show great variance between the salience of the issues. For that purpose, the framework for assessing the strategic cognition of issue salience was used (Bundy et al. 2013). This framework presents two main levels and categories of stakeholder issue salience (Figure 1). *Substantive issues* (dark grey) have the highest salience as they are characterized by having both instrumental and expressive salience. They may offer a true opportunity or present a true threat to the organization or they may pose identity or frame conflicts. *Symbolic issues* (light grey) represent moderate salience issues that hold only instrumental or expressive salience. These issues are described offering instrumental or expressive opportunity or pose instrumental or expressive threat to the organization.

		Relationship with strategic frame		
		Consistent	Conflicting	Unrelated
Relationship with organizational identity	Consistent	<b>True opportunity-</b> Substantive	<b>Frame conflict-</b> Substantive	<b>Expressive opportunity-</b> Symbolic
	Conflicting	<b>Identity conflict-</b> Substantive	<b>True threat-</b> Substantive	<b>Expressive threat-</b> Symbolic
	Unrelated	<b>Instrumental opportunity-</b> Symbolic	<b>Instrumental threat-</b> Symbolic	<b>Nonissue</b>

Figure 1. The issue salience framework (Bundy et al. 2013, 364)

All seven identified issues can be typified as substantive issues as they were perceived to be consistent with the organization identity (they were also found in the articles of the association) and with the strategic frame. Although there were small variations on which issues were emphasized most by different stakeholders, the majority of the stakeholder groups advocated all these issues. Similarly, the issues do not deviate greatly from the organization's strategic goals or its identity. Thus, all of the issues are substantive and should receive managerial attention.

*Business ethics research, network as a social hub* and *business ethics teaching* are seen to hold instrumental salience and expressive salience and are therefore substantial in their salience and offer a **true opportunity** for developing the organization. The issues follow EBEN's current strategic frame and at the same time also support the organization's identity.

The issues of *financial stability* and *strengthening EBEN* hold great instrumental salience, due the practical strategic actions, which the stakeholders are interested in. Increasing financial stability is seen as an essential issue that has to be taken in order for the organization to survive and it does not immediately involve the interests to comply with the organizational identity. Strengthening EBEN represents mainly the interest of improving communication and administrative practices. These issues are hence categorized as **instrumental opportunities**. Both issues, however, hold potential for expressive salience due to the strengthening of the EBEN identity by strengthening the organizations instrumentally.

The issues of *political influence and public awareness* and *business ethics conduct* are somewhat ambiguous. Overall, the emphasis that it placed on these issues by the different stakeholder varies, especially when looking at the different sized National Networks. On the one hand, the issues are perceived to pose a threat to the identity as some view stress that the academic activities may be sacrificed by attending to these issues. In this case, three issues are categorized to be **frame conflicting**. On the other hand, especially in the larger networks' views the issues are also seen as potential positive developments in the organization's strategy, where they may be categorized as **true opportunities**.

#### **4. Managerial implications**

The study proposes that a network organization, such as EBEN is a sum of its relationships. The stakeholders' size and levels of activity have an impact on the power distribution in the stakeholder relationship, which calls for examination of risk factors when making strategic decisions on how the cause of the organization is promoted. From this perspective, rather than looking at what the objectives of the stakeholders are, attention should be paid to what are the means of attaining these goals. However, when the stakeholders of a non-profit network organization may be viewed as a rather homogenous group that have decision power in the organization, the organization should look for synergistic elements to provide a sustainable organization culture (see Wheeler et al. 2003). Stress should be placed on finding the best practices of each stakeholder to collectively improve the practices of the whole

network, also in terms of finding a stable financial basis that all stakeholders will contribute to.

The experienced value is an important factor in satisfying the stakeholders. In the case of stakeholders that are diverse in size and activity, the distribution of value becomes an important dimension to observe. The value that is created in the non-profit stakeholder relationships is rather collective and intangible. Because of this, it is difficult to observe by single stakeholders, and thus attention should be paid to what kind of value each stakeholder appreciates, and what kind of distribution of value satisfies all stakeholders. For example, stakeholders that are greater in size may appreciate value in the form of the organization attending the cause with political means, whereas the stakeholders that are smaller in size emphasize their interest in benefitting from the relationship by attaining financial resources.

In order to develop the value creation processes in EBEN, the elements of stakeholder engagement – communication, dialogue and exchange – should be implemented to improve the current engagement level of the stakeholders. These elements are naturally also important in forming a confirmed view on the interests and perceived value of each stakeholder. Practical implications include finding new platforms and instances for enhancing the communication channels between the actors who operate in the network. As the stakeholders have great interest in sharing academic knowledge, participating in networking events and sharing their know-how on local practices, the network could enhance their web based discussion portals. These could also be utilized for meetings and web-based seminars to ease the communication flow between the geographically widespread networks. The transparency of the organization could also be improved by providing more details of internal meetings and strategic decisions for EBEN members.

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