

# Stakeholders Management Systems: Empirical Insights from Relationship Marketing and Market Orientation Perspectives

J. Garcia de Madariaga  
C. Valor

**ABSTRACT.** This paper explores the managerial aspects of the relationship with stakeholders, under the assumption that transfer of knowledge is being made from relationship marketing and market orientation perspectives. These marketing tools may prove useful to manage the relationship with other stakeholders, as has been the case with customers. This study focuses on a sample of Spanish companies representing 43% of listed companies with the largest market capitalization. Given that this is the first time that corporate relationship with stakeholders is analyzed in Spain, a qualitative technique (case analysis) was used. The main conclusion of the study is that most of the participant companies have a reactive position vis-à-vis stakeholders management systems. This attitude is reflected in their concern exclusively about ethical indexes managers.

**KEY WORDS:** stakeholders, stakeholders management systems, corporate social responsibility, market orientation, relationship marketing, case analysis, ethical indexes managers

## Introduction

Since the 80s there has been much discussion about stakeholder management, in parallel, and also as a consequence of the debate about corporate social responsibility (CSR, hereafter). Furthermore, the concept of CSR emphasizes the relationships with stakeholders (European Commission, 2001; Jackson, 2003). Stakeholder management is widely regarded as a managerial framework for dealing with social responsibility (e.g., Freeman, 1984; Mitroff, 1983).

Marketing academicians, first in theoretical papers (Drucker, 1954) and second in their practices, reflected the calls for social responsibility at the very beginning, when Kotler (1971) introduced the social orientation of marketing as the need to harmonize corporate profits and the general welfare of societies. More recently, two theoretical models, market orientation and relationship marketing, have indirectly assumed the stakeholder model of the firm; furthermore, through these models scholars and practitioners intend to create social, economic and environmental value for all stakeholders, in the conviction that it is the only way to succeed. We posit that these models offer a suitable managerial framework to handle the relationships with stakeholders.

As to past research on the operational aspects of stakeholder management, it is remarkable that

---

J. García de Madariaga Assistant Professor, Marketing Department, Universidad Complutense de Madrid. Ph.D. in Marketing and B.A. in Advertising, Universidad Complutense de Madrid. His work has been published in refereed international journals and also in Spanish journals. He has also published numerous refereed articles in the proceedings of major national and international conferences. He is also an active marketing and marketing research consultant.

Carmen Valor Ph.D. (Marketing) at Universidad Complutense de Madrid (Spain), MBA (Universidad Carlos III de Madrid, Spain). Currently, Visiting Teacher at Universidad Pontificia de Comillas-ICADE. She is also an active Research Member at Economistas Sin Fronteras Foundation and GEIES (Universidad San Pablo-CEU). Her work focuses on several issues related to corporate social responsibility and consumer behaviour. Her research has been published, inter alia, in the Journal of Business Ethics, Journal of Business and Society, Business and Society Review, or Investigación y Marketing.

conceptual articles are frequent (more than 200 theoretical articles were found by Gibson [2000, in Gao and Zhang, 2001]), whereas empirical works have been relatively sparse, which could be attributed to the field's infancy and the methodological challenges inherent in the empirical study of stakeholders' relations (e.g. obtaining a specific definition of stakeholders or measuring stakeholders' effects) (Harrison and Freeman, 1999). In particular, little attention has been paid to the way companies are implementing a stakeholder management system (SMS). Previous literature on this topic has addressed some of the issues involved in the implementation of a SMS, such as the identification of stakeholders (Mitchell et al., 1997), measures of satisfaction in different types of stakeholders (Sirgy, 2002), use of surveys in stakeholders' dialogue (Jakson and Bundgard, 2002), a decision-making model for multiple objectives and multiple stakeholders (Winn and Keller, 2001), evaluation of performance in the relationship with stakeholders (Sirgy, 2002), and creation of an organizational context to implement stakeholder management (Goodijk, 2003).

In this paper, the operative dimension of the stakeholder relationship is analyzed comprehensively, in the light of market orientation and relationship marketing developments. Slater and Narver (1995) defined market orientation as "the culture that takes into consideration the interest of key stakeholders to create and maintain superior value". Relationship marketing can be defined as "an approach to establish, maintain, and enhance long-term associations with customers and other stakeholders" (Zinkhan, 2002, p. 83). In particular, this study attempts to offer some insights on the SMSs of a sample of Spanish companies. In Spain, research on stakeholder management is scant, both at theoretical and empirical levels. Most theoretical papers simply review Anglo-Saxon literature on this topic (e.g. Lozano, 1999; Fernández, 1994; de la Cuesta et al., 2002). There has been no study on stakeholder management in Spain, except for a survey conducted by PriceWaterhouseCoopers (2003). This study focused on the degree of penetration of CSR practices among companies operating in Spain (Spanish firms and subsidiaries of foreign corporations, affiliated to the Business for Sustainable Development Forum).

The paper is structured as follows. First, the possibility of managing sound relationships with stakeholders, transferring the knowledge amassed by market orientation and marketing relationship researchers will be analyzed. Second, the research methodology will be explained and the results of the study will be presented. Finally, conclusions and future research lines will be offered.

### **Market orientation and relationship marketing**

The origins of the market-orientation literature can be traced back to the 80s, when Grönroos (1989) and many other authors (e.g., Gummerson, 1987; Piercy and Morgan, 1990) pointed to the new short-sightedness of those companies focusing exclusively on customers. Companies need to extend beyond the customer to include other stakeholders (i.e. employees, strategic partners, or suppliers), through inter-firm relationships. This extension will allow for coordination of activities among multiple parties for mutual benefit in order to obtain a competitive advantage (Morgan and Hunt, 1994). Stakeholder management is a question of balancing the different stakeholder interests and creating added value (Goodijk, 2003) through trust, commitment, social norms, and so on. This approach to the market has been extensively discussed in the management literature (Freeman, 1984; Harrison et al., 1999; Kelada, 1999; Omran et al., 2002; Sirgy, 2002; Winn and Keller, 2001).

Market orientation can be conceptualised in two different ways. First, as a managerial philosophy, strategic orientation or corporate culture. From this point of view, market orientation is "one of the several strategic orientations that an organization may possess" (Noble et al., 2002, p. 26). Market orientation has also been defined as a corporate culture (Narver and Slater, 1990; Day, 1994). Slater and Narver (1995) suggested that "market orientation is the culture that (1) places the highest priority on the profitable creation and maintenance of superior customer value, while considering the interest of other key stakeholders; (2) provides norms for behaviour regarding the organizational development and responsiveness to market information"

(p. 67). Market-oriented organizations may be expected to keep abreast of all environmental forces and make every attempt to integrate economic, legal, ethical, and philanthropic responsibilities (Carroll, 1999) into their activities.

Second, Kohli and Jaworsky (1990) offered a behavioural definition of market orientation. They proposed that market orientation consists of three conceptual dimensions: “the organization-wide generation of intelligence pertaining to current and future customer needs, dissemination of intelligence across departments, and organization-wide responsiveness to it” (p. 6). Market orientation has significant internal and external consequences for organizational and individual behaviour. All departments, not just marketing, are involved in market-oriented responses. Employee commitment, esprit of corps, and job satisfaction represent the internal benefits of adopting market-oriented behaviour.

Even though both perspectives have a fair amount of overlap (Avlonitis and Gounaris, 1997), we chose to operationalize Kohli and Jaworsky’s framework for this study because it was better suited to our research methodology.

Relationship Marketing represents a strategic response by firms to gain competitive advantage (Takala and Uusitalo 1996). This response is based on the theory that appreciation of the interdependence of market players, and mutual effort based on trust and commitment, would allow firms to remain competitive (Veloutsou et al., 2002). In an ever expanding and rapidly changing environment, companies cannot maintain attitudes characterized by attracting customers or expanding in new markets. The key success factor to survive in mature markets relies on sustaining long-term relationships with stakeholders (e.g., customers, employees, suppliers, or community representatives). In this environment, trust and commitment become a part of the offer (Morgan and Hunt, 1994; Wilson, 1995). “Only actors who trust and who are committed to the other side are willing to share information” (Helfert et al., 2002, p. 1123). Trust is a “positive belief, attitude, or expectation of a party concerning the likelihood that the action or outcomes of another will be satisfactory” (Andaleeb, 1992). Commitment is an attitudinal component signifying a durable intention by the parties to develop and sustain a long-term rela-

tionship (Anderson and Weitz, 1992, p. 3). Trust and commitment are considered the key variables to reduce the development of opportunistic intentions and may eliminate the need for structural mechanisms of control (Achrol, 1997).

There is an intimate connection between market orientation and relationship marketing. “We expect these important resources for relationships [trust and commitment] to be present in market-oriented firms” (Helfert et al., 2002, p. 1124).

### Objectives and methodology

As mentioned in the introductory section, little is known about the corporate SMS. This paper aims at analyzing the operational framework for SMS implemented by companies, based on market orientation and relationship-marketing knowledge and expertise.

A qualitative methodology was used due to its capacity to capture the breadth of conceptual stakeholder models and its capacity for systematic comparisons within decisions and between individual cases (Harrison and Freeman, 1999). In particular, case research was chosen, which is considered “an excellent method for theory building” (Harrison and Freeman, 1999, p. 482). Case studies are now considered “to be valid forms of inquiry (...), particularly when the research context is too complex for survey studies or experimental strategies, and when the researcher is interested in the structure, process, and outcomes of a single unit” (Sarantakos, 1998, p. 198). Case research allows researchers to go into greater depth on the processes, procedures, challenges, and outcomes of SMS implementation in Spanish companies.

When conducting the research, Eisenhardt’s (1989) steps for case research were carefully followed: “Investigators should formulate a research problem and possibly specify some potentially important variables, with some reference to extant literature, while avoiding thinking about specific relationships between variables and theories as much as possible” (p. 406). A list of research questions, linked to the preliminary variable under study, was prepared, which were based on the literatures on stakeholder management, market orientation, and relationship marketing.

The implementation of a SMS is analyzed through three main factors: people, processes, and tools (see Table I).

The category “people” comprises the strategy and the structure of the SMS in the firm, since these are considered as two aspects of the same phenomenon (Cuervo, 1989; Glazer, 1991). The variables forming the factor “processes” were created by drawing on the philosophical and operative dimensions of the literature on market orientation and relationship marketing. Based on the model proposed by Kohli and Jaworsky (1990), we have used stakeholders orientation, instead of market orientation, in order to be coherent with the issue analyzed. The last variable measures the “tools” employed in the processes of stakeholders management (e.g., *inter alia*, information systems; brand tracking surveys).

“When building theory from case studies [...], research relies on theoretical sampling, not statistical” (Eisenhardt, 1989, p. 537). Theoretical sampling is “directly related to data collection, which obviously is controlled by the theory being developed” (Sarantakos, 1998, p. 204). The aim in theoretical sampling is to sample data to provide the best possible information for theorizing a substantive topic area, avoiding any statistical sampling method (Locke, 2001).

Participant companies were selected using two criteria: they had to be Spanish and not affiliates of foreign companies, and had to be considered at the *avant-garde* in stakeholder management. This is not a study of penetration of SMS. Thus, companies with the best SMS should be interviewed to use them as a benchmark; the selection criteria are explained below.

Five Spanish listed companies participated in the study. To find these “best companies” several cues were used: (1) They have all adhered to the United Nation’s Global Compact; <sup>1</sup> (2) They all have a functional unit dealing with CSR and stakeholders (which is not frequent among Spanish companies, according to the mentioned survey conducted by PriceWaterhouseCoopers (2003); (3) They have been invited to recent fora and conferences to present their CSR strategy; (4) They have joined Spanish business associations promoting CSR and corporate citizenship. In addition, participant companies and fellow researchers reviewed the sample

and agreed that these companies were the most appropriate for the purposes of this study.

The number of participant companies seems appropriate, according to Eisenhardt (1989), who suggested a sample between 4 and 10 cases. Interviews were finished when saturation point was reached (Locke, 2001). The participant companies were: BBVA, FERROVIAL, REPSOL-YPF, UNION FENOSA, and TELEFÓNICA. Together, they account for 43% of the total IBEX-35,<sup>2</sup> measured by market capitalization (October 13th, 2003). Table II depicts the full name, size, scope of operations and industry of the sample.

The interviews were recorded, and the transcripts were analyzed mainly by resorting to pattern-matching and explanation-building techniques (Yin, 1994). The procedures suggested by Neuman (1994), Sarantakos (1998) and Eisenhardt (1989) were followed to minimize bias while processing information. In order to ensure validity, some of the strategies mentioned by Eisenhardt (1989), Neuman (1994), and Yin (1994) were used: visits were made in teams, assigning each interviewer a different role (e.g., one interviewer’s role is to obtain new information; the other interviewer focuses on comparing variables across companies); different sources were explored (e.g., internal magazines, sustainability reports, websites, and press databases); and key informants reviewed a draft of the case-study report. They approved it; therefore the report is not based on the authors’ subjective opinions, but rather on an accurate perception of the real state of SMS in these companies. In addition, and as suggested by Neuman (1994, p. 322), readers will be provided with a detailed report.<sup>3</sup> For “triangulation” purposes, documentary sources were reviewed, including company-issued documents such as the ones mentioned above (introduced in the results section), and previous papers on the same topic (e.g., the mentioned PriceWaterhouseCooper’s survey, 2003).

## Results

This section will present the main findings of the interviews. This section is structured following the variables depicted in Table I: Structure and strategy; development of stakeholder orientation;

TABLE I  
Variables (people, processes, and tools) and research questions

Variables		Research question	Sources
People	Organization and strategy of the SMS functional unit	RQ1.1. Which department has the main responsibility for SMS at your company?	Coviello et al., 2002
		RQ1.2. From which areas of expertise do the staff of this functional unit come?	
		RQ1.3. Can you tell us what role the SMS functional unit plays in your company?	
		RQ1.4. What is the aim of your SMS activities?	
		RQ1.5. Which issues does your SMS planning focus on?	
		RQ1.6. How large a budget is allocated to the SMS functional unit?	
Process	Stakeholders - orientation	RQ 2. Are interviewed organizations oriented to stakeholders?	Jaworsky and Kholi, 1993;
		RQ2.1. How does your organization generate intelligence about current and future stakeholder claims?	Noble et al., 2002
		RQ2.2. How does your organization disseminate the intelligence across departments?	Jaworsky and Kholi, 1993
		RQ2.3. How does your organization respond to information (inter-departmental co-ordination)? What kind of internal communication have you established for SMS?	Goodijk, 2003; Jaworsky and Kholi, 1993; Noble et al., 2002
		RQ3. How do you manage the relationship with stakeholders?	Vermillion et al., 2002
		RQ3.1. How do you select the stakeholders?	Mitchell et al., 1997
	Relationship marketing	RQ3.2. What type of relationship do you have with the stakeholders?	Grunig and Hunt, 2000 Helfert et al., 2002; Coviello et al., 2002
		RQ3.3. Which communication instruments do you use? How does your organization contact your primary stakeholders?	Jakson and Bundgard, 2002
		RQ3.4. How do you measure stakeholder satisfaction? Have you developed specific measures to evaluate the satisfaction of your stakeholders?	Sirgy, 2002
		RQ3.5. Are employees given goals and rewards according to the satisfaction of the stakeholders with whom they interact?	
		RQ4. Are you transferring knowledge to among units?	
		RQ4.1. Are you using procedures already employed for the relationship with customers?	
TOOLS	Knowledge transferring	RQ4.2. Are you using similar tools or systems to those traditionally used in marketing in the relationship with customers?	

TABLE II  
Full name, size, sales, internationalization, industry of the participant companies

Full name	Industry	Size (employees)	Sales (thousands €)	Internationalisation (No. of countries where they operate)
BBVA	FINANCIAL	86,197	15,077,000	35
UNION FENOSA S.A.	UTILITY	25,777	6,002,542	14
GRUPO FERROVIAL S.A.	CONSTRUCTION	45,122	4,293,824	14
REPSOL YPF S.A.	OIL + SERVICES	37,510	43,835,000	24
TELEFONICA INTERNACIONAL	TELECOM + MEDIA	33,668	1,059,660	46

Source: SABI database (2002), a product of Informa, important information broker in Spain.

management of relationship with stakeholders, and knowledge transfer from marketing.

#### *Organization of the SMS Functional Unit (FU)*

There are two models of organization for SMS: either the role has been subsumed into the Corporate Communication or into the Marketing department, or a new functional unit (FU) has been created. These units report to the Board of Directors. According to the interviewees, the main advantage associated with the first option (subsuming CSR into an existing unit) is that they are in the front office, while having adequate knowledge about the back-office.

When a new unit has been created, it is in charge of establishing plans and guidelines for every business unit (BU) in Spain. In the mid-term (in two years *circa*), they will create a global committee to coordinate the activities undertaken by the corporation worldwide. Companies having created a new unit were the ones with a higher degree of internationalization and a larger number of business units (BUs), they all acknowledged that decision-making is fairly bureaucratic in other issues, and they all are founders (and, at the time, only) members of an association of companies called "Corporate Reputation Forum", created in September 2002.

Differences are observed according to the origin of the FU. When the FU in charge of the SMS was Corporate Communication, the staff came from this area of expertise, working informally with other FU when necessary. In the companies with a unit created *ad hoc*, the expertise was closer to financial management than to marketing. They recruited

internally, supplementing the lack of expertise with training or hiring external consulting firms.

As regards the role of the FU, when the department in charge is Communication, the role of the FU is to coordinate the activities across departments rather than to prescribe. In the new units, the role of the CSR departments is also to coordinate policies, but they have a more prescriptive role. Thus, they are accountable to the Board of Directors for progress made by different units, although there are not formal procedures to assign penalties yet. The communication channels with these other FUs are mainly informal (e.g., e-mail and phone calls, with meetings when necessary), and this leads to high transaction costs.

Units are (or plan to be) supplemented by a committee. This committee is formed by the managers of each business unit and functional unit (from 8 to 20 people). The committee has three tasks: (1) to define the general strategy in relation to CSR and stakeholders, to be approved by the Board of Administration; (2) to harmonize policies and practices among the FUs/BU, and to disseminate information through their FUs; (3) to control and monitor results.

Interviewees believe that "committees" have three advantages over "departments": as CSR is an "umbrella" issue, a committee allows it to impregnate every policy in the company; it allows sharing experiences; and it eases the task, as no managers feel that they are interfering with their competencies. Their views agree with Etzioni's (1990, p. 194) statement: "Organized collectives can deliberate and decide more efficiently in *many* important subsets of issues [...], because: (1) "they more often curb each

TABLE III  
Results of the participant companies

Code	Department in charge	Committee	Reporting to	Role of the unit	Area of expertise	No. of Staff (full time)	Communication
A	New FU: Corporate Social Responsibility (late 2002)	To be created	CEO Board of Directors	Coordinating prescriptive role	Financial management. Away form Marketing	3	Informal (email, phone, when necessary), regular meetings
B	Communication and Quality (2000)	Already created.	Board of Directors	Coordinating role	Communication	2	Informal (email, phone, when necessary). Formal (regular meetings)
C	New FU. Corporate Reputation (early 2003)	Already created. Role is not clearly specified	CEO Board of Directors	Not clearly specified.	Financial management. Away form Marketing	3	Informal (email, phone, meetings, when necessary)
D	New FU: Corporate Social Responsibility (late 2002)	To be created.	CEO Board of Directors	Coordinating prescriptive role	Financial management. Marketing	3	Informal (email, phone, meetings, when necessary)
E	Communication (2002)	Already created.	Board of Directors	Coordinating role	Communication	2	Informal and formal channels

Companies have been rotated so that they do not coincide with Table II, to ensure anonymity.

other's impulses than exacerbate them, in part because it takes time and effort to gain group action, and in part because they have incompatible (hence, mutually curbing) proclivities"; (2) "Divergent members bring to the decision-making process larger amounts and varieties of knowledge than any of the individual members command as a person". That is why companies experiencing internal obstacles (e.g., rejection by BUs managers) for implementing the CSR plan will create a committee to act as an enabling forum with the aim of sharing good practices (internal benchmarking on CSR-related issues) and improving the image of the FUs in charge of SMS at the company.

Other information about the organization models used by each company is depicted in Table III.

#### *Strategy: objectives and tasks*

Eventually, all participant companies acknowledged that SMS activities are intended to increase the value of the company by delivering more value to stakeholders, including customers and employees. Consequently, SMS activities are not disconnected from the general corporate strategy, as they are considered an indirect profit driver.

Participant companies are currently focusing on three main issues. Their first priority is to fill up the questionnaires sent by ethical indexes managers (that are agencies of social rating, such as EIRIS, SAM Group, SiRi Company). To do so, companies are forced to record every practice and every policy already in use in relation to stakeholders. The information gathered was presented in the Sustainability Report, first issued in 2002.

The difficulties in gathering the information requested by these agents and the limited quality of the information (e.g., it was incomplete, or it was impossible to compare it across BUs given that each FU/BU uses different indicators or methodologies) lead these units to accomplish the second task: create a social information system and a management control system to group together all information related to stakeholders and CSR. The design and implementation of this project unveil internal problems that are being addressed through internal training sessions and internal channels of information.

The feedback received from these social rating agencies prompted CSR managers to prioritize other tasks, poorly rated by ethical indexes managers: creating codes of conduct or implementing/improving environmental management systems.

One company carried out a similar process but with a rather different approach, by building a corporate reputation-risk map. To do so, they conducted interviews with every FU/BU in every country where the company operates; afterwards, they validated this information by interviewing different stakeholders. The remaining members of the Corporate Reputation Forum are working on a reputation-risk map as well.

In three out of five interviewed companies, the last task was to define a strategy for the community investments, as this is regarded as the chief way to relate to the more abstract (and more difficult to identify and deal with) stakeholder, named "society".

#### *Development of a stakeholders-orientation*

The interviewed companies refer to this concept in different ways: "culture", "strategic orientation", or even "quality management". Even though they all acknowledge their concern to be market-oriented, they face this task in different ways. This strategic position becomes commonplace, and it is reflected in their mission as a general goal and/or principle for the entire organization. Although some of these companies consider themselves as market-oriented, the truth is that they are not as regards stakeholders other than employees, customers, or investors. The explanation that follows describes the level of development of the market orientation process in the participant companies, following Kohli and Jaworki's framework (1990).

The first stage deals with intelligence generation. Managers face two tasks at this stage: (1) to define which information is important and to whom; (2) to decide how to obtain this information.

Companies are using several sources to list the information needed: information and indicators currently disclosed by competitors, the Global Reporting Initiative (GRI) guidelines,<sup>4</sup> and, especially, the questionnaires sent by ethical indexes managers.

Ethical indexes managers are, thus, the main "customers" of this information. Companies have



not validated whether the indicators currently requested by ethical indexes managers are useful for their current and potential stakeholders or whether they need other CSR related-information for different purposes. They are prioritizing the indicators requested by ethical indexes managers, ignoring other potential “customers” of this information.

As regards the means of getting this information, differences are observed across stakeholders. Companies store databases of customers and employees (most of them have conducted labour climate surveys for the last two years),<sup>5</sup> but they do not keep any record of the other stakeholders. As a consequence, getting such records is set as an objective, or a challenge, for four of them. Most of the interviewees try to overcome the lack of information by actively participating in meetings and workshops on CSR, which are their only way of obtaining information and building a relationship with other stakeholders, such as NGOs.

The second stage deals with intelligence dissemination. Dissemination of information is crucial to analyze and learn, and to design and implement specific plans for every stakeholder. Modern communication systems allow this knowledge to be disseminated throughout the organization.

Participant companies agree that the extranet/intranet (with an array of corporative mail boxes) has become the best way to disseminate the amassed intelligence about their stakeholders, especially in those companies where nothing was systematized before. On their websites, they post newsletters, internal magazines, and sustainability reports.

Special reference has to be made to employee training. This represents one of the main challenges for these companies, although none of them have specific internal courses about CSR yet (CSR-related issues are introduced in other seminars, such as quality management). At least three of them expressed the urgent need for reconsidering their relationships with stakeholders. SMS helps to improve these relationships but cannot change corporate culture, which depends on the leadership style and the professional/personal profile of managers. Although companies introduce new FUs, new procedures, and systems guiding their behaviour towards stakeholders, they cannot ignore the vital role of the “human element” in the success of the SMS implementation, because, in the end, it is their

people who encourage and maintain relationships. Thus, success in the SMS implementation is tied to its acceptance and efficient use by employees. Participant companies report that they have found a positive and receptive attitude towards CSR in their employees; yet, later during the interviews, they clarified that they have a positive attitude towards corporate community investments; yet, they maintain a sceptical view towards other dimensions of CSR.

Through the paper, the main problems that participant companies are facing vis-à-vis the cultural obstacles for CSR implementation have been suggested (e.g., resistance among managers and employees to information disclosure and the sharing of information or best practices, resistance to suggestions of introducing or adapting existing policies to include social and environmental objectives; resistance to being “monitored”). The reasons are: (1) Organizational resistance to the changes derived from the implementation of a new management system; (2) Interdepartmental conflicts derived from power transition in relevant positions after the implementation; (3) Difficulties in coordination and cooperation among analysts and users; (4) Lack of coordination among strategic objectives and SMS planning.

This is not specific to SMS. Previous studies conducted in the USA (Kim and Lee, 1991) concluded that the performance of Information Systems depends on politics, culture, and behavioural issues rather than on technical ones. Most failures observed in implementing solutions similar to SMS are not due to technological reasons but to the lack of sensibility, cooperation, and good use by those toward whom the system was targeted.

Finally, the third stage deals with the responsiveness to information and inter-departmental coordination. At the moment of conducting the interviews, companies thought it was much more important to gather information than to be responsive to it. Hence, we must conclude that companies are still at the second stage in the process of developing a market orientation. They acknowledge having chosen a positive, encouraging attitude, to prevent managers and employees from withholding bad results in the future and to overcome the internal resistance to share information or change methodologies. Nonetheless, one company has

made some changes in its payment systems, allowing social objectives to account for part of the salary variable of marketing employees. The rest of the companies plan to implement a similar scheme in the mid-term (in two years *circa*).

However, they all have, or are preparing, a code of conduct for employees, which imposes a common ethic and assigns penalties if a serious infraction occurs. Internal audits are conducted to monitor code-abiding. Hence, the strategy implemented by participant companies is more negative than positive, penalizing deviations from the code rather than rewarding excellent practices or good performance.

#### *Management of relationships with stakeholders*

We observe large differences according to the type of stakeholders. Following the distinction established by Carroll and Buchholtz (2003, p. 73) between core, strategic, and environmental stakeholders, we conclude that participant companies have expertise in dealing with core stakeholders (e.g., employees, customers, shareholders) and limitedly with strategic stakeholders (e.g., mass media, and suppliers/retailers). They all have plans and policies regarding these stakeholders, FUs devoted to them, measures of satisfaction, methodologies to classify them, databases to store the major events in the relationship, and periodic surveys to monitor results. Yet, they have not started a relationship with other environmental and/or strategic stakeholders such as, *inter alia*, NGOs, government, consumer associations, and environmental associations.

Contrary to the Mitchell and colleagues' proposal (1997), participant companies do not acknowledge selecting specific stakeholders according to their power, legitimacy, and urgency. They may only use these criteria (tacitly, because they cannot offer a rational procedure to justify their decision) to select specific core and certain strategic stakeholders, such as the above-mentioned ones. As for the rest, they believe that, rather, a process of self-selection occurs, as they interact with the stakeholders who approach the company or with the ones they meet in social fora. However, participant companies do not think (or are unwilling or incapable of reporting this) that they have definite criteria to select specific stakeholders.

Concerning the direction of relationships, Grunig and Hunt (2000) proposed a classification of public relations behaviour based on two dimensions: direction and balance of intended effects. Applying this classification to the relationships held with stakeholders, we conclude that the relationship with employees and shareholders (including financial analysts) is two-way symmetrical; with customers, suppliers/retailers, and mass media, it is one-way symmetrical; and with the remaining stakeholders, it is one-way asymmetrical.

The firms have not undertaken procedures for dialoguing with stakeholders. At most, they conduct surveys of core stakeholders; yet, these surveys do not always include questions about CSR-related issues. They send information, but only receive information from the remaining stakeholders in a very restricted way. The communication channels are of two types: informal (e.g., *ad hoc* meetings, phone calls, e-mail) and formal (e.g., newsletters, sustainability reports, publicity, websites, regular meetings).

From a different point of view, Helfert and colleagues (2002) suggest that relationship management entails four types or management tasks: exchange (that serve to settle needs and requirements of the partners in a relationship), conflict resolution (non-standard situations which are bound to occur in every long-term relationship), inter-organizational coordination (synchronization of the relationship partners' actions), and adaptation (necessary in order to meet the special needs or capabilities of a stakeholder). Participant companies have: (1) a conflict-resolution relationship with environmental associations and NGOs encouraging boycotts; (2) an inter-organization coordination with some charities and employees, which may be extensive in the mid-term to suppliers; (3) an adaptation strategy with investors; and finally, (4) an exchange relationship with customers, mass media, and government.

They have established procedures to scan satisfaction and monitor results for the following stakeholder groups using the following procedures: employees (only recently – less than two years ago – have they carried out a labour climate survey), customers (brand tracking or customer satisfaction survey), and shareholders (two companies report using a qualitative survey to measure analysts' and shareholders' satisfaction).

In general, they are taking advantage of existing marketing methodologies and enriching them by including social and environmental indicators (e.g., social indicators in brand tracking or corporate governance indicators in surveys to shareholders). Although they analyze (and respond to) complaints, phone calls, and e-mails when they arrive, they do not store them in a database or somehow compile them. To conclude, it seems that their databases are quite sophisticated as regards customers or shareholders/analysts, less so for employees or mass media, and nonexistent for the rest of stakeholders, although one company intended to create databases for other stakeholders (e.g., government) in the mid-term. As for the mass media, only one company has created indicators of satisfaction and a methodology to measure it.

They all report that the main problem is to measure local community and society satisfaction. Most of them use NGOs as a channel to contact society and as a proxy to measure society satisfaction. They also take part in the MERCO study.<sup>6</sup> Nonetheless, this is not sufficient for them. Defining society, identifying specific stakeholders within it, and developing a plan (including indicators and methodologies to measure achievements) are some of the main projects to be undertaken in the mid-term.

#### *Knowledge transferring (Tools)*

It should be highlighted that the SMS project is not in the marketing arena. In most cases, SMS reports to the CEO, and decision-making depends on a Committee in which sit people who have little to do with Marketing. Where Communication departments carry out most of the tasks related to this strategy, knowledge transfer comes from the Quality Department, which are the champions of change towards CSR. In the three companies where an FU was created *ad hoc*, financial management represents the essence of the department. In these companies, an accountancy or risk-management expert is present.

Despite all this, some knowledge transfer occurs. Market research tools are transferred; executives in charge of SMS have taken advantage of existing methodologies in the marketing area (e.g., information

gathering and satisfaction monitoring) and enriched them by adding social and environmental dimensions (e.g., brand tracking). It should also be highlighted that two companies are deliberately trying to adapt what they have learnt about customer relationships to the rest of their stakeholders. Two other companies have hired external consultants to acquire this expertise, although they believe their Customer Relationship Management Systems are sound.

#### **Conclusions and further research lines**

To conclude, the contradiction is evident between the strategic approaches to SMS that interviewees declare they have and its implementation. The SMS, at this time, is basically oriented by a tactic, not a strategic, objective: to obtain the requested information and be successful in being listed in ethical indexes. That leads participant companies to focus on their information gathering policies and on changing policies and issues rated poorly by ethical indexes managers. It goes without saying that these ethical indexes managers are now the main customer of the SMS. That contrasts with the limited role awarded to other Spanish organizations (e.g., NGOs or socially responsible investors) having no (or very little) coercive power and little media or financial repercussion (García de Madariaga and Valor, 2004; Melé, 2004).

Not only are participant companies much more concerned about ethical indexes managers' reports than about general stakeholder perceptions, but also, in most cases, their relationship with stakeholders is nonexistent: They do not retrieve information from stakeholders and they send limited information through limited channels, which can be used only by the most active and concerned stakeholders, such as NGO-dogwatch organizations. They do not communicate their SMS strategies or their social and environmental performance through the mass media, as they do with other issues (brand improvements, mergers, new corporate cultures, and so on). Consequently, we posit that companies are not stakeholder-oriented but ethical index-oriented.

These are also the conclusions of the mentioned survey conducted by PriceWaterhouseCoopers (2003). Although this study had different objectives

and was not oriented by the theory of market orientation and relationship marketing they also concluded that there is a lack of a true strategy for CSR; there is not a management control system that integrates and monitors the CSR strategy; and there is not a structure allowing an ongoing dialogue with stakeholders.

As to the transfer of knowledge, certain developments are taking place, especially in “people” and “tools”. It seems that the participant companies are walking up the same path as did marketing in relation to customers. They are now in a transaction stage, aiming towards a relationship stage, although at different speeds. However, they have not yet realized that relationship management tools may help them in this new aspect of their corporate strategies. The main reason is that they are too concerned about being listed in ethical indexes and have not started a well-developed plan to manage the relationship with their stakeholders.

As previous studies identified, there is also a potential for “managerial capture”, as defined by Owen et al. (2000, quoted in Gao and Zhang, 2001): “potential for management to take control of the whole process (including the degree of stakeholders inclusion) by strategically collecting and disseminating only the information it deems appropriate to advance corporate image” (Gao and Zhang, 2001, p. 254). This conclusion stems from several decisions made by these companies: not including stakeholders when defining their CSR policies; communicating progress through limited channels and about limited issues; and addressing targets perceived as profit-drivers (e.g., being listed in ethical indexes or implementing a corporate community investment strategy).

Two obstacles are mentioned to the development of CSR: the cultural opposition within the firm and the difficulty in analyzing the real impact of CSR on profitability. The participant companies declare that, without doubt, CSR positively influences profits, and this is a general belief among Spanish companies. As the PriceWaterhouseCoopers’ survey (2003) reflected, three out of four companies believed that CSR positively influences long-term profitability. However, this belief is not reflected in the allocated budgets, in the investments made, or in the size of the FU in charge.

But, at least, these five companies have an FU in charge, and objectives to be achieved in the short and mid-term. Consequently, we must conclude that SMS is at an early stage in Spain, and that, probably, only companies listed in national and international stock markets are on the way to building sound SMS. However, optimism is justified. Certain organizations (e.g., business schools, NGOs, and – more limitedly – governmental agencies) are encouraging a change in Spanish corporate culture. The fact that more than 100 Spanish organizations of all sizes have joined the United Nations Global Compact (in total, more than 2,000 companies worldwide have joined) is a sign of this growing concern. Managers have joined organizations promoting CSR among companies (e.g., Forética;<sup>7</sup> the aforementioned Business for Sustainable Development or Corporate Reputation Forum). Also, consulting firms are offering services and producing special tools for stakeholder management (e.g., PriceWaterhouseCoopers).

However, we wonder whether companies will establish a real dialog with their stakeholders in each country where they operate; whether they will face real changes in their corporate policies and behaviours; or if they will continue to be reactive to the requirements of ethical indexes managers, which may not coincide with their stakeholders’ claims. In addition, if only the ethical indexes managers are prompting changes in stakeholder policies among Spanish companies, unlisted companies may see no reason to worry about their social and environmental performance (especially large unlisted corporations such as El Corte Inglés). In Spain, only 100 companies are listed in the Madrid stock exchange.

To sum up, after conducting this exploratory study, we may advance some observations on the state of SMS in Spanish companies.

P1. The higher the degree of internationalization, the more the sense of urge to produce a SMS plan.

P2. Companies listed in stock markets will more frequently have a SMS than non-listed companies.

P4. The higher the degree of market orientation, the higher the probability of implementing a real dialog with stakeholders.

P5. The higher the degree of market orientation, the less the companies are affected by (1) organizational resistance to the changes derived

from the implementation of SMS (P5.1); (2) interdepartmental conflicts derived from power transition in relevant positions after the implementation (P5.2); (3) lack of coordination and cooperation among analysts and users (P5.3); (4) lack of coordination among strategic objectives and SMS planning (P5.4).

P6. The better the relationship marketing practices, stimulating interactions with and between stakeholders, the stronger the communications between the firm and stakeholders.

P7. The more and better communication channels among members of SMS Functional Unit or Committee, the stronger impact on (1) definition of the general strategy in relation to CSR and stakeholders, (2) harmonization of policies and practices among the FUs/BUs, and (3) control and monitor of results.

P9. The relationship held with stakeholders differs in terms of direction (i) with employees and shareholders (including financial analysts) is two-way symmetrical; (ii) with customers, suppliers/retailers, and mass media, it is one-way symmetrical; (iii) with the remaining stakeholders, it is one-way asymmetrical.

P10. The greater the marketing expertise in the functional unit in charge of SMS, the less reported difficulties to implement such a plan.

To analyse these propositions valid and reliable measurement scales for stakeholders management system should be developed. These scales could be based on the existing ones in the literature; for instance, the market orientation scale could be based on Kholi and colleagues (1993). Relational Marketing will be based on scales measuring stakeholders' commitment and trust (e.g., Anderson and Weitz, 1992; Andaleeb, 1992). Some items will be newly developed, reflecting concepts of crucial marketing tasks. These items will capture the access to resources, people and processes available to managers in market oriented firms to manage relationships with stakeholders.

## Notes

<sup>1</sup> UN Global Compact was set up by United Nation Secretary-General Kofi Annan in 1999. The aim of this international initiative is to bring companies together with UN agencies, labour and civil society to support

ten principles in the areas of human rights, labour, fight against corruption and the environment. (<http://www.unglobalcompact.org>)

<sup>2</sup> IBEX-35: Index of the most traded securities in the Spain stock exchange.

<sup>3</sup> Given the length of the paper, the report does not include quotes of the participants. The transcripts in Spanish are available and will be sent to the readers at their request (Carmen Valor, [cvalor@ceu.es](mailto:cvalor@ceu.es))

<sup>4</sup> GRI (Global Report Initiative): The GRI is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. These Guidelines are voluntary for reporting on the economic, environmental, and social dimensions of their activities, products, and services. Started in 1997, GRI became independent in 2002, and is an official collaborating centre of the United Nations Environment Programme (UNEP) and works in cooperation with UN Secretary-General Kofi Annan's Global Compact. (<http://www.globalreporting.org/>)

<sup>5</sup> A labour climate survey is conducted with the aim of monitoring different issues related to satisfaction at work.

<sup>6</sup> MERCO is the Spanish study of corporate reputation, very similar to the Fortune Corporate Reputation Index. It is published in the economic journal Cinco Días. See <http://www.villafañe.com/>

<sup>7</sup> FORETICA (Forum for the Evaluation of Ethical Management): independent non-profit Spanish association, created in 2000, whose main goal is to encourage the implementation of ethical management systems in organizations. (<http://www.foretica.es>)

## Acknowledgements

We would like to thank the anonymous reviewers for their useful comments and suggestions that helped to improve the paper.

## References

- Achrol, R. S.: 1997, 'Changes in the Theory of Inter-organizational Relations in Marketing', *Journal of the Academy of Marketing Science* **25**(1), 56–72.
- Andaleeb, S. S.: 1992, 'The Trust Concept: Research Issues For Channel of Distribution', *Research in Marketing* **11**, 1–34.

- Anderson, E. W. and B. Weitz: 1992, 'The Use of Pledges to Build and Sustain Commitment in Distribution Channels', *Journal of Marketing Research* **29**(1), 18–34.
- Avlonitis, G. J. and S. P. Gounaris: 1997, 'Marketing Orientation and Company Performance: Industrial Versus Consumer Goods Companies', *Industrial Marketing Management* **26**(5), 385–402.
- Carroll, A. B.: 1999, 'Corporate Social Responsibility. Evolution of a Definitional Construct', *Business and Society Review* **38**(3), 268–296.
- Carroll, A. B. and Buchholtz, A. K.: 2003, *Business and Society. Ethics and Stakeholders Management*, Thomson, Mason (Ohio), 5th edition.
- Coviello, N. E., R. J. Brodie, P. J. Danaher and W. J. Johnson: 2002, 'How Firms Relate to their Markets: An Empirical Examination of Contemporary Marketing Practices', *Journal of Marketing* **66**(3), 33–46.
- Cuervo García, A.: 1989, 'Bases para el diseño organizativo de la empresa ["Establishing The Basis for The Organization Design of the Firm"]', *Papeles de Economía Española* **39**, 88–115.
- Cuesta, de la M., C. Valor, S. Sanmartin, and M. Botija: 2002, *La responsabilidad social corporativa: una aplicación al caso de España [Corporate Social Responsibility of Spanish Listed Companies]*, Madrid, UNED– FESF.
- Day, G. S.: 1994, 'The Capabilities of Market-driven Organizations', *Journal of Marketing* **58**(4), 37–52.
- Drucker, P.: 1954, *The Practice of Management* (Harper & Row Publishers Inc, New York).
- Eisenhardt, K. M.: 1989, 'Building Theories from case study research', *Academy of Management Review* **14**(4), 532–550.
- Etzioni, A.: 1990, *The Moral Dimension Toward a New Economics* (The Free Press, New York).
- European Commission: 2001, *Green Paper on Corporate Social Responsibility*, [http://www.europa.eu.int/comm/employment\\_social/soc-dial/csr/greenpaper\\_en.pdf](http://www.europa.eu.int/comm/employment_social/soc-dial/csr/greenpaper_en.pdf).
- Fernández Fernández, J.L.: 1994, *Etica para empresarios y directivos [Business Ethics for entrepreneurs and managers]*, ESIC Editorial. Madrid.
- Freeman, R. E.: 1984, *Strategic Management. A Stakeholder Approach* (Pitman Publishing, Marshfield).
- Gao, S. S. and J. J. Zhang: 2001, 'A Comparative Study of Stakeholder Engagement in Social Auditing', in J. Andriof and M. McIntosh (eds.), *Perspectives of Corporate Citizenship* (Greenleaf Publishing, Sheffield), pp. 238–278.
- García de Madariaga, J. and C. Valor: 2004, 'Analysis of the Sustainable Business Model among Spanish MNCs', *Conference Proceedings of the Academy of Marketing, Virtue in Marketing*, Cheltenham, (CD – ROM).
- Glazer, R.: 1991, 'Marketing in an Information-Intensive Environment: Strategic Implications of Knowledge as an Asset', *Journal of Marketing* **55**(4), 1–19.
- Goodijk, R.: 2003, 'Partnership at Corporate Level: The meaning of the Stakeholder Model', *Journal of Change Management* **3**(3), 225–241.
- Grönroos, C.: 1989, 'Defining Marketing. A Market-Oriented Approach', *European Journal of Marketing* **23**(1), 52–60.
- Grunig, J. E., Hunt, T.: 2000, *Dirección de RRPP [Public Relations Management]*, Gestión 2000, Barcelona.
- Gummerson, E.: 1987, 'The New Marketing: Developing Long Term Interactive Relationships', *Long Range Planning* **20**, 10–20.
- Harrison, J. S. and R. E. Freeman: 1999, 'Stakeholders, Social Responsibility, and Performance: Empirical Evidence and Theoretical Perspectives', *Academy of Management Journal* **42**(5), 479–485.
- Helfert, G., T. Ritter and A. Walter: 2002, 'Redefining Market Orientation from a Relationship Perspective: Theoretical Considerations and Empirical Results', *European Journal of Marketing* **36**(9/10), 1119–1139.
- Jackson, P.: 2003, 'Serving Stakeholders', *Ca Magazine* **136**(2), 34–36.
- Jakson, C. and T. Bundgard: 2002, 'Achieving Quality in social reporting: The role of surveys in Stakeholders consultation', *Business Ethics: A European Review* **11**(3), 253–259.
- Jaworski, B. J. and A. K. Kohli: 1993, 'Market Orientation: Antecedents and Consequences', *Journal of Marketing* **57**(3), 53–70.
- Kelada J. N. (1999) *Stakeholders Management: A Total Quality approach*, Quality Congress, ASQC Annual Quality Congress Proceedings, Milwaukee, pp. 448–461.
- Kim, S. and J. Lee: 1991, 'Contingent Analysis Of The Relationship Between is Implementation Strategies And Is Success', *Information Processing and Management* **27**(1), 111–128.
- Kohli, A. K. and B. J. Jaworsky: 1990, 'Market Orientation: the construct, research propositions, and managerial implications', *Journal of Marketing* **54**(2), 1–18.
- Kohli, A. K., B. J. Jaworski and A. Kumar: 1993, 'MARKOR: A Measure of Market Orientation', *Journal of Marketing Research* **30**(4), 467–478.
- Kohli, A. K. and B. J. Jaworsky: 1990, 'Market Orientation: The Construct, Research Propositions, and Managerial Implications', *Journal of Marketing* **54**(2), 1–18.
- Kotler, P.: 1971, 'The Elements of Social Action', *The American Behavioral* **14**(5), 691–717.

- Locke, K.: 2001, *Grounded Theory in Management Research* (Sage publications, London).
- Lozano, J. M.: 1999, *Etica y Empresa [Business Ethics]* (Trotta, Madrid).
- Mélé, D.: 2004, Corporate Social Responsibility in Spain: an Overview, Working Paper No. 543, IESE Business School.
- Mitchell, R. K., B. A. Agle and D. J. Wood: 1997, 'Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts', *Academy of Management Review* **22**(4), 853–886.
- Mitroff, I. I.: 1983, *Stakeholders Of The Organizational Mind* (Joey Bass Publishers, Ohio).
- Morgan, R. M. and S. D. Hunt: 1994, 'The Commitment-trust Theory of Relationship Marketing', *Journal of Marketing* **58**(3), 20–38.
- Narver, J. C. and S. F. Slater: 1990, 'The Effect of a Market Orientation on Business Profitability', *Journal of Marketing* **54**(4), 20–35.
- Neuman, W. L.: 1994, *Social Research Methods. Qualitative and Quantitative Approaches* (Allyn and Bacon, Boston).
- Noble, C. H., R. K. Sinha and A. Kumar: 2002, 'Market Orientation and Alternative Strategic Orientations: A Longitudinal Assessment of Performance Implications, an Empirical Examination of Contemporary Marketing Practices', *Journal of Marketing* **66**(3), 33–46.
- Omran, M., P. Atrill and J. Pointon: 2002, 'Shareholders versus stakeholders: Corporate mission statements and investor returns', *Business Ethics: A European Review* **11**(34), 318–327.
- Piercy, N. and N. Morgan: 1990, 'Internal Marketing: Making Marketing Happen', *Marketing Intelligence and Planning* **8**(1), 4–6.
- PriceWaterhouseCoopers: 2003, "Responsabilidad social de la empresa: tendencias empresariales en España" ["Corporate Social Responsibility in Spain: Trends among Companies], PWC, <http://www.pwc.com/es/esp/ins-sol/spec-int/index.html#rsc>.
- Sarantakos, S.: 1998, *Social Research* (McMillan Press, London).
- Sirgy, M. J.: 2002, 'Measuring Corporate Performance by Building on the Stakeholders Model of Business Ethics', *Journal of Business Ethics* **35**(3), 143–162.
- Slater, S. F. and J. C. Narver: 1995, 'Market Orientation and the Learning Organization', *Journal of Marketing* **59**(3), 63–74.
- Takala, T. and O. Uusitalo: 1996, 'An Alternative View of Relationship Marketing: A Framework for Ethical Analysis', *European Journal of Marketing* **30**(2), 45–60.
- Veloutsou, C., M. Saren and N. Tzokas: 2002, 'Relationship Marketing: What If...?', *European Journal of Marketing* **36**(4), 433–449.
- Vermillion, L. J., W. M. Lassar and R. D. Winsor: 2002, 'The Hunt-Vitell General Theory of Marketing Ethics: Can it Enhance Our Understanding of Principal-agent Relationships in Channels of Distribution?', *Journal of Business Ethics* **41**(3), 267–285.
- Wilson, D. T.: 1995, 'An Integrated Model of Buyer-Seller Relationships', *Journal of the Academy of Marketing Science* **23**(4), 335–345.
- Winn, M. I. and L. R. Keller: 2001, 'A Modeling Methodology for Multiobjective Multistakeholder Decisions: Implications for Research', *Journal of Management Inquiry* **10**(2), 166–181.
- Yin, R. K.: 1994, *Case Study Research. Design and Methods* (Sage, Newbury Park).
- Zinkhan, G. M.: 2002, 'Relationship Marketing: Theory and Implementation', *Journal of Market – Focused Management* **5**(2), 83–89.

J. Garcia de Madariaga  
Dpto. de Marketing,  
Universidad Complutense de Madrid,  
Campus de Somosaguas. Pozuelo de Alarcón,  
Madrid,  
Spain

C. Valor  
Dpto. de Marketing,  
Universidad Pontificia de Comillas – ICADE,  
Alberto Aguilera, 23. 28015 Madrid,  
Spain  
E-mail: [cvalor@cee.upcomillas.es](mailto:cvalor@cee.upcomillas.es)

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.